PCCW

ANNUAL REPORT 2022

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CONTENTS

ABOUT PCCW

PCCW 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 programme, 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 regions, as well as content production, artiste management and the event business.

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

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

TECHNOLOGY ECOSYSTEM

HKT is a technology, media, and telecommunication leader with more than 150 years of history in Hong Kong. As the city's true 5G provider, HKT connects businesses and people locally and globally. Our end-to-end enterprise solutions make us a market-leading digital transformation partner of choice for businesses; whereas our comprehensive mobile communication and smart living offerings enrich people's lives and cater for their diverse needs for work, entertainment, education, well-being, and even a sustainable low-carbon lifestyle. Together with our digital ventures which support digital economy development and help connect Hong Kong to the world as an international financial centre, HKT endeavours to contribute to smart city development and help our community tech forward.

MULTIMEDIA AND ENTERTAINMENT

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 regions, as well as content production, artiste management and the event business.

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

Viu, PCCW's leading pan-regional OTT video streaming service, is available in 16 markets across Asia, the Middle East and South Africa, with 66.4 million monthly active users ("MAU") as of December 2022.

The Viu service is available to consumers through a dual model with an ad-supported free tier and a premium subscription tier (consisting of different subscription options). Viu offers premium TV series, movies and lifestyle programmes in different genres from top content providers, in local and regional languages with subtitles. It also produces premium original productions under the brand "Viu Original".

In addition, Viu International Limited, through its subsidiary Moov (Hong Kong) Limited, also operates MOOV, a popular digital music streaming and live music concerts service in Hong Kong.

Domestic free TV service ViuTV is dedicated to bringing Hong Kong audiences a huge variety of television entertainment via its Cantonese channel 99 and English language channel 96 (ViuTVsix). With 24-hour daily broadcast of factual entertainment, variety shows, drama, travelogue, infotainment, news and sports programmes, ViuTV has established itself as the epitome of high quality, creative local TV production in Hong Kong. On the other hand, ViuTVsix provides top-notch television programmes from around the world.

MakerVille, the content creation and talent management arm under the PCCW Media Group, is committed to creating quality content that appeals to viewers in Hong Kong and around the world. MakerVille endeavours to expand its production and distribution businesses across different media platforms in Asia and beyond by connecting creative talent from Hong Kong and abroad. Its MakeALive platform empowers performers to organise large-scale concerts and entertainment events that could be live streamed to break the geographic barrier among audiences.

STATEMENT FROM THE CHAIRMAN

Despite the challenges faced by Hong Kong in 2022, PCCW sustained its quality in providing reliable services to support the city's recovery and empower individuals, families, and the business community.

Viu, our pan-regional OTT video streaming service, is now operating in 16 markets. It continues to deliver strong growth, achieving positive EBITDA for the first time. Viu consolidated its leading position in terms of monthly active users ("MAUs") and is ranked among the top two players in both subscriber number and streaming minutes in Southeast Asia markets. Having successfully established ourselves in these markets, we saw strong growth in both subscriptions and digital advertising. Our strong content offerings, including our popular Viu Original series, helped us gain market presence and kept our users engaged.

Our free television service, ViuTV, along with our content creation and talent management arm has been serving the Hong Kong audience with quality local entertainment options, driving growth in both free TV and digital advertising revenue. We continue to explore international collaboration opportunities to tap the market potential for local content and artistes.

Our consumer mobile business continues to support the daily connectivity needs of the public. The 5G-penetration rate for our post-paid customers exceeded expectations and is an indication of Hong Kong's readiness for smart city development. As borders reopen, we expect to see greater demand from travellers for our roaming and value-added services. We have entered the metaverse space by partnering with The Sandbox and launching Futurera, our virtual world in the metaverse. We also launched the Metaverse Academy, as we help the city to prepare itself for Web3.0.

HKT Home provides diverse services to cater to the needs of household members of all ages, from work, entertainment to education, as well as facilitating hybrid work in a world where it is becoming the norm.

On the commercial front, HKT Enterprise Solutions helps organisations achieve their goals of digital transformation. Our clients include leaders in the property and hospitality sectors, among others. As borders reopen, our team is poised to assist companies in accelerating their Greater Bay Area ("GBA") expansion.

HKT Digital Ventures, with its digital payment and e-commerce services, is supporting the growth of our digital economy, particularly through the Tap & Go mobile wallet's participation in the Government's Consumption Voucher Scheme ("CVS").

Throughout the pandemic, we have been pleased to have the opportunity to serve our Hong Kong community in multiple ways, including providing remote medical consultations through our DrGo telemedicine platform and distributing COVID-19 supplies through our corporate volunteers. We have also taken part in meaningful community initiatives, such as the Government's Strive and Rise Programme, to foster the positive development of the younger generation, particularly those who are underprivileged.

Richard Li
Chairman
24 February 2023

STATEMENT FROM THE ACTING GROUP MANAGING DIRECTOR

Year 2022 was challenging, with the fifth wave of COVID-19 significantly impacting the city. Despite the stagnant business environment hampering sentiments, the Group's performance remained resilient, delivering solid results driven by our diversified portfolio.

Industry-leading content for regional audiences

Our pan-regional OTT video service, Viu, continued to deliver strong growth and turned EBITDA-positive since the first half of 2022. In addition to remaining at the top spot in monthly active users ("MAUs") for the 12th consecutive quarter, our paid subscriber number and streaming minutes solidly placed us in the top two amongst global video streaming platforms in Southeast Asia[1]. Driven by the strong performance of our content offerings, including our expanding slate of Viu Original series, OTT segment revenue grew 36%, underpinned by increased user engagement and in-market penetration. With the increasing number of MAUs and subscribers, we continue to tap into the robust growth in premium subscription and digital advertising markets across the region as the industry expands.

Trending programmes driving domestic TV viewership

ViuTV, the Group's free TV service, trended upward in both TV and digital viewership, supported by the strong programming lineup ranging from popular dramas and variety shows to world-class sports events, including 19 exciting live FIFA World Cup 2022™ matches. Primetime programmes were well received, and total digital viewing time rose by 25%. Our content creation and talent management arm under PCCW Media further explored growth by building a multifaceted entertainment business covering TV, film, music publishing and events. Despite a softening economy, our quality content, effective advertising solutions, and brand engagements contributed to an overall revenue growth of 14% for the year.

Differentiating service adds to loyal customer base

Our Mobile business continued to lead the market in 2022 despite challenging conditions. We added about 26,000 post-paid customers over the year to reach 3.323 million. 5G subscribers surpassed the 1 million mark by year end to attain 32% of our post-paid base and contribute to ARPU uplift. Leveraging value-added applications such as augmented reality ("AR") and virtual reality ("VR"), which we believe will drive future 5G adoption, we sponsored the "Kusama Yayoi: 1945 to Now" exhibition at M+. This enabled us to create an AR-lens application for consumer engagement and promote 5G switching.

We also experienced a 41% surge in roaming revenue during Q4 as borders reopening encouraged outbound travel. Catering to travellers' discerning needs, we developed flexible, high-quality 5G roaming packages such as mainland–Hong Kong–Macau plans and daily or monthly passes for pre-purchase. With full travel resumption and 2023 international events in Hong Kong, roaming revenue is expected to hit 60-70% of pre-COVID-19 levels, making 5G adoption and roaming return dual growth engines for our mobile business this year.

Innovating for new horizons

The low latency and ultra-high speed of 5G underscore its relevance for up-and-coming immersive 3D virtual experiences in the metaverse. In light of this potential, we created Futurera – our Web3.0 virtual world – by partnering with The Sandbox and gamifying elements from ViuTV's Be ON Game programme to engage users while offering a novel pathway for Web3.0 talent recruitment. Moreover, the Metaverse Academy was launched to provide relevant training to build a tech-savvy customer base and attract quality partners for collaboration. We are also investing in e-commerce, live entertainment, and other new opportunities to grow within the metaverse.

1 Based on MPA APMD Online Video Consumer Insights Q4 2022 covering Indonesia, Malaysia, Thailand, the Philippines and Singapore.

During the year, we expanded 5G service to the MTR East Rail Line Cross-Harbour Extension to span all MTR lines. We also completed 5G coverage across Hong Kong, including indoor and rural areas, with additional spectrum and technology upgrades to increase speed and capacity. We have taken steps to reduce energy consumption, including setting up solar panels on exchange buildings and natural cooling for cell sites. Our robust fibre infrastructure and massive network enable us to support a quality customer experience and futureproof our business for intensive data consumption.

A diverse and complementary range of home solutions

HKT Home offers a newly integrated suite of services comprising broadband, fixed line, entertainment, lifestyle technology and learning solutions to better address every family's needs. As a result of digital lifestyle adoption, which has become mainstream, our fibre-to-the-home ("FTTH") subscribers increased by 3%, representing 66% of the total base. To offer flexibility, capacity and stability, we also provide a selection of connectivity options ranging from fibre-to-the-room ("FTTR") to 5G Internet and Wi-Fi 6E routers with over 1G speeds. Consumer broadband subscribers rose by about 4,000, reaching 1.465 million in 2022, alongside a 24% penetration rate for Home Wi-Fi solutions. Smart Living wholesale business with property developers increased by 35%.

Now TV continues to grow as a world-class digital platform for viewers and content partners. Leveraging our robust network infrastructure, it offers linear television alongside on-demand content across different devices, with a focus on sports fans, families with kids and drama and movie fans. FIFA World Cup Qatar 2022™, which we broadcast exclusively in Hong Kong, drove up advertising revenue by 52% half on half, while commercial subscription revenue rose 22% due to relaxed social distancing regulations. The new Now AR – FIFA World Cup™ app also provided users with an immersive experience.

Paying users of Now TV grew by 2%, reaching almost 1.4 million in 2022. As a super aggregator, our unrivalled entertainment content library and open platform continued to attract diverse audiences and OTT partners. Meanwhile, our new STEM Learning Pack and eye AI Interactive Robot help build children's language learning and coding skills. In addition, our 10,000-square-foot Sooper Yoo indoor playground encourages the holistic development of kids and promotes offline engagement.

Empowering enterprise digital transformation in the mainland and beyond

Our commercial business has been addressing increasing demand for digital transformation and tech talent shortage, particularly in the SME sector hit hard by the economic contraction. We offer innovative solutions and enterprise managed services ("EMS") to cater to specific needs across industries while accelerating Hong Kong's smart city development. As 5G creates synergy with emerging technologies such as blockchain and cloud computing, we are exploring potential revenue from ancillary services such as cybersecurity, proptech, fintech, energy management and Internet of Things ("IoT").

Supporting enterprises in capitalising on the mainland's market as borders reopen, we are committed to helping our clients expand their operations into the Greater Bay Area ("GBA") and beyond. During lockdowns, we stepped up our solutions for Hong Kong clients' remote business management, enhancing service at scale in the retail and insurance industries. Despite anti-pandemic measures, our mainland business registered a growth of 57% from local and multinational clients. We will continue expanding our offerings and partnerships to further scale up our services.

We have been strengthening our international coverage by improving customer experience locally and providing secure global connectivity via PCCW Global's network of over 140 points of presence, 60 international cable systems, 160 cloud zones, and 850 data centres. A software-defined platform has been rolled out to automate connectivity for users to independently manage speed and performance.

Strategic partnership unlocking significant prospects

In August, we concluded our agreement with Lenovo Group Limited to establish a partnership creating a technology solutions business in the Asia Pacific region. The new entity, known as Lenovo PCCW Solutions Limited ("LPSL"), leverages expertise and a highly skilled talent pool from both companies to grow in reach and competitiveness across the region. LPSL is uniquely positioned to capture the growth opportunities in the Asia IT Services market, which is expected to grow at a CAGR of more than 10% to exceed US$470 billion by 2026, according to market data estimates. Together with the partnership, we remain fully committed to supporting the digital transformation of Hong Kong, for both the public and private sectors, as a smart city.

AI-enabled personalised digital services

We have been actively promoting the digital economy by growing our digital payment service and supporting the Government's Consumption Voucher Scheme ("CVS"). We launched complementary measures to help SMEs capture the surge in business and reduce operating costs, including waiving fees for Tap & Go and FPS transactions and SmartPOS rental fees. In 2022, consumer spending on Tap & Go soared by 55% year on year, while merchant transaction volume jumped 68%.

Our integrated loyalty and digital commerce online platform, The Club, registered a growth of 5% in membership and 2% in Gross Merchandise Value ("GMV"), of which non-phone GMV rose by 16%. We have diversified product offerings to meet target audiences' needs, partnering internally and externally with market leaders such as Agoda to offer air travel, hotel accommodations, roaming services, and other packages. As we better grasp customer preferences, we are able to further tailor our offerings, eventually integrating them into a single sign-on platform. The resulting "super app" will, in turn, enhance members' experience while creating a flywheel of increased engagement and spending.

DrGo, our healthtech platform, remains committed to providing teleconsultation services. In 2022, we recorded 15-fold growth in video consultations with 352,000 registered members. We have linked up with 130 doctors and 15 medical partners to meet the increasing demand. Working with organisations, we have been offering preventive care (e.g. atrial fibrillation screenings, bone density tests, diabetes monitoring, and Traditional Chinese Medicine) to safeguard the public's well-being.

During the pandemic, we have provided free hotline and Internet services for COVID-19 isolation facilities and underprivileged individuals. Over 100 volunteers also participated in the Government's Strive and Rise Programme as mentors for disadvantaged youth. Contributing to protecting the planet, we have partnered with Mastercard to support reforestation through Priceless Planet Coalition. Doing our part to tackle climate change, we have devised energy-management solutions for corporates and households, plus Smart Charge EV charging for green transport. We have also committed US$2 billion towards sustainability-linked loan facilities.

Outlook

The past year marked a turn for Hong Kong after three years of living under COVID-19. As travel resumed, business activities picked up quickly, getting 2023 off to a positive start despite tensions between China and the US and the Federal Reserve's hawkish stance. The Group's multifaceted offerings spanning technology, media and telecommunications not only equip us to withstand the ebb and flow of business cycles and volatilities but also form a unique ecosystem as an edge for us to capture evolving opportunities such as Web3.0, digital economy, smart city, GBA and environment, social and governance ("ESG").

Susanna Hui
Acting Group Managing Director
24 February 2023

Financial Highlights

Revenue
HK$36,065M
+2%

EBITDA
HK$12,388M
+6%

Total Dividend Per Share
38.04 HK cents

Media Business

OTT Business Revenue
HK$2,012M
+36%

OTT Business EBITDA
1st Full-Year Positive
HK$178M

Content Distributed To
170+ Markets
Via 20+ Platforms

Viu Paid Subscribers
12.2M
+45%

Viu Monthly Active Users
66.4M
+13%

Free TV & Related Business Revenue
HK$910M
+14%

Free TV & Related Business EBITDA
HK$97M
+3%

ViuTV Average Primetime Ratings
+6%

HKT

Consumer Broadband Subscribers

1.465M +4K

Now TV Subscribers

1.398M +2%

DrGo Registered Users

352K +27%

5G Customers

1.061M

The Club Members

3.71M +5%

Tap & Go Accounts

3.63M

SIGNIFICANT EVENTS IN 2022

Now TV extends exclusive Premier League broadcast rights to 2024/25 seasons

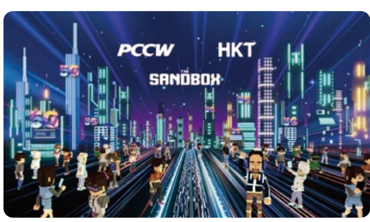
PCCW & HKT corporate volunteers distribute anti-epidemic service bags

HKT Enterprise Solutions launches a HK$32 million campaign to support SMEs

MakerVille launched for the development of content, talent and events

Tap & Go continues to be selected as one of the Stored Value Facilities to assist in disbursing consumption vouchers

HKT extends 5G network to East Rail Line Cross-Harbour Extension, becoming the first mobile operator to provide 5G coverage along all MTR lines



PCCW-HKT becomes the first Hong Kong-based integrated communications, media and technology (CMT) organisation to join the metaverse; launches Metaverse Academy

PCCW Solutions and City University of Hong Kong join hands to develop smart city solutions and nurture digital technology talent

Citibank and The Club deepen partnership with the official launch of Citi The Club Credit Card

Lenovo and PCCW announce strategic partnership to form technology solutions powerhouse in Asia Pacific

HKT and New World Development form strategic alliance to accelerate digital transformation and bring cloud-based "Workplace for Tomorrow" to the Guangdong-Hong Kong-Macao Greater Bay Area

HKT launches eye AI Interactive Robot in Hong Kong, enhancing children's learning abilities

DrGo introduces first-in-Asia FibriCheck for atrial fibrillation function

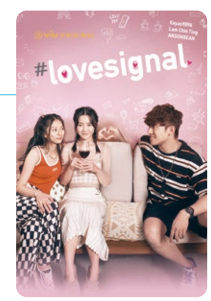
Reborn Rich becomes most viewed title on Viu across its 16 markets in the first 10 days of broadcast; Song Joong-ki appears at Viu Singapore press event for the drama

Mastercard and HKT announce expanded partnership to build sustainable smart city through Priceless Planet Coalition

Viu strengthens its position as one of the top OTT streaming platforms in Greater Southeast Asia, with its different local teams winning 24 accolades at Asian Academy Creative Awards, 16 at Marketing Excellent Awards, and three from Marketing Interactive

PCCW & HKT support Government's Strive and Rise (共創明Teen) initiative

Viu Hong Kong releases its first Viu Original, #LoveSignal



Sooper Yoo, a 10,000-square-foot indoor playground in Island West, is launched to provide experiential games with interactive technologies and physical training for children

HKT becomes Major Sponsor of "Yayoi Kusama: 1945 to Now", the largest retrospective of renowned artist Yayoi Kusama (草間彌生) in Asia outside Japan

Now TV and ViuTV exclusively broadcast FIFA World Cup Qatar 2022™, bringing real-time statistics through the new Now AR – FIFA World Cup™ app to the audience

HKT becomes first Hong Kong-based service provider to receive SD-WAN + Cloud Network Convergence Award from CAICT in mainland China for managed SD-WAN services

CSL Mobile offers Nothing phone (1) on exclusive basis

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

LI Tzar Kai, Richard

Chairman

Mr Li, aged 56, 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.

HUI Hon Hing, Susanna

Acting Group Managing Director and Group Chief Financial Officer

Ms Hui, aged 58, was appointed an Executive Director of PCCW in May 2010 and became Acting Group Managing Director of PCCW in March 2022. She has also been the Group Chief Financial Officer of PCCW since April 2007. She is a member of PCCW's Executive Committee and holds directorships in various 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.

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 24 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.

Ms Hui is a Fellow and a Council Member of The Hong Kong Management Association. She is also a member of the General Committee of Employers' Federation of Hong Kong as well as the Hong Kong Trade Development Council Belt and Road & Greater Bay Area Committee and its Greater Bay Area Task Force on Innovation and Technology. In addition, she is a non-official member of the Digital Economy Development Committee of the Hong Kong Special Administrative Region Government and a Director of Mox Bank Limited.

NON-EXECUTIVE DIRECTORS

TSE Sze Wing, Edmund, GBS

Non-Executive Director

Mr Tse, aged 85, 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 AIA Philippines Life and General Insurance Company Inc. (formerly known as The Philippine American Life and General Insurance (PHILAM LIFE) 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.

MENG Shusen

Non-Executive Director

Ms Meng, aged 50, 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 52, 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 the 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 52, 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 an executive director of Zall Smart Commerce Group Ltd.; 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 and the chairman of Vision Deal HK Acquisition Corp. and chairs its nomination committee. He also serves as a non-executive director of JNBY Design Limited and Polestar Automotive Holding UK PLC.

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 76, 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 61, 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 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 58, 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. In addition, he is an investment professional primarily with responsibility in the Asia region. Previously, he was a Managing Director of 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 Carbon, Inc., Eka Software Solutions and Peloton Computer Enterprises. Mr Lee graduated from Stanford University.

Lars Eric Nils RODERT

Independent Non-Executive Director

Mr Rodert, aged 61, was appointed an Independent Non-Executive Director of PCCW in November 2012 and is a member of the Audit Committee and the Nomination 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 was a director of Brookfield Infrastructure Partners L.P.'s Managing General Partner from 2010 to 2013. He was previously a director of Brookfield Property REIT Inc., which was delisted in July 2021 following its merger with Brookfield Asset Management Inc. became effective. 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 65, was appointed an Independent Non-Executive Director of PCCW in November 2013. He is also a member of the Regulatory Compliance Committee of the Board. He was the Independent Non-Executive Chairman and Director of PCCW Media Limited, a subsidiary of PCCW from November 2013 to September 2022.

Mr Chance is a Non-Executive Chairman 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.

Sharhan Mohamed MUHSEEN MOHAMED
Independent Non-Executive Director

Mr Muhseen, aged 47, was appointed an Independent Non-Executive Director of PCCW in February 2023.

Mr Muhseen is a senior investment banker with extensive experience in areas of mergers and acquisitions, corporate finance and capital markets. He has served in a senior board capacity working with company boards and senior leadership teams of corporates across Asia to help drive their strategic agenda and roadmap.

Mr Muhseen currently is the Deputy Chairman and a Non-Executive Independent Director of Commercial Bank of Ceylon PLC, and a Non-Executive Independent Director of each of Gestetner of Ceylon PLC, David Pieris Holdings (Private) Limited and Amãna Takaful Life PLC.

Mr Muhseen previously worked in global investment banks including Credit Suisse, Bank of America Merrill Lynch and JPMorgan in leading regional coverage roles. He was Managing Director, Head of Asia Insurance, Head of South-East Asia Financial Institutions Group, and Country Manager Sri Lanka at Credit Suisse based in Singapore. In his investment banking career spanning over 20 years, Mr Muhseen has completed landmark mergers and capital raising transactions in excess of USD100 billion.

Mr Muhseen also has experiences at the Sri Lankan government policy level, working as a Team Leader at the National Council for Economic Development (NCED) under the Ministry of Finance as well as a Director at the TAFREN presidential task force for rebuilding the economy after the 2004 Tsunami.

Mr Muhseen holds a Masters in Economics from the University of Colombo and a Bachelor of Business Administration (Hons) from Western Michigan University.

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'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. PCCW generates and preserves value by investing in these businesses and pursuing growth opportunities.

CULTURE

The Company strives to leverage our expertise in technology, media and telecommunications to raise the quality of lives of people, help businesses thrive, and contribute to the sustainable development of our community. We embrace a culture of integrity, respect, collaboration, inclusion and care, where our teams are committed to continuous innovation and pursuit of excellence for the good of the Company and society at large. Our directors lead the drive to promote this culture across our organisation.

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 31 December 2022.

As disclosed in the announcement of the Company dated 24 June 2022, Mr David Lawrence Herzog resigned as an Independent Non-Executive Director of the Company and thereby as a member of various committees of the Board. Mr Lars Eric Nils Rodert, an Independent Non-Executive Director of the Company, was appointed as a member of the Nomination Committee of the Board with effect from 12 August 2022 in compliance with Rule 3.27A of the Listing Rules.

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 13 May 2022 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 F.2.2 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.

BOARD OF DIRECTORS *(CONTINUED)*

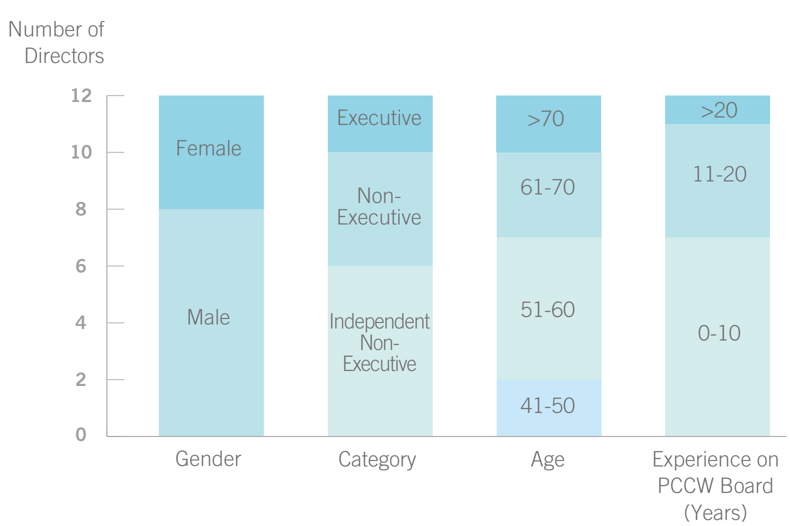
The Chairman of PCCW is Li Tzar Kai, Richard. BG Srinivas retired as the Group Managing Director with effect from 28 February 2022 and Hui Hon Hing, Susanna was appointed as the Acting Group Managing Director of PCCW with effect from 1 March 2022. The role of the Chairman is separate from that of the Acting 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 Acting 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 31 December 2022, 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 12 directors including two executive directors, four 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 12 to 17 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 Composition



BOARD OF DIRECTORS *(CONTINUED)*

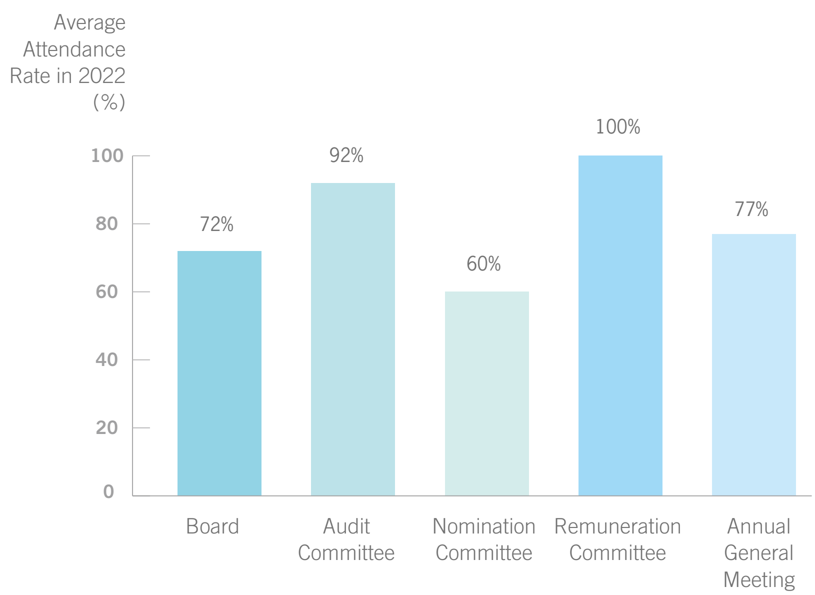
Board Composition *(continued)*

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 five meetings in 2022. The annual general meeting of the Company was held on 13 May 2022 with the attendance of the external auditor to answer questions.

The following charts show the average meeting attendance rate in 2022 and the attendance of individual directors at the Board and its committee meetings, and the annual general meeting held in 2022:



BOARD OF DIRECTORS *(CONTINUED)*

	Meetings attended/eligible to attend in 2022 *(Note 1)*				
Name	Board	Audit Committee	Nomination Committee	Remuneration Committee	Annual General Meeting *(Note 2)*
Executive Directors					
Li Tzar Kai, Richard	4/5	N/A	0/1	N/A	1/1
BG Srinivas *(Note 3)*	1/1	N/A	N/A	N/A	N/A
Hui Hon Hing, Susanna	5/5	N/A	N/A	N/A	1/1
Non-Executive Directors					
Tse Sze Wing, Edmund	4/5	N/A	N/A	N/A	1/1
Mai Yanzhou *(Note 4)*	0/2	N/A	N/A	N/A	0/1
Meng Shusen	2/5	N/A	N/A	1/1	0/1
Wang Fang	0/5	N/A	0/1	N/A	0/1
Wei Zhe, David	3/5	N/A	N/A	1/1	1/1
Independent Non-Executive Directors					
Aman Mehta	5/5	4/4	1/1	1/1	1/1
Frances Waikwun Wong	5/5	N/A	1/1	1/1	1/1
Bryce Wayne Lee	4/5	3/4	N/A	1/1	1/1
Lars Eric Nils Rodert *(Note 5)*	4/5	4/4	N/A	N/A	1/1
David Christopher Chance *(Note 6)*	4/5	N/A	N/A	N/A	1/1
David Lawrence Herzog *(Note 7)*	2/2	N/A	1/1	1/1	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 2022 annual general meeting by video/audio conferencing.
3. Retired as an Executive Director with effect from 28 February 2022.
4. Resigned as a Non-Executive Director with effect from 30 May 2022.
5. Appointed as a member of the Nomination Committee with effect from 12 August 2022.
6. Appointed as a member of the Regulatory Compliance Committee with effect from 12 August 2022.
7. Resigned as an Independent Non-Executive Director and as a member of each of the Nomination Committee, Remuneration Committee and Regulatory Compliance Committee with effect from 24 June 2022.

BOARD OF DIRECTORS *(CONTINUED)*

The Company has received from each of its independent non-executive directors a 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 Sharhan Mohamed Muhseen Mohamed, are 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.

The Board has established mechanisms to ensure independent views and input are available to the Board. A private meeting between the Chairman and the independent non-executive directors takes place at least once each year, to provide an avenue for independent views to be communicated to the Chairman directly. The Board also conducts an annual evaluation of its performance, whereby directors anonymously submit their comments on the effectiveness of the Board and suggest areas for improvement. In addition, directors are entitled to take independent professional advice as appropriate at the expense of the Company in order to facilitate proper discharge of their duties.

According to the Articles of Association, any director appointed by the Board either to fill a casual vacancy or as an addition to the Board shall hold office only until the first annual general meeting of the Company after his appointment 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 made contributions to the Board; 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 31 December 2022 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 organised by the company secretary, and the operations, organisation 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 organises seminars presented by qualified professionals on relevant topics with emphasis on directors' duties and responsibilities which count towards their CPD training.

According to the directors' training records provided to the Company for the year ended 31 December 2022, the CPD training undertaken by all directors during the year is summarised as below:

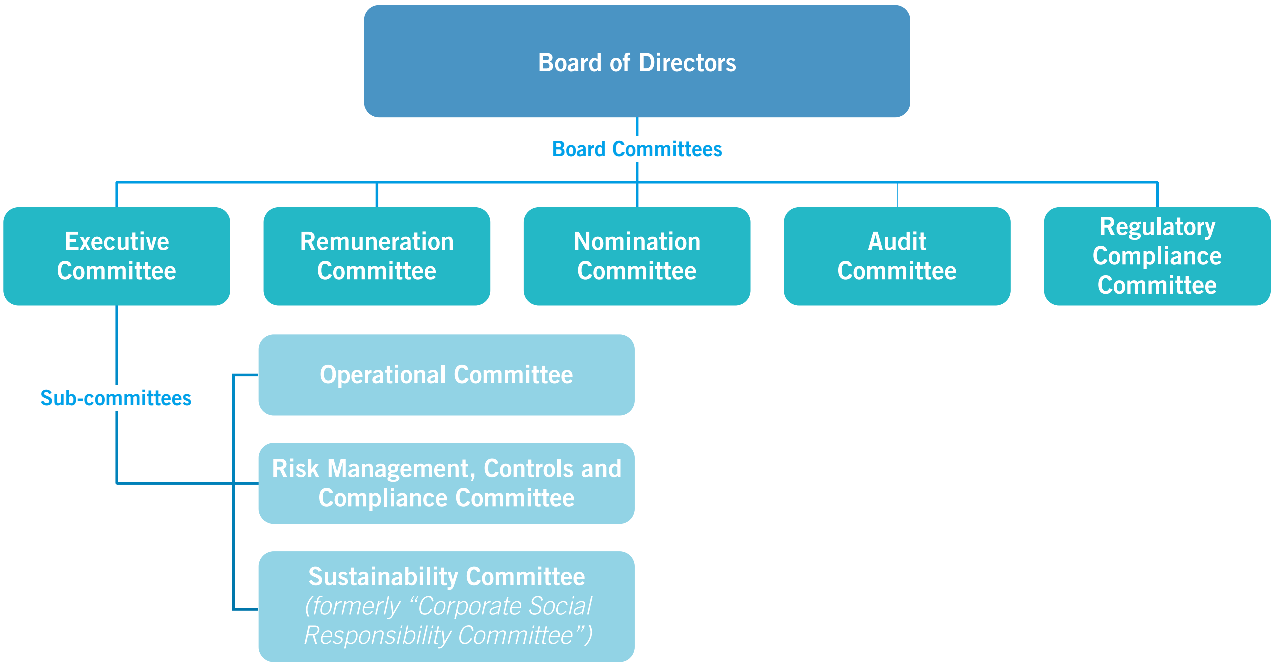
Name of Director	Type of CPD training *(Note(s))*
Current Directors	
Li Tzar Kai, Richard	(a), (b)
Hui Hon Hing, Susanna	(a), (b)
Tse Sze Wing, Edmund	(a), (b)
Meng Shusen	(a), (b)
Wang Fang	(b)
Wei Zhe, David	(a), (b)
Aman Mehta	(a), (b)
Frances Waikwun Wong	(a), (b)
Bryce Wayne Lee	(a), (b)
Lars Eric Nils Rodert	(a), (b)
David Christopher Chance	(a), (b)
Former Directors	
BG Srinivas	(b)
Mai Yanzhou	(b)
David Lawrence Herzog	(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 three members, including the following two executive directors and a non-director member of management:
Li Tzar Kai, Richard *(Chairman)*
Hui Hon Hing, Susanna

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

(1) BG Srinivas retired as a member with effect from 28 February 2022;

(2) Mai Yanzhou resigned as a member with effect from 30 May 2022; and

(3) a non-director member of management was appointed as a member with effect from 12 August 2022.

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 Acting 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 & 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 *Sustainability Committee*, which reports to the Executive Committee, was renamed from the "Corporate Social Responsibility Committee" to the "Sustainability Committee" on 24 February 2023. It is comprised of senior members of PCCW's Group Communications, Group Human Resources, Group Legal Office and Corporate Secretariat, Group Finance, Group Risk Management & Compliance, Network Planning and Operations, Investor Relations, and Group Purchasing & 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 sustainability strategy, principles and policies; setting guidance, direction and overseeing practices and procedures; and monitoring progress on the Company's sustainability 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 five members, including three 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

During the year, David Lawrence Herzog resigned as a member of the Remuneration Committee with effect from 24 June 2022.

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 once in 2022. The attendance of individual directors at the committee meetings is set out on page 22 of this annual report.

The work performed by the Remuneration Committee during 2022 included:

(i) review and approval of the emoluments of executive directors and senior management, including 2021 performance bonus;

(ii) review and approval of the 2022 business key performance indicators and performance bonus scheme for executive director and senior management;

(iii) review of the proposed issue and allotment of new shares of the Company under the general mandate for grant of awards pursuant to the Company's share award scheme, with a recommendation to the Board for approval;

(iv) review and approval of the amended and restated scheme rules of the Company's share award schemes;

(v) review of the extension of the duration of the Company's share award schemes which expired in November 2022, with a recommendation to the Board for approval; and

(vi) 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 recognises the importance of having a diverse team of Board members, which is an essential element in maintaining an effective Board.

The Group worked relentlessly in the past year towards our corporate objectives in diversity and inclusion. In 2022, our total workforce gender diversity is at 41:59 female to male ratio. The gender diversity ratio for senior staff is at 32:68. We consider that at present there is a reasonably high gender diversity in the Group's workforce, and will continue to monitor the need to maintain or, if desired or necessary, increase diversity to meet our corporate objectives.

