HKT

Annual Report 2022

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a PCCW Group member

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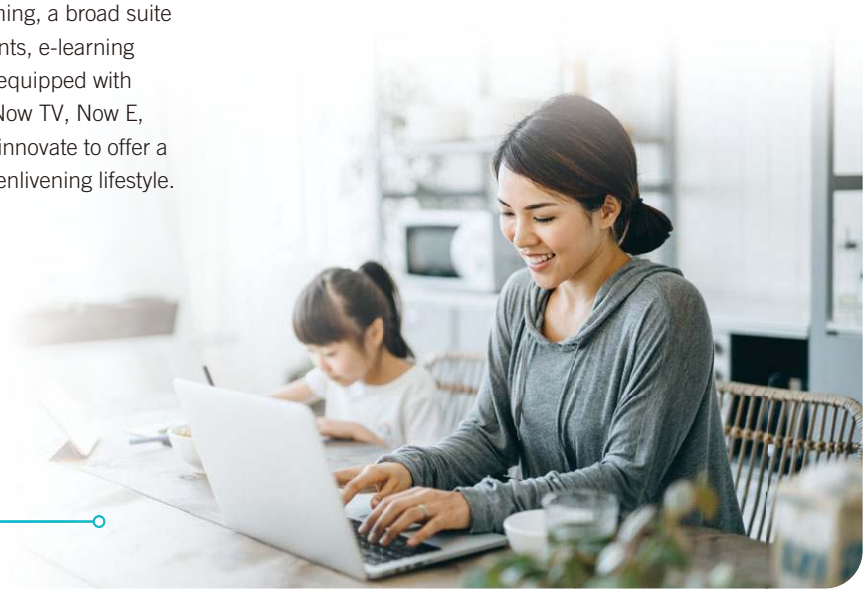
ABOUT HKT

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.

SMART HOME

HKT Home creates an ideal space for work, learning, entertainment and gaming at home. With our extensive fibre-to-the-home connectivity and wireless infrastructure, we offer high-quality broadband for gaming and streaming, a broad suite of world-class entertainment, live sporting events, e-learning activities, and smart communications service equipped with video and voice calls through NETVIGATOR, Now TV, Now E, HKT education and eye. At HKT Home, we innovate to offer a diverse range of Smart Living solutions for an enlivening lifestyle.



DIGITAL ECOSYSTEM

HKT Digital Ventures integrates the company's loyalty programme, digital commerce, travel, insurance, big data analytics and fintech services. The Club is HKT's loyalty programme and digital commerce online platform, offering services that include e-commerce, travel, lifestyle experience and insurance. Our fintech arm provides a wide range of service offerings for consumers and merchants including mobile payment, merchant services, O2O solutions and a mobile financing platform, under the banners of Tap & Go, HKT Merchant Services and HKT Flexi.

HEALTHTECH

DrGo is the healthtech platform pioneered by HKT. It is an end-to-end app-based platform connecting users with registered medical practitioners, registered/listed Chinese Medicine practitioners and other healthcare professionals in Hong Kong. Users can gain access to one-stop healthcare consultation via their mobile devices. DrGo partners with over 130 healthcare professionals of different organisations to provide remote telemedicine and diversified healthcare services which safeguard the well-being of the public and afford a sense of ease and convenience to users.

In addition, the online shopping platform DrGo Health Store offers an array of health-related products and services from different organisations.

MOBILE

CSL Mobile provides comprehensive mobile voice and data services via the csl and 1O1O brands. With a substantial amount of 5G spectrum and a robust and extensive fibre-backed network infrastructure, CSL Mobile is uniquely positioned to offer a differentiated 5G experience. A variety of 5G applications are available including 4K live streaming, VR content, AR experience with virtual content, 24-bit music and 5G mobile gaming.

In addition, through SUN Mobile, a joint venture company, the Group also offers mobile voice and data services to the public at affordable prices.

ENTERPRISE SOLUTIONS

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

INTERNATIONAL TELECOMMUNICATIONS SERVICES

PCCW Global is a leading international communications service provider, offering the latest mobility, voice and data solutions to multinational enterprises, telecommunications partners, cloud and application service providers. It operates a Tier-1 global Internet backbone and the Console Connect Software Defined interconnection platform. Console Connect can be accessed from over 850 data centres worldwide in more than 50 countries.

STATEMENT FROM THE CHAIRMAN

2023 began on a positive note with the resumption of travel and encouraging signs of recovery in the city. Business sentiment has started to improve, despite Hong Kong's economic contraction in 2022. As a leader in technology, media, and telecommunications, HKT remains a reliable partner for the people, families, and businesses of Hong Kong.

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. Our roaming business also began to pick up in the second half of 2022, with the city hosting multiple international events. We anticipate further contribution from roaming in 2023 as mainland and international travel increases.

To encourage our community to stay on the cutting edge of technology, HKT partnered with The Sandbox to launch Futurera, our virtual world in the metaverse. This platform offers a variety of interactive games, including those inspired by the popular ViuTV show Be ON Game. Additionally, the Metaverse Academy was established to provide metaverse training to users through gamification and prepare them for Web3.0.

In support of the modern household, HKT champions high-speed, low-latency services such as Wi-Fi 6E and fibre-to-the-room ("FTTR") to empower families. We also brought joy to families through the exclusive broadcast of the FIFA World Cup Qatar 2022™ on Now TV. With the introduction of the Now AR – FIFA World Cup™ app, we were able to provide real-time data and analysis to fans while driving advertising and viewership.

HKT Enterprise Solutions has leveraged the power of 5G to drive digital transformation across various industries, including aviation, property, and hospitality, with the aim of making our city more intelligent and sustainable. Our enterprise managed services ("EMS") have been highly sought after and have addressed the complex needs of organisations. By collaborating with both SMEs and conglomerates, our cross-border capabilities have enabled enterprises to capitalise on numerous opportunities in the Greater Bay Area ("GBA").