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, develop measurable objectives for achieving diversity of the Board and monitor the implementation of the Board Diversity Policy and the Nomination Policy as appropriate. As at the date of this annual report, the female representation on the Board is 33%, which exceeds the target set as a long-term objective under the Board Diversity Policy when it was adopted. As such, the implementation of the Board Diversity Policy is considered to be effective. The Nomination Committee considers that at present there is a reasonably high gender-diversity in the Board, and will continue to monitor the need for appointing members of a particular gender in order to maintain or, if desired or necessary, increase diversity. Both the Board Diversity Policy and the Nomination Policy are available on the Company's website.

In assessing the suitability of a candidate as well as considering the Board's succession, the Nomination Committee will give consideration to the Nomination Policy and the Board Diversity Policy, including the measurable objectives set for achieving diversity. 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, among 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
Lars Eric Nils Rodert

BOARD COMMITTEES *(CONTINUED)*

Nomination Committee *(continued)*

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

(1) David Lawrence Herzog resigned as a member with effect from 24 June 2022; and

(2) Lars Eric Nils Rodert was appointed as a member with effect from 12 August 2022.

On 24 February 2023, the Nomination Committee, having reviewed the Board's structure, size and composition, nominated Hui Hon Hing, Susanna, Aman Mehta, David Christopher Chance and Sharhan Mohamed Muhseen Mohamed 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 each of Aman Mehta, David Christopher Chance and Sharhan Mohamed Muhseen Mohamed has the required integrity, skills and knowledge to continue acting in an independent capacity and contributing to the diversity on the Board with their unique combination of experience and knowledge as described in their biographies 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.

The Nomination Committee met once in 2022. The attendance of individual directors at the committee meeting is set out on page 22 of this annual report.

The work performed by the Nomination Committee during 2022 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 2022 annual general meeting; and

(iii) 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.

BOARD COMMITTEES *(CONTINUED)*

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 31 December 2022, 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$24 million, HK$3 million and HK$78 million, respectively.

On 22 February 2023, 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 2023 at the forthcoming annual general meeting.

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

The members of the Audit Committee during 2022 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 2022, the committee met four times. The attendance of individual directors at the committee meetings is set out on page 22 of this annual report.

BOARD COMMITTEES *(CONTINUED)*

Audit Committee *(continued)*

The work performed by the Audit Committee during 2022 included:

(i) review of the draft annual report and the draft annual results announcement for the year ended 31 December 2021, with a recommendation to the Board for approval;

(ii) annual review and approval of PricewaterhouseCoopers' confirmation of independence, its report to the Audit Committee and the draft management representation letter for the year ended 31 December 2021, with a recommendation to the Board for the re-appointment of PricewaterhouseCoopers at the 2022 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 31 December 2021, with a recommendation to the Board for approval;

(iv) annual review of the continuing connected transactions (including PricewaterhouseCoopers' report on the continuing connected transactions) for the year ended 31 December 2021, with a recommendation to the Board for approval;

(v) review of the continuing connected transactions with relevant members of the FWD group in respect of the provision and receipt of certain services and products by the Group to or from the FWD group for the three years ending 31 December 2025, with a recommendation to the Board for approval;

(vi) review of the transactions with certain members of HKT which constitute continuing connected transactions for HKT for the three years ending 31 December 2025, and of the related announcement by HKT Trust and HKT, with a recommendation to the Board for approval;

(vii) 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 2022;

(viii) review of the draft interim report and the draft interim results announcement for the six months ended 30 June 2022, with a recommendation to the Board for approval;

(ix) review and approval of PricewaterhouseCoopers' confirmation of independence and its report to the Audit Committee for the six months ended 30 June 2022;

(x) review and approval of the audit strategy memorandum for the year ending 31 December 2022;

(xi) review and approval of PricewaterhouseCoopers' draft audit engagement letter for the year ending 31 December 2022;

(xii) review and approval of PricewaterhouseCoopers' pre-year end report to the Audit Committee for the year 2022;

(xiii) consideration and approval of the 2022 audit and non-audit services and pre-approval of the 2023 annual budget for audit and non-audit services;

BOARD COMMITTEES *(CONTINUED)*

Audit Committee *(continued)*

(xiv) review of the draft corporate governance report and practices for the year ended 31 December 2021 and the corporate governance disclosure for the six months ended 30 June 2022, in each case with a recommendation to the Board for approval;

(xv) review of the draft environmental, social and governance ("ESG") report for the year ended 31 December 2021, with a recommendation to the Board for approval;

(xvi) review and assessment of effectiveness of the risk management and internal control systems of the Group during 2022;

(xvii) review of the results of the directors' self-evaluation and the Board's self-assessment exercise for the year ended 31 December 2021 to evaluate the performance of the Board, its committees, and directors' contribution, with a recommendation to the Board for approval;

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

(xix) 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 31 December 2022, with recommendations to the Board for approval.

Regulatory Compliance Committee

The Regulatory Compliance Committee of the Company is currently 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. The written terms of reference setting out the committee's authority and duties are posted on the websites of the Company and HKEX.

As at the date of this annual report, the members of the Regulatory Compliance Committee are:
Frances Waikwun Wong *(Chairperson)*
David Christopher Chance
Tse Sze Wing, Edmund

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

(1) David Lawrence Herzog resigned as a member with effect from 24 June 2022; and

(2) David Christopher Chance was appointed as a member with effect from 12 August 2022.

REGULATORY COMPLIANCE COMMITTEE OF PCCW MEDIA LIMITED

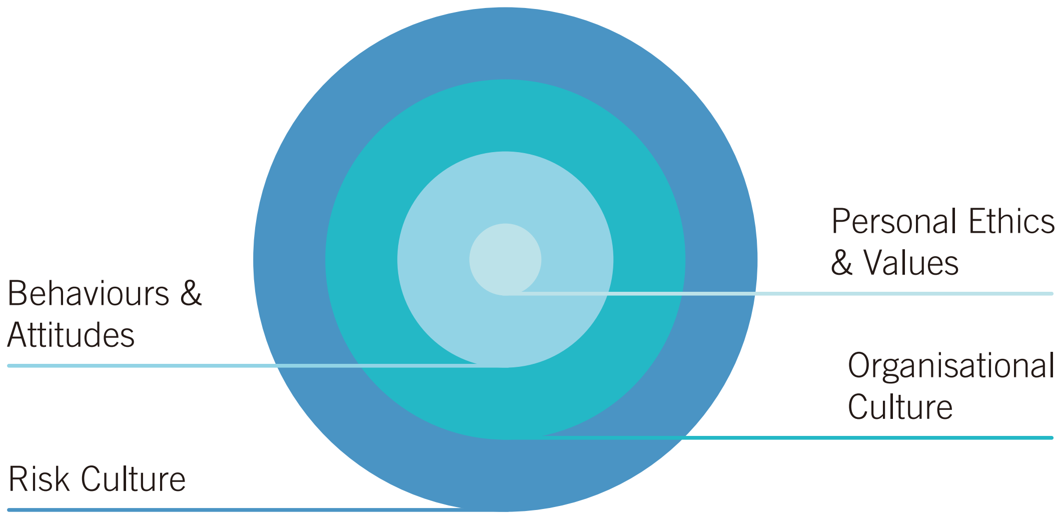
PCCW Media Limited ("PCCW Media"), previously an indirect wholly-owned subsidiary of the Company, has become an indirect wholly-owned subsidiary of HKT since September 2020. The Regulatory Compliance Committee of PCCW Media is comprised of the same members as the PCCW Regulatory Compliance Committee. 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 Broadcasting Ordinance. The 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 (including ESG related risks) 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, along with ESG performance and reporting, as well as the resourcing of both finance and internal audit functions.

Risk Management Culture

Risk management culture drives our shared common values, attitudes and responsible behaviours towards managing and monitoring risks in the daily operating processes. A strong and effective risk management culture facilitates the Group to informed decision making processes that embed risks. The Group has a well-instilled risk management culture to ensure that the operating units, as first line risk owners are accountable for identifying and managing the risks they have accepted with the corresponding control measurements to ensure there is an effective process in place to manage those acceptable risks across different levels of business activity. In addition, the Group Risk Management & Compliance ("GRM&C") plays an oversight role in formulating and supervising the Group's enterprise risk management framework while providing advisory support to key business risk management decisions.



Advocating the importance of installing culture in sound compliance and risk management across the Group, our ethical standards have been reinforced by a comprehensive scope of Group policies and procedures and all Group members, including directors, officers, and employees, must adhere to a set of behaviour standards that goes beyond the local statutory requirements.

RISK MANAGEMENT AND INTERNAL CONTROLS *(CONTINUED)*

Risk Management Culture *(continued)*

Whistleblowing Policy and Procedure Manual	Anti-Bribery and Corruption Policy and Procedure Manual	Procedures in handling and dissemination of inside information (part of Corporate Responsibility Policy)
The Audit Committee has established and overseen a whistleblower policy and procedure manual, 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 Group Internal Audit ("GIA") to receive on his/her 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 Board has zero tolerance towards any form of bribery and corruption. Our Anti-Bribery and Corruption Policy ("ABC Policy") is established to provide guiding principles for all directors, officers, employees, and external parties acting in any capacity on behalf of the Group to conduct business with integrity and honesty and to reduce the risk of corruption. Furthermore, an Anti-Bribery and Corruption Procedure Manual has also been developed to provide detailed guidance on mitigating potential bribery and corruption risks in conjunction with the ABC Policy while maintaining the highest possible ethical standards in its business practice.	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.

Governance Structure and Enterprise Risk Management Framework

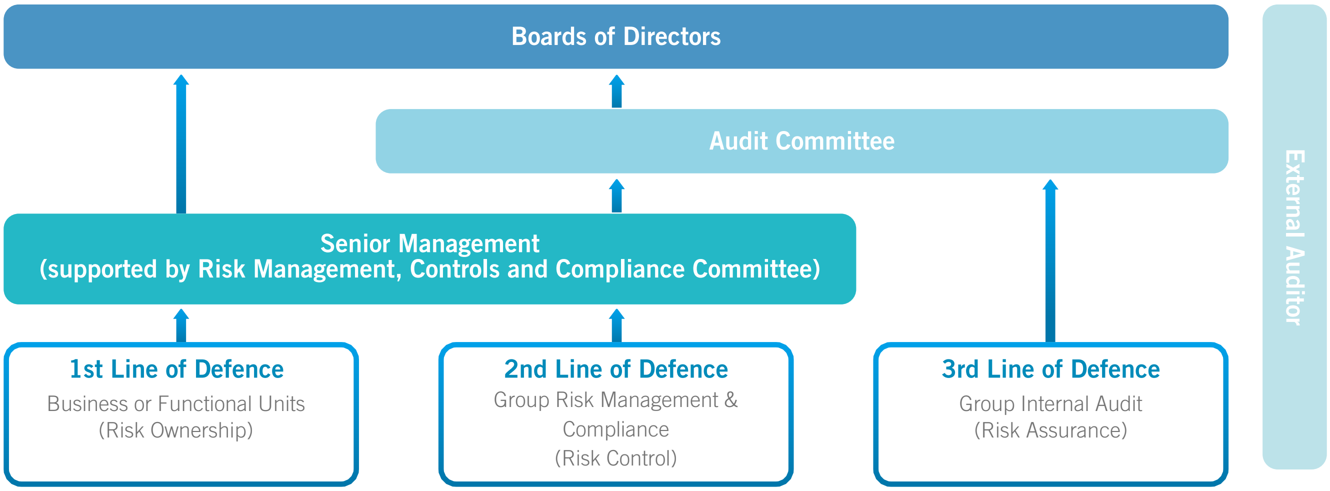
The Group has established an organisational structure with defined levels of responsibility, reporting and escalation procedures. The Risk Management, Controls and Compliance Committee ("RMCCC") and GIA assist the Board and/or the Audit Committee in reviewing the effectiveness of the Group's risk management 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, while relevant rules and regulations are being adhered to and complied with, including reliable financial and accounting records are maintained in accordance with relevant accounting standards and regulatory reporting requirements, as well as 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.

RISK MANAGEMENT AND INTERNAL CONTROLS *(CONTINUED)*

Governance Structure and Enterprise Risk Management Framework *(continued)*

The Group's enterprise risk management framework is guided by the "Three Lines of Defence" 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 categorisation 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 which the First and Second Lines of Defence operate in achieving firm-wide risk management and control objectives.

GRM&C is responsible for the supervision of enterprise risk management activities while reviewing significant aspects of risk exposures to 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. GRM&C is responsible for managing the Group business risk portfolio while working with the Audit Committee to ensure that the business risk registers are kept current, factual and consistent across all operating units. 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.

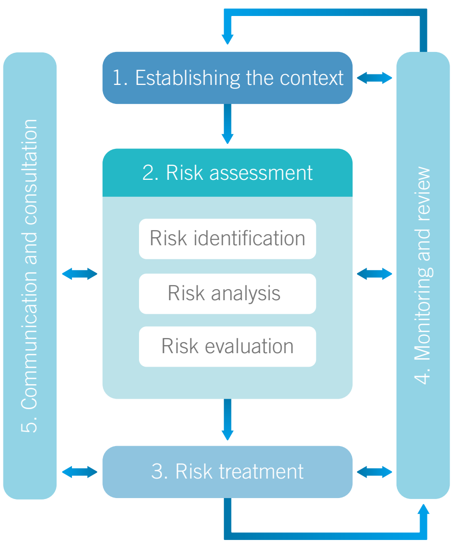
RISK MANAGEMENT AND INTERNAL CONTROLS *(CONTINUED)*

Governance Structure and Enterprise Risk Management Framework *(continued)*

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 Acting 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 analyse 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 Committees 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 Boards and/or Audit Committees to provide independent assurance on the effectiveness of risk management function.

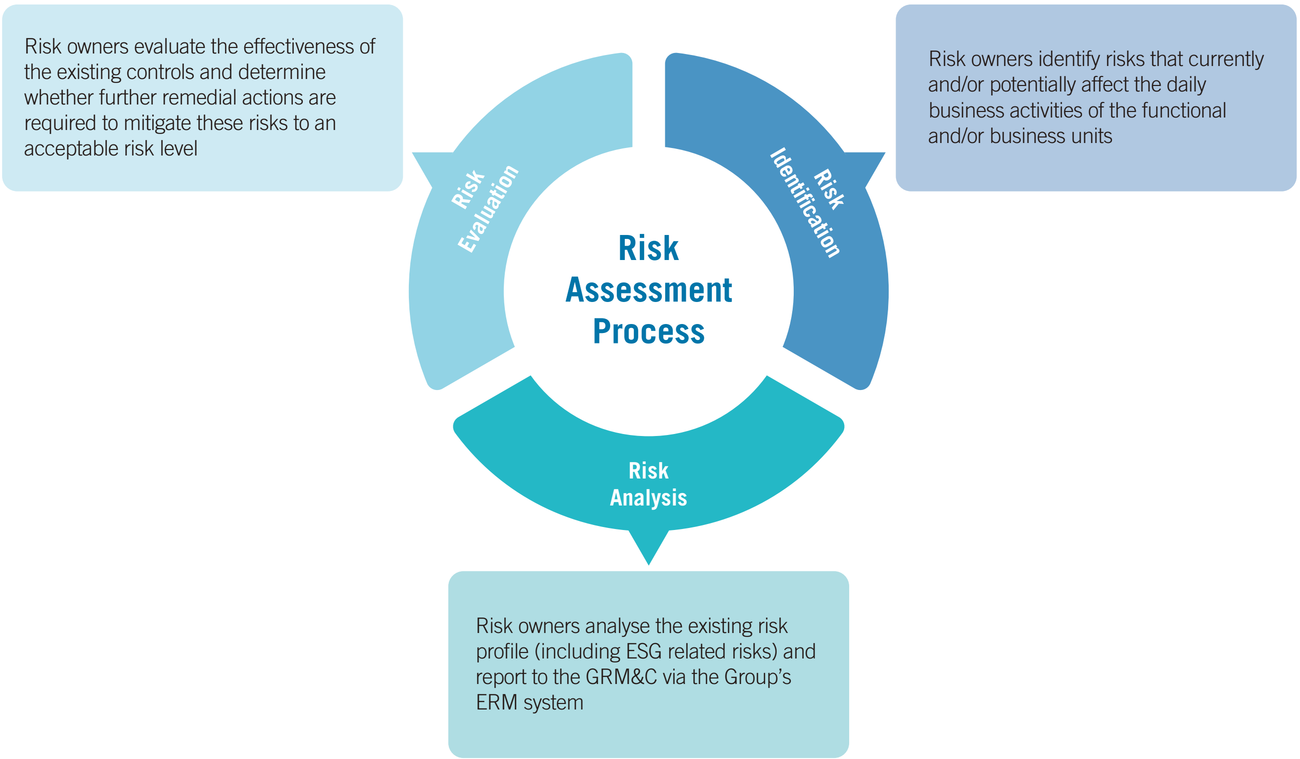
The Group has adopted policies and procedures for assessing and, where prudent, improving the effectiveness of its enterprise risk management and internal control systems, including the requirement for executive management of the Group to regularly assess, and at least annually to certify that such aforementioned 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.

RISK MANAGEMENT AND INTERNAL CONTROLS *(CONTINUED)*

Governance Structure and Enterprise Risk Management Framework *(continued)*

Below diagram demonstrates the ongoing risk assessment process adopted by the Group:



Our key risk monitoring activities are conducted on an ongoing basis by risk owners who review and monitor the remedial actions of their respective operating units. Review results are recorded in the operating units risk registers for tracking and incorporated into the Group's consolidated repository for analysis of potential strategic implications and regular reporting to senior management and directors of the Group.

Review of the effectiveness of the Risk Management and Internal Control Systems

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 2022, 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 standardising 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.

RISK MANAGEMENT AND INTERNAL CONTROLS *(CONTINUED)*

Review of the effectiveness of the Risk Management and Internal Control Systems *(continued)*

Over the same period, GIA conducted reviews on the effectiveness of the Group's risk management and internal control systems over financial, operational and compliance controls with emphasis on information technology and security, data privacy and protection, business continuity management and regulatory compliance. 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 has provided with the authority in reviewing 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 programmes and the budget of accounting, financial reporting, GRM&C and GIA functions as well as other corporate functions pertaining to the Group's ESG performance and reporting. Both the Board and the Audit Committee remained 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.

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.

Principal Risks and Uncertainties

The ability of the Group to manage risks, including ESG related risks in accordance with the latest requirements of 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.

Set out in the table below are the principal risks and uncertainties encountered by the Group as well as its corresponding key mitigating strategies. These risks 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 principal risks listed below are by no means exhaustive or comprehensive, and there may be other risks, 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.

RISK MANAGEMENT AND INTERNAL CONTROLS *(CONTINUED)*

Principal Risks and Uncertainties *(continued)*

Risk	Risk Level Trend in 2022	Description	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 cybersecurity threats.	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 realised. A series of controls are implemented to enforce cybersecurity best practice in operations. For instance, deploying DLP solutions to further enhance data protection capabilities as well as firewall management tool, evaluating new protection mechanism to protect legacy system and collaborating with vendors and consultants in gathering intelligence to further enhance cyber threats visibility. In addition, the Group has also been obtaining ISO 27001 certification across our data centres, integrating cybersecurity training techniques through utilising in-house resources and performing security review on critical infrastructure including penetration test to further mitigate the risk exposure to cybersecurity threats.
Information Security and Data Protection		With the Group's comprehensive digital ecosystem, information security and customer data privacy protection are one of the material risk attributes recognised.	The Group has ensured a strict compliance with applicable data privacy laws and the Group Information Technology Security Policy in daily operations by constantly reviewing endpoint security and network protection to ensure an alignment between Group information security standards and our data privacy obligations.

RISK MANAGEMENT AND INTERNAL CONTROLS *(CONTINUED)*

Principal Risks and Uncertainties *(continued)*

Risk	Risk Level Trend in 2022	Description	Key Mitigation Strategies
Technology Risk *(continued)*			
Technology Trend		Rapid speed of disruptive innovations enabled by evolution of Web3.0 technologies in Metaverse and other market forces may outpace the ability of the Group to face with creeping technological complexity and new customer experience.	The Group has been staying vigilant in identifying potential vulnerabilities, while exercising effective governance and oversight in risk management in the new era of data monetisation, including brand reputation, business partner screening, contract review, data security and privacy, digital assets protection, as well as introducing Know-Your-Transaction framework and monitoring protocols to mitigate the money laundering risk in crypto transactions.
Regulatory and Legal Risk			
Non-compliance with Laws and Regulations		The Group operates in markets and industries requiring compliance with legal and regulatory standards in various jurisdictions, such as telecommunications, broadcasting, use of personal data, financial related services, etc.	The Group has been reinforcing stringent control requirements by requesting operating units to obtain explicit clearance from Group's control functions on any of its new business initiatives/service rendered or product offerings prior to official launch to assure its strict compliance with the global business ethical standards in accordance with Group policies and procedures, applicable law and regulations as part of the on-going risk management process.
Project Risk			
Project Management		To attain the sustainable growth of the Group and to create long term value for stakeholders, there are different scale business projects initiated. The operating units must manage the projects effectively to ensure timeliness and quality of deliverables.	To further mitigate risks and to promote risk awareness on project management, a New Product Approval ("NPA") guideline has been fine-tuning to facilitate the adoption of NPA policy, such that operating units will be able to use as guiding principles.
Project Failure in Property Development	Not Applicable	PCPD ceased to be a subsidiary and became an associate in 2022. Its corresponding risk profile will be removed from the Group risk portfolio thereafter.	–

Principal Risks and Uncertainties *(continued)*

Risk	Risk Level Trend in 2022	Description	Key Mitigation Strategies
People Risk *Employee Retention and Talent Development*	↔	As a prominent multi-service and technologies provider, a proactive review approach of workforce strategy in retaining and developing the best people with the right skills and attitudes across all levels is the key to further enhance the scaling of our people in accordance with business and operational requirements.	The Group has established training, performance management and reward programmes to retain, develop and motivate staff members. Furthermore, the Group has continued to support the post-implementation of Group Human Resources ("GHR") system in solidifying learning culture among employees and to develop succession planning to avoid any major disruption resulting from the loss of key employees. This will ensure continuity of business strategy while foster a culture of strength.
Operational Risk *Business Interruption*	↔	Business interruption due to external factors beyond control.	The Group has adopted a Business Continuity Management Policy and Corporate Incident Response Plan to ensure any significant corporate incidents reported/escalated are handled promptly with care and in a cautious manner to protect our staff with the readiness to resume normal operations and mobilising resources to bolster recovery and growth.
Third-Party Vendor	↑	Business interruption due to third-party service failure.	Effective vendor risk management with periodic due diligence, diversification of supply chain and technologies deployment through sourcing and working with multiple vendors operating in different jurisdictions mitigate residual risk exposure while achieving diversification without relying to a single vendor.

RISK MANAGEMENT AND INTERNAL CONTROLS *(CONTINUED)*

Principal Risks and Uncertainties *(continued)*

Risk	Risk Level Trend in 2022	Description	Key Mitigation Strategies
Market Risk *Market Competition*	⬅ ➡	The Group operates in markets and industries where the regulatory environment promotes competition and consumer protection. In 2022, market competition has further intensified due to the new COVID-19 virus deviant outbreak and technological innovation emerged in the marketplace.	The Group has operated in this competitive landscape for over twenty years and continued 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 opportunities, as well as customer feedback management, digitalisation of customised value-added services and product differentiation by performing data analytics.
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.	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 continues to explore more strategic business opportunities on different technology platforms and geographical 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.	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.

Risk Level Trending Legend

⬅ ➡ Risk level remains broadly the same　⬆ Risk level trending upward　⬇ Risk level trending downward

✪ New risk

COMPANY SECRETARY

Ms Cheung Hok Chee, Vanessa has been appointed the Group General Counsel and Company Secretary of the Company since 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 programmes 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 31 December 2022, 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). A Shareholders Communication Policy has been adopted for ensuring the Company's shareholders and, in appropriate circumstances, the investment community at large, are provided with ready, equal and timely access to balanced and understandable information about the Company in order to enable the shareholders to exercise their rights in an informed manner, and to allow shareholders and the investment community to engage actively with the Company. The Shareholders Communication Policy is available on the Company's website (www.pccw.com/ir). In July 2022, the Shareholders Communication Policy was updated to align with the Listing Rules and the CG Code.

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 despatching 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.

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS *(CONTINUED)*

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 233 of this annual report and also provided in the Shareholders Communication Policy. Based on the information set out in the above paragraphs, the implementation of the Shareholders Communication Policy, which has been reviewed during the year, is considered to be effective.

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 annual general meeting of the Company will be held in 2023 for which reasonable notice will be given in compliance with applicable requirements. At the meeting, directors will be available to answer questions on the Group's business and external auditor will be available to answer questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and the auditor independence.

CONSTITUTIONAL DOCUMENT

During the year ended 31 December 2022, there were no significant changes to the Articles of Association save for those amendments approved at the Annual General Meeting held on 13 May 2022 by special resolution, relating principally to meetings of Shareholders and alignment with the Listing Rules and the Companies Ordinance (Chapter 622 of the Laws of Hong Kong). The updated version 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, 24 February 2023

- Revenue increased 2% to HK$36,065 million
  - HKT total revenue was HK$34,125 million; excluding Mobile product sales, HKT total revenue increased by 2% to HK$30,501 million
  - OTT Business revenue up 36% to HK$2,012 million
  - Free TV & Related Business revenue up 14% to HK$910 million
- EBITDA increased 6% to HK$12,388 million
  - HKT EBITDA up 3% to HK$13,064 million year on year spurred by improved cost efficiencies
  - OTT Business achieved first full year of positive EBITDA of HK$178 million
  - Free TV & Related Business EBITDA up 3% to HK$97 million
- Above results exclude the part of the Solutions Business injected into Lenovo PCCW Solutions Limited, a strategic partnership with Lenovo Group Limited (which is referred to as the ITS Business[6]); such business was reclassified as discontinued operations
- Consolidated profit attributable to equity holders of the Company for the year was HK$158 million, which included a gain on the deconsolidation of the ITS Business following the completion of the strategic partnership formation
- Final dividend of 28.48 HK cents per ordinary share resulting in full-year dividend of 38.04 HK cents per ordinary share

MANAGEMENT REVIEW

Hong Kong went through a challenging year in 2022, as did many markets throughout the Asia region, primarily due to the continued impact of COVID-19. With the full relaxation of social distancing and quarantine regulations in Hong Kong as well as reopening of borders in 2023, we have already seen initial signs of a rebound. Globally, the series of interest rate increases by US Federal Reserve derailed any economic recovery. Despite these developments, PCCW delivered solid results riding on the resilience of HKT Limited ("HKT") and achievement by the over-the-top ("OTT") business of its first full year of positive EBITDA.

Our Media Business maintained its upward momentum with both the OTT and Free TV & Related Business registering higher revenues. OTT Business revenue grew by 36% to HK$2,012 million, underpinned by a 45% revenue growth in its flagship component, Viu. The high-quality content offerings such as Viu Original productions attracted paid subscribers, the number of which soared by 45% to 12.2 million. Viu's monthly active users ("MAU") expanded further by 13% to 66.4 million. Reflecting the operating leverage as well as prudent management of expenses, in particular content costs, the OTT Business achieved its first full year of positive EBITDA of HK$178 million.

MANAGEMENT REVIEW *(CONTINUED)*

The Free TV & Related Business maintained steady growth despite a sluggish economic environment. Total revenue grew by 14% to reach HK$910 million, with advertising revenue remaining stable. EBITDA increased by 3% to HK$97 million.

The formation of strategic partnership with Lenovo Group Limited was completed in August 2022, with the objective of enabling the Solutions Business to enhance its delivery capabilities and extend its reach in existing and new markets across the Asia-Pacific region.

HKT's total revenue excluding Mobile product sales increased by 2% to HK$30,501 million, reflecting continued strong demand for our reliable, high-speed broadband services, further momentum in 5G adoption and the delivery of digital transformation projects for enterprise customers; total revenue remained resilient at HK$34,125 million with the growth in services revenue moderated by softer Mobile product sales.

Overall, the Group's revenue increased by 2% to HK$36,065 million and EBITDA increased by 6% to HK$12,388 million.

The results reported above exclude the part of the Solutions Business injected into Lenovo PCCW Solutions Limited, a strategic partnership with Lenovo Group Limited (which is referred to as the ITS Business); such business was reclassified as discontinued operations.

Consolidated profit attributable to equity holders of the Company for the year was HK$158 million, which included a gain upon the deconsolidation of the ITS Business following the completion of the strategic partnership formation.

The board of Directors (the "Board") has recommended the payment of a final dividend of 28.48 HK cents per ordinary share resulting in full-year dividend of 38.04 HK cents per ordinary share for the year ended 31 December 2022.

OUTLOOK

The past year marked a turn for Hong Kong after three years of living under COVID-19. As travel resumed, business activities picked up quickly, getting 2023 off to a positive start despite tensions between China and the US and the Federal Reserve's hawkish stance. The Group's multifaceted offerings spanning technology, media and telecommunications not only equip us to withstand the ebb and flow of business cycles and volatilities, but also form a unique ecosystem as an edge for us to capture evolving opportunities such as Web3.0, digital economy, smart city, Greater Bay Area and environment, social and governance.

FINANCIAL REVIEW BY SEGMENT

For the year ended 31 December HK$ million	2021 H1[5]	 H2[5]	 Full Year[5]	2022 **H1[5]**	 **H2**	 **Full Year**	Better/ (Worse) y-o-y
Continuing operations[5]							
Revenue							
HKT	15,643	18,318	33,961	**16,157**	**17,968**	**34,125**	0%
HKT (excluding Mobile Product Sales)	14,112	15,919	30,031	**14,868**	**15,633**	**30,501**	2%
Mobile Product Sales	1,531	2,399	3,930	**1,289**	**2,335**	**3,624**	(8)%
OTT Business	646	834	1,480	**786**	**1,226**	**2,012**	36%
Free TV & Related Business	256	544	800	**388**	**522**	**910**	14%
Other Businesses	463	87	550	**400**	**272**	**672**	22%
Eliminations	(534)	(802)	(1,336)	**(993)**	**(661)**	**(1,654)**	(24)%
Consolidated revenue	16,474	18,981	35,455	**16,738**	**19,327**	**36,065**	2%
Cost of sales	(8,054)	(9,671)	(17,725)	**(8,149)**	**(9,765)**	**(17,914)**	(1)%
Operating costs before depreciation, amortisation, and gains/(losses) on disposal of property, plant and equipment and right-of-use assets, net	(3,081)	(2,915)	(5,996)	**(3,084)**	**(2,679)**	**(5,763)**	4%
EBITDA[1]							
HKT	5,715	7,018	12,733	**5,834**	**7,230**	**13,064**	3%
OTT Business	(20)	(3)	(23)	**18**	**160**	**178**	n/a
Free TV & Related Business	(44)	138	94	**79**	**18**	**97**	3%
Other Businesses	(117)	(340)	(457)	**(285)**	**(364)**	**(649)**	(42)%
Eliminations	(195)	(418)	(613)	**(141)**	**(161)**	**(302)**	51%
Consolidated EBITDA[1]	5,339	6,395	11,734	**5,505**	**6,883**	**12,388**	6%
Consolidated EBITDA[1] Margin	*32%*	*34%*	*33%*	***33%***	***36%***	***34%***	
Depreciation	(1,378)	(1,437)	(2,815)	**(1,342)**	**(1,418)**	**(2,760)**	2%
Amortisation	(2,108)	(2,293)	(4,401)	**(2,340)**	**(2,633)**	**(4,973)**	(13)%
(Losses)/Gains on disposal of property, plant and equipment and right-of-use assets, net	(1)	34	33	**–**	**(2)**	**(2)**	n/a
Other gains/(losses), net	17	(62)	(45)	**316**	**(367)**	**(51)**	(13)%
Interest income	27	42	69	**43**	**58**	**101**	46%
Finance costs	(685)	(716)	(1,401)	**(721)**	**(1,105)**	**(1,826)**	(30)%
Share of results of associates and joint ventures	(30)	602	572	**(162)**	**(116)**	**(278)**	n/a
Profit before income tax	1,181	2,565	3,746	**1,299**	**1,300**	**2,599**	(31)%
Income tax	(430)	(568)	(998)	**(474)**	**(198)**	**(672)**	33%
Holders of perpetual capital securities	(109)	(117)	(226)	**(118)**	**(117)**	**(235)**	(4)%
Non-controlling interests	(853)	(1,381)	(2,234)	**(901)**	**(1,467)**	**(2,368)**	(6)%
(Loss)/Profit attributable to equity holders of the Company from continuing operations	(211)	499	288	**(194)**	**(482)**	**(676)**	n/a
(Loss)/Profit attributable to equity holders of the Company from discontinued operations	(104)	855	751	**106**	**728**	**834**	11%
Consolidated (loss)/profit attributable to equity holders of the Company	(315)	1,354	1,039	**(88)**	**246**	**158**	(85)%

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

Note 2 *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 *Results reflect the continuing operations of the Company following the divestment of the Data Centre Business and deconsolidation of Pacific Century Premium Developments Limited in 2021 and the completion of the strategic partnership formation involving the ITS Business in 2022. The comparative figures presented were restated to reflect the reclassification between continuing operations and discontinued operations of the Group accordingly.*

Note 6 *ITS Business comprises the IT solutions business including but not limited to digital and managed services, technology services and business process outsourcing of Lenovo PCCW Solutions Limited, of which 80% interests thereon were transferred to Lenovo Group Limited in August 2022.*

HKT

For the year ended 31 December HK$ million	2021 H1	 H2	 Full Year	**2022** **H1**	 **H2**	 **Full Year**	Better/ (Worse) y-o-y
HKT Revenue	15,643	18,318	33,961	**16,157**	**17,968**	**34,125**	0%
TSS	11,030	12,369	23,399	**11,596**	**12,376**	**23,972**	2%
– Local TSS Services	7,713	8,680	16,393	**7,968**	**8,535**	**16,503**	1%
– International Telecommunications Services	3,317	3,689	7,006	**3,628**	**3,841**	**7,469**	7%
Mobile	5,108	6,640	11,748	**4,936**	**6,630**	**11,566**	(2)%
– Mobile Services	3,577	4,241	7,818	**3,647**	**4,295**	**7,942**	2%
– Mobile Product Sales	1,531	2,399	3,930	**1,289**	**2,335**	**3,624**	(8)%
Other Businesses	408	464	872	**567**	**314**	**881**	1%
Eliminations	(903)	(1,155)	(2,058)	**(942)**	**(1,352)**	**(2,294)**	(11)%
HKT EBITDA[1]	5,715	7,018	12,733	**5,834**	**7,230**	**13,064**	3%
HKT EBITDA[1] margin	*37%*	*38%*	*37%*	***36%***	***40%***	***38%***	
HKT Adjusted Funds Flow[4]	2,326	3,187	5,513	**2,377**	**3,271**	**5,648**	2.4%

Hong Kong went through a challenging year in 2022 as the city worked through the fifth wave of COVID-19 (the “fifth wave”) and anti-pandemic measures curtailed business operations. Globally, interest rate hikes by the US Federal Reserve derailed any economic recovery. Nevertheless, signs of recuperation emerged as Hong Kong reconnected itself with the rest of the world. HKT demonstrated its business resilience as evidenced by its steady adjusted funds flow, attributed to its robust network, innovative solutions and multifarious products and services.

The Mobile business recorded a 2% growth in services revenue to HK$7,942 million for the year ended 31 December 2022. This growth was underpinned by higher 5G adoption with an expansion in our post-paid customer base as well as higher revenue contribution from smart enterprise solutions. The roaming and IDD business remained weak during the year. However, it exhibited initial signs of recovery in the fourth quarter of 2022 as travel resumed. Our roaming revenue soared by 41% between the third quarter and fourth quarter of the year, which led to the full-year growth in roaming and IDD revenue of 6%. EBITDA from the Mobile segment increased by 2% to HK$4,888 million during the year, reflecting the benefits from improved operating efficiencies and margin. Preparing our users for future Web3.0 applications, we established the Metaverse Academy to provide training through gamification.

The course of our business focus tracked the market as individuals, households and enterprises embraced a permanent shift to hybrid arrangements. This has benefited the Telecommunications Services (“TSS”) business as demand for high-speed, tried-and-true broadband solutions continued to take root, with TSS revenue increasing by 2% to HK$23,972 million led by the increased uptake of fibre-to-the-home (“FTTH”) services and Home Wi-Fi solutions. Although the fifth wave caused project deferrals and contracted technology spending in the small and medium-sized enterprise (“SME”) sector, the enterprise segment continued to demonstrate resolute growth with enterprises’ and the public sector’s unwavering pursuit of their digital transformation and smart city objectives. As a result, the Local Data Services business recorded a solid revenue growth of 3% during the year. The appeal of our array of sports, kids and entertainment content was highlighted by the FIFA World Cup Qatar 2022™ broadcast in the second half of the year, which coincided with the timely relaxation of social distancing regulations to boost Pay TV Services revenue by 2%. The International Telecommunications Services business achieved 7% increase in revenue, driven by the growth in our global voice and data business as well as higher adoption of our Console Connect platform for agile application and infrastructure access. Consequently, the total TSS EBITDA increased by 2% to HK$9,140 million with a margin of 38%.

Despite the headwinds of emigration affecting local telephony revenue and enterprises, in particular SMEs, suffering from a sluggish market, HKT's total revenue, excluding Mobile product sales, for the year ended 31 December 2022 increased by 2% to HK$30,501 million while the total revenue remained resilient at HK$34,125 million despite softer Mobile product sales.

Total EBITDA for the year increased by 3% to HK$13,064 million, due to enhanced operating efficiency across the Group which in turn improved operating costs by 12% and the EBITDA margin to 38%.

Profit attributable to holders of share stapled units of the HKT Trust and HKT ("Share Stapled Units") was HK$4,901 million for the year, an increase of 2% over the previous year. Basic earnings per Share Stapled Unit was 64.71 HK cents.

Adjusted funds flow for the year ended 31 December 2022 rose to HK$5,648 million, an increase of 2.4% over the previous year. Annual adjusted funds flow per Share Stapled Unit was 74.51 HK cents.

HKT recommended the payment of a final distribution of 43.15 HK cents per Share Stapled Unit for the year ended 31 December 2022. This brings the 2022 full-year distribution to 74.51 HK cents per Share Stapled Unit (comprising 31.36 HK cents as interim distribution and 43.15 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 profit before income tax, please refer to its 2022 annual results announcement released on 23 February 2023.

OTT Business

For the year ended 31 December HK$ million	2021			**2022**			Better/ (Worse)
	H1	H2	Full Year	**H1**	**H2**	**Full Year**	y-o-y
OTT Business Revenue	646	834	1,480	**786**	**1,226**	**2,012**	36%
OTT Business EBITDA[1]	(20)	(3)	(23)	**18**	**160**	**178**	n/a

The OTT Business achieved impressive growth with a 36% increase in revenue to HK$2,012 million for the year ended 31 December 2022, which was primarily attributed to Viu where revenue grew by 45% year on year as it remained one of the leading providers of video streaming services in the region. With its dual premium subscription and digital advertising model, Viu expanded revenue in both areas with slightly higher growth in subscription revenue.

During the year, paid subscribers grew by 45% to reach 12.2 million and MAUs went up 13% to 66.4 million, with notable growth in Thailand and Indonesia, thanks to the high quality and locally relevant content, which was well received by viewers. In particular, the Viu Original *Reborn Rich* starring A-list Korean star Song Joong-ki was one of the most popular Korean dramas of the year, driving viewer engagement and subscriptions. The drama also marked Song's first appearance in a Viu Original, for which Viu has exclusive global distribution rights outside of mainland China and Korea. With a growing library of Viu Original productions, the OTT Business has distributed content to over 20 video platforms, including those in North America, Japan and Europe, expanding our market presence globally.

Reflecting its operational leverage and prudent management of expenses, in particular content costs, the OTT Business achieved its first full year positive EBITDA of HK$178 million for the year ended 31 December 2022.

The OTT Business will continue its current strategy of producing and curating quality content, while strategically placing them in different tiers for audiences with different budgets and preferences, leading to greater revenue growth and profitability.

Free TV & Related Business

For the year ended 31 December HK$ million	2021 H1	2021 H2	2021 Full Year	**2022 H1**	**2022 H2**	**2022 Full Year**	Better/ (Worse) y-o-y
Free TV & Related Business Revenue	256	544	800	**388**	**522**	**910**	14%
Free TV & Related Business EBITDA[1]	(44)	138	94	**79**	**18**	**97**	3%

Despite the challenging environment in Hong Kong, the Free TV & Related Business remained focused on delivering high-quality dramas, variety shows and world-class sports events, leading to higher TV and digital viewership. ViuTV's primetime ratings recorded a 6% increase year on year and the number of primetime programmes with episodes over 3.0 TVRs increased from 542 in 2021 to 637 in 2022[a].

ViuTV has consistently strived to extend its digital presence, with its social media followers increasing by 10% and total digital viewing time by 25% year on year in 2022[c]. This is important as the digital share (including desktop & mobile) of the total Hong Kong advertising sales revenue increased from 49% in 2021 to 55% in 2022[d], marking the dominant shift of advertising spending towards digital channels.

The second half of 2022 was boosted by the broadcast of FIFA World Cup Qatar 2022™, in partnership with HKT's Now TV. With match times favourable for the Hong Kong audience, the total audience share of the live matches increased from 47% in 2018 to 55% in 2022[b].

Despite sluggish market conditions, advertising revenue was steady at HK$616 million for the year ended 31 December 2022. The Free TV & Related Business recorded a 14% increase in revenue to HK$910 million, mainly due to artiste management and music publishing revenues, and delivered an EBITDA growth of 3% to HK$97 million in for the year ended 31 December 2022.

The Group's content creation and talent management arm under the PCCW Media Group further explored growth by building a multifaceted entertainment business covering TV, film, music publishing and events. The Free TV & Related Business will continue to produce quality scripted and non-scripted content, effective digital advertising solutions, brand engagements with our artistes and international collaboration opportunities to maintain its growth momentum.

Notes:

a. Source: CSM Media Research HKTAM from 1 Jan – 31 Dec 2022 vs 1 Jan – 31 Dec 2021; primetime from 18:55-24:05

b. Source: CSM Media Research HKTAM from 20 Nov – 18 Dec 2022 and 14 Jun – 15 Jul 2018

c. Source: Google Analytics and Internal Data (viu.tv + ViuTV apps) from 1 Jan – 31 Dec 2022 vs 1 Jan – 31 Dec 2021

d. Source: admanGo

Other Businesses

Other Businesses primarily comprise the remaining Solutions Business following the deconsolidation of the ITS Business during the year and corporate support functions. It recorded HK$672 million in revenue and an EBITDA cost of HK$649 million for the year ended 31 December 2022.

Eliminations

Eliminations for the year ended 31 December 2022 were HK$1,654 million versus HK$1,336 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 31 December HK$ million	2021 H1[5]	H2[5]	Full Year[5]	**2022** **H1[5]**	**H2**	**Full Year**	Better/ (Worse) y-o-y
HKT	7,550	9,179	16,729	**8,134**	**8,960**	**17,094**	(2)%
Consolidated	8,054	9,671	17,725	**8,149**	**9,765**	**17,914**	(1)%

HKT's cost of sales for the year ended 31 December 2022 increased by 2% year on year to HK$17,094 million, reflecting the relatively higher costs associated with international voice revenues. Cost of sales for the OTT and Free TV & Related Business increased mainly from the growth in content and licence fees to support further business development.

General and Administrative Expenses

For the year ended 31 December 2022, the Group's operating costs before depreciation, amortisation and gains/(losses) on disposal of property, plant and equipment and right-of-use assets, net ("operating costs") decreased by 4% to HK$5,763 million. This reflected HKT's 12% improvement arising from its continued focus on operating efficiency across each of the business lines through digitalising business processes, enhancing O2O sales channels and retail footprint to drive higher sales efficiency, and efficiency gains from mobile network operations including improved cell site architecture enabling network design optimisation. Operating costs of the Media Business increased by 9%, reflecting increases in publicity and marketing expenditures to support business growth. Overall operating costs-to-revenue ratio decreased to 16% for the year ended 31 December 2022.

Depreciation and amortisation expenses for the year increased by 7% to HK$7,733 million, largely due to a rise in amortisation expenses of 13% to HK$4,973 million. The higher amortisation expenses were attributed to HKT's increased amortisation of the 1800MHz mobile spectrum licences arising from the reassignment in 2021 and increased amortisation related to content for the Media Business. Content-related amortisation increased to HK$1,561 million for the period as compared to HK$1,376 million a year ago.

In sum, general and administrative expenses increased by 2% year on year to HK$13,498 million for the year ended 31 December 2022 mainly due to the increase in operating costs to support the Media Business growth and amortisation expenses at HKT and the Media Business.

EBITDA[1]

Overall, consolidated EBITDA for the year ended 31 December 2022 increased by 6% to HK$12,388 million with the margin increasing to 34% compared to 33% a year ago due to improvement in operating efficiency of HKT Group during the year and the positive EBITDA contribution from the OTT Business.

Other Gains/(Losses), Net

Net other losses for the year ended 31 December 2022 were HK$51 million, compared to HK$45 million a year ago due to mark-to-market adjustments made to the Group's investments which were offset by the gain on partial disposal of interests in an associate.

Interest Income and Finance Costs

Interest income for the year ended 31 December 2022 was HK$101 million while finance costs increased by 30% to HK$1,826 million. The increase in finance costs was largely driven by higher HIBOR during the fourth quarter. As a result, net finance costs increased by 30% year on year from HK$1,332 million to HK$1,725 million for the year ended 31 December 2022.

Income Tax

Income tax expense for the year ended 31 December 2022 was HK$672 million, as compared to HK$998 million (restated) a year ago. The decrease in the tax expense is primarily attributable to the lower tax expense at HKT due to the recognition of a deferred income tax asset resulting from a loss-making company turning profitable.

Non-controlling Interests for Continuing Operations

Non-controlling interests for continuing operations were HK$2,368 million for the year ended 31 December 2022 (31 December 2021: HK$2,234 million), representing primarily the net profit attributable to the non-controlling shareholders of HKT.

Holders of Perpetual Capital Securities

Profit of HK$235 million for the year ended 31 December 2022 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.

Loss/Profit Attributable to Equity Holders of the Company

Loss attributable to equity holders of the Company for the year ended 31 December 2022 from continuing operations was HK$676 million and profit attributable to equity holders of the Company for the year ended 31 December 2022 from discontinued operations was HK$834 million. Consequently, consolidated profit attributable to equity holders of the Company for the year ended 31 December 2022 was HK$158 million, which included a gain on the deconsolidation of the ITS Business following the completion of the strategic partnership formation.

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$49,899 million as at 31 December 2022 (31 December 2021: HK$47,006 million). Cash and short-term deposits totaled HK$3,125 million as at 31 December 2022 (31 December 2021: HK$5,036 million).

As at 31 December 2022, the Group had a total of HK$47,193 million in bank loan facilities available for liquidity management and investments, of which HK$24,699 million remained undrawn. Of these bank loan facilities, HKT accounted for HK$32,013 million, of which HK$14,459 million remained undrawn.

The Group's gross debt[2] to total assets was 52% as at 31 December 2022 (31 December 2021: 50%).

CREDIT RATINGS OF CAS HOLDING NO. 1 LIMITED AND HONG KONG TELECOMMUNICATIONS (HKT) LIMITED

As at 31 December 2022, CAS Holding No. 1 Limited, a direct wholly-owned subsidiary of the Company, 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 31 December 2022 was HK$2,404 million (2021 (restated): HK$2,507 million), of which HKT accounted for about 98% (2021 (restated): 98%). The capital expenditure to revenue ratio was approximately 6.7% for the year (2021 (restated): 7.1%).

Capital expenditure for HKT's Mobile business declined compared to the previous year following the completion of our territory-wide 5G coverage rollout in 2022. On-going capital expenditure for the Mobile business will be focused on capacity upgrades to meet demand. TSS capital expenditure dropped slightly during the year, with spending to support continued demand for our FTTH services and customised smart city solutions for enterprises. Capital expenditure for the Media Business increased slightly reflecting investments for the enhancement of video streaming platform.

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 while taking into account the prevailing market conditions 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 31 December 2022, the majority of the forward and swap contracts were designated as cash flow 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 31 December 2022, no assets of the Group (31 December 2021: nil) were pledged to secure banking facilities for the Group.

CONTINGENT LIABILITIES

As at 31 December HK$ million	2021	**2022**
Performance guarantees	1,570	**1,440**
Others	160	**45**
	1,730	**1,485**

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 17,400 employees as at 31 December 2022 (31 December 2021: 20,600) located in 24 countries and cities. About 67% of these employees work in Hong Kong and the others are based mainly in mainland China. 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 dividend of 28.48 HK cents (2021: 27.69 HK cents) per ordinary share for the year ended 31 December 2022 to shareholders whose names appear on the register of members of the Company on Wednesday, 7 June 2023, subject to the approval of shareholders of the Company at the forthcoming annual general meeting which will be held on Wednesday, 31 May 2023 ("AGM"). An interim dividend of 9.56 HK cents (2021: 9.36 HK cents) per ordinary share for the six months ended 30 June 2022 was paid to shareholders of the Company in September 2022.

FINANCIAL INFORMATION

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 31 December 2022.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding, and the principal activities of the Group are the provision of technology and telecommunications and related services including enterprise solutions, consumer mobile, total home solutions, digital ventures, healthtech services, and media entertainment 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").

The principal activities of the Company's principal subsidiaries, and the principal associates and joint venture of the Group are set out in notes 21 to 23 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 2022 as well as a discussion on the Group's future business development are provided in the Statement from the Chairman, the Statement from the Acting Group Managing Director and the Management's Discussion and Analysis on page 4, pages 5 to 7 and pages 45 to 55 respectively. The above discussions form part of this report. In addition, this review has also identified a list of principal risks and uncertainties faced by the Group. For more details on the description of these principal risks and uncertainties, please refer to the Corporate Governance Report on pages 18 to 44.

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 recognises 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 Sustainability Committee sets forth and promulgates the Company's environmental strategy and other CSR initiatives. An Environmental Advisory Group comprising group unit heads provides 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 and HKT are both Green Earth Companions of The Green Earth. HKT has also joined Mastercard's Priceless Planet Coalition to support forest restoration.

PCCW is a signatory to the Charter on External Lighting scheme as well as the Energy Saving Charter of the Environment and Ecology Bureau, and has pledged to adopt energy-saving practices in our HKT exchange buildings and offices.

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 modernising 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 three of our exchange buildings, with more additions underway.

We have well-established practices for recycling industrial batteries and 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 regulated electrical equipment are provided to our customers.

BUSINESS REVIEW *(CONTINUED)*

Environmental Policies and Performance *(continued)*

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 utilise Programme for the Endorsement of Forest Certification ("PEFC") certified paper made with forest materials from a sustainable source for photocopying and bill printing. During the year, we have phased out single-use materials such as plastic straws and cutlery in four canteens and offer eco-friendly alternatives instead.

As at 31 December 2022, we have committed over US$2 billion in sustainability-linked loan facilities with financial institutions.

In 2022, PCCW received an overall rating of A in the MSCI ESG rating update, ranking in the top 64% 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.

HKT was presented with the Gold Award (Media and Communication Sector) under the 2021 Hong Kong Awards for Environmental Excellence, led by the Environmental Campaign Committee alongside the Environment and Ecology Bureau and in conjunction with nine organisations, and Merit Award (Large-sized Organizations Category) of the Hong Kong Sustainability Award 2022 by the Hong Kong Management Association.

PCCW was also recognised as one of the Friends of EcoPark 2022 by the Environmental Protection Department for our contributions to waste recycling and recovery.

PCCW has established a set of environmental targets, covering electricity consumption, greenhouse gas emissions, general waste and water consumption, for publication in the PCCW Environmental, Social and Governance Report 2022 (the "ESG Report"). The ESG Report has also included environment-related key performance indicators.

In 2022, 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.

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 takes 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 organisation capability that powers our long-term success. Our comprehensive employment policies protect employees' rights and benefits while offering competitive pay and career progression opportunities.

We provide healthcare benefits and services to safeguard our staff's health. Last year, we continued to organise talks and workshops on physical and mental well-being.

We conduct business aligned with the Racial Diversity and Inclusion Charter for Employers under the Equal Opportunities Commission. Endeavouring 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 60 nationalities with various expertise and backgrounds.

BUSINESS REVIEW *(CONTINUED)*

Relationships with Stakeholders *(continued)*

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 online and offline meetings and social media.

We have established robust succession and strong talent pipelines, comprehensive training and leadership programmes 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 Programme.

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.

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 our customers 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.

HKT has in place a customer loyalty and rewards programme, The Club, offering a wide variety of privileges to customers. It helps retain customers and provides us with insights to personalise 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 centres. We also conduct Customer Satisfaction Survey, Customer Transaction Survey, Net Promoter Score Survey and mystery shopper programmes to evaluate our service quality and gain customer feedback.

In recognition of its outstanding customer service, the Group won more than 160 awards throughout 2022 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 54,000 customer compliments in 2022.

We adhere to the highest standards of cybersecurity practices in efforts to protect our customers' privacy and our business data. Our information security policies and guidelines are referenced to industrial best practice including ISO 27001. The Group periodically reviews such guidelines to ensure their effectiveness.

The Group Information and Cybersecurity Council ("GICSC") oversees all cybersecurity-related initiatives, investments and ongoing maintenance pertaining to the protection of the Group's core infrastructure including networks, servers and endpoints. The GICSC reports directly to top management on any cybersecurity matters requiring escalation. Moreover, there is a dedicated team under the Group, known as the Group Information and Cybersecurity Office, responsible for reviewing the overall cybersecurity risk profile and monitoring suspicious traffic and activity to combat cyberattacks. The team constantly reviews the latest development in cybersecurity to enhance our policies and investment in capabilities and technologies to be well-equipped for timely response in the case of any newly identified risk.

BUSINESS REVIEW *(CONTINUED)*

Relationships with Stakeholders *(continued)*

PCCW is committed to upholding the highest ethical and professional standards when dealing with suppliers and contractors. The Group maintains relationship with over 4,751 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 sustainable practices 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 labour, 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 for 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. As one of the founding members, PCCW continues to be a member of the Sustainable Procurement Charter established by the Green Council.

PCCW supports the Hong Kong community through a diverse range of initiatives serving students and youth, the elderly, jobless and homeless, as well as people with disabilities and other groups. We have made various in-kind and monetary donations and organised various community programmes and volunteering activities for the community, and made monetary and in-kind contributions totalling over HK$115 million to support programmes for the needy and event sponsorships to promote Hong Kong as an art and cultural hub.

We also sought to address the community's needs with longer-term and innovative programmes. For example, we joined the Government's Strive and Rise Programme through corporate volunteering and serving as a vice-chair on the Programme's Partners' Board. The Programme fosters collaboration between the Government, the business sector and the community to benefit secondary students from underprivileged families, particularly those living in subdivided units, helping to broaden their horizons with a view to encouraging upward mobility.

Being the premier telecommunications service provider in Hong Kong, the Group provides hardware and communications services for charities and various community groups in need. We also strive to connect elderly people with technologies that promote active and smart ageing. Our one-stop HKT Elderly Hotline offers timely technical support to senior citizens aged 65 or above, helping 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 also help the community to face the challenges brought by COVID-19 via various initiatives, including offering free prepaid SIM cards, electronic devices as well as phone and mobile plan sponsorships to Non-Governmental Organisations and charities. To ensure the residents in the community isolation facilities ("CIFs") could stay connected in the community, the Group provided fixed, wireless and mobile broadband network to over 3,000 CIFs. Besides the telecom support, our corporate volunteers also helped with packing and delivering the anti-epidemic services bags to those in need.

The Group's corporate volunteer team, comprising employees, their family members and company retirees, have been working together to build a better community for more than 25 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 was also awarded the 20 Years Plus Caring Company Logo by the Hong Kong Council of Social Service.

BUSINESS REVIEW *(CONTINUED)*

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 liberalisation 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 media entertainment 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 provides training for all employees involved in sales and marketing. In addition, all sales and marketing materials are reviewed to ensure compliance with the TDO. Under the TDO, misrepresentations as to the sale of goods or services, inappropriate sales practices and the omission of relevant information may be a criminal offence, with a fine of up to HK$500,000 and imprisonment for 5 years. Liability may extend to the Group as well as relevant employees.

Competition Ordinance ("CO")

The CO came into effect in December 2015 and is generally consistent with other competition laws. The enforcement of the CO is generally undertaken by the Competition Commission ("CC"), although the CA has concurrent jurisdiction with the CC as to undertakings operating in the telecommunications and broadcasting sectors. To ensure compliance with the CO and various guidelines issued under the CO, the Group provides training 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.

BUSINESS REVIEW *(CONTINUED)*

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

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 2022 will be published on the websites of the Company and Hong Kong Exchanges and Clearing Limited at the same time as the publication of this annual report 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 31 December 2022 are set out in the consolidated income statement on page 99.

An interim dividend of 9.56 HK cents (2021: 9.36 HK cents) per ordinary share, totaling approximately HK$740 million, was paid to shareholders of the Company in September 2022.

The Board has recommended the payment of a final dividend of 28.48 HK cents (2021: 27.69 HK cents) per ordinary share for the year ended 31 December 2022, 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 232.

FIXED ASSETS

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

BORROWINGS

Particulars of the Group's and the Company's borrowings are set out in notes 28(e) and 29 to the consolidated financial statements.

SHARES ISSUED

During the year, the Company issued and allotted 10,000,000 ordinary shares for grant of awards pursuant to the Company's share award scheme for an aggregate consideration of HK$100,000.

Details of the share capital of the Company for the year ended 31 December 2022 are set out in note 31 to the consolidated financial statements.

GUARANTEED NOTES ISSUED

During the year, HKT Capital No. 6 Limited, an indirect non-wholly owned subsidiary of the Company, issued US$650 million 3.00% guaranteed notes due 2032 at an issue price of 99.923% of the principal amount with net proceeds of approximately US$647.1 million (approximately HK$5,039.3 million) for the Group's general corporate purposes, including the repayment of existing indebtedness.

RESERVES

Details of movements in reserves of the Group and the Company during the year are set out in note 35 to the consolidated financial Statements.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2022, 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)*
Hui Hon Hing, Susanna *(Acting Group Managing Director and Group Chief Financial Officer)*

Non-Executive Directors
Tse Sze Wing, Edmund, GBS
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
Sharhan Mohamed Muhseen Mohamed

During the year ended 31 December 2022 and up to the date of this report, the following changes were made to the composition of the Board:

1. Srinivas Bangalore Gangaiah retired as Group Managing Director and Executive Director of the Company with effect from 28 February 2022;

2. Hui Hon Hing, Susanna was appointed as Acting Group Managing Director of the Company with effect from 1 March 2022;

3. Mai Yanzhou resigned as a non-executive director of the Company and the Deputy Chairman of the Board with effect from 30 May 2022;

4. David Lawrence Herzog resigned as an independent non-executive director of the Company with effect from 24 June 2022; and

5. Sharhan Mohamed Muhseen Mohamed was appointed as an independent non-executive director of the Company with effect from 24 February 2023.

In accordance with Article 91 of the Company's articles of association, Sharhan Mohamed Muhseen Mohamed shall retire from office at the forthcoming annual general meeting and, being eligible, offer himself for re-election.

In accordance with Article 101 of the Company's articles of association, Hui Hon Hing, Susanna, Aman Mehta and David Christopher Chance shall retire from office by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

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 a 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 Sharhan Mohamed Muhseen Mohamed, are independent having regard to the independence guidelines set out in Rule 3.13 of the Listing Rules.

With respect to Aman Mehta, on 15 February 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 11 March 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 31 January 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 31 December 2022, 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 31 December 2022, 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 of the Company (the "Shares") held by the directors and chief executives of the Company:

	Number of ordinary Shares held					
Name of Director/Chief Executive	Personal interests	Family interests	Corporate interests	Other interests	Total	Approximate percentage of the total number of Shares in issue
Li Tzar Kai, Richard	–	–	462,287,134 *(Note 1(a))*	1,928,842,224 *(Note 1(b))*	2,391,129,358	30.89%
Hui Hon Hing, Susanna	10,069,976	–	–	2,767,607 *(Note 2)*	12,837,583	0.17%
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 ("Hopestar"), a company wholly-owned by Li Tzar Kai, Richard.

2. These interests represented awards made to Hui Hon Hing, Susanna, which were subject to certain vesting conditions pursuant to 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:

Name of Director/Chief Executive	Number of Share Stapled Units held: 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	–	–	67,655,964 *(Note 1(a))*	152,790,881 *(Note 1(b))*	220,446,845	2.91%
Hui Hon Hing, Susanna	4,965,278	–	–	1,131,734 *(Note 2)*	6,097,012	0.08%
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 7 November 2011 constituting the HKT Trust entered into between HKT Management Limited (in its capacity as the trustee-manager of the HKT Trust) (the "Trustee-Manager") and HKT (as supplemented, amended or substituted from time to time) and the articles of association of HKT (as amended and restated from time to time), 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, Eisner held 46,020,000 Share Stapled Units, and Hopestar held 1,408,350 Share Stapled Units.

   (b) These interests represented:

   (i) a deemed interest in 130,511,730 Share Stapled Units held by PCGH. Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the 130,511,730 Share Stapled Units held by PCGH; and

   (ii) a deemed interest in 22,279,151 Share Stapled Units held by PCRD. Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the 22,279,151 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.

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 ("PCPD Shares") held by the directors and chief executives of the Company:

	Number of ordinary PCPD Shares held					
Name of Director/Chief Executive	Personal interests	Family interests	Corporate interests	Other interests	Total	Approximate percentage of the total number of shares of PCPD in issue
Li Tzar Kai, Richard	–	–	207,267,814 *(Note 1(a)*	402,164,972 *(Note 1(b))*	609,432,786	29.90%
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.

Save as disclosed in the foregoing, as at 31 December 2022, 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 8 May 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 9.41% 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 options granted under the 2014 Scheme will be vested according to the terms and conditions 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 8 May 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 31 December 2022.

As at each of 1 January 2022 and 31 December 2022, the number of Share options available for grant under the 2014 Scheme mandate was 728,229,465.

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 recognise 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.

As at the date of this annual report, the total number of Shares available for issue in respect of awards which may be granted under the Subscription Scheme is 72,027,756, representing approximately 0.93% of the Shares in issue as at that date.

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 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 returned 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.

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 returned 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 14 November 2022. In order to enable the Company to continue granting awards of Shares and/or Share Stapled Units under the PCCW Share Award Schemes, on 12 August 2022, the Board approved the extension of the duration of each of the PCCW Share Award Schemes for a period of 10 years from 15 November 2022. As a result of such extension, each of the PCCW Share Award Schemes shall be valid and effective for a further term of 10 years commencing from 15 November 2022, expiring on 14 November 2032. Save as disclosed above, all other terms and conditions of the PCCW Share Award Schemes remain unchanged and continue in full force and effect after such extension. The Approving Body may by resolution terminate the operation of the schemes at any time subject to the terms of the schemes.

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

1. The Company *(continued)*

B. Share Award Schemes *(continued)*

Details of the Share/Share Stapled Unit awards granted and movements during the year ended 31 December 2022 are as follows:

Name or category of participants	Date of grant	Vesting period	Fair value at the date of grant[a] HK$	Number of Share awards: Unvested as at 1 January 2022	Granted during the year	Lapsed/ Forfeited during the year	Vested during the year	Unvested as at 31 December 2022
(I) Purchase Scheme (Shares)								
Directors/Chief Executives								
Hui Hon Hing, Susanna	16 April 2020	16 April 2020 to 16 April 2022	4.64	776,555	–	–	(776,555)[j]	–
	16 April 2021	16 April 2021 to 16 April 2022	4.53	582,226	–	–	(582,226)[j]	–
	16 April 2021	16 April 2021 to 16 April 2023	4.53	582,225	–	–	–	582,225
	28 April 2021	28 April 2021 to 28 April 2022	4.52	56,500	–	–	(56,500)[j]	–
	28 April 2021	28 April 2021 to 28 April 2023	4.52	56,500	–	–	–	56,500
	19 April 2022	19 April 2022 to 27 May 2022	4.52	–	159,005[b]	–	(159,005)[j]	–
	19 April 2022	19 April 2022 to 16 April 2023	4.52	–	159,005[b]	–	–	159,005
	19 April 2022	19 April 2022 to 19 April 2023	4.52	–	905,436[b]	–	–	905,436
	19 April 2022	19 April 2022 to 19 April 2024	4.52	–	905,436[b]	–	–	905,436
	20 September 2022	20 September 2022 to 19 April 2023	3.85	–	79,503[c]	–	–	79,503
	20 September 2022	20 September 2022 to 19 April 2024	3.85	–	79,502[c]	–	–	79,502
Srinivas Bangalore Gangaiah *(retired with effect from 28 February 2022)*	16 April 2020	16 April 2020 to 16 April 2022	4.64	701,124	–	–	(701,124)[j,l]	–
Employee Participants								
In aggregate	16 April 2020	16 April 2020 to 16 April 2022	4.64	619,009	–	(31,661)	(587,348)[j]	–
	16 April 2021	16 April 2021 to 16 April 2022	4.53	314,153	–	(43,625)	(270,528)[j]	–
	16 April 2021	16 April 2021 to 16 April 2023	4.53	610,149	–	(43,624)	–	566,525
	4 March 2022	4 March 2022 to 16 April 2022	4.34	–	34,803[d]	–	(34,803)[j]	–
	4 March 2022	4 March 2022 to 16 April 2023	4.34	–	34,803[d]	–	–	34,803
	19 April 2022	19 April 2022 to 19 April 2023	4.52	–	237,389[b]	–	–	237,389
	19 April 2022	19 April 2022 to 19 April 2024	4.52	–	608,871[b]	–	–	608,871
	1 September 2022	1 September 2022 to 19 April 2023	3.86	–	101,124[e]	–	–	101,124
	1 September 2022	1 September 2022 to 19 April 2024	3.86	–	101,124[e]	–	–	101,124
Service Providers								
In aggregate	16 April 2020	16 April 2020 to 16 April 2022	4.64	784,861	–	–	(784,861)[j]	–
	16 April 2021	16 April 2021 to 16 April 2022	4.53	1,243,452	–	–	(1,243,452)[j]	–
	16 April 2021	16 April 2021 to 16 April 2023	4.53	851,937	–	(22,578)	–	829,359
	19 April 2022	19 April 2022 to 15 June 2022	4.52	–	224,719[b]	–	(224,719)[j]	–
	19 April 2022	19 April 2022 to 19 April 2023	4.52	–	801,342[b]	(76,152)	–	725,190
	19 April 2022	19 April 2022 to 19 April 2024	4.52	–	576,599[b]	(76,151)	–	500,448
	15 August 2022	15 August 2022 to 19 April 2023	4.15	–	494,483[f]	–	–	494,483
	15 August 2022	15 August 2022 to 19 April 2024	4.15	–	494,482[f]	–	–	494,482
Total				7,178,691	5,997,626	(293,791)	(5,421,121)	7,461,405

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

1. The Company *(continued)*

B. Share Award Schemes *(continued)*

				Number of Share Stapled Unit awards				
Name or category of participants	Date of grant	Vesting period	Fair value at the date of grant[a] HK$	Unvested as at 1 January 2022	Granted during the year	Lapsed/ Forfeited during the year	Vested during the year	Unvested as at 31 December 2022
(II) Purchase Scheme (Share Stapled Units)								
Director/Chief Executive								
Hui Hon Hing, Susanna	16 April 2020	16 April 2020 to 16 April 2022	11.86	178,222	–	–	(178,222)[k]	–
	16 April 2021	16 April 2021 to 16 April 2022	11.06	74,356	–	–	(74,356)[k]	–
	16 April 2021	16 April 2021 to 16 April 2023	11.06	74,356	–	–	–	74,356
	28 April 2021	28 April 2021 to 28 April 2022	11.22	22,733	–	–	(22,733)[k]	–
	28 April 2021	28 April 2021 to 28 April 2023	11.22	22,732	–	–	–	22,732
	19 April 2022	19 April 2022 to 27 May 2022	10.86	–	65,335[g]	–	(65,335)[k]	–
	19 April 2022	19 April 2022 to 16 April 2023	10.86	–	65,334[g]	–	–	65,334
	19 April 2022	19 April 2022 to 19 April 2023	10.86	–	216,421[g]	–	–	216,421
	19 April 2022	19 April 2022 to 19 April 2024	10.86	–	216,420[g]	–	–	216,420
	20 September 2022	20 September 2022 to 19 April 2023	10.22	–	32,668[h]	–	–	32,668
	20 September 2022	20 September 2022 to 19 April 2024	10.22	–	32,667[h]	–	–	32,667
Employee Participants								
In aggregate	16 April 2020	16 April 2020 to 16 April 2022	11.86	226,552	–	(5,656)	(220,896)[k]	–
	16 April 2020	16 April 2020 to 16 April 2023	11.86	38,731	–	–	–	38,731
	16 April 2020	16 April 2020 to 16 April 2024	11.86	38,730	–	–	–	38,730
	16 April 2021	16 April 2021 to 16 April 2022	11.06	173,652	–	(5,892)	(167,760)[k]	–
	16 April 2021	16 April 2021 to 16 April 2023	11.06	173,398	–	(63,537)	–	109,861
	2 July 2021	2 July 2021 to 16 April 2022	10.56	40,370	–	–	(40,370)[k]	–
	2 July 2021	2 July 2021 to 16 April 2023	10.56	40,369	–	–	–	40,369
	2 July 2021	2 July 2021 to 16 April 2024	10.56	40,369	–	–	–	40,369
	2 July 2021	2 July 2021 to 16 April 2025	10.56	40,369	–	–	–	40,369
	19 April 2022	19 April 2022 to 19 April 2023	10.86	–	242,573[g]	(93,288)	–	149,285
	19 April 2022	19 April 2022 to 19 April 2024	10.86	–	242,270[g]	(93,084)	–	149,186
	19 April 2022	19 April 2022 to 19 April 2025	10.86	–	41,413[g]	–	–	41,413
	19 April 2022	19 April 2022 to 19 April 2026	10.86	–	41,412[g]	–	–	41,412
Service Providers								
In aggregate	16 April 2020	16 April 2020 to 16 April 2022	11.86	301,609	–	–	(301,609)[k]	–
	16 April 2021	16 April 2021 to 16 April 2022	11.06	342,788	–	–	(342,788)[k]	–
	16 April 2021	16 April 2021 to 16 April 2023	11.06	342,767	–	(9,084)	–	333,683
	19 April 2022	19 April 2022 to 19 April 2023	10.86	–	236,943[g]	(31,291)	–	205,652
	19 April 2022	19 April 2022 to 19 April 2024	10.86	–	236,924[g]	(31,290)	–	205,634
	15 August 2022	15 August 2022 to 19 April 2023	11.00	–	203,181[i]	–	–	203,181
	15 August 2022	15 August 2022 to 19 April 2024	11.00	–	203,181[i]	–	–	203,181
Total				2,172,103	2,076,742	(333,122)	(1,414,069)	2,501,654

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

1. The Company *(continued)*

B. Share Award Schemes *(continued)*

Name or category of participants	Date of grant	Vesting period	Fair value at the date of grant[a] HK$	Number of Share awards: Unvested as at 1 January 2022	Granted during the year	Lapsed/ Forfeited during the year	Vested during the year	Unvested as at 31 December 2022
(III) Subscription Scheme (Shares)								
Employee Participants								
In aggregate	28 February 2020	28 February 2020 to 17 April 2022	4.69	9,612	–	–	(9,612)[j]	–
	28 February 2020	28 February 2020 to 17 April 2023	4.69	9,610	–	(9,610)	–	–
	16 April 2020	16 April 2020 to 16 April 2022	4.64	1,742,555	–	(50,955)	(1,691,600)[j]	–
	16 April 2020	16 April 2020 to 16 April 2023	4.64	100,787	–	–	–	100,787
	16 April 2020	16 April 2020 to 16 April 2024	4.64	100,786	–	–	–	100,786
	11 May 2020	11 May 2020 to 16 April 2022	4.77	40,900	–	(40,900)	–	–
	11 May 2020	11 May 2020 to 16 April 2023	4.77	20,448	–	–	–	20,448
	16 April 2021	16 April 2021 to 16 April 2022	4.53	1,524,740	–	(51,975)	(1,472,765)[j]	–
	16 April 2021	16 April 2021 to 16 April 2023	4.53	1,523,624	–	(304,483)	–	1,219,141
	2 July 2021	2 July 2021 to 16 April 2022	4.09	243,513	–	–	(243,513)[j]	–
	2 July 2021	2 July 2021 to 16 April 2023	4.09	243,513	–	(111,857)	–	131,656
	2 July 2021	2 July 2021 to 16 April 2024	4.09	100,336	–	–	–	100,336
	2 July 2021	2 July 2021 to 16 April 2025	4.09	100,335	–	–	–	100,335
	4 March 2022	4 March 2022 to 16 April 2022	4.34	–	224,480[d]	–	(224,480)[j]	–
	4 March 2022	4 March 2022 to 16 April 2023	4.34	–	228,771[d]	–	–	228,771
	4 March 2022	4 March 2022 to 16 April 2024	4.34	–	153,131[d]	–	–	153,131
	19 April 2022	19 April 2022 to 19 April 2023	4.52	–	1,848,576[b]	(347,953)	–	1,500,623
	19 April 2022	19 April 2022 to 19 April 2024	4.52	–	1,847,273[b]	(347,654)	–	1,499,619
	19 April 2022	19 April 2022 to 19 April 2025	4.52	–	100,787[b]	–	–	100,787
	19 April 2022	19 April 2022 to 19 April 2026	4.52	–	100,786[b]	–	–	100,786
	15 August 2022	15 August 2022 to 19 April 2023	4.15	–	5,710[f]	–	–	5,710
	15 August 2022	15 August 2022 to 19 April 2024	4.15	–	5,710[f]	–	–	5,710
Total				5,760,759	4,515,224	(1,265,387)	(3,641,970)	5,368,626

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

1. The Company *(continued)*

B. Share Award Schemes *(continued)*

Notes:

(a) The fair value of the awards granted is measured by the quoted market price of the Shares/Share Stapled Units at the respective dates of grant. A description of the basis for fair value measurement is set out in note 2(ac)(iii) to the consolidated financial statements.

(b) The closing price of the Shares immediately before the date on which the awards were granted was HK$4.48 per Share.

(c) The closing price of the Shares immediately before the date on which the awards were granted was HK$3.87 per Share.

(d) The closing price of the Shares immediately before the date on which the awards were granted was HK$4.38 per Share.

(e) The closing price of the Shares immediately before the date on which the awards were granted was HK$3.93 per Share.

(f) The closing price of the Shares immediately before the date on which the awards were granted was HK$4.19 per Share.

(g) The closing price of the Share Stapled Units immediately before the date on which the awards were granted was HK$10.88 per Share Stapled Unit.

(h) The closing price of the Share Stapled Units immediately before the date on which the awards were granted was HK$10.26 per Share Stapled Unit.

(i) The closing price of the Share Stapled Units immediately before the date on which the awards were granted was HK$10.92 per Share Stapled Unit.

(j) The weighted average closing price of the Shares immediately before the dates on which the awards vested was HK$4.47 per Share.

(k) The weighted average closing price of the Share Stapled Units immediately before the dates on which the awards vested was HK$10.88 per Share Stapled Unit.

(l) Srinivas Bangalore Gangaiah was no longer a Director on the date of vesting of Share awards.

As at 1 January 2022, the number of Share awards available for grant under the PCCW Share Award Schemes mandate was 141,853,314, of which 70,117,691 was under the Purchase Scheme mandate and 71,535,623 was under the Subscription Scheme mandate.

As at 31 December 2022, the number of Share awards available for grant under the PCCW Share Award Schemes mandate was 141,962,733, of which 69,934,977 was under the Purchase Scheme mandate and 72,027,756 was under the Subscription Scheme mandate.

Further details of the PCCW Share Award Schemes are set out in note 34 to the consolidated financial statements.

The number of Shares that may be issued in respect of Share options granted under the 2014 Scheme and Share awards granted under the Subscription Scheme during the year, divided by the weighted average number of Shares in issue for the year, is 0.06%.

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

2. HKT Trust and HKT Limited

A. Share Stapled Units Option Scheme

HKT Trust and HKT operate a Share Stapled Units option scheme which was adopted by the holders of Share Stapled Units and the shareholders of the Company at their annual general meetings held on 7 May 2021 (the "Adoption Date") (the "HKT 2021-2031 Option Scheme"). Under the HKT 2021-2031 Option Scheme, 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, 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 options which may be granted under the HKT 2021-2031 Option Scheme is 757,574,233, representing approximately 9.99% of the Share Stapled Units in issue as at that date.

(4) The total number of Share Stapled Units issued and to be issued upon exercise of options granted and to be granted to each eligible participant (other than a substantial holder of Share Stapled Units or an independent non-executive director of the Trustee-Manager and 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 options granted under the HKT 2021-2031 Option Scheme will be vested according to the terms and conditions as 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.

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 Scheme *(continued)*

(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 2021-2031 Option Scheme since its adoption and up to and including 31 December 2022.

As at each of 1 January 2022 and 31 December 2022, the number of Share Stapled Unit options available for grant under the HKT 2021-2031 Option Scheme mandate was 757,574,233.

B. Share Stapled Units Award Schemes

On 11 October 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 incentivise 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

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)*

(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.

As at the date of this annual report, the total number of Share Stapled Units available for issue in respect of awards which may be granted under the HKT Share Stapled Units Subcscription Scheme is 74,237,358, representing approximately 0.98% of the Share Stapled Units in issue as at that date.

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 returned 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.

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 returned 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

The previous term of each of the HKT Share Stapled Units Award Schemes expired on 10 October 2021. In order to enable HKT to continue granting awards of Share Stapled Units under the HKT Share Stapled Units Award Schemes, on 5 August 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 11 October 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 11 October 2021, expiring on 10 October 2031. Save as disclosed above, all other terms and conditions of the HKT Share Stapled Units Award Schemes remain unchanged and continue in full force and effect after such extension.

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)*

Details of the Share Stapled Unit awards granted and movements during the year ended 31 December 2022 are as follows:

				Number of Share Stapled Unit awards				
Name or category of participants	Date of grant	Vesting period	Fair value at the date of grant[a] HK$	Unvested as at 1 January 2022	Granted during the year	Lapsed/ Forfeited during the year	Vested during the year	Unvested as at 31 December 2022
(I) HKT Share Stapled Units Purchase Scheme								
Director/Chief Executive								
Hui Hon Hing, Susanna	16 April 2020	16 April 2020 to 16 April 2022	11.86	120,195	–	–	(120,195)[e]	–
	16 April 2021	16 April 2021 to 16 April 2022	11.06	159,898	–	–	(159,898)[e]	–
	16 April 2021	16 April 2021 to 16 April 2023	11.06	159,897	–	–	–	159,897
	19 April 2022	19 April 2022 to 19 April 2023	10.86	–	155,620[b]	–	–	155,620
	19 April 2022	19 April 2022 to 19 April 2024	10.86	–	155,619[b]	–	–	155,619
Employee Participants								
In aggregate	16 April 2020	16 April 2020 to 16 April 2022	11.86	81,851	–	(12,167)	(69,684)[e]	–
	16 April 2021	16 April 2021 to 16 April 2022	11.06	66,389	–	(17,552)	(48,837)[e]	–
	16 April 2021	16 April 2021 to 16 April 2023	11.06	66,383	–	(17,552)	–	48,831
	19 April 2022	19 April 2022 to 19 April 2023	10.86	–	57,097[b]	–	–	57,097
	19 April 2022	19 April 2022 to 19 April 2024	10.86	–	57,092[b]	–	–	57,092
Total				654,613	425,428	(47,271)	(398,614)	634,156
(II) HKT Share Stapled Units Subscription Scheme								
Employee Participants								
In aggregate	28 February 2020	28 February 2020 to 17 April 2022	11.66	3,845	–	–	(3,845)[e]	–
	28 February 2020	28 February 2020 to 17 April 2023	11.66	3,844	–	(3,844)	–	–
	16 April 2020	16 April 2020 to 16 April 2022	11.86	499,289	–	(13,932)	(485,357)[e]	–
	11 May 2020	11 May 2020 to 16 April 2022	12.86	15,717	–	(15,717)	–	–
	11 May 2020	11 May 2020 to 16 April 2023	12.86	7,858	–	–	–	7,858
	16 April 2021	16 April 2021 to 16 April 2022	11.06	500,518	–	(15,051)	(485,467)[e]	–
	16 April 2021	16 April 2021 to 16 April 2023	11.06	499,639	–	(58,972)	–	440,667
	2 July 2021	2 July 2021 to 16 April 2022	10.56	57,607	–	–	(57,607)[e]	–
	2 July 2021	2 July 2021 to 16 April 2023	10.56	57,606	–	(45,005)	–	12,601
	4 March 2022	4 March 2022 to 16 April 2022	10.60	–	6,802[c]	–	(6,802)[e]	–
	4 March 2022	4 March 2022 to 16 April 2023	10.60	–	8,537[c]	–	–	8,537
	19 April 2022	19 April 2022 to 19 April 2023	10.86	–	593,177[b]	(49,866)	–	543,311
	19 April 2022	19 April 2022 to 19 April 2024	10.86	–	592,158[b]	(49,760)	–	542,398
	15 August 2022	15 August 2022 to 19 April 2023	11.00	–	2,347[d]	–	–	2,347
	15 August 2022	15 August 2022 to 19 April 2024	11.00	–	2,346[d]	–	–	2,346
Total				1,645,923	1,205,367	(252,147)	(1,039,078)	1,560,065

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)*

Notes:

(a) The fair value of the awards granted is measured by the quoted market price of the Share Stapled Units at the respective dates of grant.

(b) The closing price of the Share Stapled Units immediately before the date on which the awards were granted was HK$10.88 per Share Stapled Unit.

(c) The closing price of the Share Stapled Units immediately before the date on which the awards were granted was HK$10.62 per Share Stapled Unit.

(d) The closing price of the Share Stapled Units immediately before the date on which the awards were granted was HK$10.92 per Share Stapled Unit.

(e) The weighted average closing price of the Share Stapled Units immediately before the dates on which the awards vested was HK$10.88 per Share Stapled Unit.

As at 1 January 2022, the number of Share Stapled Unit awards available for grant under the HKT Share Stapled Units Award Schemes mandate was 149,214,310, of which 75,102,810 was under the HKT Share Stapled Units Purchase Scheme mandate and 74,111,500 was under the HKT Share Stapled Units Subscription Scheme mandate.

As at 31 December 2022, the number of Share Stapled Unit awards available for grant under the HKT Share Stapled Units Award Schemes mandate was 149,400,625, of which 75,163,267 was under the HKT Share Stapled Units Purchase Scheme mandate and 74,237,358 was under the HKT Share Stapled Units Subscription Scheme mandate.

Further details of the HKT Share Stapled Units Award Schemes are set out in note 34 to the consolidated financial statements.

The number of Share Stapled Units that may be issued in respect of Share Stapled Unit options granted under the HKT 2021-2031 Option Scheme and Share Stapled Unit awards granted under the HKT Share Stapled Units Subscription Scheme during the year, divided by the weighted average number of Share Stapled Units in issue for the year, is 0.02%.

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 34 to the consolidated financial statements.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As at 31 December 2022, 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	22.66%
PCGH	*1*	1,928,842,224	24.92%
Star Ocean Ultimate Limited	*2 and 3*	1,928,842,224	24.92%
The Ocean Trust	*2*	1,928,842,224	24.92%
The Starlite Trust	*2*	1,928,842,224	24.92%
OS Holdings Limited	*2*	1,928,842,224	24.92%
Ocean Star Management Limited	*2*	1,928,842,224	24.92%
The Ocean Unit Trust	*2*	1,928,842,224	24.92%
The Starlite Unit Trust	*2*	1,928,842,224	24.92%
Star Ocean Ultimate Holdings Limited	*3*	1,928,842,224	24.92%
Fung Jenny Wai Ling	*4*	1,928,842,224	24.92%
Huang Lester Garson	*4*	1,928,842,224	24.92%
China United Network Communications Group Company Limited ("Unicom")	*5*	1,424,935,885	18.41%

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 18 April 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 4 November 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 31 December 2022, 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	24.92%

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 31 December 2022.

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 of 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 31 December 2022, 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 *(resigned with effect from 30 May 2022)*	Unicom and its subsidiaries	Telecommunications business and other related businesses	Vice President of Unicom *(resigned with effect from May 2022)*
	China United Network Communications Limited ("Unicom A-Share") and its subsidiaries	Telecommunications business and other related businesses	Senior Vice President of Unicom A-Share *(resigned with effect from May 2022)*
	China Unicom (Hong Kong) Limited ("Unicom HK") and its subsidiaries	Telecommunications business and other related businesses	Senior Vice President of Unicom HK *(resigned with effect from May 2022)*
	China Communications Services Corporation Limited ("CCSCL")	Telecommunications business and other related businesses	Non-Executive Director of CCSCL *(resigned with effect from May 2022)*
Meng Shusen	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	Unicom	Telecommunications business and other related businesses	General Manager of the Finance Department and General Manager of the Data Operations and Financial Shared Service Centre of Unicom

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.

DIRECTORS' INTERESTS IN COMPETING BUSINESS *(CONTINUED)*

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.

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$32.7 million (2021: HK$469,000).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2022, 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. Hyphen Investment

On 14 October 2022, the Company (through its wholly-owned subsidiary PCCW Media International Limited ("PMIL")) entered into a loan note purchase agreement with CompareAsia Group Capital Limited ("Hyphen Group") and Enterprise Innovation Holdings Limited (the "Loan Note Purchase Agreement"), and entered into a subscription agreement with Hyphen Group (the "Subscription Agreement"). Pursuant to (i) the Loan Note Purchase Agreement, the Company agreed to subscribe for certain fixed rate unsecured loan notes due 2027 in the principal amount of US$11,400,000 and the Hyphen Group agreed to grant to PMIL 12,823,301 detached warrants at nil consideration; and (ii) the Subscription Agreement, PMIL agreed to subscribe for 2,058,932 Class B Ordinary Shares of Hyphen Group (the "Hyphen Investment"). Li Tzar Kai, Richard is a director of the Company and Mr Li's associates are substantial shareholders of Hyphen Group. Therefore, according to Rule 14A.28 of the Listing Rules, the Hyphen Investment constituted a connected transaction of the Company under Chapter 14A of the Listing Rules, details of which were disclosed in the announcement of the Company dated 14 October 2022.

B. Bolttech Investment

On 14 October 2022, the Company (through its wholly-owned subsidiary PCCW Asset Holdings Limited ("PAHL")) entered into a share purchase agreement with bolttech Holdings Limited ("Bolttech") and the other subscribers named therein, pursuant to which PAHL agreed to subscribe for 306,896 series B preference shares of Bolttech at a consideration of US$59,999,812.96 (the "Bolttech Investment"). Li Tzar Kai, Richard, who is a director of the Company, indirectly holds over 30% equity interest of Bolttech, and accordingly Bolttech is a connected person of the Company under Chapter 14A of the Listing Rules. The Bolttech 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 14 October 2022.

C. Tender Offer for FWD Notes

On 25 November 2022, PCCW Wealth Limited ("PCCW Wealth"), a direct wholly-owned subsidiary of the Company, announced an invitation to the qualifying holders of the US$900,000,000 5.75 per cent subordinated notes due 2024, comprising the US$550,000,000 5.75 per cent subordinated notes due 2024, the US$250,000,000 5.75 per cent subordinated notes due 2024 and the US$100,000,000 5.75 per cent subordinated notes due 2024, consolidated to form one single series (ISIN: XS2022434364) (collectively, the "Notes") issued by FWD Group Limited ("FWD") to tender their Notes for purchase by PCCW Wealth for cash up to a maximum tender consideration announced by PCCW Wealth (the "Maximum Tender Consideration") (the "Tender Offer"). On 9 December 2022, the Notes in aggregate principal amount of US$49,500,000 (equivalent to approximately HK$386,100,000) have been validly tendered pursuant to the Tender Offer. On 12 December 2022, PCCW Wealth decided that the Maximum Tender Consideration is US$30,000,000 and accepted an aggregate principal amount of US$31,085,000 (equivalent to approximately HK$242,463,000) of the Notes validly tendered pursuant to the Tender Offer. The aggregate tender consideration payable for the Notes validly offered for sale and accepted for purchase by PCCW Wealth is US$29,994,434.54 (equivalent to approximately HK$233,956,589.41). Li Tzar Kai, Richard is a director of the Company. FWD is indirectly majority owned and controlled by Mr Li. Accordingly, FWD is a connected person of the Company under the Listing Rules by virtue of being an associate of a connected person of the Company. As the Company decided to accept a portion of the Notes validly tendered pursuant to the Tender Offer, the Tender Offer constituted a connected financial assistance by the Company to FWD under the Listing Rules, notwithstanding that the Tender Offer does not involve the Company making any payment to FWD or entering into any contractual arrangement with FWD. Details of the Tender Offer were disclosed in the Announcement dated 12 December 2022.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS *(CONTINUED)*

2. Continuing Connected Transactions

During the year ended 31 December 2022, 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 information technology services in the People's Republic of China (the "PRC").

As stated in the Company's announcement dated 3 December 2020, the Company set the annual caps for each of the following categories of the Unicom Transactions for the three financial years ending 31 December 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 centre 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 centre 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.

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)*

(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.

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 categorised 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 3 December 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 31 December 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 31 December 2022 HK$'000	Annual caps for the Unicom Group for the financial year ended 31 December 2022 HK$'000
(1) Provision of data services by the Group to the Unicom Group	176,056	500,000
(2) Provision of data services by the Unicom Group to the Group	118,868	850,000
(3) Provision of systems integration services by the Group to the Unicom Group	7,207	400,000

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 referred to in the Company's announcement dated 4 January 2008, PCCW Solutions (Guangzhou) Limited ("PCCW GZ"), at the time 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.

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 31 December 2022 was HK$7,322,185 which did not exceed the annual cap for the fifteenth year of the 15-year term of HK$43,104,000. PCCW GZ ceased to be a subsidiary of the Company on 12 August 2022 and the Group is thereby no longer a party to the Agreement.

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 2022.

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

The Company and HKT Trust and HKT jointly issued an announcement on 23 December 2022 in relation to the renewal of certain existing continuing connected transaction agreements made between the Group and the FWD Group, with new annual caps for a term of three years ending 31 December 2025 for the provision and receipt of certain services and products by the Group to or from the FWD Group (the "FWD Transactions"). 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 utilisation 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.

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)*

Set out below are the continuing connected transactions between the Group and the FWD Group during the year ended 31 December 2022 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 24 December 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. Pursuant to a renewal agreement entered into by the parties on 23 December 2022, this agreement was renewed for a term of three years ending 31 December 2025.

(b) Insurance and related services

On 24 December 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 rates 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. Pursuant to a renewal agreement entered into by the parties on 23 December 2022, this agreement was renewed for a term of three years ending 31 December 2025.

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

On 24 December 2020, PCCW Solutions Limited ("PCCW Solutions"), at the time 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 centre 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. 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)*

(d) Branding and marketing arrangements

On 23 December 2022, each of PCCW Interactive Media Holdings Limited ("PCCW Interactive Media", an indirect wholly-owned subsidiary of the Company) and now Productions Limited ("now Productions", an indirect non-wholly owned subsidiary of the Company) entered into an amendment agreement to revise the annual cap applicable to their respective branding and marketing arrangements framework agreement with FWD Life Insurance with a one-year term ended 31 December 2022. Pursuant to such framework agreements, PCCW Interactive Media and now Productions will provide or enter into, or procure other members of the Group, to provide or enter into, branding and marketing arrangements to or with the FWD Group. The arrangements include, without limitation, group spokesperson opportunities and related marketing or branding campaigns and events. Pursuant to renewal agreements entered into by the parties on 23 December 2022, these agreements were renewed for a term of three years ending 31 December 2025.

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

On 24 December 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. Pursuant to renewal agreements entered into by the parties on 23 December 2022, these agreements were renewed for a term of three years ending 31 December 2025.

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 31 December 2022 HK$'000	Annual caps for the FWD Group for the financial year ended 31 December 2022 HK$'000
Services provided by the Group to the FWD Group		
(1) Telecommunications and related services	43,436	150,000
(2) Insurance and related services	16,426	250,000
(3) IT and related services	1,427	360,000
(4) Branding and marketing arrangements	45,166	103,000
Services provided by the FWD Group to the Group		
(5) FWD Insurance services and products	280,111	620,000

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS *(CONTINUED)*

2. Continuing Connected Transactions *(continued)*

C. Lenovo Group Limited ("Lenovo") and its subsidiaries (collectively, the "Lenovo Group")

On 14 June 2022, PCCW Solutions Holdings Limited ("PCCW Solutions Holdings", an indirect wholly-owned subsidiary of the Company) and Lenovo entered into a share purchase agreement, completion of which took place on 12 August 2022, pursuant to which PCCW Solutions Holdings agreed to sell, and Lenovo agreed to purchase, a direct interest of 80% in PCCW Lenovo Technology Solutions Limited (now known as Lenovo PCCW Solutions Limited ("Lenovo PCCW Solutions")) and 20% in PCCW Network Services Limited ("PCCW Network Services"), respectively. Upon completion, Lenovo became a substantial shareholder of PCCW Network Services (an indirect non-wholly owned subsidiary of the Company) and therefore a connected person of the Company at the subsidiary level under the Listing Rules. Accordingly, the transactions between certain members of the Lenovo Group and certain members of the Group constituted connected transactions of the Company under the Listing Rules.

As stated in the Company's announcement dated 12 August 2022, the Group entered into various continuing connected transaction agreements with the Lenovo Group under a term of not exceeding three years (the "Lenovo Transactions"). The entering into of the continuing connected transaction agreements will (i) strengthen the strategic partnership between the Group and Lenovo; (ii) promote the continuing growth and development of the businesses and operations of the information technology services business; and (iii) help to achieve business continuity and leverage efficiency while minimising any potential disruption to the continuing operations of the Group.

Set out below are the continuing connected transactions between the Group and the Lenovo Group during the year ended 31 December 2022. 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 Lenovo Group to the Group

(a) Transitional services

On 12 August 2022, PCCW Solutions, PCCW (Beijing) Limited ("PCCW Beijing", an indirect wholly-owned subsidiary of the Company) and Lenovo PCCW Solutions entered into a transitional services agreement, pursuant to which Lenovo PCCW Solutions shall provide or procure the provision of the performance of certain retained customer contracts, and all the related work orders, purchaser orders and other similar customer requests by providing secondment and other support services to PCCW Solutions and PCCW Beijing. The service charges will be settled on a monthly basis, and shall be determined by the total number of working days in the relevant period and the monthly rate for each staff plus a margin of 5%.

(b) HKT services and PCCW services

On 12 August 2022, HK Telecom, PCCW Solutions and PCCW Digital Solutions Limited ("PCCW Digital Solutions", an indirect non-wholly owned subsidiary of Lenovo) entered into a service agreement (the "HKT Service Agreement") while PCCW Solutions Holdings and PCCW Digital Solutions entered into another service agreement (the "PCCW Service Agreement"), respectively. PCCW Digital Solutions will provide to HK Telecom (under the HKT Service Agreement) and PCCW Solutions Holdings (under the PCCW Service Agreement):

(i) various information technology services relating to:

(a) change management services;
(b) cloud hosting services;
(c) business recovery services;
(d) help desk, incident management and problem management services;
(e) security management services;
(f) technical platform services;
(g) application management services;
(h) system development and enhancement services; and
(i) relevant documentation, audit and compliance support, regulatory support and consultancy services; and

2. Continuing Connected Transactions *(continued)*

C. Lenovo Group Limited ("Lenovo") and its subsidiaries (collectively, the "Lenovo Group") *(continued)*

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

(b) HKT services and PCCW services *(continued)*

(ii) materials (including hardware and software), reports, plans, models, documents and/or other materials developed or supplied by PCCW Digital Solutions, any of its subcontractors, vendors or agents, supplements, modifications, replacements, enhancements and other upgrades to the systems, hardware, platform, software, personnel skills, processes and methods for the provision of the above services under the agreement that are necessary to keep pace with technological advancements or improvements during the term of the agreement, as well as the business process and logistics services and such other services agreed from time to time.

In addition, certain statements of work and purchase orders under an existing master service agreement dated 18 July 2019 between HK Telecom (as service recipient) and PCCW Solutions (as service provider) for the provision of the services described above are novated to PCCW Digital Solutions under the HKT Service Agreement with effect from 12 August 2022.

Services are charged at market rate by reference to the average rate for third party customers. For business processing, order fulfillment and logistical services, fees will be charged based on the actual usage of the services, such as the number of applications and support servers installed and the number of support staff required during the construction process and maintenance period, as well as the current market price and adjusted by the Consumer Price Index annual growth factor forecast by Bloomberg.

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

Agreement/Service description	Approximate aggregate values for the financial year ended 31 December 2022 HK$'000	*Annual caps for the Lenovo Group for the financial year ended 31 December 2022 HK$'000
Services provided by the Lenovo Group to the Group		
(1) Transitional services	216,938	226,200
(2) HKT services	397,277	670,800
(3) PCCW services	10,208	31,200

* The annual caps disclosed in the announcement of the Company dated 12 August 2022 for (1) to (3) are US$29 million, US$86 million and US$4 million respectively. The amounts were translated based on the exchange rate of US$1 equivalent to HK$7.8 for illustrative purpose.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS *(CONTINUED)*

2. Continuing Connected Transactions *(continued)*

D. Annual Review of Continuing Connected Transactions

The Company's external auditor was engaged to report on the CU Transactions, the FWD Transactions and the Lenovo Transactions entered into by the Group for the year ended 31 December 2022 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, the FWD Transactions and the Lenovo 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, the FWD Transactions and the Lenovo Transactions for the year ended 31 December 2022 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 31 December 2022 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, 24 February 2023

INDEPENDENT AUDITOR'S REPORT

pwc

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 99 to 231, comprise:

- the consolidated statement of financial position as at 31 December 2022;
- 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 31 December 2022, 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 summarised 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 recognised revenue of HK$36,065 million for the year ended 31 December 2022, including external revenue from HKT Limited ("HKT"), Media Business and Other Businesses of HK$32,761 million, HK$2,632 million and HK$672 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 recognised 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. Revenue of solution services in Other Businesses is recognised 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 recognised over time, testing, on a sample basis, the amount of revenue recognised 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 judgements and estimates used in the recognition of revenue are supported by the available evidence.

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Key Audit Matters *(continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessments for CGUs containing goodwill *Refer to note 19 to the consolidated financial statements*	
As at 31 December 2022, the Group had goodwill amounting to HK$17,971 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 the management's control procedures of the 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*; • 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 and with the involvement of our internal expert, where applicable; • Comparing the data in the cash flow projections to the relevant CGUs' historical performance, financial budgets and forecasts; • 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 judgements and key assumptions used in the impairment assessments are supported by the available evidence.

Key Audit Matters *(continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Income taxes *Refer to notes 13 and 36 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 recognised deferred income tax assets of HK$1,792 million related to available tax losses as at 31 December 2022. In assessing the amount of deferred income tax assets to be recognised, the Group has considered 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; • Validating, on a sample basis, available tax losses, including the respective expiry periods to tax returns and tax correspondence of the relevant subsidiaries; • 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 judgements and assumptions used in the recognition of current income tax provisions and deferred income tax assets are supported by the available evidence.

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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 2022 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, 24 February 2023

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

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2022

In HK$ million (except for earnings/(loss) per share)	Note(s)	2021 (Restated)	**2022**
Continuing operations			
Revenue	7, 8	35,455	**36,065**
Cost of sales	10(b)	(17,725)	**(17,914)**
General and administrative expenses	10(c)	(13,179)	**(13,498)**
Other losses, net	9	(45)	**(51)**
Interest income		69	**101**
Finance costs	11	(1,401)	**(1,826)**
Share of results of associates		590	**(260)**
Share of results of joint ventures		(18)	**(18)**
Profit before income tax	7, 10	3,746	**2,599**
Income tax	13	(998)	**(672)**
Profit for the year from continuing operations		2,748	**1,927**
Discontinued operations			
Profit for the year from discontinued operations	5	199	**834**
Profit for the year		2,947	**2,761**
Profit attributable to:			
Equity holders of the Company		1,039	**158**
Holders of perpetual capital securities		226	**235**
Non-controlling interests		1,682	**2,368**
		2,947	**2,761**
Profit/(Loss) attributable to equity holders of the Company arising from:			
Continuing operations		288	**(676)**
Discontinued operations		751	**834**
		1,039	**158**
Earnings/(Loss) per share	15		
Basic earnings/(loss) per share arising from:			
Continuing operations		3.73 cents	**(8.75) cents**
Discontinued operations		9.73 cents	**10.80 cents**
		13.46 cents	**2.05 cents**
Diluted earnings/(loss) per share arising from:			
Continuing operations		3.73 cents	**(8.75) cents**
Discontinued operations		9.71 cents	**10.79 cents**
		13.44 cents	**2.04 cents**

The notes on pages 108 to 231 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

In HK$ million	2021 (Restated)	**2022**
Profit for the year	2,947	**2,761**
Other comprehensive (loss)/income		
Items that will not be reclassified subsequently to consolidated income statement:		
Remeasurements of defined benefit retirement schemes obligations	18	**22**
Changes in the fair value of financial assets at fair value through other comprehensive income	–	**(60)**
	18	**(38)**
Items that have been reclassified or may be reclassified subsequently to consolidated income statement:		
Translation exchange differences:		
– exchange differences on translating foreign operations of subsidiaries	(381)	**(87)**
– exchange differences on translating foreign operations of associates and joint ventures	34	**(271)**
– reclassification of currency translation reserve on deconsolidation of subsidiaries	270	**33**
– reclassification of currency translation reserve on partial disposal of interests in an associate	–	**(33)**
Cash flow hedges:		
– effective portion of changes in fair value	(2)	**(45)**
– transfer from equity to consolidated income statement	8	**101**
Costs of hedging	(43)	**(111)**
	(114)	**(413)**
Other comprehensive loss for the year	(96)	**(451)**
Total comprehensive income for the year	2,851	**2,310**
Attributable to:		
Equity holders of the Company	1,194	**(229)**
Holders of perpetual capital securities	226	**235**
Non-controlling interests	1,431	**2,304**
Total comprehensive income for the year	2,851	**2,310**
Total comprehensive income/(loss) for the year attributable to equity holders of the Company arising from:		
Continuing operations	311	**(1,083)**
Discontinued operations	883	**854**
	1,194	**(229)**

The notes on pages 108 to 231 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

In HK$ million	Note	2021 Attributable to equity holders of the Company	Perpetual capital securities	Non-controlling interests	Total equity
As at 1 January 2021		9,933	–	3,621	13,554
Total comprehensive income for the year					
Profit for the year		1,039	226	1,682	2,947
Other comprehensive (loss)/income					
Items that will not be reclassified subsequently to consolidated income statement:					
Remeasurements of defined benefit retirement schemes obligations	33(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 of subsidiaries		(154)	–	(227)	(381)
– exchange differences on translating foreign operations of associates and joint ventures		34	–	–	34
– reclassification of currency translation reserve on deconsolidation of subsidiaries	5(b)	270	–	–	270
Cash flow hedges:					
– effective portion of changes in fair value	30(c)	(1)	–	(1)	(2)
– transfer from equity to consolidated income statement	30(c)	4	–	4	8
Costs of hedging	30(c)	(16)	–	(27)	(43)
Other comprehensive (loss)/income		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 shares of PCCW Limited ("PCCW Shares") under share award scheme		(22)	–	(3)	(25)
Purchases of share stapled units of HKT Trust and HKT Limited ("Share Stapled Units") under share award schemes		(10)	–	(2)	(12)
Employee share-based compensation	34(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(b)	1	–	(1,817)	(1,816)
Decrease in interests in subsidiaries that does not result in a loss of control	44(a)	(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	28(g)	(18)	–	–	(18)
Total transactions with equity holders		(2,650)	5,660	(3,933)	(923)
As at 31 December 2021		8,477	5,886	1,119	15,482

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(CONTINUED)*

For the year ended 31 December 2022

In HK$ million	Note	2022 Attributable to equity holders of the Company	Perpetual capital securities	Non-controlling interests	Total equity
As at 1 January 2022		**8,477**	**5,886**	**1,119**	**15,482**
Total comprehensive income/(loss) for the year					
Profit for the year		**158**	**235**	**2,368**	**2,761**
Other comprehensive (loss)/income					
Items that will not be reclassified subsequently to consolidated income statement:					
Remeasurements of defined benefit retirement schemes obligations	33(a)	**22**	**–**	**–**	**22**
Changes in the fair value of financial assets at fair value through other comprehensive income		**(60)**	**–**	**–**	**(60)**
Items that have been reclassified or may be reclassified subsequently to consolidated income statement:					
Translation exchange differences:					
– exchange differences on translating foreign operations of subsidiaries		**(51)**	**–**	**(36)**	**(87)**
– exchange differences on translating foreign operations of associates and joint ventures		**(269)**	**–**	**(2)**	**(271)**
– reclassification of currency translation reserve on deconsolidation of subsidiaries	5(a)	**33**	**–**	**–**	**33**
– reclassification of currency translation reserve on partial disposal of interests in an associate		**(33)**	**–**	**–**	**(33)**
Cash flow hedges:					
– effective portion of changes in fair value	30(c)	**(23)**	**–**	**(22)**	**(45)**
– transfer from equity to consolidated income statement	30(c)	**51**	**–**	**50**	**101**
Costs of hedging	30(c)	**(57)**	**–**	**(54)**	**(111)**
Other comprehensive (loss)/income		**(387)**	**–**	**(64)**	**(451)**
Total comprehensive income/(loss) for the year		**(229)**	**235**	**2,304**	**2,310**
Transactions with equity holders					
Issue of PCCW Shares under share award scheme	31(a)	**–***	**–**	**–**	**–**
Purchases/Subscription of PCCW Shares under share award schemes		**(10)**	**–**	**(2)**	**(12)**
Purchases/Subscription of Share Stapled Units under share award schemes		**(12)**	**–**	**(2)**	**(14)**
Purchases of Share Stapled Units	44(c)	**(263)**	**–**	**5**	**(258)**
Employee share-based compensation	34(b)	**38**	**–**	**14**	**52**
Distributions/Dividends for PCCW Shares and Share Stapled Units granted under share award schemes		**(4)**	**–**	**–**	**(4)**
Dividend paid in respect of the previous year	14	**(2,139)**	**–**	**–**	**(2,139)**
Dividend declared and paid in respect of the current year	14	**(738)**	**–**	**–**	**(738)**
Distributions/Dividends declared and paid to non-controlling shareholders of subsidiaries		**–**	**–**	**(2,688)**	**(2,688)**
Distributions paid to holders of perpetual capital securities		**–**	**(235)**	**–**	**(235)**
Total contributions by and distributions to equity holders		**(3,128)**	**(235)**	**(2,673)**	**(6,036)**
Change in interests in subsidiaries that does not result in a loss of control	44(b)	**159**	**–**	**575**	**734**
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	28(g)	**(10)**	**–**	**–**	**(10)**
Expiry of put option to the non-controlling shareholder of an indirect non-wholly owned subsidiary	28(g)	**285**	**–**	**–**	**285**
Total transactions with equity holders		**(2,694)**	**(235)**	**(2,098)**	**(5,027)**
As at 31 December 2022		**5,554**	**5,886**	**1,325**	**12,765**

* Amount of HK$100,000

The notes on pages 108 to 231 form part of these consolidated financial statements.

CONSOLIDATED AND COMPANY STATEMENTS OF FINANCIAL POSITION

As at 31 December 2022

In HK$ million				(Additional information)	
		The Group		The Company	
	Note*	2021	**2022**	2021	**2022**
ASSETS AND LIABILITIES					
Non-current assets					
Property, plant and equipment	16	25,866	**26,832**	–	**–**
Right-of-use assets	17	2,341	**2,040**	–	**–**
Interests in leasehold land	18	329	**308**	–	**–**
Goodwill	19	18,248	**17,971**	–	**–**
Intangible assets	20	18,572	**18,341**	–	**–**
Fulfilment costs		1,512	**1,658**	–	**–**
Customer acquisition costs		879	**864**	–	**–**
Contract assets		300	**285**	–	**–**
Interests in subsidiaries		–	**–**	35,723	**35,789**
Interests in associates	22	2,095	**2,506**	–	**–**
Interests in joint ventures	23	397	**327**	–	**–**
Financial assets at fair value through other comprehensive income	24	124	**701**	–	**–**
Financial assets at fair value through profit or loss	25	1,731	**2,804**	–	**–**
Other financial assets	26	1,341	**1,596**	–	**–**
Derivative financial instruments	30	146	**27**	–	**–**
Deferred income tax assets	36	788	**985**	–	**–**
Other non-current assets	27	933	**773**	–	**–**
		75,602	**78,018**	35,723	**35,789**
Current assets					
Amounts due from subsidiaries		–	**–**	1,857	**7,356**
Inventories	28(c)	1,444	**2,065**	–	**–**
Prepayments, deposits and other current assets	28(b)	3,137	**3,835**	74	**38**
Contract assets		2,977	**2,235**	–	**–**
Trade receivables, net	28(d)	5,761	**4,602**	–	**–**
Amounts due from related companies	6(e)	34	**751**	–	**–**
Derivative financial instruments	30	25	**58**	25	**–**
Tax recoverable		20	**–**	–	**–**
Restricted cash	28(a)	187	**375**	–	**–**
Short-term deposits		472	**116**	–	**–**
Cash and cash equivalents	38(c)	4,564	**3,009**	1,430	**531**
		18,621	**17,046**	3,386	**7,925**

In HK$ million				(Additional information)	
		The Group		The Company	
	Note*	2021	**2022**	2021	**2022**
Current liabilities					
Short-term borrowings	28(e)	(2,419)	**(3,950)**	–	**–**
Trade payables	28(f)	(5,770)	**(6,074)**	–	**–**
Accruals and other payables		(8,170)	**(8,660)**	(11)	**(18)**
Derivative financial instruments	30	–	**(98)**	(4)	**–**
Carrier licence fee liabilities	37	(315)	**(331)**	–	**–**
Amounts due to related companies	6(e)	(66)	**(54)**	–	**–**
Advances from customers		(270)	**(286)**	–	**–**
Contract liabilities		(1,658)	**(1,606)**	–	**–**
Lease liabilities		(1,120)	**(1,130)**	–	**–**
Current income tax liabilities		(1,827)	**(2,185)**	–	**(4)**
		(21,615)	**(24,374)**	(15)	**(22)**
Non-current liabilities					
Long-term borrowings	29	(44,404)	**(45,571)**	–	**(4,907)**
Amounts due to subsidiaries		–	**–**	(6,902)	**(6,956)**
Derivative financial instruments	30	(128)	**(241)**	–	**(4)**
Deferred income tax liabilities	36	(4,267)	**(4,585)**	–	**–**
Defined benefit retirement schemes liability	33(a)	(103)	**(69)**	–	**–**
Carrier licence fee liabilities	37	(3,449)	**(3,340)**	–	**–**
Contract liabilities		(1,159)	**(1,031)**	–	**–**
Lease liabilities		(1,273)	**(994)**	–	**–**
Other long-term liabilities		(2,343)	**(2,094)**	–	**–**
		(57,126)	**(57,925)**	(6,902)	**(11,867)**
Net assets		15,482	**12,765**	32,192	**31,825**

In HK$ million				(Additional information)	
		The Group		The Company	
	Note*	2021	**2022**	2021	**2022**
CAPITAL AND RESERVES					
Share capital	31	12,954	**12,954**	12,954	**12,954**
Reserves	35	(4,477)	**(7,400)**	19,238	**18,871**
Equity attributable to equity holders of the Company		8,477	**5,554**	32,192	**31,825**
Perpetual capital securities	32	5,886	**5,886**	–	**–**
Non-controlling interests		1,119	**1,325**	–	**–**
Total equity		15,482	**12,765**	32,192	**31,825**

The consolidated financial statements were approved and authorised for issue by the board of directors of the Company (the "Board") on 24 February 2023 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 31 December 2021 and 2022 is presented only as additional information to these consolidated financial statements. The Company statement of financial position as at 31 December 2022 as presented in note 4 was approved and signed by the directors.

The notes on pages 108 to 231 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

In HK$ million	Note	2021	**2022**
NET CASH GENERATED FROM OPERATING ACTIVITIES	38(a)	9,704	**10,339**
INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(3,591)	**(2,332)**
Proceeds from disposals of property, plant and equipment		44	**4**
Payment for investment properties		(1)	**–**
Additions of intangible assets		(4,328)	**(4,574)**
Net inflow of cash and cash equivalents from deconsolidation of subsidiaries in current and prior years		3,470	**2,041**
Investment in a joint venture		(30)	**–**
Investments in associates		(311)	**(253)**
Loans to an associate		–	**(100)**
Loans to a joint venture		(41)	**(46)**
Proceeds from disposal of assets classified as held for sale		132	**–**
Purchases of financial assets at fair value through profit or loss		(1,301)	**(1,460)**
Purchases of other financial assets		(561)	**(254)**
Proceeds from disposal of financial assets at fair value through profit or loss		222	**35**
Proceeds from partial disposal of interests in an associate		–	**567**
Dividends received from an associate		550	**–**
Dividends received from financial assets at fair value through profit or loss		2	**2**
Dividends received from financial assets at fair value through other comprehensive income		–	**7**
(Increase)/Decrease in short-term deposits with maturity more than three months		(1,876)	**356**
NET CASH USED IN INVESTING ACTIVITIES		(7,620)	**(6,007)**

In HK$ million	Note	2021	**2022**
FINANCING ACTIVITIES			
New borrowings raised	38(b)	28,587	**33,243**
Finance costs paid	38(b)	(1,193)	**(1,023)**
Repayments of borrowings	38(b)	(27,974)	**(30,329)**
Proceeds from issuance of perpetual capital securities		5,776	**–**
Proceeds from issuance of share by a then non-wholly owned subsidiary		364	**–**
Proceeds from partial disposal of interests in a subsidiary that does not result in a loss of control	44(b)	–	**734**
Movement in amounts due to a related company	38(b)	22	**(7)**
Payment for repurchase of preference shares of a subsidiary	28(g)(i)	–	**(863)**
Purchases of Share Stapled Units	44(c)	–	**(258)**
Payment for lease liabilities (including interest)	38(b)	(1,903)	**(1,526)**
Increase in restricted cash	38(b)	(7)	**–**
Dividends paid to shareholders of the Company		(2,498)	**(2,877)**
Distributions/Dividends paid to non-controlling shareholders of subsidiaries		(2,627)	**(2,688)**
Distributions paid to holders of perpetual capital securities		(116)	**(235)**
NET CASH USED IN FINANCING ACTIVITIES		(1,569)	**(5,829)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		515	**(1,497)**
Exchange differences		(32)	**(58)**
CASH AND CASH EQUIVALENTS			
Beginning of year		4,081	**4,564**
End of year	38(c)	4,564	**3,009**

The notes on pages 108 to 231 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 18 October 1994. The address of its registered office is 41st Floor, PCCW Tower, Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong. The principal activity of the Company is investment holding, and the principal activities of the Company and its subsidiaries (together the "Group") are the provision of technology and telecommunications and related services including enterprise solutions, consumer mobile, total home solutions, digital ventures, healthtech services, and media entertainment 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").

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 1 January 2022, but have no material effect on the Group's reported results and financial position for the current and prior accounting periods.

- HKAS 16 (Amendments), *Property, Plant and Equipment*
- HKAS 37 (Amendments), *Provisions, Contingent Liabilities and Contingent Assets*
- HKFRS 3 (Revised) (Amendments), *Business Combinations*
- Annual Improvements to HKFRSs 2018 – 2020

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

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

The Group has not early adopted any 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 45.

The consolidated financial statements for the year ended 31 December 2022 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 31 December 2021 and 2022 include additional information about the Company statement of financial position. The Company statement of financial position as at 31 December 2022 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.

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:

– financial assets at fair value through profit or loss – fair value (see note 2(m));

– financial assets at fair value through other comprehensive income – fair value (see note 2(m));

– derivative financial instruments – fair value (see note 2(o));

– defined benefit retirement schemes liability – fair value (see note 2(ac)(ii)); and

– assets held for sale – fair value less costs to sell (see note 2(aj)).

As at 31 December 2022, the current liabilities of the Group exceeded its current assets by HK$7,328 million. Included in the current liabilities were (i) short-term borrowings of HK$3,950 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 12-month period and the Group has arrangements to refinance this balance via long-term borrowings; and (ii) current portion of contract liabilities of HK$1,606 million recognised for which no direct cash settlement is required but will gradually reduce over the contract terms through the satisfaction of performance obligations. Also, considering the Group's ability to generate net operating cash inflows and raise additional debt financing, and the undrawn banking facilities totalling HK$24,699 million as at 31 December 2022, management considers the Group is able to meet its liabilities as and when they fall due within the next 12-month period. Accordingly, these consolidated financial statements have been prepared on a going concern basis.

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

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

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 recognised 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.

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 recognised 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 recognises 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.

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

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

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(h)). 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 recognised directly in the consolidated income statement. Where businesses are acquired and fair values of the net assets of the acquired business are finalised 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 recognised 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 recognised 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 recognised 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 recognised 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.

Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised 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.

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

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.

Unrealised 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 unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised 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 recognised 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.

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.

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

e. Joint arrangements *(continued)*

The Group recognises 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(n)(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(g)); and

- other items of plant and equipment.

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

Subsequent costs are included in the carrying amount of an item of property, plant and equipment or recognised 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 recognised 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 recognised 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.

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

g. 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 recognised 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 amortised on a straight-line basis over the lease term.

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 recognised 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)*

g. 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(n)(ii). Revenue arising from operating leases is recognised in accordance with the Group's revenue recognition policies as set out in note 2(w)(iv).

h. 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(n)(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.

i. 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. Amortisation 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 of the minimum annual fees 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 recognised in the consolidated income statement as incurred.

ii. Capitalised programme costs

Costs incurred to produce or acquire television rights, for which the Group can determine the broadcasting schedules, are capitalised as intangible assets. The intangible assets are amortised 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 recognised 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 recognised in the consolidated statement of financial position as other non-current assets, prepayments, deposits and other current assets or accruals and other payables, as appropriate.

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

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

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 capitalised 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 capitalised 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.

Capitalised software costs are amortised on a straight-line basis over the estimated useful life of 5 to 15 years.

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 amortisation (where the estimated useful life is finite) and impairment losses (see note 2(n)(ii)). Expenditures on internally generated goodwill and brands are recognised as expenses in the period in which they are incurred.

Amortisation 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 amortised 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 amortisation methods are reviewed annually.

j. Fulfilment 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 capitalised 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. Fulfilment costs are amortised on a straight-line basis over the expected life of the customer contract.

k. Customer acquisition costs

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

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

l. 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 recognised. If the total non-refundable payments received and unconditional rights to contract consideration to date exceed the performance obligation fulfilled, a contract liability is recognised. 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(t) for the accounting policies.

m. 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 amortised 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 recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised 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)*

m. 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:

– Amortised 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 amortised cost. A gain or loss on a debt instrument that is subsequently measured at amortised cost is recognised in the consolidated income statement when the asset is derecognised 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 recognised in the consolidated income statement. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to the consolidated income statement and recognised in other gains/(losses), net.

– FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt instrument that is subsequently measured at FVPL is recognised and presented net in the consolidated income statement within other gains/(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 recognised in the consolidated income statement as other gains/(losses), net when the Group's right to receive payments is established.

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

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

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

n. 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 amortised cost or FVOCI, and trade and other receivables carried at amortised 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 behaviour 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 categorises 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 amounts due. Where recoveries are made, these are recognised in the consolidated income statement.

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

n. 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 recognised no longer exists or may have decreased:

- property, plant and equipment;
- right-of-use assets;
- interests in leasehold land;
- fulfilment 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 recognised 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 recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then, to reduce the carrying amount of the other assets in the CGU on a pro rata basis, except that the carrying amount of an asset will not be reduced below its individual fair value less costs of disposal, or value-in-use, if determinable.

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

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

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

n. Impairment of assets *(continued)*

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(n)(i) and 2(n)(ii)).

Impairment losses recognised 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 recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

o. Derivative financial instruments

Derivative financial instruments are initially recognised 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 recognised 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(p)).

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.

p. 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 recognised in the hedging reserve within equity. The gain or loss relating to the ineffective portion is recognised 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 recognised in the hedging reserve within equity. The change in the forward element is recognised in the consolidated income statement.

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 recognised 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 recognised in the costs of hedging reserve within equity.

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

p. Hedging *(continued)*

i. Cash flow hedges *(continued)*

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 recognised 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 recognised 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 recognised 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 recognised 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 recognised 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 recognised 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 recognised within other comprehensive income in the costs of hedging reserve within equity.

q. 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 realisable value. Net realisable 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.

r. Trade and other receivables

Trade and other receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing component, when they are recognised 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 amortised cost using the effective interest method, less loss allowance for expected credit losses (see note 2(n)(i)).

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

s. 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.

t. Trade and other payables

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

u. Borrowings

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

v. Provisions and contingent liabilities

Provisions are recognised 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 recognised 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.

w. 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 recognised 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 recognised as cost of sales when the corresponding revenue is recognised.

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)*

w. 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 centres.

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 recognised 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 recognised when the customer exercises the option. Income from other telecommunications services are recognised 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 recognised 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 recognised 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 over-the-top ("OTT") digital media entertainment services.

Subscription income from the interactive pay-TV services and OTT digital media entertainment services are recognised rateably 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 recognised (i) when the advertisements are telecast on pay-TV and free TV, delivered through Internet and mobile platforms; or (ii) rateably 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)*

w. 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 recognised 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 recognised 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 recognised 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 recognised 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 recognised in the consolidated income statement as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

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

v. Commission income

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

x. Interest income

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

y. Dividend income

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

z. 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 capitalised 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 capitalisation 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. Capitalisation 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 recognised as expenses over the period of the borrowing using the effective interest method.

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

aa. 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, amortisation of land lease premium, amortisation of intangible assets, amortisation of fulfilment costs, amortisation of customer acquisition costs, impairment loss for trade receivables and other staff costs.

ab. 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 recognised in the consolidated income statement except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts are recognised 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 utilised, are recognised. 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 utilised.

The amount of deferred income tax recognised is measured based on the expected manner of realisation 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 realised 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 utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

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

ab. Income tax *(continued)*

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 realise 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 realise the current income tax assets and settle the current income tax liabilities on a net basis or realise and settle simultaneously.

ac. 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.

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 recognised as an expense in the consolidated income statement in the period to which the contributions relate.

The Group's defined benefit retirement schemes liability recognised 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.

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

ac. Employee benefits *(continued)*

iii. Share-based payments

The Company operates a share option scheme where employees (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 recognised 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 recognised 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 recognised 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 recognised 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”).

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 recognised 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 recognised 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 recognised 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 recognised 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 recognised as treasury stock is transferred to the employee share-based compensation reserve with the difference recognised 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 recognised 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 recognised 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 recognised 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 recognised 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 recognised in equity is transferred to the employee share-based compensation reserve with the difference recognised in equity and non-controlling interests.

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

ac. Employee benefits *(continued)*

iv. Termination benefits

Termination benefits are recognised 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.

v. Other long-term employee benefit obligations

The liabilities for long service payments are measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted to their present value using market yields at the end of the reporting period of high-quality government bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows.

Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

The obligations are presented as current liabilities in the statement of financial position if the entity does not have an unconditional right to defer settlement for at least 12 months after the reporting period, regardless of when the actual settlement is expected to occur.

ad. 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.

ae. 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 recognised 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.

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

ae. Translation of foreign currencies *(continued)*

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 1 January 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 1 January 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation. The resulting exchange differences are recognised 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 recognised 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.

af. 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.

ag. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (the "CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the 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)*

ah. Dividend distribution

Dividend distribution to the Company's shareholders is recognised 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.

ai. Government grants

Grants from the government are recognised 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 recognised 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 capitalised. Government grants relating to capitalised staff cost are directly deducted from the carrying amount of the respective assets recognised and credited to the consolidated income statement on a straight-line basis over the expected lives of the related assets.

aj. 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.

ak. 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 19, 33(a) and 40 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 recognised no longer exists or may have decreased:

– property, plant and equipment;

– right-of-use assets;

– interests in leasehold land;

– fulfilment costs;

– customer acquisition costs;

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(CONTINUED)*

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

– 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 recognised in the consolidated income statement whenever the carrying amount of an asset exceeds its recoverable amount.

The sources utilised 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 utilising internal resources or the Group may engage external advisors to counsel the Group. Regardless of the resources utilised, the Group is required to make many assumptions to make these assessments, including the utilisation 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.

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 recognised 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 recognised 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.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(CONTINUED)*

iii. Deferred income tax

While deferred income tax liabilities are provided in full on all taxable temporary differences, deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. In assessing the amount of deferred income tax assets that need to be recognised, 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 utilise the tax benefits of net operating loss carry-forward 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), fulfilment costs and customer acquisition costs

The Group has significant property, plant and equipment, intangible assets (other than goodwill), fulfilment costs and customer acquisition costs. The Group is required to estimate the lives of property, plant and equipment, intangible assets (other than goodwill), fulfilment costs and customer acquisition costs in order to ascertain the amount of depreciation and amortisation 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.

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 31 December 2022, potential future undiscounted cash outflows of HK$602 million (2021: HK$653 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 40(e) contains details of key assumptions used.

4 STATEMENT OF FINANCIAL POSITION OF THE COMPANY

In HK$ million	Note	2021	**2022**
ASSETS AND LIABILITIES			
Non-current assets			
Interests in subsidiaries		35,723	**35,789**
		35,723	**35,789**
Current assets			
Amounts due from subsidiaries		1,857	**7,356**
Prepayments, deposits and other current assets		74	**38**
Derivative financial instruments		25	**–**
Cash and cash equivalents		1,430	**531**
		3,386	**7,925**
Current liabilities			
Accruals and other payables		(11)	**(18)**
Derivative financial instruments		(4)	**–**
Current income tax liabilities		–	**(4)**
		(15)	**(22)**
Non-current liabilities			
Long-term borrowings		–	**(4,907)**
Amounts due to subsidiaries		(6,902)	**(6,956)**
Derivative financial instruments		–	**(4)**
		(6,902)	**(11,867)**
Net assets		32,192	**31,825**
CAPITAL AND RESERVES			
Share capital	31	12,954	**12,954**
Reserves	35	19,238	**18,871**
Total equity		32,192	**31,825**

Approved and authorised for issue by the Board on 24 February 2023 and signed on behalf of the Board by

Li Tzar Kai, Richard
Director

Hui Hon Hing, Susanna
Director

5 DISCONTINUED OPERATIONS

In HK$ million	2021	**2022**
Profit for the year from operations discontinued in 2022 *(note 5(a))*	98	**834**
Profit for the year from operations discontinued in 2021 *(note 5(b))*	101	**–**
	199	**834**

a. Operations discontinued in 2022

For the purpose of forming a strategic partnership with an independent third party (the "Partner"), an indirect wholly-owned subsidiary of the Company (the "Seller") entered into a share purchase agreement (the "SPA") with the Partner on 14 June 2022. Pursuant to the SPA, the Seller has agreed to sell to the Partner (i) 80% interest in Lenovo PCCW Solutions Limited ("LPSL", formerly known as Digital Era Enterprises Limited and PCCW Lenovo Technology Solutions Limited), an indirect wholly-owned subsidiary of the Company which would serve as the holding company of part of the IT solutions business (the "ITS Business", which comprises the provision of information technology services, including but not limited to digital and managed services, technology services and business process outsourcing) following the reorganisation of the ITS Business; and (ii) a 20% interest in PCCW Network Services Limited ("PNSL"), which following the reorganisation would hold a 100% interest in PCCW Solutions Limited (whose principal business is the provision of solutions and services to public sector customers in Hong Kong) and 20% interest in LPSL, for a total consideration of US$614 million (equivalent to approximately HK$4,786 million), subject to certain post-completion adjustments. Of the total consideration, US$514 million (equivalent to approximately HK$4,006 million) was settled in cash, and US$100 million (equivalent to approximately HK$780 million) was settled by the issue to the Group of 86,424,677 new shares of the Partner.

On 12 August 2022, all of the conditions precedent in the SPA have been satisfied or waived and thus the sale and purchase transaction in accordance with the terms of the SPA was completed and LPSL ceased to be a subsidiary and became an associate of the Group.

The divestment of 20% interest in PNSL was accounted for as a change in interests in subsidiaries that does not result in a loss of control.

In accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, the operating results of the ITS Business discontinued (the "Discontinued ITS Business") before 13 August 2022 have been presented as discontinued operations in the Group's consolidated income statement and consolidated statement of comprehensive income for the year ended 31 December 2022. The comparative figures for the year ended 31 December 2021 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.

5 DISCONTINUED OPERATIONS *(CONTINUED)*

a. Operations discontinued in 2022 *(continued)*

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

i. Financial results and cash flow information

The financial results and cash flow information of the Discontinued ITS Business presented are for the year ended 31 December 2021 and the financial period from 1 January 2022 to 12 August 2022.

In HK$ million	2021	**2022**
Revenue *(note (2))*	4,344	**2,361**
Cost of sales	(3,824)	**(2,110)**
General and administrative expenses	(355)	**(227)**
Other gains, net	–	**20**
Finance costs	–	**(1)**
Profit before income tax	165	**43**
Income tax	(67)	**11**
Profit after income tax	98	**54**
Gain on deconsolidation of ITS Business *(note (1))*	–	**780**
Profit from discontinued operations	98	**834**
Profit from discontinued operations attributable to equity holders of the Company	98	**834**

In HK$ million	2021	**2022**
Profit from discontinued operations	98	**834**
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 of subsidiaries	(9)	**(13)**
– reclassification of currency translation reserve on deconsolidation of subsidiaries	–	**33**
Total comprehensive income from discontinued operations	89	**854**
Total comprehensive income from discontinued operations attributable to equity holders of the Company	89	**854**

5 DISCONTINUED OPERATIONS *(CONTINUED)*

a. Operations discontinued in 2022 *(continued)*

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

(1) Gain on deconsolidation of ITS Business

In HK$ million	2022
Consideration, net of direct expenses	**3,803**
Less: Consideration attributable to the divestment of 20% interest in PNSL *(note 44(b))*	**(734)**
Fair value attributable to the retained 20% interest in LPSL *(note 22)*	**978**
Less: Carrying amount of net assets deconsolidated of	**(3,234)**
Reclassification of currency translation reserve on deconsolidation of subsidiaries	**(33)**
Gain on deconsolidation of ITS Business	**780**

(2) Segment information of the Discontinued ITS Business

In HK$ million	2021	2022
External revenue from contracts with customers:		
– recognised at a point in time	57	**38**
– recognised over time	3,304	**1,776**
Internal revenue	983	**547**
Revenue attributable to Solutions Business segment	4,344	**2,361**
EBITDA* attributable to Solutions Business segment	575	**203**
Capital expenditure (including property, plant and equipment and interests in leasehold land) incurred by the Discontinued ITS Business attributable to Solutions Business segment	19	**21**

* As defined in note 7

(3) Cash flows of the Discontinued ITS Business

In HK$ million	2021	2022
Net cash generated from/(used in) operating activities	139	**(82)**
Net cash used in investing activities	(35)	**(29)**
Net cash used in financing activities	(97)	**(65)**
Net cash inflow/(outflow) from discontinued operations	7	**(176)**

(4) Included in profit for the year from discontinued operations were remuneration paid or payable to the Company's auditor of HK$12 million (2021: HK$10 million) for non-audit services.

5 DISCONTINUED OPERATIONS *(CONTINUED)*

a. Operations discontinued in 2022 *(continued)*

ii. Details of the Discontinued ITS Business

Net assets of Discontinued ITS Business as at the date of deconsolidation:

In HK$ million	Carrying amount
Property, plant and equipment	97
Right-of-use assets	74
Interests in leasehold land	4
Goodwill	271
Intangible assets	1,023
Deferred income tax assets	35
Other non-current assets	11
Total non-current assets *(note)*	1,515
Inventories	178
Prepayments, deposits and other current assets	582
Contract assets	824
Trade receivables, net	638
Tax recoverable	1
Cash and cash equivalents	148
Total current assets	2,371
Trade payables	(221)
Accruals and other payables	(225)
Contract liabilities	(57)
Lease liabilities	(32)
Current income tax liabilities	(25)
Total current liabilities	(560)
Deferred income tax liabilities	(38)
Lease liabilities	(37)
Other long-term liabilities	(17)
Total non-current liabilities	(92)
Net assets attributable to the Discontinued ITS Business	3,234

Note: Total non-current assets of HK$1,515 million were attributable to the Solutions Business segment as at the date of deconsolidation.

5 DISCONTINUED OPERATIONS *(CONTINUED)*

a. Operations discontinued in 2022 *(continued)*

ii. Details of the Discontinued ITS Business *(continued)*

In HK$ million	2022
Consideration settled by cash, net of direct expenses paid	**2,514**
Less: Cash and cash equivalents deconsolidated	**(148)**
Net inflow of cash and cash equivalents from deconsolidation of subsidiaries	**2,366**

b. Operations discontinued in 2021

Pursuant to the share purchase agreement dated 26 July 2021, the divestment of the Group's entire interests in data centre 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 Centre Business") was completed on 3 December 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 23 December 2021, the Group completed the sale of approximately 1.1% equity interest in PCPD on 29 December 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 29 December 2021, and PCPD ceased to be a subsidiary and became an associate of the Group (the "Deconsolidation of PCPD"), accordingly the attributable PCPD segment was discontinued.

In accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, the operating results of the Discontinued Data Centre 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 for the year ended 31 December 2021.

5 DISCONTINUED OPERATIONS *(CONTINUED)*

b. Operations discontinued in 2021 *(continued)*

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:

i. Financial results and cash flow information

The financial results and cash flow information presented are for the financial period from 1 January 2021 to the respective dates of completion of the divestment of the Discontinued Data Centre Business and Deconsolidation of PCPD.

In HK$ million	2021
Revenue *(note (3))*	1,202
Cost of sales	(483)
General and administrative expenses	(982)
Other losses, net	(15)
Interest income	7
Finance costs	(466)
Loss before income tax	(737)
Income tax	(52)
Loss after income tax	(789)
Gain on divestment of Discontinued Data Centre Business *(note (1))*	1,518
Loss on Deconsolidation of PCPD *(note (2))*	(628)
Profit from discontinued operations	101
Attributable to:	
Equity holders of the Company	653
Non-controlling interests	(552)
	101

In HK$ million	2021
Profit from discontinued operations	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	(342)
– reclassification of currency translation reserve on deconsolidation of subsidiaries	270
Total comprehensive income from discontinued operations	29
Attributable to:	
Equity holders of the Company	794
Non-controlling interests	(765)
	29

5 DISCONTINUED OPERATIONS *(CONTINUED)*

b. Operations discontinued in 2021 *(continued)*

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

(1) Gain on divestment of Discontinued Data Centre 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 Centre Business	1,518

(2) 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 recognised in the Group's consolidated income statement for the year ended 31 December 2021 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 31 December 2021.

(3) Revenue of discontinued operations

In HK$ million	2021
External revenue from contracts with customers	
– recognised at a point in time	93
– recognised over time	666
External revenue – rental income	176
Internal revenue	267
	1,202
Attributable to:	
– PCPD segment	467
– Solutions Business segment	735
	1,202

5 DISCONTINUED OPERATIONS *(CONTINUED)*

b. Operations discontinued in 2021 *(continued)*

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

(4) EBITDA* of discontinued operations

In HK$ million	2021
Attributable to:	
– PCPD segment	(175)
– Solutions Business segment	383
	208

* As defined in note 7

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

In HK$ million	2021
Attributable to:	
– PCPD segment	223
– Solutions Business segment	930
	1,153

(6) Cash flows of discontinued operations

In HK$ million	2021
Net cash generated from operating activities	473
Net cash used in investing activities	(3,095)
Net cash generated from financing activities	3,152
Net cash inflow from discontinued operations	530

5 DISCONTINUED OPERATIONS *(CONTINUED)*

b. Operations discontinued in 2021 *(continued)*

ii. Details of the discontinued operations

Net assets of Discontinued Data Centre 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 of Hong Kong 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. Operations discontinued in 2021 *(continued)*

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

In HK$ million	2021
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	2021	**2022**
Telecommunications service fees, facility management service charges, IT development and support service charges, contact centre service charges, hotline services fees, consultancy service charges, interest income and other costs recharge received or receivable from joint ventures	a	40	**48**
Telecommunications service fees, connectivity service fees, system integration service fees, interest income, contact centre services charges, equipment sales, consultancy service charges, advertising fees, insurance premium, transitional services, management fee, travel agency service fees and other costs recharge received or receivable from associates	a	30	**90**
Telecommunications service fees, system integration service fees, data centre service fees and contact centre service charges received or receivable from a substantial shareholder	a	182	**178**
Telecommunications service fees, equipment purchase costs, outsourcing fees, rental charges and interest expense paid or payable to joint ventures	a	295	**252**
IT charges, logistic charges, other contractor service fees, transitional services and rental charges paid or payable to associates	a	–	**633**
Telecommunications service fees, data centre service fees and facility management service charges paid or payable to a substantial shareholder	a	124	**126**
Telecommunications service fees, data centre 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	140	**133**
Insurance premium and rental charges paid or payable to related parties under a common shareholder with the Company	a	137	**282**
Purchase of guaranteed notes issued by related parties under a common shareholder with the Company	b	561	**234**
Disposal of assets classified as held for sale to a related party under a common shareholder with the Company	c	132	**–**
Key management compensation	d	103	**100**

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 purchase 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	2021	**2022**
Salaries and other short-term employee benefits	83	**79**
Share-based compensation	17	**19**
Post-employment benefits	3	**2**
	103	**100**

e. Balances with related companies

As at 31 December 2021 and 2022, other than 1) as specified in notes 22 and 23; 2) an unsecured loan of HK$53 million (2021: HK$65 million) which bears interest at 2.5% per annum (2021: same) classified as amounts due to related companies; 3) an unsecured loan of HK$100 million (2021: nil) which is interest free and repayable in 1 year classified as amounts due from related companies, 4) 4.5% guaranteed note due 2026 with a carrying value of HK$562 million (2021: HK$561 million) issued by a related party and classified as other financial assets; 5) 5.125% guaranteed note due 2026 with a carrying value of HK$780 million (2021: HK$780 million) issued by an associate and classified as other financial assets; and 6) 5.75% subordinated note due 2024 with a carrying value of HK$228 million (2021: nil) issued by a related party and classified as other financial assets; 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 technology and telecommunications and related services including enterprise solutions, consumer mobile, total home solutions, digital ventures, healthtech services, and media entertainment. 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, in addition to domestic free television service in Hong Kong. It is also engaged in the development of content, talent and events.

– Other businesses of the Group ("Other Businesses") primarily comprise remaining solutions business following the discontinuation of ITS Business during the year and corporate support functions.

Before the discontinuation of ITS Business, Solutions Business is a leading IT and business process outsourcing provider in Hong Kong, mainland China and Southeast Asia. As disclosed in note 5(a), upon the discontinuation of ITS Business, the Group's ITS Business, which was previously classified as part of the Solutions Business segment, being a separate major line of business was reclassified as discontinued operations; and the other Solutions Business retained, as a separate line of business to the ITS Business, was reallocated to Other Businesses segment for the Group's internal reporting to the CODM. The comparative figures of segment information for the year ended 31 December 2021 were restated to follow the current year presentation accordingly.

The CODM assesses the performance of the operating segments based on a measure of adjusted earnings before interest, tax, depreciation and amortisation ("EBITDA"). EBITDA represents earnings before interest income, finance costs, income tax, depreciation and amortisation, gains/losses on disposal of property, plant and equipment, interests in leasehold land, right-of-use assets and intangible assets, net other gains/losses, losses on property, plant and equipment, restructuring costs, impairment losses on goodwill, tangible and intangible assets and interests in associates and joint ventures, and the Group's share of results of associates and joint ventures.

7 SEGMENT INFORMATION *(CONTINUED)*

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

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

In HK$ million	2021 (Restated)				
	HKT	Media Business	Other Businesses	Eliminations	Consolidated
REVENUE					
External revenue	32,841	2,064	550	–	35,455
Inter-segment revenue	1,120	216	–	(1,336)	–
Total revenue	33,961	2,280	550	(1,336)	35,455
External revenue from contracts with customers:					
Timing of revenue recognition					
At a point in time	6,848	465	–	–	7,313
Over time	25,940	1,599	550	–	28,089
External revenue from other sources:					
Rental income	53	–	–	–	53
	32,841	2,064	550	–	35,455
RESULTS					
EBITDA	12,733	71	(457)	(613)	11,734
OTHER INFORMATION					
Capital expenditure (including property, plant and equipment and interests in leasehold land) incurred during the year	2,458	48	1	–	2,507

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	2022				
	HKT	Media Business	Other Businesses	Eliminations	Consolidated
REVENUE					
External revenue	32,761	2,632	672	–	36,065
Inter-segment revenue	1,364	290	–	(1,654)	–
Total revenue	34,125	2,922	672	(1,654)	36,065
External revenue from contracts with customers:					
Timing of revenue recognition					
At a point in time	6,760	680	–	–	7,440
Over time	25,927	1,952	667	–	28,546
External revenue from other sources:					
Rental income	74	–	5	–	79
	32,761	2,632	672	–	36,065
RESULTS					
EBITDA	13,064	275	(649)	(302)	12,388
OTHER INFORMATION					
Capital expenditure (including property, plant and equipment and interests in leasehold land) incurred during the year	2,346	54	4	–	2,404

7 SEGMENT INFORMATION *(CONTINUED)*

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

In HK$ million	2021 (Restated)	**2022**
Total segment EBITDA	11,734	**12,388**
Gains/(Losses) on disposal of property, plant and equipment and right-of-use assets, net	33	**(2)**
Depreciation and amortisation	(7,216)	**(7,733)**
Other losses, net	(45)	**(51)**
Interest income	69	**101**
Finance costs	(1,401)	**(1,826)**
Share of results of associates and joint ventures	572	**(278)**
Profit before income tax from continuing operations	3,746	**2,599**

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	2021 (Restated)	**2022**
Hong Kong (place of domicile)	28,763	**28,613**
Mainland and other parts of China	1,181	**1,237**
Singapore	1,135	**1,491**
Others	4,376	**4,724**
	35,455	**36,065**

As at 31 December 2022, the total of non-current assets, other than financial instruments and deferred income tax assets, located in Hong Kong was HK$66,171 million (2021: HK$65,163 million), and the total of these non-current assets located in other geographical locations was HK$5,589 million (2021: HK$6,172 million).

8 REVENUE

In HK$ million	2021 (Restated)	**2022**
Revenue from contracts with customers	35,402	**35,986**
Revenue from other sources: rental income	53	**79**
	35,455	**36,065**

a. Revenue recognition in relation to contract liabilities

In HK$ million	2021 (Restated)	**2022**
Revenue recognised that was included in the contract liability balance at the beginning of the year	1,430	**1,529**

b. Unsatisfied long-term fixed-price contracts

In HK$ million	2021 (Restated)	**2022**
Aggregate amount of the transaction price allocated to long-term fixed-price contracts that are partially or fully unsatisfied as at 31 December	36,853	**36,128**

As at 31 December 2022, management expected that 34% and 21% (2021 (restated): 32% and 20%) of the transaction price allocated to the unsatisfied long-term fixed-price contracts would be recognised as revenue during the first and second year respectively after the end of the reporting period. The remaining 45% (2021 (restated): 48%) would be recognised as revenue in the periods afterward. 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	2021 (Restated)	**2022**
Fair value movement of derivative financial instruments	24	**5**
Fair value losses on financial assets at FVPL *(note 25)*	(80)	**(352)**
Write-off of intangible assets *(note 20)*	(5)	**–**
Gain on partial disposal of interests in an associate, net *(note 22)*	–	**300**
Other	16	**(4)**
	(45)	**(51)**

10 PROFIT BEFORE INCOME TAX

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

a. Staff costs

In HK$ million	2021 (Restated)	**2022**
Salaries, bonuses and other benefits	3,100	**3,076**
Share-based compensation expenses	54	**52**
Retirement costs under defined contribution retirement scheme	375	**363**
Retirement costs under defined benefit retirement schemes	1	**1**
	3,530	**3,492**
Less: staff costs included in cost of sales	(818)	**(902)**
Staff costs included in general and administrative expenses	2,712	**2,590**

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	2021 (Restated)	**2022**
Cost of inventories sold	6,633	**6,563**
Connectivity costs	6,203	**7,028**
Staff costs	818	**902**
(Write-back of provision for)/provision for inventory obsolescence, net	(8)	**23**
Others	4,079	**3,398**
	17,725	**17,914**

Included in other cost of sales were remuneration paid or payable to the Company's auditor of HK$61 million (2021: HK$14 million) for non-audit services.

c. General and administrative expenses

In HK$ million	2021 (Restated)	**2022**
Staff costs	2,712	**2,590**
Impairment loss for trade receivables	230	**133**
Depreciation of property, plant and equipment	1,307	**1,312**
Depreciation of right-of-use assets – land and buildings	1,343	**1,316**
Depreciation of right-of-use assets – network capacity and equipment	165	**132**
Amortisation of land lease premium – interests in leasehold land	18	**17**
Amortisation of intangible assets	2,848	**3,412**
Amortisation of fulfilment costs	393	**421**
Amortisation of customer acquisition costs	1,142	**1,123**
(Gains)/Losses on disposal of property, plant and equipment and right-of-use assets, net	(33)	**2**
Exchange losses/(gains), net	1	**(33)**
Less: cash flow hedges: transfer from equity	26	**123**
Less: fair value hedges: transfer to finance costs	(14)	**(9)**
Remuneration to the Company's auditor		
– audit and audit-related services	27	**27**
– non-audit services	4	**5**
Remuneration to other auditors		
– audit and audit-related services	12	**13**
– non-audit services	2	**3**
Others	2,996	**2,911**
	13,179	**13,498**

11 FINANCE COSTS

In HK$ million	2021 (Restated)	**2022**
Interest expense, excluding interest expense on lease liabilities	1,408	**1,716**
Interest expense on lease liabilities	75	**69**
Notional accretion on carrier licence fee liabilities	64	**95**
Other finance costs	28	**19**
Fair value hedges: exchange difference transferred from exchange losses, net	14	**9**
Adjustment of borrowings attributable to foreign currency risk	(14)	**(9)**
Hedge ineffectiveness: cross currency swap contracts and foreign exchange forward contracts – cash flow hedges for foreign currency risk	(24)	**59**
Hedge ineffectiveness: interest rate swap contracts – cash flow hedges for interest rate risk	(4)	**–**
Hedge ineffectiveness: cross currency swap contracts – fair value hedges for interest rate risk and foreign currency risk	(6)	**(11)**
Cash flow hedges: transfer from equity	(18)	**(22)**
Unwind of derivative financial instruments	(46)	**(8)**
Impact of redesignation of fair value hedges	16	**16**
	1,493	**1,933**
Interest capitalised in property, plant and equipment and intangible assets *(note a)*	(92)	**(107)**
	1,401	**1,826**

a. The capitalisation rate used to determine the amount of interest eligible for capitalisation in property, plant and equipment and intangible assets ranged from 3.00% to 4.37% for the year ended 31 December 2022 (2021: 2.87% to 3.08%).

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	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 31 December 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 29 December 2021.
6 Resigned as a non-executive director with effect from 17 December 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 17 December 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 29 December 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.
13 Appointed as a non-executive director with effect from 29 December 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.

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	2022							
	Directors' fee	Salaries	Allowances	Benefits in kind[1]	Bonuses[2]	Retirement schemes contributions	Share-based compensation[3]	Total
Executive directors								
Li Tzar Kai, Richard	–	–	–	0.04	–	–	–	0.04
Srinivas Bangalore Gangaiah[4]	–	2.01	0.28	0.02	24.68	0.19	3.25	30.43
Hui Hon Hing, Susanna	–	8.87	8.00	0.05	20.36	1.06	14.31	52.65[5]
Non-executive directors								
Tse Sze Wing, Edmund	0.25	–	–	–	–	–	–	0.25
Wei Zhe, David	0.25	–	–	–	–	–	–	0.25
Mai Yanzhou[6]	0.20[7]	–	–	–	–	–	–	0.20
Meng Shusen	0.25[8]	–	–	–	–	–	–	0.25
Wang Fang	0.50[9]	–	–	–	–	–	–	0.50
Independent non-executive directors								
Aman Mehta	1.13[10]	–	–	–	–	–	–	1.13
Frances Waikwun Wong	0.62[11]	–	–	–	–	–	–	0.62
Bryce Wayne Lee	0.25	–	–	–	–	–	–	0.25
Lars Eric Nils Rodert	0.25	–	–	–	–	–	–	0.25
David Christopher Chance	0.34[12]	–	–	–	–	–	–	0.34
David Lawrence Herzog[13]	0.12	–	–	–	–	–	–	0.12
	4.16	10.88	8.28	0.11	45.04	1.25	17.56	87.28

Notes:

1 Benefits in kind include medical insurance premium and club membership fees, where applicable.
2 Bonus amounts shown above represent the 2021 bonuses that were paid in 2022. It was determined by reference to the Group and the individual performance during the year ended 31 December 2021.
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 2022 for respective directors under the share award schemes.
4 Retired as an executive director with effect from 28 February 2022.
5 Represents the total emoluments receivable from both the Company and HKT for acting as the acting group managing director and group chief financial officer of the Company and the group managing director of HKT.
6 Resigned as a non-executive director with effect from 30 May 2022.
7 Fees receivable as a non-executive director of both the Company and HKT in 2022 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.
8 Fee receivable as a non-executive director in 2022 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.
9 Fees receivable as a non-executive director of both the Company and HKT in 2022 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.
10 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.
11 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.
12 Includes HK$124,400 fee as independent non-executive Chairman of PCCW Media Limited, a subsidiary of the Company.
13 Resigned as an independent non-executive director with effect from 24 June 2022.

12 DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS *(CONTINUED)*

b. Directors' other services

No other emoluments were paid to or receivable by any director in respect of directors' other services in connection with the management of the affairs of the Company or its subsidiary undertakings during the year ended 31 December 2022 (2021: nil).

c. Directors' retirement benefits

Upon the retirement of Mr Srinivas Bangalore Gangaiah, retirement benefits were paid to him during the year ended 31 December 2022 by a defined contribution retirement scheme operated by the Group in respect of his services as a director of the Company and its subsidiaries (2021: 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 31 December 2022 (2021: 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 31 December 2022 (2021: 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 31 December 2022 (2021: 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 31 December 2022 (2021: 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 31 December 2022 (2021: nil).

12 DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS *(CONTINUED)*

h. Individuals with highest emoluments

i. Of the five individuals with the highest emoluments, two (2021: two) are directors of the Company whose emoluments are disclosed in note 12(a). The emoluments in respect of the three (2021: three) non-director individuals for the year ended 31 December 2022, were as follows:

In HK$ million	2021	**2022**
Salaries, share-based compensation, allowances and benefits in kind	27	**23**
Bonuses	28	**8**
Retirement scheme contributions	2	**2**
	57	**33**

ii. The emoluments of the three (2021: three) non-director individuals for the year ended 31 December 2022 were within the following emolument ranges:

	Number of individuals	
	2021	**2022**
HK$9,000,001 – HK$9,500,000	–	**1**
HK$9,500,001 – HK$10,000,000	–	**1**
HK$12,500,001 – HK$13,000,000	–	**1**
HK$14,000,001 – HK$14,500,000	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	2021 (Restated)	**2022**
Current income tax:		
Hong Kong profits tax		
– provision for current year	483	**475**
– (over)/under provision in respect of prior years	(5)	**2**
Overseas tax		
– provision for current year	91	**51**
– under provision in respect of prior years	1	**–**
Movement of deferred income tax	428	**144**
	998	**672**

Hong Kong profits tax is provided at the rate of 16.5% (2021: 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	2021 (Restated)	**2022**
Profit before income tax	3,746	**2,599**
Notional tax on profit before income tax, calculated at the Hong Kong tax rate of 16.5% (2021: 16.5%)	618	**429**
Effect of different tax rates of subsidiaries operating overseas	22	**(9)**
Income not subject to tax	(41)	**(66)**
Expenses not deductible for tax purposes	244	**449**
Tax losses not recognised	386	**277**
(Over)/Under provision in respect of prior years, net	(4)	**2**
Utilisation of previously unrecognised tax losses	(11)	**(4)**
Recognition of previously unrecognised tax losses	(17)	**(455)**
Recognition of previously unrecognised temporary differences	(24)	**59**
Results of associates and joint ventures not (subject to tax)/deductible for tax purposes	(94)	**46**
Withholding tax and others	71	**29**
Corporate income tax incentives	(152)	**(85)**
Income tax expense	998	**672**

14 DIVIDENDS

In HK$ million	2021	**2022**
Interim dividend declared and paid in respect of the current year of 9.56 HK cents (2021: 9.36 HK cents) per ordinary share	723	**740**
Less: dividend for PCCW Shares held by share award schemes	(1)	**(2)**
	722	**738**
Final dividend declared in respect of the previous financial year, approved and paid during the year of 27.69 HK cents (2021: 23 HK cents) per ordinary share	1,778	**2,143**
Less: dividend for PCCW Shares held by share award schemes	(2)	**(4)**
	1,776	**2,139**
	2,498	**2,877**
Final dividend proposed after the end of the reporting period of 28.48 HK cents (2021: 27.69 HK cents) per ordinary share	2,143	**2,204**

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

15 EARNINGS/(LOSS) PER SHARE

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

	2021 (Restated)	**2022**
Earnings/(Loss) (in HK$ million)		
Earnings/(Loss) for the purpose of basic and diluted earnings/(loss) per share arising from:		
Continuing operations	288	**(676)**
Discontinued operations	751	**834**
	1,039	**158**
Number of shares		
Weighted average number of ordinary shares	7,729,638,249	**7,736,432,770**
Effect of PCCW Shares held under the Company's share award schemes	(8,606,206)	**(11,939,202)**
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	7,721,032,043	**7,724,493,568**
Effect of PCCW Shares awarded under the Company's share award schemes	7,309,850	**5,815,152***
Weighted average number of ordinary shares for the purpose of diluted earnings per share	7,728,341,893	**7,730,308,720**

* The effect of PCCW Shares awarded under the Company's share award schemes would result in anti-dilutive effect on loss per share of continuing operations for the year ended 31 December 2022.

16 PROPERTY, PLANT AND EQUIPMENT

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 *(note 5(b))*	(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 *(note 5(b))*	(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

16 PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

In HK$ million	2022					
	Land and buildings	Exchange equipment	Transmission plant	Other plant and equipment	Projects under construction	Total
Cost						
Beginning of year	1,599	16,675	25,128	16,618	2,601	62,621
Additions	–	389	269	490	1,277	2,425
Transfers	–	163	799	305	(1,267)	–
Disposals	–	(259)	(57)	(1,245)	–	(1,561)
Deconsolidation of subsidiaries *(note 5(a))*	(14)	(16)	–	(297)	–	(327)
Exchange differences	–	(38)	11	(53)	(2)	(82)
End of year	1,585	16,914	26,150	15,818	2,609	63,076
Accumulated depreciation and impairment						
Beginning of year	945	10,704	13,427	11,679	–	36,755
Charge for the year	37	412	484	423	–	1,356
Disposals	–	(257)	(55)	(1,244)	–	(1,556)
Deconsolidation of subsidiaries *(note 5(a))*	(12)	(9)	–	(209)	–	(230)
Exchange differences	–	(32)	3	(52)	–	(81)
End of year	970	10,818	13,859	10,597	–	36,244
Net book value						
End of year	615	6,096	12,291	5,221	2,609	26,832
Beginning of year	654	5,971	11,701	4,939	2,601	25,866

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	2021	**2022**
Land and buildings	2,049	**1,755**
Network capacity and equipment	292	**285**
Total	2,341	**2,040**

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 31 December 2022 were HK$1,300 million (2021: HK$1,363 million).

During the year ended 31 December 2022, total cash outflow for leases amounted to HK$1,630 million (2021: HK$2,004 million), which included cash outflow for short-term lease expenses amounted to HK$104 million (2021: HK$101 million) that were recognised in the consolidated income statement.

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

18 INTERESTS IN LEASEHOLD LAND

In HK$ million	2021	**2022**
Cost		
Beginning of year	813	**809**
Deconsolidation of subsidiaries *(note 5)*	(4)	**(7)**
End of year	809	**802**
Accumulated amortisation		
Beginning of year	463	**480**
Charge for the year	18	**17**
Deconsolidation of subsidiaries *(note 5)*	(1)	**(3)**
End of year	480	**494**
Net book value		
End of year	329	**308**
Beginning of year	350	**329**

19 GOODWILL

In HK$ million	2021	**2022**
Cost		
Beginning of year	18,615	**18,402**
Deconsolidation of subsidiaries *(note 5)*	(213)	**(367)**
Exchange differences	–	**(6)**
End of year	18,402	**18,029**
Accumulated impairment		
Beginning of year	154	**154**
Deconsolidation of subsidiaries *(note 5)*	–	**(96)**
End of year	154	**58**
Carrying amount		
End of year	18,248	**17,971**
Beginning of year	18,461	**18,248**

Impairment tests for CGUs containing goodwill

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

In HK$ million	2021	**2022**
HKT		
Mobile	15,591	**15,591**
Global Business	804	**797**
Local telephony and data services	249	**250**
Pay-TV Business	162	**162**
	16,806	**16,800**
Media Business		
OTT Business	1,023	**1,023**
Solutions Business	419	**–**
Other Businesses*	–	**148**
Total	18,248	**17,971**

* Exclude corporate support functions

19 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 OTT Business of which a period of 7 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 and Other Businesses* of which a period of 8 years to take into account the contract life of the remaining contracts retained following the discontinuation of the ITS Business. 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 2022 were as follows:

	2021				**2022**			
	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%	2%	2%	12%	**2%**	**2%**	**2%**	**12%**
Global Business	2%	5%	3%	14%	**2%**	**2%**	**3%**	**15%**
Local telephony and data services	2%	2%	1%	8%	**2%**	**2%**	**1%**	**9%**
Pay-TV Business	3%	6%	3%	17%	**1%**	**6%**	**1%**	**20%**
OTT Business	20%	132%	4%	18%	**18%**	**64%**	**4%**	**19%**
Solutions Business	4%	8%	3%	14%	**n/a**	**n/a**	**n/a**	**n/a**
Other Businesses*	n/a	n/a	n/a	n/a	**1%**	**12%**	**n/a**	**19%**

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.

* Exclude corporate support functions

20 INTANGIBLE ASSETS

In HK$ million	2021						
	Trademarks	Capitalised 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(b))*	–	–	–	(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 amortisation 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(b))*	–	–	–	–	(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

20 INTANGIBLE ASSETS *(CONTINUED)*

In HK$ million	2022						
	Trademarks	Capitalised programme costs	Carrier licences	Customer base	Software	Others	Total
Cost							
Beginning of year	2,920	4,661	8,324	3,153	13,547	42	32,647
Additions	–	1,854	193	–	2,232	3	4,282
Write-off	–	(957)	(52)	(2,716)	–	–	(3,725)
Deconsolidation of subsidiaries *(note 5(a))*	–	–	–	(86)	(1,168)	(2)	(1,256)
Exchange differences	(5)	(8)	–	–	–	–	(13)
End of year	2,915	5,550	8,465	351	14,611	43	31,935
Accumulated amortisation and impairment							
Beginning of year	2,058	3,419	2,337	2,884	3,352	25	14,075
Charge for the year	70	1,561	623	100	1,132	1	3,487
Write-off	–	(957)	(52)	(2,716)	–	–	(3,725)
Deconsolidation of subsidiaries *(note 5(a))*	–	–	–	(39)	(192)	(2)	(233)
Exchange differences	(3)	(8)	–	1	–	–	(10)
End of year	2,125	4,015	2,908	230	4,292	24	13,594
Net book value							
End of year	790	1,535	5,557	121	10,319	19	18,341
Beginning of year	862	1,242	5,987	269	10,195	17	18,572

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

As at 31 December 2021 and 2022, no impairment loss was recognised 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(n)(ii) and 19.

(Amount expressed in Hong Kong dollars unless otherwise stated)

21 INTERESTS IN SUBSIDIARIES

a. Particulars of the principal subsidiaries of the Company as at 31 December 2022 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$3,789,871.167 ordinary shares and HK$3,789,871.167 preference shares	–	52.3%	47.7%
HKT Group Holdings Limited[3] ("HKTGH")	Cayman Islands	Investment holding	US$636,000,026	–	52.3%	47.7%
Hong Kong Telecommunications (HKT) Limited[3] ("HKTL")	Hong Kong	Provision of telecommunications services	HK$9,945,156,001	–	52.3%	47.7%
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	–	52.3%	47.7%
HKT Services Limited[3]	Hong Kong	Provision of management services to group companies	HK$1	–	52.3%	47.7%
Esencia Investments Limited	British Virgin Islands	Investment holding	US$2	–	100%	–
Great Epoch Holdings Limited	British Virgin Islands	Investment holding	US$8	–	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	–	52.3%	47.7%
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	–	52.3%	47.7%

21 INTERESTS IN SUBSIDIARIES *(CONTINUED)*

a. Particulars of the principal subsidiaries of the Company as at 31 December 2022 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 Content Limited[3]	Hong Kong	Distribution of media content	HK$1	–	52.3%	47.7%
PCCW OTT (Hong Kong) Limited	Hong Kong	Provision of interactive multimedia services	HK$1	–	100%	–
PCCW OTT (Singapore) Pte. Ltd.	Singapore	Provide mobile video on demand and advertising services through OTT platform	S$61,648,093.67	–	100%	–
PCCW OTT (Thailand) Company Limited	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	THB400,055,235	–	100%	–
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%	–
MakerVille Company Limited	Hong Kong	Content production, talent management and entertainment business	HK$1	–	100%	–
PC Music Holdings Limited	British Virgin Islands	Investment holding	US$11	–	100%	–
Vuclip, Inc.	California, U.S.	Management and engineering support services	US$1	–	100%	–
HKT Teleservices International Limited[3]	Hong Kong	Provision of customer relationship management and customer contact management solutions and services	HK$350,000,002	–	52.3%	47.7%

(Amount expressed in Hong Kong dollars unless otherwise stated)

21 INTERESTS IN SUBSIDIARIES *(CONTINUED)*

a. Particulars of the principal subsidiaries of the Company as at 31 December 2022 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
北京訊通通信服務有限公司[2, 3] (Beijing Xun Tong Communications Services Limited*)	The PRC	Provision of telecommunications services, internet information services and computer system services	RMB10,000,000	–	26.2%	73.8%
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	–	52.3%	47.7%
PCCW (Macau), Limitada[2, 3]	Macau	Selling customer premises equipment and related solutions, conducting systems integration projects and providing outsourced contact centre services	MOP2,000,000	–	39.2%	60.8%
PCCW Global B.V.[3]	Netherlands/France	Sales, distribution and marketing of telecommunications services and products	EUR18,000	–	52.3%	47.7%
PCCW Global (Japan) K.K.[3]	Japan	Provision of telecommunications services	JPY10,000,000	–	52.3%	47.7%
PCCW Global (HK) Limited[3]	Hong Kong	Provision of satellite-based and network-based telecommunications services	HK$10	–	52.3%	47.7%
PCCW Global Limited[3]	Hong Kong/Dubai Media City	Provision of network-based telecommunications services	HK$240,016,690.65	–	52.3%	47.7%
PCCW Global, Inc.[3]	Delaware, U.S.	Provision of voice and network-based telecommunications services, and technical consulting and engineering services	US$18.01	–	52.3%	47.7%
HKT Global (Singapore) Pte. Ltd.[3]	Singapore/Malaysia	Provision of telecommunications solutions related services	S$260,960,522.64	–	52.3%	47.7%

21 INTERESTS IN SUBSIDIARIES *(CONTINUED)*

a. Particulars of the principal subsidiaries of the Company as at 31 December 2022 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
Gateway Global Communications Limited[3]	United Kingdom	Provision of network-based telecommunications services to external customers and related companies	GBP2	–	52.3%	47.7%
Sun Mobile Limited[2, 3]	Hong Kong	Provision of mobile telecommunications services to customers in Hong Kong	HK$41,600,002	–	31.4%	68.6%
Club HKT Limited[3]	Hong Kong	Operating customer loyalty programme and online merchandise sales in Hong Kong	HK$1	–	52.3%	47.7%
電訊盈科(北京)有限公司[1] (PCCW (Beijing) Limited*)	The PRC	Software development, systems integration, consulting and informatisation projects	US$10,250,000	–	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	–	80%	20%

* 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.

21 INTERESTS IN SUBSIDIARIES *(CONTINUED)*

b. Summarised financial information of subsidiaries with material non-controlling interests

Set out below is the summarised consolidated financial information of the (i) HKT Group, and (ii) PNSL and its subsidiaries (the "PNSL Group"), which are subsidiaries that have non-controlling interests that are material to the Group.

Summarised statements of financial position are as follows:

In HK$ million	HKT Group		PNSL Group *(Note)*	
	2021	**2022**	2021	**2022**
Non-current assets	98,477	**100,035**	n/a	**1,213**
Current assets	11,135	**11,160**	n/a	**2,874**
Total assets	109,612	**111,195**	n/a	**4,087**
Current liabilities	(16,203)	**(22,609)**	n/a	**(1,085)**
Non-current liabilities	(56,212)	**(52,157)**	n/a	**(12)**
Net assets	37,197	**36,429**	n/a	**2,990**
Non-controlling interests	(56)	**(60)**	n/a	**–**
Net assets after non-controlling interests	37,141	**36,369**	n/a	**2,990**

Summarised financial information is as follows:

In HK$ million	HKT Group		PNSL Group *(Note)*	
	2021	**2022**	2021	**2022**
Revenue	33,961	**34,125**	n/a	**672**
Profit before income tax	5,819	**5,560**	n/a	**103**
Income tax	(997)	**(641)**	n/a	**11**
Profit for the year	4,822	**4,919**	n/a	**114**
Other comprehensive loss	(87)	**(157)**	n/a	**–**
Total comprehensive income	4,735	**4,762**	n/a	**114**
Non-controlling interests	(14)	**(18)**	n/a	**–**
Total comprehensive income after non-controlling interests	4,721	**4,744**	n/a	**114**
Dividends paid to non-controlling interests	2,627	**2,688**	n/a	**–**

21 INTERESTS IN SUBSIDIARIES *(CONTINUED)*

b. Summarised financial information of subsidiaries with material non-controlling interests *(continued)*

Summarised cash flows are as follows:

In HK$ million	HKT Group		PNSL Group *(Note)*	
	2021	**2022**	2021	**2022**
Cash flows from operating activities				
Cash generated from operations	10,598	**10,757**	n/a	**29**
Interest received	16	**18**	n/a	**–**
Income tax refund/(paid), net of tax refund	27	**(84)**	n/a	**–**
Net cash generated from operating activities	10,641	**10,691**	n/a	**29**
Net cash used in investing activities	(5,409)	**(4,842)**	n/a	**(17)**
Net cash used in financing activities	(4,916)	**(6,220)**	n/a	**(7)**
Net increase/(decrease) in cash and cash equivalents	316	**(371)**	n/a	**5**
Exchange differences	3	**(43)**	n/a	**–**
Cash and cash equivalents as at 1 January (HKT Group), 13 August (PNSL Group)	2,092	**2,411**	n/a	**8**
Cash and cash equivalents as at 31 December	2,411	**1,997**	n/a	**13**

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 31 December 2022 was HK$4,729 million (2021: HK$4,556 million), of which HK$2,282 million (2021: HK$2,201 million) was allocated to the non-controlling interests.

The total comprehensive income after group consolidation adjustments of the PNSL Group for the year ended 31 December 2022 was HK$114 million (Note), of which HK$23 million (Note) was allocated to the non-controlling interests.

The net assets after non-controlling interests and group consolidation adjustments of the HKT Group as at 31 December 2022 was HK$1,361 million (2021: HK$2,174 million) and PNSL Group as at 31 December 2022 was HK$2,990 million. The non-controlling interests of the Group included HK$709 million (2021: HK$1,100 million) and HK$598 million attributable to the HKT Group and PNSL Group respectively.

Note: As disclosed in note 5(a), the divestment of 20% interest in PNSL was completed on 12 August 2022. As such, no financial position of PNSL Group as at 31 December 2021 is presented. The financial results and cash flows of PNSL Group presented are for the financial period from 13 August 2022 to 31 December 2022.

22 INTERESTS IN ASSOCIATES

In HK$ million	2021	**2022**
Share of net assets of associates	2,217	**2,624**
Loan due from an associate	7	**7**
	2,224	**2,631**
Provision for impairment	(129)	**(125)**
	2,095	**2,506**

During the year ended 31 December 2021, PCPD became an associate of the Group as disclosed in note 5(b).

During the year ended 31 December 2021, the Group 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 31 December 2022, LPSL became an associate of the Group, fair value of the Group's interest in LPSL of HK$978 million (see note 5(a)) was recognised as interest in associates.

During the year ended 31 December 2022, the Group made investments in an associate engaged in business in the provision of virtual banking services of HK$253 million.

During the year ended 31 December 2022, the Group completed the sale of 22% interest in Petro-CyberWorks Information Technology Company Limited ("PCITC") to an independent third party for a cash consideration of RMB561 million (equivalent to approximately HK$658 million) and a gain on disposal of HK$300 million was recognised in the consolidated income statement (see note 9). Following the sale, the Group's interest in PCITC decreased from 45% to 23%.

As at 31 December 2022, loan due from an associate of HK$7 million (2021: HK$7 million), is secured, bears interest at 8% per annum (2021: same) and is repayable within 1 year (2021: same). The loan is considered as equity in nature for which full provision for impairment has been made as at 31 December 2021 and 2022.

During the year ended 31 December 2022, no provision for impairment was recognised for interests in associates in the consolidated income statement (2021: nil).

22 INTEREST IN ASSOCIATES *(CONTINUED)*

a. Particulars of the principal associates of the Group as at 31 December 2022 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		Measurement method
				Directly	Indirectly	
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	–	23.0%	Equity

* Unofficial company name

PCPD's shares are listed on the main board of the Stock Exchange. As at 31 December 2022, the fair value of the Group's interests in PCPD amounted to HK$230 million (2021: HK$368 million) based on the closing price of PCPD's shares quoted at the Stock Exchange.

PCITC is a private company and there are no quoted market price available for its shares. It is a strategic investment for the Group's growth.

b. Contingent liabilities in respect of associates

There were no contingent liabilities relating to the Group's interests in the associates. As at 31 December 2022, the Group's effective share of the contingent liabilities of associates relating to performance guarantees was HK$10 million (2021: HK$29 million).

22 INTERESTS IN ASSOCIATES *(CONTINUED)*

c. Summarised unaudited financial information of the Group's associates

Set out below is the summarised unaudited financial information of the principal associates of the Group and being accounted for using the equity method.

Summarised unaudited financial information is as follows:

In HK$ million	PCITC As at 31 December		PCPD Group *(Note)* As at 31 December	
	2021	**2022**	2021	**2022**
Non-current assets	590	**542**	11,483	**10,670**
Current assets	3,118	**3,608**	4,854	**1,811**
Current liabilities	(2,257)	**(2,492)**	(3,363)	**(1,495)**
Non-current liabilities	(117)	**(166)**	(9,463)	**(8,871)**
Non-controlling interests	–	**–**	(133)	**(133)**

In HK$ million	PCITC For the year ended 31 December		PCPD Group *(Note)* For the year ended 31 December	
	2021	**2022**	2021	**2022**
Revenue	3,696	**3,813**	n/a	**561**
Profit/(Loss) for the year	282	**271**	n/a	**(602)**
Other comprehensive loss	–	**–**	n/a	**(794)**
Total comprehensive income/(loss)	282	**271**	n/a	**(1,396)**
Dividends received from the associate	550	**–**	n/a	**–**

Note: As disclosed in note 5(b), the Group applied equity method to account for its investment in PCPD with effect from 29 December 2021, the share of financial results of PCPD and its subsidiaries ("PCPD Group") recognised by equity method for the year ended 31 December 2021 was immaterial.

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, and fair value differences at the time of initial recognition, if any.

For the year ended 31 December 2022, 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 associates that are accounted for using the equity method were HK$143 million (2021: HK$185 million), nil (2021: nil) and HK$143 million (2021: HK$185 million), respectively.

22 INTERESTS IN ASSOCIATES *(CONTINUED)*

d. Reconciliation of summarised unaudited financial information of the Group's associates

Reconciliation of the summarised unaudited financial information presented to the carrying amount of the Group's interest in the principal associates.

In HK$ million	PCITC		PCPD Group	
	2021	**2022**	2021	**2022**
Net assets				
Beginning of year	2,201	**1,334**	–	**3,378**
Additions for the year	–	**–**	3,378	**–**
Profit/(Loss) for the year	282	**271**	–	**(602)**
Other comprehensive loss	–	**–**	–	**(794)**
Exchange differences	73	**(113)**	–	**–**
Dividends	(1,222)	**–**	–	**–**
End of year	1,334	**1,492**	3,378	**1,982**
Interest in an associate	45%	**23%**	30%	**30%**
Carrying amount	600	**343**	1,016	**596**

As at 31 December 2022, the aggregate carrying amount of interests in individually immaterial associates that are accounted for using the equity method was HK$1,567 million (2021: HK$479 million).

During the year ended 31 December 2022, the Group did not have any unrecognised share of losses of associates (2021: nil). As at 31 December 2022, there was no accumulated share of losses of the associates unrecognised by the Group (2021: nil).

23 INTERESTS IN JOINT VENTURES

In HK$ million	2021	**2022**
Share of net assets of joint ventures	2,937	**2,914**
Loan due from a joint venture	242	**195**
Amounts due from joint ventures	1	**1**
	3,180	**3,110**
Provision for impairment	(2,783)	**(2,783)**
	397	**327**

As at 31 December 2022, the amounts due from joint ventures are unsecured, non-interest bearing, and have no fixed repayment terms, and the loan due from a joint venture of HK$195 million (2021: HK$242 million) bears interest at HIBOR plus 3% per annum (2021: 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 31 December 2022 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	–	26.2%	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.

23 INTERESTS IN JOINT VENTURES *(CONTINUED)*

b. Commitments and contingent liabilities in respect of joint ventures

As at 31 December 2022, the Group's commitments in respect of joint ventures are as follows:

In HK$ million	2021	**2022**
The Group's commitments to provide funding	46	**34**

In HK$ million	2021	**2022**
The Group's share of its joint ventures' capital commitments authorised and contracted for acquisition of property, plant and equipment, based on the Group's effective interest	14	**9**
The Group's share of its joint ventures' other commitments, based on the Group's effective interest	3	**13**

There were no contingent liabilities relating to the Group's interests in the joint ventures. As at 31 December 2022, the Group had no effective share of contingent liabilities relating to its joint ventures (2021: nil).

c. Summarised unaudited financial information of the Group's joint ventures

Set out below is the summarised unaudited financial information of GBL, the principal joint venture of the Group and being accounted for using the equity method.

In HK$ million	As at 31 December	
	2021	**2022**
Non-current assets	594	**500**
Current assets		
Cash and cash equivalents	4	**11**
Other current assets (excluding cash and cash equivalents)	23	**28**
Total current assets	27	**39**
Current liabilities		
Financial liabilities (excluding trade payables, accruals and other payables)	(241)	**(245)**
Other current liabilities (including trade payables, accruals and other payables)	(145)	**(179)**
Total current liabilities	(386)	**(424)**
Non-current liabilities		
Financial liabilities	(307)	**(199)**
Other non-current liabilities	(32)	**(31)**
Total non-current liabilities	(339)	**(230)**
Net liabilities	(104)	**(115)**
Equity attributable to equity holders	(104)	**(115)**

23 INTERESTS IN JOINT VENTURES *(CONTINUED)*

c. Summarised unaudited financial information of the Group's joint ventures *(continued)*

Set out below is the summarised unaudited financial information of GBL, the principal joint venture of the Group and being accounted for using the equity method. *(continued)*

In HK$ million	For the year ended 31 December 2021	**2022**
Revenue	229	**223**
Depreciation and amortisation	(94)	**(93)**
Interest expense	(19)	**(22)**
Profit before income tax	1	**1**
Income tax	(11)	**(12)**
Loss after income tax and total comprehensive loss	(10)	**(11)**
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 31 December 2022, 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 joint ventures that are accounted for using the equity method were HK$13 million (2021: HK$13 million), HK$5 million (2021: other comprehensive income of HK$1 million) and HK$18 million (2021: HK$12 million), respectively.

d. Reconciliation of summarised unaudited financial information of the Group's joint ventures

Reconciliation of the summarised unaudited financial information presented to the carrying amount of the Group's interest in GBL, the principal joint venture.

In HK$ million	2021	**2022**
Net liabilities		
Beginning of year	(94)	**(104)**
Loss after income tax and total comprehensive loss for the year	(10)	**(11)**
End of year	(104)	**(115)**
Interest in a joint venture	50%*	**50%***
	(52)	**(58)**
Loan due from a joint venture	242	**195**
Carrying amount	190	**137**

* The Group held approximately 26.2% (2021: 26.0%) effective interest through its non-wholly owned subsidiary in the equity of GBL as at 31 December 2022.

As at 31 December 2022, the aggregate carrying amount of interests in individually immaterial joint ventures that are accounted for using the equity method was HK$190 million (2021: HK$207 million).

During the year ended 31 December 2022, the Group did not have any unrecognised share of losses of joint ventures (2021: nil). As at 31 December 2022, the Group had unrecognised accumulated share of losses of the joint ventures of HK$1 million (2021: HK$1 million).

24 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

In HK$ million	2021	**2022**
Beginning of year	124	**124**
Additions	–	**637**
Fair value losses recognised in financial assets at FVOCI reserve	–	**(60)**
End of year	124	**701**
Non-current assets		
Listed securities	–	**554**
Unlisted securities	124	**147**
	124	**701**

As at 31 December 2022, financial assets at FVOCI comprised equity investments which are held for strategic purposes.

25 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

In HK$ million	2021	**2022**
Beginning of year	757	**1,731**
Additions	1,301	**1,460**
Disposals	(247)	**(35)**
Fair value losses recognised in other losses, net	(80)	**(352)**
End of year	1,731	**2,804**
Non-current assets		
Listed securities	61	**19**
Unlisted securities	1,670	**2,785**
	1,731	**2,804**

Financial assets at FVPL mainly comprise:

– debt instruments that do not qualify for measurement either at amortised cost or at FVOCI; and

– equity investments for which the Group has not elected to recognise fair value gains and losses through other comprehensive income.

26 OTHER FINANCIAL ASSETS

In HK$ million	2021	**2022**
Beginning of year	–	**1,341**
Additions	561	**254**
Recognition of other financial assets upon Deconsolidation of PCPD	780	**–**
Exchange differences	–	**1**
End of year	1,341	**1,596**
Non-current assets		
Listed securities	1,341	**1,570**
Unlisted securities	–	**26**
	1,341	**1,596**

Other financial assets mainly comprise debt instruments, are carried at amortised cost.

27 OTHER NON-CURRENT ASSETS

In HK$ million	2021	**2022**
Prepayments	796	**628**
Deposits	126	**134**
Others	11	**11**
	933	**773**

As at 31 December 2022, included in prepayments were prepaid programme costs of HK$177 million (2021: nil).

28 CURRENT ASSETS AND LIABILITIES

a. Restricted cash

As at 31 December 2022, restricted cash included a cash balance of HK$375 million (2021: HK$187 million) which has been mainly received from and restricted for the use of certain customers.

b. Prepayments, deposits and other current assets

In HK$ million	2021	**2022**
Prepayments	1,104	**1,104**
Deposits	440	**394**
Other current assets	1,593	**2,337**
	3,137	**3,835**

As at 31 December 2022, included in prepayments were prepaid programme costs of HK$254 million (2021: HK$230 million).

28 CURRENT ASSETS AND LIABILITIES *(CONTINUED)*

c. Inventories

In HK$ million	2021	**2022**
Purchased parts and materials	946	**1,387**
Finished goods	454	**632**
Consumable inventories	44	**46**
	1,444	**2,065**

d. Trade receivables, net

In HK$ million	2021	**2022**
Trade receivables *(note i)*	6,169	**4,890**
Less: loss allowance *(note ii)*	(408)	**(288)**
Trade receivables, net	5,761	**4,602**

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(n)(i).

As at 31 December 2022, included in trade receivables, net were amounts due from related parties of HK$66 million (2021: HK$43 million).

i. The ageing of trade receivables based on the date of invoice is set out below:

In HK$ million	2021	**2022**
1 – 30 days	3,831	**2,816**
31 – 60 days	679	**736**
61 – 90 days	284	**256**
91 – 120 days	288	**162**
Over 120 days	1,087	**920**
	6,169	**4,890**

28 CURRENT ASSETS AND LIABILITIES *(CONTINUED)*

d. Trade receivables, net *(continued)*

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 31 December 2022 was determined as follows:

Expected credit loss rate	2021	**2022**
Current	1%	**1%**
1 – 120 days past due	4%	**4%**
Over 120 days past due	41%	**40%**

The movements in the loss allowance during the year were as follows:

In HK$ million	2021	**2022**
Beginning of year	366	**408**
Net impairment loss recognised	262	**250**
Uncollectible amounts written off	(220)	**(370)**
End of year	408	**288**

e. Short-term borrowings

In HK$ million	2021	**2022**
US$300 million 5.75% guaranteed notes due 2022 *(note i)*	2,358	**–**
US$500 million 3.75% guaranteed notes due 2023 *(note ii)*	–	**3,894**
Bank borrowings	61	**56**
	2,419	**3,950**
Secured	–	**–**
Unsecured	2,419	**3,950**

i. US$300 million 5.75% guaranteed notes due 2022

On 17 April 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 were listed on the Singapore Exchange Securities Trading Limited. The notes were irrevocably and unconditionally guaranteed by the Company and ranked pari passu with all other outstanding unsecured and unsubordinated obligations of the Company. The notes were fully redeemed in April 2022 and were delisted from the Singapore Exchange Securities Trading Limited.

28 CURRENT ASSETS AND LIABILITIES *(CONTINUED)*

e. Short-term borrowings *(continued)*

ii. US$500 million 3.75% guaranteed notes due 2023

On 8 March 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.

Refer to note 43 for details of the Group's banking facilities.

f. Trade payables

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

In HK$ million	2021	**2022**
1 – 30 days	2,544	**2,248**
31 – 60 days	807	**1,235**
61 – 90 days	890	**1,236**
91 – 120 days	561	**593**
Over 120 days	968	**762**
	5,770	**6,074**

As at 31 December 2022, included in trade payables were amounts due to related parties of HK$578 million (2021: HK$37 million).

g. Other current liabilities

i. OTT Preference Shares

On 25 September 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.

As at 31 December 2021, included in accruals and other payables was a liability of HK$850 million arising from the issuance of the OTT Preference Shares. During the year ended 31 December 2022, the Group recognised a finance cost of HK$7 million (2021: HK$10 million). On 30 September 2022, the OTT Preference Shares were repurchased at the total amount of repurchase price of US$110 million (approximately HK$863 million).

ii. Put option arrangement

As at 31 December 2021, accruals and other payables included a liability of HK$274 million 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 31 December 2018. The put option was 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 31 December 2021, subject to a cap of HK$285 million.

During the year ended 31 December 2022, the Group recognised accretion on put option of HK$10 million (2021: HK$18 million) and reversal of other reserve and put option liability of HK$285 million upon the expiry of the put option.

29 LONG-TERM BORROWINGS

In HK$ million	2021	**2022**
Repayable within a period		
– over one year, but not exceeding two years	9,592	**6,096**
– over two years, but not exceeding five years	26,111	**27,513**
– over five years	8,701	**11,962**
	44,404	**45,571**
Representing:		
US$500 million 3.75% guaranteed notes due 2023 *(note a)*	3,870	**–**
US$300 million zero coupon guaranteed notes due 2030 *(note b)*	2,329	**2,330**
US$500 million 3.625% guaranteed notes due 2025 *(note c)*	3,874	**3,881**
EUR200 million 1.65% guaranteed notes due 2027 *(note d)*	1,752	**1,646**
US$100 million zero coupon guaranteed notes due 2030 *(note e)*	776	**776**
US$750 million 3.00% guaranteed notes due 2026 *(note f)*	5,828	**5,832**
US$500 million 3.25% guaranteed notes due 2029 *(note g)*	3,844	**3,851**
US$650 million 3.00% guaranteed notes due 2032 *(note h)*	–	**5,005**
Bank borrowings *(note i)*	22,131	**22,250**
	44,404	**45,571**
Secured	–	**–**
Unsecured	44,404	**45,571**

a. US$500 million 3.75% guaranteed notes due 2023

The notes were classified as short-term borrowings during the year ended 31 December 2022. Please refer to note 28(e)(ii) for more details.

b. US$300 million zero coupon guaranteed notes due 2030

On 15 January 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.

c. US$500 million 3.625% guaranteed notes due 2025

On 2 April 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.

29 LONG-TERM BORROWINGS *(CONTINUED)*

d. EUR200 million 1.65% guaranteed notes due 2027

On 10 April 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.

e. US$100 million zero coupon guaranteed notes due 2030

On 20 May 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.

f. US$750 million 3.00% guaranteed notes due 2026

On 14 July 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.

g. US$500 million 3.25% guaranteed notes due 2029

On 30 September 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.

h. US$650 million 3.00% guaranteed notes due 2032

On 18 January 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.

i. Refer to note 43 for details of the Group's banking facilities.

30 DERIVATIVE FINANCIAL INSTRUMENTS

In HK$ million	2021	**2022**
Non-current assets		
Cross currency swap contracts – cash flow hedges for foreign currency risk *(note a)*	131	**27**
Foreign exchange forward contracts	15	**–**
	146	**27**
Current assets		
Cross currency swap contracts – fair value hedges for interest rate risk and foreign currency risk	20	**–**
Cross currency swap contracts – cash flow hedges for foreign currency risk *(note a)*	5	**58**
	25	**58**
Current liabilities		
Interest rate swap contract – cash flow hedge for interest rate risk *(note b)*	–	**(98)**
	–	**(98)**
Non-current liabilities		
Cross currency swap contracts and foreign exchange forward contracts – cash flow hedges for foreign currency risk *(note a)*	(31)	**(223)**
Interest rate swap contract – cash flow hedge for interest rate risk *(note b)*	(97)	**–**
Foreign exchange forward contracts	–	**(18)**
	(128)	**(241)**

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.

30 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:

	2021	**2022**
Net carrying amount (assets/(liabilities))	HK$105 million	**(HK$138 million)**
Notional amount	EUR200 million and US$3,020 million	**EUR200 million and US$3,370 million**
Maturity date	April 2022 to September 2029	**March 2023 to January 2032**
Hedge ratio	1:1*	**1:1***
Change# in fair value of the hedging instruments during the year	(HK$18 million)	**(HK$129 million)**
Change# in value of the hedged items during the year	HK$42 million	**HK$74 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$7.80**

* 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 a borrowing subject to cash flow interest rate risk, the Group has entered into a floating-to-fixed interest rate swap contract. The Group performed qualitative assessment of hedge effectiveness. As the interest rate swap contract has similar critical terms as the hedged item, such as notional amounts, maturity dates and payment dates, the economic relationship exists between the hedged item and the hedging instrument.

The effects of the interest rate related hedging instrument outstanding at the end of the reporting period on the Group's financial position and performance are as follows:

	2021	**2022**
Net carrying amount (liabilities)	(HK$97 million)	**(HK$98 million)**
Notional amount	HK$1,000 million	**HK$1,000 million**
Maturity date	March 2023	**March 2023**
Hedge ratio	1:1*	**1:1***
Change# in fair value of the hedging instrument during the year	HK$23 million	**HK$28 million**
Change# in value of the hedged item during the year	(HK$23 million)	**(HK$28 million)**
Weighted average receive leg/pay leg interest ratio	0.29	**0.79**

* The hedge ratio is 1:1 as the notional amount and timing of the hedging instrument match with that of the hedged item.

\# Positive change refers to increase in net assets, whereas negative change refers to decrease in net assets.

30 DERIVATIVE FINANCIAL INSTRUMENTS *(CONTINUED)*

c. 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 1 January 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 31 December 2021 and 1 January 2022	**140**	**(7)**	**133**
Cash flow hedges:			
– effective portion of changes in fair value	**(38)**	**15**	**(23)**
– transfer from equity to consolidated income statement	**45**	**–**	**45**
As at 31 December 2022	**147**	**8**	**155**

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 1 January 2021	15	(14)	1
Cash flow hedges:			
– transfer from equity to consolidated income statement	6	–	6
Costs of hedging	(28)	12	(16)
As at 31 December 2021 and 1 January 2022	**(7)**	**(2)**	**(9)**
Cash flow hedges:			
– transfer from equity to consolidated income statement	**6**	**–**	**6**
Costs of hedging	**(59)**	**2**	**(57)**
As at 31 December 2022	**(60)**	**–**	**(60)**

31 SHARE CAPITAL

	Year ended 31 December			
	2021		**2022**	
	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 1 January	7,729,638,249	12,954	**7,729,638,249**	**12,954**
PCCW Shares issued *(note a)*	–	–	**10,000,000**	**–**
As at 31 December	7,729,638,249	12,954	**7,739,638,249**	**12,954**

a. During the year ended 31 December 2022, 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.

32 PERPETUAL CAPITAL SECURITIES

On 12 January 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.

33 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 1 July 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 31 December 2020, the expected employer contributions for the year ending 31 December 2023 are HK$20 million.

The independent actuarial valuation of the DB Schemes as at 31 December 2022, 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 70% (2021: 65%) of the present value of the defined benefit retirement schemes obligations as at 31 December 2022.

As at 31 December 2022, the weighted average duration of the defined benefit retirement schemes obligations was 9.5 years (2021: 11.2 years).

33 EMPLOYEE RETIREMENT BENEFITS *(CONTINUED)*

a. Defined benefit retirement schemes *(continued)*

i. The amount recognised in the consolidated statement of financial position is as follows:

In HK$ million	2021	**2022**
Present value of the defined benefit retirement schemes obligations *(note iii)*	295	**225**
Fair value of scheme assets *(note iv)*	(192)	**(156)**
Defined benefit retirement schemes liability	103	**69**

In HK$ million	2021	**2022**
Beginning of year	129	**103**
Net costs recognised in consolidated income statement	1	**1**
Remeasurements recognised in consolidated statement of comprehensive income	(18)	**(22)**
Contributions from employers	(9)	**(13)**
End of year	103	**69**

ii. Major categories of scheme assets as a percentage of total scheme assets are as follows:

	2021	**2022**
Equities	73%	**67%**
Fixed income securities	20%	**32%**
Cash and alternatives	7%	**1%**
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.

33 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. 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 and vice versa.

iii. Movements in the present value of the defined benefit retirement schemes obligations are as follows:

In HK$ million	2021	**2022**
Beginning of year	319	**295**
Interest cost	3	**4**
Remeasurements		
Experience losses	5	**1**
Gain from change in financial and/or demographic assumptions	(15)	**(58)**
Benefits paid	(17)	**(17)**
End of year	295	**225**

iv. Movements in the fair value of scheme assets are as follows:

In HK$ million	2021	**2022**
Beginning of year	190	**192**
Contribution from employers	9	**13**
Interest income on scheme assets	2	**3**
Return on scheme assets greater/(less) than discount rate	8	**(35)**
Benefits paid	(17)	**(17)**
End of year	192	**156**

33 EMPLOYEE RETIREMENT BENEFITS *(CONTINUED)*

a. Defined benefit retirement schemes *(continued)*

v. Pension cost for defined benefit retirement schemes recognised in the consolidated income statement is as follows:

In HK$ million	2021	**2022**
Net interest cost on net defined benefit retirement schemes liability	1	**1**
Total included in general and administrative expenses – staff costs	1	**1**

vi. The significant actuarial assumptions used (expressed as weighted averages) are as follows:

	2021	**2022**
Discount rate	1.60%	**3.80%**
Pension increase rate	3.00%	**3.00%**

Based on the Hong Kong Life Tables released by the government of Hong Kong and upon observing the past experience of the DB Schemes, the Group adopted the Hong Kong Life Tables 2020 with a 3-year age set forward for the year ended 31 December 2021 and the Hong Kong Life Tables 2021 with a 3-year age set forward for the year ended 31 December 2022.

The sensitivity of the defined benefit retirement schemes obligations to changes in the weighted principal assumptions are:

		Impact on defined benefit retirement schemes obligations			
		2021		**2022**	
	Change in assumption	Increase in assumption	Decrease in assumption	**Increase in assumption**	**Decrease in assumption**
Discount rate	**0.25%**	(2.80%)	2.90%	**(2.30%)**	**2.40%**
Pension increase rate	**0.25%**	2.80%	n/a*	**2.30%**	**n/a***
Mortality	**1 year**	(5.30%)**	5.40%**	**(4.60%)****	**4.70%****

* 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 2020 are used for 2021 obligation and the Hong Kong Life Tables 2021 are used for 2022 obligation.

The above sensitivity analyses 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 recognised 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.

33 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 31 December 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

In HK$ million	**As at 31 December 2022**				
	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**	**48**	**259**	**341**

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 totalling HK$20 million (2021: HK$26 million) were utilised during the year ended 31 December 2022 to reduce contributions and no forfeited contribution (2021: nil) was available as at 31 December 2022.

34 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 8 May 2014 (the “2014 Scheme”).

– Share Stapled Units option scheme of HKT Trust and HKT adopted on 7 May 2021 (the “HKT 2021-2031 Option 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 2022 Annual Report.

a. Share option schemes

No share options/Share Stapled Unit options have been granted under the 2014 Scheme and the HKT 2021-2031 Option Scheme since their adoption and up to and including 31 December 2022.

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 scheme 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.

34 SHARE-BASED PAYMENT TRANSACTIONS *(CONTINUED)*

b. Share award schemes *(continued)*

During the year ended 31 December 2022, share-based compensation expenses in respect of the PCCW Share Award Schemes and the Share Stapled Units Award Schemes of HK$52 million (2021(restated): HK$54 million) were recognised in the consolidated income statement, HK$38 million (2021(restated): HK$38 million) were recognised in the employee share-based compensation reserve and HK$14 million (2021: HK$16 million) were recognised 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	
	2021	**2022**	2021	**2022**
PCCW Purchase Scheme:				
Beginning of year	1,705,181	**3,088,134**	914,715	**722,843**
Purchases from the market by the trustee at weighted average market price of HK$4.26 (2021: HK$4.27) per PCCW Share/HK$10.89 (2021: HK$10.85) per Share Stapled Unit	5,801,000	**2,825,000**	695,000	**908,000**
PCCW Shares/Share Stapled Units vested	(4,278,886)	**(3,168,089)**	(832,742)	**(769,672)**
Deconsolidation of subsidiaries	(139,161)	**–**	(54,130)	**–**
End of year	3,088,134	**2,745,045**	722,843	**861,171**
PCCW Subscription Scheme:				
Beginning of year	8,913,680	**5,219,149**	–	**–**
New PCCW Shares issued by the Company at issue price of HK$0.01 per PCCW Share *(note 31(a))*	–	**10,000,000**	–	**–**
PCCW Shares vested	(3,694,531)	**(3,641,970)**	–	**–**
End of year	5,219,149	**11,577,179**	–	**–**
HKT Share Stapled Units Purchase Scheme:				
Beginning of year			412,250	**429,725**
Purchases from the market by the trustee at weighted average market price of HK$10.80 (2021: HK$10.85) per Share Stapled Unit			429,000	**391,000**
Share Stapled Units vested			(411,525)	**(398,614)**
End of year			429,725	**422,111**
HKT Share Stapled Units Subscription Scheme:				
Beginning of year			3,438,886	**2,368,189**
New Share Stapled Units jointly issued by HKT Trust and HKT at issue price of approximately HK$10.84 per Share Stapled Unit			–	**4,000,000**
Share Stapled Units vested			(1,070,697)	**(1,039,078)**
End of year			2,368,189	**5,329,111**

(Amount expressed in Hong Kong dollars unless otherwise stated)

34 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

			2021 Number of PCCW Shares				
Date of award	Vesting period	Fair value on the date of award HK$	As at 1 January 2021	Awarded	Forfeited	Vested	As at 31 December 2021
PCCW Purchase Scheme (PCCW Shares)							
17 April 2019	17 April 2019 to 17 April 2021	4.74	1,985,138	–	–	(1,985,138)	–
16 April 2020	16 April 2020 to 16 April 2021	4.64	2,293,748	–	–	(2,293,748)	–
16 April 2020	16 April 2020 to 16 April 2022	4.64	2,272,533	–	(175,845)	–	2,096,688
16 April 2021	16 April 2021 to 16 April 2022	4.53	–	1,037,741	(141,362)	–	896,379
16 April 2021	16 April 2021 to 16 April 2023	4.53	–	1,333,735	(141,361)	–	1,192,374
28 April 2021	28 April 2021 to 28 April 2022	4.52	–	56,500	–	–	56,500
28 April 2021	28 April 2021 to 28 April 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$)			4.67	4.53	4.57	4.69	4.58
PCCW Subscription Scheme (PCCW Shares)							
17 April 2019	17 April 2019 to 17 April 2021	4.74	1,811,248	–	(40,013)	(1,771,235)	–
28 February 2020	28 February 2020 to 17 April 2021	4.69	174,528	–	(138,655)	(35,873)	–
28 February 2020	28 February 2020 to 17 April 2022	4.69	9,612	–	–	–	9,612
28 February 2020	28 February 2020 to 17 April 2023	4.69	9,610	–	–	–	9,610
16 April 2020	16 April 2020 to 16 April 2021	4.64	1,936,793	–	(49,370)	(1,887,423)	–
16 April 2020	16 April 2020 to 16 April 2022	4.64	1,935,397	–	(192,842)	–	1,742,555
16 April 2020	16 April 2020 to 16 April 2023	4.64	100,787	–	–	–	100,787
16 April 2020	16 April 2020 to 16 April 2024	4.64	100,786	–	–	–	100,786
11 May 2020	11 May 2020 to 16 April 2021	4.77	40,900	–	(40,900)	–	–
11 May 2020	11 May 2020 to 16 April 2022	4.77	40,900	–	–	–	40,900
11 May 2020	11 May 2020 to 16 April 2023	4.77	20,448	–	–	–	20,448
16 April 2021	16 April 2021 to 16 April 2022	4.53	–	1,680,760	(156,020)	–	1,524,740
16 April 2021	16 April 2021 to 16 April 2023	4.53	–	1,679,480	(155,856)	–	1,523,624
2 July 2021	2 July 2021 to 16 April 2022	4.09	–	243,513	–	–	243,513
2 July 2021	2 July 2021 to 16 April 2023	4.09	–	243,513	–	–	243,513
2 July 2021	2 July 2021 to 16 April 2024	4.09	–	100,336	–	–	100,336
2 July 2021	2 July 2021 to 16 April 2025	4.09	–	100,335	–	–	100,335
Total			6,181,009	4,047,937	(773,656)	(3,694,531)	5,760,759
Weighted average fair value on the date of award (HK$)			4.67	4.46	4.62	4.69	4.52

34 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 1 January 2021	Awarded	Forfeited	Vested	As at 31 December 2021
PCCW Purchase Scheme (Share Stapled Units)							
17 April 2019	17 April 2019 to 17 April 2021	12.38	346,776	–	(5,587)	(341,189)	–
16 April 2020	16 April 2020 to 16 April 2021	11.86	498,259	–	(6,706)	(491,553)	–
16 April 2020	16 April 2020 to 16 April 2022	11.86	497,855	–	(93,081)	–	404,774
16 April 2020	16 April 2020 to 16 April 2023	11.86	38,731	–	–	–	38,731
16 April 2020	16 April 2020 to 16 April 2024	11.86	38,730	–	–	–	38,730
16 April 2021	16 April 2021 to 16 April 2022	11.06	–	324,017	(76,009)	–	248,008
16 April 2021	16 April 2021 to 16 April 2023	11.06	–	323,704	(75,950)	–	247,754
28 April 2021	28 April 2021 to 28 April 2022	11.22	–	22,733	–	–	22,733
28 April 2021	28 April 2021 to 28 April 2023	11.22	–	22,732	–	–	22,732
2 July 2021	2 July 2021 to 16 April 2022	10.56	–	40,370	–	–	40,370
2 July 2021	2 July 2021 to 16 April 2023	10.56	–	40,369	–	–	40,369
2 July 2021	2 July 2021 to 16 April 2024	10.56	–	40,369	–	–	40,369
2 July 2021	2 July 2021 to 16 April 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

(Amount expressed in Hong Kong dollars unless otherwise stated)

34 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 1 January 2021	Awarded	Forfeited	Vested	As at 31 December 2021
HKT Share Stapled Units Purchase Scheme (Share Stapled Units)							
17 April 2019	17 April 2019 to 17 April 2021	12.38	208,839	–	–	(208,839)	–
16 April 2020	16 April 2020 to 16 April 2021	11.86	202,686	–	–	(202,686)	–
16 April 2020	16 April 2020 to 16 April 2022	11.86	202,676	–	(630)	–	202,046
16 April 2021	16 April 2021 to 16 April 2022	11.06	–	226,945	(658)	–	226,287
16 April 2021	16 April 2021 to 16 April 2023	11.06	–	226,937	(657)	–	226,280
Total			614,201	453,882	(1,945)	(411,525)	654,613
Weighted average fair value on the date of award (HK$)			12.04	11.06	11.32	12.12	11.31
HKT Share Stapled Units Subscription Scheme (Share Stapled Units)							
17 April 2019	17 April 2019 to 17 April 2021	12.38	530,164	–	(9,816)	(520,348)	–
28 February 2020	28 February 2020 to 17 April 2021	11.66	14,349	–	–	(14,349)	–
28 February 2020	28 February 2020 to 17 April 2022	11.66	3,845	–	–	–	3,845
28 February 2020	28 February 2020 to 17 April 2023	11.66	3,844	–	–	–	3,844
16 April 2020	16 April 2020 to 16 April 2021	11.86	548,298	–	(12,298)	(536,000)	–
16 April 2020	16 April 2020 to 16 April 2022	11.86	547,251	–	(47,962)	–	499,289
11 May 2020	11 May 2020 to 16 April 2021	12.86	15,717	–	(15,717)	–	–
11 May 2020	11 May 2020 to 16 April 2022	12.86	15,717	–	–	–	15,717
11 May 2020	11 May 2020 to 16 April 2023	12.86	7,858	–	–	–	7,858
16 April 2021	16 April 2021 to 16 April 2022	11.06	–	543,603	(43,085)	–	500,518
16 April 2021	16 April 2021 to 16 April 2023	11.06	–	542,615	(42,976)	–	499,639
2 July 2021	2 July 2021 to 16 April 2022	10.56	–	57,607	–	–	57,607
2 July 2021	2 July 2021 to 16 April 2023	10.56	–	57,606	–	–	57,606
Total			1,687,043	1,201,431	(171,854)	(1,070,697)	1,645,923
Weighted average fair value on the date of award (HK$)			12.04	11.01	11.58	12.11	11.30

34 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)*

			2022 Number of PCCW Shares				
Date of award	Vesting period	Fair value on the date of award HK$	As at 1 January 2022	Awarded	Forfeited	Vested	As at 31 December 2022
PCCW Purchase Scheme (PCCW Shares)							
16 April 2020	16 April 2020 to 16 April 2022	4.64	2,096,688	–	(31,661)	(2,065,027)	–
16 April 2021	16 April 2021 to 16 April 2022	4.53	896,379	–	(43,625)	(852,754)	–
16 April 2021	16 April 2021 to 16 April 2023	4.53	1,192,374	–	(43,624)	–	1,148,750
28 April 2021	28 April 2021 to 28 April 2022	4.52	56,500	–	–	(56,500)	–
28 April 2021	28 April 2021 to 28 April 2023	4.52	56,500	–	–	–	56,500
4 March 2022	4 March 2022 to 16 April 2022	4.34	–	34,803	–	(34,803)	–
4 March 2022	4 March 2022 to 16 April 2023	4.34	–	34,803	–	–	34,803
19 April 2022	19 April 2022 to 27 May 2022	4.52	–	159,005	–	(159,005)	–
19 April 2022	19 April 2022 to 16 April 2023	4.52	–	159,005	–	–	159,005
19 April 2022	19 April 2022 to 19 April 2023	4.52	–	1,142,825	–	–	1,142,825
19 April 2022	19 April 2022 to 19 April 2024	4.52	–	1,514,307	–	–	1,514,307
1 September 2022	1 September 2022 to 19 April 2023	3.86	–	101,124	–	–	101,124
1 September 2022	1 September 2022 to 19 April 2024	3.86	–	101,124	–	–	101,124
20 September 2022	20 September 2022 to 19 April 2023	3.85	–	79,503	–	–	79,503
20 September 2022	20 September 2022 to 19 April 2024	3.85	–	79,502	–	–	79,502
Total			4,298,441	3,406,001	(118,910)	(3,168,089)	4,417,443
Weighted average fair value on the date of award (HK$)			4.58	4.45	4.56	4.60	4.47

(Amount expressed in Hong Kong dollars unless otherwise stated)

34 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)*

			2022 Number of PCCW Shares				
Date of award	Vesting period	Fair value on the date of award HK$	As at 1 January 2022	Awarded	Forfeited	Vested	As at 31 December 2022
PCCW Subscription Scheme (PCCW Shares)							
28 February 2020	28 February 2020 to 17 April 2022	4.69	9,612	–	–	(9,612)	–
28 February 2020	28 February 2020 to 17 April 2023	4.69	9,610	–	(9,610)	–	–
16 April 2020	16 April 2020 to 16 April 2022	4.64	1,742,555	–	(50,955)	(1,691,600)	–
16 April 2020	16 April 2020 to 16 April 2023	4.64	100,787	–	–	–	100,787
16 April 2020	16 April 2020 to 16 April 2024	4.64	100,786	–	–	–	100,786
11 May 2020	11 May 2020 to 16 April 2022	4.77	40,900	–	(40,900)	–	–
11 May 2020	11 May 2020 to 16 April 2023	4.77	20,448	–	–	–	20,448
16 April 2021	16 April 2021 to 16 April 2022	4.53	1,524,740	–	(51,975)	(1,472,765)	–
16 April 2021	16 April 2021 to 16 April 2023	4.53	1,523,624	–	(304,483)	–	1,219,141
2 July 2021	2 July 2021 to 16 April 2022	4.09	243,513	–	–	(243,513)	–
2 July 2021	2 July 2021 to 16 April 2023	4.09	243,513	–	(111,857)	–	131,656
2 July 2021	2 July 2021 to 16 April 2024	4.09	100,336	–	–	–	100,336
2 July 2021	2 July 2021 to 16 April 2025	4.09	100,335	–	–	–	100,335
4 March 2022	4 March 2022 to 16 April 2022	4.34	–	224,480	–	(224,480)	–
4 March 2022	4 March 2022 to 16 April 2023	4.34	–	228,771	–	–	228,771
4 March 2022	4 March 2022 to 16 April 2024	4.34	–	153,131	–	–	153,131
19 April 2022	19 April 2022 to 19 April 2023	4.52	–	1,848,576	(347,953)	–	1,500,623
19 April 2022	19 April 2022 to 19 April 2024	4.52	–	1,847,273	(347,654)	–	1,499,619
19 April 2022	19 April 2022 to 19 April 2025	4.52	–	100,787	–	–	100,787
19 April 2022	19 April 2022 to 19 April 2026	4.52	–	100,786	–	–	100,786
15 August 2022	15 August 2022 to 19 April 2023	4.15	–	5,710	–	–	5,710
15 August 2022	15 August 2022 to 19 April 2024	4.15	–	5,710	–	–	5,710
Total			5,760,759	4,515,224	(1,265,387)	(3,641,970)	5,368,626
Weighted average fair value on the date of award (HK$)			4.52	4.49	4.50	4.54	4.49

34 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)*

			2022 Number of Share Stapled Units				
Date of award	**Vesting period**	**Fair value on the date of award HK$**	**As at 1 January 2022**	**Awarded**	**Forfeited**	**Vested**	**As at 31 December 2022**
PCCW Purchase Scheme (Share Stapled Units)							
16 April 2020	16 April 2020 to 16 April 2022	11.86	404,774	–	(5,656)	(399,118)	–
16 April 2020	16 April 2020 to 16 April 2023	11.86	38,731	–	–	–	38,731
16 April 2020	16 April 2020 to 16 April 2024	11.86	38,730	–	–	–	38,730
16 April 2021	16 April 2021 to 16 April 2022	11.06	248,008	–	(5,892)	(242,116)	–
16 April 2021	16 April 2021 to 16 April 2023	11.06	247,754	–	(63,537)	–	184,217
28 April 2021	28 April 2021 to 28 April 2022	11.22	22,733	–	–	(22,733)	–
28 April 2021	28 April 2021 to 28 April 2023	11.22	22,732	–	–	–	22,732
2 July 2021	2 July 2021 to 16 April 2022	10.56	40,370	–	–	(40,370)	–
2 July 2021	2 July 2021 to 16 April 2023	10.56	40,369	–	–	–	40,369
2 July 2021	2 July 2021 to 16 April 2024	10.56	40,369	–	–	–	40,369
2 July 2021	2 July 2021 to 16 April 2025	10.56	40,369	–	–	–	40,369
19 April 2022	19 April 2022 to 27 May 2022	10.86	–	65,335	–	(65,335)	–
19 April 2022	19 April 2022 to 16 April 2023	10.86	–	65,334	–	–	65,334
19 April 2022	19 April 2022 to 19 April 2023	10.86	–	458,994	(93,288)	–	365,706
19 April 2022	19 April 2022 to 19 April 2024	10.86	–	458,690	(93,084)	–	365,606
19 April 2022	19 April 2022 to 19 April 2025	10.86	–	41,413	–	–	41,413
19 April 2022	19 April 2022 to 19 April 2026	10.86	–	41,412	–	–	41,412
20 September 2022	20 September 2022 to 19 April 2023	10.22	–	32,668	–	–	32,668
20 September 2022	20 September 2022 to 19 April 2024	10.22	–	32,667	–	–	32,667
Total			1,184,939	1,196,513	(261,457)	(769,672)	1,350,323
Weighted average fair value on the date of award (HK$)			11.32	10.83	10.93	11.44	10.89

(Amount expressed in Hong Kong dollars unless otherwise stated)

34 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)*

			2022 Number of Share Stapled Units				
Date of award	**Vesting period**	**Fair value on the date of award HK$**	**As at 1 January 2022**	**Awarded**	**Forfeited**	**Vested**	**As at 31 December 2022**
HKT Share Stapled Units Purchase Scheme (Share Stapled Units)							
16 April 2020	16 April 2020 to 16 April 2022	**11.86**	**202,046**	**–**	**(12,167)**	**(189,879)**	**–**
16 April 2021	16 April 2021 to 16 April 2022	**11.06**	**226,287**	**–**	**(17,552)**	**(208,735)**	**–**
16 April 2021	16 April 2021 to 16 April 2023	**11.06**	**226,280**	**–**	**(17,552)**	**–**	**208,728**
19 April 2022	19 April 2022 to 19 April 2023	**10.86**	**–**	**212,717**	**–**	**–**	**212,717**
19 April 2022	19 April 2022 to 19 April 2024	**10.86**	**–**	**212,711**	**–**	**–**	**212,711**
Total			**654,613**	**425,428**	**(47,271)**	**(398,614)**	**634,156**
Weighted average fair value on the date of award (HK$)			**11.31**	**10.86**	**11.27**	**11.44**	**10.93**

34 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$	As at 1 January 2022	Awarded	Forfeited	Vested	As at 31 December 2022
			2022 Number of Share Stapled Units				
HKT Share Stapled Units Subscription Scheme (Share Stapled Units)							
28 February 2020	28 February 2020 to 17 April 2022	11.66	3,845	–	–	(3,845)	–
28 February 2020	28 February 2020 to 17 April 2023	11.66	3,844	–	(3,844)	–	–
16 April 2020	16 April 2020 to 16 April 2022	11.86	499,289	–	(13,932)	(485,357)	–
11 May 2020	11 May 2020 to 16 April 2022	12.86	15,717	–	(15,717)	–	–
11 May 2020	11 May 2020 to 16 April 2023	12.86	7,858	–	–	–	7,858
16 April 2021	16 April 2021 to 16 April 2022	11.06	500,518	–	(15,051)	(485,467)	–
16 April 2021	16 April 2021 to 16 April 2023	11.06	499,639	–	(58,972)	–	440,667
2 July 2021	2 July 2021 to 16 April 2022	10.56	57,607	–	–	(57,607)	–
2 July 2021	2 July 2021 to 16 April 2023	10.56	57,606	–	(45,005)	–	12,601
4 March 2022	4 March 2022 to 16 April 2022	10.60	–	6,802	–	(6,802)	–
4 March 2022	4 March 2022 to 16 April 2023	10.60	–	8,537	–	–	8,537
19 April 2022	19 April 2022 to 19 April 2023	10.86	–	593,177	(49,866)	–	543,311
19 April 2022	19 April 2022 to 19 April 2024	10.86	–	592,158	(49,760)	–	542,398
15 August 2022	15 August 2022 to 19 April 2023	11.00	–	2,347	–	–	2,347
15 August 2022	15 August 2022 to 19 April 2024	11.00	–	2,346	–	–	2,346
Total			1,645,923	1,205,367	(252,147)	(1,039,078)	1,560,065
Weighted average fair value on the date of award (HK$)			11.30	10.86	11.06	11.41	10.92

The fair values of the PCCW Shares and the Share Stapled Units awarded during the year on the dates of award are measured by the respective quoted market prices of the PCCW Shares and the Share Stapled Units at the respective award dates.

The PCCW Shares and the Share Stapled Units unvested had a weighted average remaining vesting period at the end of the reporting period as follows:

	2021	2022
PCCW Purchase Scheme (PCCW Shares)	0.58 year	**0.69 year**
PCCW Subscription Scheme (PCCW Shares)	0.64 year	**0.77 year**
PCCW Purchase Scheme (Share Stapled Units)	0.63 year	**0.86 year**
HKT Share Stapled Units Purchase Scheme (Share Stapled Units)	0.64 year	**0.64 year**
HKT Share Stapled Units Subscription Scheme (Share Stapled Units)	0.64 year	**0.65 year**

35 RESERVES

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 1 January 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 of subsidiaries	–	–	(154)	–	–	–	–	(154)
– exchange differences on translating foreign operations of associates and joint ventures	–	–	34	–	–	–	–	34
– 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 44(a))*	–	–	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 31 December 2021	(11)	58	179	133	(9)	(357)	(4,470)	(4,477)

35 RESERVES *(CONTINUED)*

In HK$ million	2021				
	Employee share-based compensation reserve	Hedging reserve	Costs of hedging reserve	Retained profits	Total
THE COMPANY					
As at 1 January 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 31 December 2021 *(note a)*	20	1	(2)	19,219	19,238

35 RESERVES *(CONTINUED)*

In HK$ million	2022								
	Treasury stock	Employee share-based compensation reserve	Currency translation reserve	Hedging reserve	Costs of hedging reserve	Financial assets at FVOCI reserve	Other reserves	Accumulated losses	Total
THE GROUP									
As at 1 January 2022	(11)	58	179	133	(9)	–	(357)	(4,470)	(4,477)
Total comprehensive (loss)/income for the year									
Profit for the year	–	–	–	–	–	–	–	158	158
Other comprehensive income/(loss)									
Items that will not be reclassified subsequently to consolidated income statement:									
Remeasurements of defined benefit retirement schemes obligations	–	–	–	–	–	–	–	22	22
Changes in the fair value of financial assets at FVOCI	–	–	–	–	–	(60)	–	–	(60)
Items that have been reclassified or may be reclassified subsequently to consolidated income statement:									
Translation exchange differences:									
– exchange differences on translating foreign operations of subsidiaries	–	–	(51)	–	–	–	–	–	(51)
– exchange differences on translating foreign operations of associates and joint ventures	–	–	(269)	–	–	–	–	–	(269)
– reclassification of currency translation reserve on deconsolidation of subsidiaries	–	–	33	–	–	–	–	–	33
– reclassification of currency translation reserve on partial disposal of interests in an associate	–	–	(33)	–	–	–	–	–	(33)
Cash flow hedges:									
– effective portion of changes in fair value	–	–	–	(23)	–	–	–	–	(23)
– transfer from equity to consolidated income statement	–	–	–	45	6	–	–	–	51
Costs of hedging	–	–	–	–	(57)	–	–	–	(57)
Total comprehensive (loss)/income for the year	–	–	(320)	22	(51)	(60)	–	180	(229)
Transactions with equity holders									
Purchases/Subscription of PCCW Shares under share award schemes	(10)	–	–	–	–	–	–	–	(10)
Purchases/Subscription of Share Stapled Units under share award schemes	–	–	–	–	–	–	–	(12)	(12)
Purchases of Share Stapled Units	–	–	–	–	–	–	–	(263)	(263)
Employee share-based compensation	–	38	–	–	–	–	–	–	38
Vesting of PCCW Shares and Share Stapled Units under share award schemes	12	(36)	–	–	–	–	–	24	–
Distributions/Dividends for PCCW Shares and Share Stapled Units granted under share award schemes	–	(4)	–	–	–	–	–	–	(4)
Dividend paid in respect of the previous year	–	–	–	–	–	–	–	(2,139)	(2,139)
Dividend declared and paid in respect of the current year	–	–	–	–	–	–	–	(738)	(738)
Total contributions by and distributions to equity holders	2	(2)	–	–	–	–	–	(3,128)	(3,128)
Change in interests in subsidiaries that does not result in a loss of control *(note 44(b))*	–	–	–	–	–	–	–	159	159
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	–	–	–	–	–	–	(10)	–	(10)
Expiry of put option to the non-controlling shareholder of an indirect non-wholly owned subsidiary	–	–	–	–	–	–	285	–	285
Total transactions with equity holders	2	(2)	–	–	–	–	275	(2,969)	(2,694)
As at 31 December 2022	(9)	56	(141)	155	(60)	(60)	(82)	(7,259)	(7,400)

35 RESERVES *(CONTINUED)*

In HK$ million	2022				
	Employee share-based compensation reserve	Hedging reserve	Costs of hedging reserve	Retained profits	Total
THE COMPANY					
As at 1 January 2022	20	1	(2)	19,219	19,238
Total comprehensive income/(loss) for the year					
Profit for the year	–	–	–	2,515	2,515
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	–	(1)	–	–	(1)
Costs of hedging	–	–	2	–	2
Total comprehensive income/(loss) for the year	–	(1)	2	2,515	2,516
Transactions with equity holders					
Dividend paid in respect of the previous year	–	–	–	(2,143)	(2,143)
Dividend declared and paid in respect of the current year	–	–	–	(740)	(740)
Total transactions with equity holders	–	–	–	(2,883)	(2,883)
As at 31 December 2022 *(note a)*	20	–	–	18,851	18,871

a. The Company had total distributable reserves of HK$18,851 million as at 31 December 2022 (2021: HK$19,219 million).

36 DEFERRED INCOME TAX

As at 31 December 2022, deferred income tax liabilities/(assets) represent:

In HK$ million	2021	**2022**
Deferred income tax assets	(788)	**(985)**
Deferred income tax liabilities	4,267	**4,585**
	3,479	**3,600**

a. Movements in deferred income tax liabilities/(assets) were as follows:

In HK$ million	2021				
	Accelerated tax depreciation and amortisation	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

In HK$ million	**2022**				
	Accelerated tax depreciation and amortisation	**Valuation adjustment resulting from acquisition of subsidiaries**	**Tax losses**	**Others**	**Total**
Beginning of year	**5,022**	**143**	**(1,668)**	**(18)**	**3,479**
Charged/(Credited) to the consolidated income statement	**413**	**(21)**	**(267)**	**–**	**125**
Deconsolidation of subsidiaries	**(132)**	**(14)**	**143**	**–**	**(3)**
Exchange differences	**–**	**–**	**–**	**(1)**	**(1)**
End of year	**5,303**	**108**	**(1,792)**	**(19)**	**3,600**

b. Deferred income tax assets are recognised for tax losses carry-forward to the extent that realisation of the related tax benefit through utilisation against future taxable profits is probable. As at 31 December 2022, the Group had unutilised estimated tax losses for which no deferred income tax assets have been recognised of HK$12,055 million (2021: HK$14,097 million) to carry forward for deduction against future taxable income. Estimated tax losses of HK$381 million (2021: HK$414 million) and HK$148 million (2021: HK$46 million) will expire within 1 to 5 years and after 5 years from 31 December 2022 respectively. The remaining portion of the tax losses, mainly relating to Hong Kong companies, can be carried forward indefinitely.

37 CARRIER LICENCE FEE LIABILITIES

As at 31 December 2022, the Group had carrier licence fee liabilities payable as follows:

In HK$ million	2021			**2022**		
	Present value of the minimum annual fees	Interest expense relating to future periods	Total minimum annual fees	**Present value of the minimum annual fees**	**Interest expense relating to future periods**	**Total minimum annual fees**
Payable within a period						
– not exceeding one year	315	5	320	**331**	**5**	**336**
– over one year, but not exceeding two years	311	14	325	**329**	**14**	**343**
– over two years, but not exceeding five years	837	78	915	**836**	**76**	**912**
– over five years	2,301	609	2,910	**2,175**	**537**	**2,712**
	3,764	706	4,470	**3,671**	**632**	**4,303**
Less: amounts payable within one year included under current liabilities	(315)	(5)	(320)	**(331)**	**(5)**	**(336)**
Non-current portion	3,449	701	4,150	**3,340**	**627**	**3,967**

38 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	2021	**2022**
Profit before income tax	4,064	**3,422**
Adjustments for:		
Interest income	(76)	**(101)**
Finance costs	1,867	**1,827**
Fair value movement of derivative financial instruments	(24)	**(5)**
Fair value losses on financial assets at FVPL	80	**352**
Write-off of intangible assets	5	**–**
Gain on deconsolidation of subsidiaries, net	(890)	**(780)**
Gain on partial disposal of interests in an associate, net	–	**(300)**
Other gains	(1)	**(31)**
(Gains)/Losses on disposal of property, plant and equipment and right-of-use assets, net	(28)	**2**
Impairment loss for trade receivables	262	**250**
(Write-back of provision for)/Provision for inventory obsolescence, net	(8)	**23**
Depreciation of property, plant and equipment	1,716	**1,356**
Depreciation of right-of-use assets	1,793	**1,513**
Amortisation of land lease premium – interests in leasehold land	18	**17**
Amortisation of intangible assets	3,077	**3,487**
Amortisation of fulfilment costs	393	**421**
Amortisation of customer acquisition costs	1,142	**1,123**
Share of results of associates and joint ventures	(572)	**278**
Increase in treasury stock for the purchases of PCCW Shares under share award scheme	(25)	**(12)**
Decrease in equity for the purchases of Share Stapled Units under share award schemes	(12)	**(14)**
Share-based compensation expenses	55	**52**
Pension cost for defined benefit retirement schemes	1	**1**
(Increase)/Decrease in operating assets		
– properties held for/under development/held for sale	(48)	**–**
– fulfilment costs	(487)	**(567)**
– customer acquisition costs	(1,223)	**(1,108)**
– contract assets	(697)	**(166)**
– other non-current assets	19	**149**
– sales proceeds held in stakeholders' accounts	1	**–**
– inventories	(372)	**(822)**
– trade receivables, prepayments, deposits and other current assets	(1,804)	**(923)**
– amounts due from related companies	9	**(622)**
– restricted cash	(77)	**(188)**
Increase/(Decrease) in operating liabilities		
– trade payables, accruals and other payables	1,388	**1,885**
– amount payable to the government of Hong Kong under the Cyberport Project Agreement	4	**–**
– advances from customers	(1)	**16**
– contract liabilities	212	**(123)**
– defined benefit retirement schemes liability	(9)	**(13)**
– other long-term liabilities	(11)	**(9)**
CASH GENERATED FROM OPERATIONS	9,741	**10,390**
Interest received	57	**83**
Income tax paid, net of tax refund		
– Hong Kong profits tax refund/(paid)*	61	**(67)**
– overseas profits tax paid	(155)	**(67)**
NET CASH GENERATED FROM OPERATING ACTIVITIES	9,704	**10,339**

* As at 31 December 2021 and 2022, the Hong Kong profits tax assessments and/or the current income tax liabilities of certain subsidiaries of the Group had not been received or not yet due, such that any corresponding tax charge settlement would be deferred to upcoming financial years.

38 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	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 1 January 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 40(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 31 December 2021	(187)	(61)	243	2,393	66	46,823	(43)	850	50,084

As at 1 January 2021, the balance was included in other long-term liabilities.

38 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	2022							
	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 1 January 2022	(61)	243	2,393	66	46,823	(43)	850	50,271
Cash flows in financing activities								
New borrowings raised	(27)	7	–	–	33,263	–	–	33,243
Finance costs (paid)/received	–	(1,259)	–	–	–	236	–	(1,023)
Repayments of borrowings	–	–	–	–	(30,329)	–	–	(30,329)
Payment for lease liabilities (including interest)	–	–	(1,526)	–	–	–	–	(1,526)
Movement in amounts due to a related company	–	–	–	(7)	–	–	–	(7)
Payment for repurchase of preference shares of a subsidiary	–	–	–	–	–	–	(863)	(863)
Cash flows in investing activities								
Loan repayment in relation to licence fee *(note 40(b)(i))*	–	–	–	–	(130)	–	–	(130)
Non-cash movements	59	2,050	1,257	(5)	(106)	61	13	3,329
As at 31 December 2022	(29)	1,041	2,124	54	49,521	254	–	52,965

c. Analysis of cash and cash equivalents

In HK$ million	2021	**2022**
Total cash and bank balances	5,223	**3,500**
Less: restricted cash	(187)	**(375)**
Less: short-term deposits	(472)	**(116)**
Cash and cash equivalents as at 31 December	4,564	**3,009**

39 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.

40 FINANCIAL INSTRUMENTS

The tables below analyse financial instruments by category:

In HK$ million			2021		
	Financial assets at amortised 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

40 FINANCIAL INSTRUMENTS *(CONTINUED)*

The tables below analyse financial instruments by category: *(continued)*

In HK$ million	2021		
	Derivatives used for hedging	Other financial liabilities at amortised 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)

40 FINANCIAL INSTRUMENTS *(CONTINUED)*

The tables below analyse financial instruments by category: *(continued)*

In HK$ million			2022		
	Financial assets at amortised cost	**Financial assets at FVOCI**	**Financial assets at FVPL**	**Derivatives used for hedging**	**Total**
Non-current assets					
Financial assets at FVOCI	–	701	–	–	701
Financial assets at FVPL	–	–	2,804	–	2,804
Other financial assets	1,596	–	–	–	1,596
Derivative financial instruments	–	–	–	27	27
Other non-current assets (excluding prepayments)	145	–	–	–	145
	1,741	701	2,804	27	5,273
Current assets					
Prepayments, deposits and other current assets (excluding prepayments)	2,731	–	–	–	2,731
Trade receivables, net	4,602	–	–	–	4,602
Amounts due from related companies	751	–	–	–	751
Derivative financial instruments	–	–	–	58	58
Restricted cash	375	–	–	–	375
Short-term deposits	116	–	–	–	116
Cash and cash equivalents	3,009	–	–	–	3,009
	11,584	–	–	58	11,642
Total	13,325	701	2,804	85	16,915

40 FINANCIAL INSTRUMENTS *(CONTINUED)*

The tables below analyse financial instruments by category: *(continued)*

In HK$ million	2022			
	Financial liabilities at FVPL	**Derivatives used for hedging**	**Other financial liabilities at amortised cost**	**Total**
Current liabilities				
Short-term borrowings	–	–	**(3,950)**	**(3,950)**
Trade payables	–	–	**(6,074)**	**(6,074)**
Accruals and other payables	–	–	**(8,655)**	**(8,655)**
Derivative financial instrument	–	**(98)**	–	**(98)**
Carrier licence fee liabilities	–	–	**(331)**	**(331)**
Amounts due to related companies	–	–	**(54)**	**(54)**
Advances from customers	–	–	**(286)**	**(286)**
Lease liabilities	–	–	**(1,130)**	**(1,130)**
	–	**(98)**	**(20,480)**	**(20,578)**
Non-current liabilities				
Long-term borrowings	–	–	**(45,571)**	**(45,571)**
Derivative financial instruments*	**(18)**	**(223)**	–	**(241)**
Carrier licence fee liabilities	–	–	**(3,340)**	**(3,340)**
Lease liabilities	–	–	**(994)**	**(994)**
Other long-term liabilities	–	–	**(2,084)**	**(2,084)**
	(18)	**(223)**	**(51,989)**	**(52,230)**
Total	**(18)**	**(321)**	**(72,469)**	**(72,808)**

* As at 31 December 2022, derivative financial instruments classified as non-current liabilities of HK$29 million (2021: HK$22 million) related to foreign exchange forward contracts with an aggregate notional contract amount of US$470 million (approximately HK$3,686 million) (2021: 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 15 January 2025 at an early redemption amount of US$470 million (2021: US$470 million). Refer to notes 29(b) and 30(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.

40 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, 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 31 December 2021 and 2022, 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 28(d).

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 low as at 31 December 2021 and 2022 and the Group made no provision for these contract assets during the years ended 31 December 2021 and 2022.

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 31 December 2021 and 2022, investments in debt instruments, amounts due from related companies, deposits and other receivables were fully performing.

Derivative financial instruments, 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 42, 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 42 for details.

40 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	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)

40 FINANCIAL INSTRUMENTS *(CONTINUED)*

b. Liquidity risk *(continued)*

In HK$ million	2022					
	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	(3,956)	–	–	–	(3,956)	(3,950)
Trade payables	(6,074)	–	–	–	(6,074)	(6,074)
Accruals and other payables *(note iii)*	(8,695)	–	–	–	(8,695)	(8,655)
Derivative financial instrument *(note ii)*	(100)	–	–	–	(100)	(98)
Carrier licence fee liabilities	(336)	–	–	–	(336)	(331)
Amounts due to related companies	(54)	–	–	–	(54)	(54)
Advances from customers	(286)	–	–	–	(286)	(286)
Lease liabilities	(1,182)	–	–	–	(1,182)	(1,130)
	(20,683)	–	–	–	(20,683)	(20,578)
Non-current liabilities						
Long-term borrowings *(note i)*	(1,787)	(7,644)	(30,126)	(12,926)	(52,483)	(45,571)
Derivative financial instruments	36	(37)	(105)	(140)	(246)	(241)
Carrier licence fee liabilities	–	(343)	(912)	(2,712)	(3,967)	(3,340)
Lease liabilities	–	(630)	(377)	(4)	(1,011)	(994)
Other long-term liabilities *(note iii)*	–	(61)	(1,000)	(3,189)	(4,250)	(2,084)
	(1,751)	(8,715)	(32,520)	(18,971)	(61,957)	(52,230)
Total	(22,434)	(8,715)	(32,520)	(18,971)	(82,640)	(72,808)

Notes:

i. As at 31 December 2022, bank borrowings of HK$1,170 million (2021: HK$1,300 million) included in long-term borrowings were outstanding for financing a 15-year 3G spectrum utilisation fee paid upfront by the Group.

ii. As at 31 December 2022, derivative financial instrument included HK$107 million of short-term interest payable (2021: HK$78 million of long-term interest payable), which related to interest drawn under an arrangement with a bank to receive agreed amounts by instalments to settle interest payments of a floating-to-fixed interest rate swap contract with a notional contract amount of HK$1,000 million (2021: HK$1,000 million).

iii. As at 31 December 2022, other long-term liabilities included HK$535 million (2021: HK$455 million) of long-term interest payable, which related to interest drawn under an arrangement with a bank to receive agreed amounts by instalments 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) (2021: EUR200 million (approximately HK$1,665 million)) and accruals and other payables included HK$715 million of short-term interest payable (2021: other long-term liabilities included HK$547 million of long-term interest payable), which related to interest drawn under the arrangements with banks to receive agreed amounts by instalments 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) (2021: US$500 million (approximately HK$3,879 million)). Refer to notes 29(d), 28(e)(ii), 29(a) and 30(a) for details of the guaranteed notes and the derivative financial instruments respectively.

40 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 recognised assets and liabilities are denominated in a currency that is not the functional currency of the relevant group entity.

The Group's borrowings are substantially denominated in Hong Kong dollars, United States dollars and Euro. As at 31 December 2021 and 2022, 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 31 December 2022 with an aggregate notional contract amount of US$3,370 million (approximately HK$26,279 million) (2021: US$3,020 million (approximately HK$23,526 million)) and EUR200 million (approximately HK$1,665 million) (2021: EUR200 million (approximately HK$1,665 million)) were designated or redesignated 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.

40 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	2021 United States Dollars	2021 Euro	2021 Pound Sterling	**2022 United States Dollars**	**2022 Euro**	**2022 Pound Sterling**
Trade receivables	1,515	70	248	**1,852**	**36**	**2**
Short-term deposits	472	–	–	**–**	**–**	**–**
Cash and cash equivalents	1,724	69	14	**1,103**	**63**	**20**
Short-term borrowings	(2,358)	–	–	**(3,894)**	**–**	**–**
Trade payables	(3,377)	(72)	(4)	**(3,157)**	**(36)**	**(4)**
Advances from customers	(16)	(1)	(1)	**(16)**	**(1)**	**(1)**
Lease liabilities	(78)	(3)	(17)	**(59)**	**(9)**	**(12)**
Long-term borrowings	(20,521)	(1,752)	–	**(21,675)**	**(1,646)**	**–**
Gross exposure arising from net monetary (liabilities)/assets	(22,639)	(1,689)	240	**(25,846)**	**(1,593)**	**5**
Net monetary (assets)/liabilities denominated in respective entities' functional currencies	(498)	2	5	**(671)**	**(2)**	**–**
Borrowings with hedging instruments	22,103	1,752	–	**25,569**	**1,646**	**–**
Overall net exposure	(1,034)	65	245	**(948)**	**51**	**5**

As at 31 December 2022, if the Hong Kong dollar had weakened/strengthened by 1% (2021: 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$8 million (2021: HK$9 million), mainly as a result of foreign exchange losses/gains on translation of United States dollar denominated monetary assets and liabilities which are not hedged by hedging instruments. Meanwhile, the hedging reserve and costs of hedging reserve of the Group as at 31 December 2022 would have collectively debited/credited by approximately HK$130 million (2021: HK$127 million), mainly as a result of foreign exchange losses/gains on the short-term and long-term borrowings being hedged by cross currency swap contracts and foreign exchange forward contracts.

40 FINANCIAL INSTRUMENTS *(CONTINUED)*

c. Market risk *(continued)*

i. Foreign currency risk *(continued)*

As at 31 December 2022, if the Hong Kong dollar had weakened/strengthened by 5% (2021: same) against Euro, with all other variables held constant, the profit after tax of the Group for the year would have increased/decreased by approximately HK$2 million (2021: HK$3 million), 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 31 December 2022 would have collectively debited/credited by approximately HK$43 million (2021: HK$46 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 31 December 2022, if the Hong Kong dollar had weakened/strengthened by 5% (2021: 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 an immaterial amount (2021: approximately HK$10 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 31 December 2021 and 2022.

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 a floating-to-fixed interest rate swap contract to hedge the cash flow interest rate risk arising from a floating rate long-term borrowing.

40 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:

	2021		**2022**	
	Effective interest rate %	HK$ million	**Effective interest rate %**	**HK$ million**
Net fixed rate borrowings:				
Short-term borrowing with hedging instruments	–	–	**4.53**	**3,894**
Long-term borrowings	5.06	776	**5.06**	**776**
Long-term borrowings with hedging instruments	3.76	21,497	**3.32**	**22,545**
Long-term bank borrowing with hedging instrument	2.71	993	**2.71**	**997**
		23,266		**28,212**
Variable rate borrowings:				
Short-term bank borrowing	5.47	61	**5.27**	**56**
Short-term borrowings with hedging instruments	4.79	2,358	**–**	**–**
Long-term bank borrowings	0.90	21,138	**3.47**	**21,253**
		23,557		**21,309**
Total borrowings		46,823		**49,521**

As at 31 December 2022, if the interest rate on variable rate borrowings had increased/decreased by 75 basis points (2021: 50 basis points), with all other variables held constant, the profit after tax of the Group for the year would have decreased/increased by approximately HK$135 million (2021: HK$99 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 75 basis points (2021: 50 basis points) 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 31 December 2021 and 2022.

40 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 amortised cost

All financial instruments were carried at amounts not materially different from their fair values as at 31 December 2022 except as follows:

In HK$ million	2021		**2022**	
	Carrying amount	Fair value	**Carrying amount**	**Fair value**
Other financial assets	1,341	1,334	**1,596**	**1,393**
Short-term borrowings	2,419	2,428	**3,950**	**3,945**
Long-term borrowings	44,404	45,409	**45,571**	**43,428**

The fair values of other financial assets, short-term 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 40(e)).

e. Estimation of fair values

Financial instruments carried at fair value are analysed 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 maximise 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.

40 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 31 December 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)

In HK$ million	**As at 31 December 2022**			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Financial assets at FVOCI (non-current)				
– Listed securities	**554**	**–**	**–**	**554**
– Unlisted securities	**–**	**–**	**147**	**147**
Financial assets at FVPL (non-current)				
– Listed securities	**19**	**–**	**–**	**19**
– Unlisted securities	**–**	**–**	**2,785**	**2,785**
Derivative financial instruments (non-current)	**–**	**27**	**–**	**27**
Derivative financial instruments (current)	**–**	**58**	**–**	**58**
Total assets	**573**	**85**	**2,932**	**3,590**
Liabilities				
Derivative financial instruments (current)	**–**	**(98)**	**–**	**(98)**
Derivative financial instruments (non-current)	**–**	**(241)**	**–**	**(241)**
Total liabilities	**–**	**(339)**	**–**	**(339)**

40 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 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 31 December 2021 and 2022.

There were no material changes in valuation techniques during the years ended 31 December 2021 and 2022.

40 FINANCIAL INSTRUMENTS *(CONTINUED)*

e. Estimation of fair values *(continued)*

The following tables present the changes in level 3 assets/(liabilities):

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 recognised in other losses, net	–	3	9
End of year	124	1,670	–

In HK$ million	**2022**	
	Financial assets at FVOCI – unlisted securities	**Financial assets at FVPL – unlisted securities**
Beginning of year	**124**	**1,670**
Additions	**23**	**1,460**
Disposals	**–**	**(34)**
Fair value movement recognised in other losses, net	**–**	**(311)**
End of year	**147**	**2,785**

The estimated fair value of level 3 financial assets as at 31 December 2022 was HK$2,932 million (2021: HK$1,794 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.

41 COMMITMENTS

a. Capital

As at 31 December 2022, capital commitments authorised and contracted for by nature were as follows:

In HK$ million	2021	**2022**
Investments	536	**415**
Acquisition of property, plant and equipment	820	**1,276**
	1,356	**1,691**

b. Committed leases not yet commenced

As at 31 December 2022, the total future lease payments for leases committed but not yet commenced were payable as follows:

Land and buildings

In HK$ million	2021	**2022**
Within 1 year	25	**13**
After 1 year but within 5 years	45	**14**
	70	**27**

Network capacity and equipment

In HK$ million	2021	**2022**
Within 1 year	11	**9**
After 1 year but within 5 years	26	**48**
	37	**57**

c. Others

As at 31 December 2022, the Group had other outstanding commitments as follows:

In HK$ million	2021	**2022**
Purchase of rights to broadcast certain TV content	962	**1,400**
Operating expenditure commitments	776	**507**
	1,738	**1,907**

41 COMMITMENTS *(CONTINUED)*

d. Lease receivables

As at 31 December 2022, the maturity analysis of the total future minimum lease receipts under non-cancellable operating leases is as follows:

In HK$ million	2021	**2022**
Within 1 year	32	**39**
After 1 year but within 2 years	14	**29**
After 2 years but within 3 years	8	**17**
After 3 years but within 4 years	1	**12**
After 4 years but within 5 years	–	**7**
	55	**104**

The Group leases out properties under operating leases. The majority of the leases typically run for periods of 1 to 5 years (2021: 1 to 15 years). None of the leases include material contingent rentals.

42 CONTINGENT LIABILITIES

In HK$ million	2021	**2022**
Performance guarantees	1,570	**1,440**
Payment guarantees	117	**–**
Guarantees in lieu of cash deposit	21	**23**
Others	22	**22**
	1,730	**1,485**

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.

43 BANKING FACILITIES

Aggregate banking facilities as at 31 December 2022 was HK$47,193 million (2021: HK$42,859 million) of which the undrawn facilities amounted to HK$24,699 million (2021: HK$20,528 million).

Majority of the Group's banking facilities are subject to the fulfilment 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 31 December 2022, 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 40(b).

Summaries of short-term and long-term borrowings are set out in notes 28(e) and 29 respectively.

44 CHANGES IN INTERESTS IN SUBSIDIARIES WITHOUT A LOSS OF CONTROL

a. On 24 March 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.

b. On 12 August 2022, the Group completed the divestment of 20% interests in PNSL as disclosed in note 5(a). Immediately after the completion, the Group's economic interest in PNSL Group decreased from 100% to 80%, resulting in a credit to non-controlling interests attributable to PNSL Group of HK$575 million and a credit to equity attributable to equity holders of the Company of HK$159 million.

c. During the year ended 31 December 2022, the Group has purchased 28,482,000 Share Stapled Units from the open market at an average price of HK$9.07 per unit, resulting in a credit to non-controlling interest attributable to HKT Group of HK$5 million.

45 POSSIBLE IMPACT OF NEW AND AMENDED STANDARDS ISSUED BUT NOT YET EFFECTIVE FOR THE ANNUAL ACCOUNTING PERIOD ENDED 31 DECEMBER 2022

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 31 December 2022 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	1 January 2024
HKAS 8 (Amendments)	Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2023
HKAS 12 (Amendments)	Income Taxes	1 January 2023
HKAS 28 (2011) (Amendments)	Investments in Associates and Joint Ventures	To be announced
HKFRS 10 (Amendments)	Consolidated Financial Statements	To be announced
HKFRS 16 (Amendments)	Leases	1 January 2024
HKFRS 17 and HKFRS 17 (Amendments)	Insurance Contracts	1 January 2023
HK Interpretation 5 (Revised)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024

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 31 December 2022 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 31 December 2022

Results In HK$ million	2018	2019	2020*	2021#	**2022**
Continuing operations					
Revenue	38,850	37,521	35,984	35,455	**36,065**
Cost of sales	(20,642)	(18,907)	(19,189)	(17,725)	**(17,914)**
General and administrative expenses	(12,970)	(13,462)	(12,553)	(13,179)	**(13,498)**
Other gains/(losses), net	643	498	(563)	(45)	**(51)**
Interest income	134	86	67	69	**101**
Finance costs	(1,899)	(1,958)	(1,638)	(1,401)	**(1,826)**
Share of results of equity accounted entities	68	33	(25)	572	**(278)**
Profit before income tax	4,184	3,811	2,083	3,746	**2,599**
Income tax	(1,134)	(941)	(705)	(998)	**(672)**
Profit for the year from continuing operations	3,050	2,870	1,378	2,748	**1,927**
Discontinued operations					
(Loss)/Profit for the year from discontinued operations	–	–	(729)	199	**834**
Profit for the year	3,050	2,870	649	2,947	**2,761**
Profit/(Loss) attributable to:					
Equity holders of the Company	897	681	(1,020)	1,039	**158**
Holders of perpetual capital securities	–	–	–	226	**235**
Non-controlling interests	2,153	2,189	1,669	1,682	**2,368**

Assets and Liabilities As at 31 December In HK$ million	2018	2019	2020	2021	**2022**
Total non-current assets	72,754	78,027	80,528	75,602	**78,018**
Total current assets	21,473	20,868	17,311	18,621	**17,046**
Total current liabilities	(14,592)	(16,287)	(18,334)	(21,615)	**(24,374)**
Total non-current liabilities	(60,026)	(64,636)	(65,951)	(57,126)	**(57,925)**
Net assets	19,609	17,972	13,554	15,482	**12,765**

Distributable Reserves of the Company As at 31 December In HK$ million	2018	2019	2020	2021	**2022**
Distributable reserves of the Company	19,104	19,264	19,314	19,219	**18,851**

* The results for the year ended 31 December 2020 have been restated to reflect the operations discontinued during the year ended 31 December 2021, whereas the results prior to the year ended 31 December 2020 have not been restated for this purpose.

The results for the year ended 31 December 2021 have been restated to reflect the operations discontinued during the year ended 31 December 2022, whereas the results prior to the year ended 31 December 2021 have not been restated for this purpose.

INVESTOR RELATIONS

DIRECTORS
The directors of the Company as at the date of the announcement of the 2022 Annual Results are:

Executive Directors:
Li Tzar Kai, Richard *(Chairman)*
Hui Hon Hing, Susanna *(Acting Group Managing Director and Group Chief Financial Officer)*

Non-Executive Directors:
Tse Sze Wing, Edmund, GBS
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
Sharhan Mohamed Muhseen Mohamed

GROUP GENERAL COUNSEL AND COMPANY SECRETARY
Cheung Hok Chee, Vanessa

REGISTERED OFFICE
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Fax: +852 2877 8877

ANNUAL REPORT 2022
This Annual Report 2022 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 2022 using electronic means through the website of the Company may request a printed copy, or
B) received the Annual Report 2022 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 2022) using electronic means through the Company's website and who, for any reason, have difficulty in receiving or gaining access to the Annual Report 2022 will promptly, upon request in writing or by email to the Company's Share Registrar, be sent the Annual Report 2022 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.

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
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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 31 December 2022:	7,739,638,249 shares

DIVIDENDS
Dividends per ordinary share for the year ended 31 December 2022

Interim	9.56 HK cents
Final	28.48 HK cents*

** Subject to the approval of shareholders at the 2023 Annual General Meeting*

FINANCIAL CALENDAR

Announcement of 2022 Annual Results	24 February 2023
2023 Annual General Meeting	31 May 2023
Closure of register of members (for determination of shareholders who qualify for 2022 final dividend)	6-7 June 2023 (both days inclusive)
Record date for 2022 final dividend	7 June 2023
Payment of 2022 final dividend	On or around 21 June 2023

INVESTOR RELATIONS
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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 other areas;
- possible negative effects of potentially new regulatory developments;
- increased competition in the media and other 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.

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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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