HKT Digital Ventures supported the growth of the digital economy and facilitated the Consumption Voucher Scheme ("CVS") through its Tap & Go mobile wallet. Our data-driven strategies have enabled us to engage users and provide a personalised experience.

In terms of healthtech, our telemedicine platform, DrGo, has gone beyond providing remote medical consultations during the epidemic. By expanding its services to areas such as chronic disease prevention, it remains committed to alleviating the burden on the public healthcare system while safeguarding the well-being of the public.

As we look ahead, with positivity surrounding the start of 2023, HKT will continue to leverage its capabilities in network, innovation, and diverse product and service offerings to drive the revitalisation of our community and business growth.

Richard Li
Chairman
23 February 2023

STATEMENT FROM THE GROUP MANAGING DIRECTOR

2022 was another challenging year for Hong Kong. The city was severely impacted by the fifth wave of COVID-19, with pandemic control measures limiting economic activities. Attempts to revitalise the economy were also dampened by interest rate hikes in the second half of the year. Despite these headwinds, our business remained resilient, as demonstrated by our steady adjusted funds flow ("AFF") and EBITDA growth, thanks to our strong network, constant innovation, diverse product offerings, and cost efficiencies.

Loyal mobile customer base from quality service

During the year, our Mobile business consolidated its position as a market leader. The net addition of about 26,000 to our post-paid customer base to reach 3.323 million has helped overcome the effects of the sluggish Hong Kong economy, the wave of emigration and intense competition throughout. Our 5G subscribers grew beyond the 1 million milestone, surpassing our year-end target to reach 32% of our post-paid base and provide ARPU uplift.

It is our view that future 5G uptake will be increasingly driven by value-added applications, of which augmented reality ("AR") and virtual reality ("VR") will be instrumental. With that in mind, capitalising on our sponsorship of the iconic "Kusama Yayoi: 1945 to Now" exhibition at the M+ museum, we developed our latest AR-lens application, driving engagement through differentiating experience to keep us top-of-mind for consumers, especially for 5G switching.

While three years of COVID-19 has taken a toll on our roaming service revenue, we saw initial shoots of recovery with borders reopening. Outbound travel has contributed to a 41% surge in our roaming revenue in the fourth quarter compared to the third. Noting that roamers have become more discerning in choosing service providers, we leveraged our comprehensive network coverage and partnerships to provide flexible, high-quality 5G roaming packages ranging from mainland-Hong Kong-Macau plans to pre-purchase day passes and monthly value-added service subscriptions. With full travel resumption and a series of large-scale international events to be hosted in Hong Kong in 2023, we expect our roaming revenue to rebound to 60-70% of pre-COVID-19 levels. We are confident that increased 5G adoption and roaming return are set to be the dual growth engines for our mobile business, unwinding the COVID-19 headwinds and accelerating growth in the coming year.

Capturing emerging opportunities in the metaverse

The low latency and ultra-high speed of 5G will also prove its relevance as the enabling infrastructure for the metaverse, which we regard as having the potential to be the next iteration of how the Internet will be used to connect, communicate and transact in an immersive 3D virtual way. That is why we partnered with The Sandbox to become one of Hong Kong's first enterprises to participate in the metaverse, establishing Futurera, our Web3.0 virtual world. Through gamification incorporating elements from ViuTV's popular Be ON Game programme, we not only engaged users but offered a novel pathway for Web3.0 talent recruitment. We also launched the Metaverse Academy to provide relevant training to the community, building a tech-savvy customer base that will attract quality partners for collaboration. We will continue exploring e-commerce, live entertainment and other new opportunities for consumers and enterprises within the metaverse.

Leading 5G Network in Hong Kong

During the year, we became the first mobile operator to extend 5G service to the MTR East Rail Line Cross-Harbour Extension, and the first to provide full 5G coverage along all MTR lines. Having completed territory-wide 5G coverage, we continued to enhance coverage in indoor and rural areas to ensure top-notch 5G user experience in Hong Kong.

With further improvement to our 5G network such as additional 5G spectrum and technology upgrades, we became the first operator with the ability to handle two bands on a single piece of equipment, thereby doubling speed and capacity as well as optimising cell-site architecture, which is particularly important given the limited space and high cost of rooftop cell sites in Hong Kong.

As a green-conscious enterprise, we have also taken steps to improve the operations of our network to reduce energy consumption and environmental impact, including using solar panels on our exchange buildings and natural cooling for our cell sites.

Built around the core of our robust and intensive fibre infrastructure, our integrated network has been further extended to villages, remote areas, outlying islands and new housing estates. Our massive core network enables us to continue supporting a quality customer experience and future-proofing our business as applications become even more data intensive.

Diverse and complementary range of HKT Home solutions

Our broad suite of services from HKT Home, integrating broadband, fixed line, entertainment, lifestyle technology and learning solutions, offers a comprehensive ecosystem to meet every family member's needs.

With COVID-19 bringing about a permanent shift to a more digital lifestyle, connectivity demand increased in most households for everything from video calls to online classes. As a result, our fibre-to-the-home ("FTTH") subscribers increased by 3%, representing 66% of the total base. We have also launched various advanced connectivity solutions to meet different customer needs during the year. These include fibre-to-the-room ("FTTR"), the latest Wi-Fi 6E router with speeds over 1G to complement our 2.5G PON service, and flexible 5G Internet options for high speed, low latency and exceptional stability for every corner of the home.

The breadth and quality of our home connectivity solutions have manifested in the continued growth of our consumer broadband subscribers, which registered a net gain of about 4,000 to reach 1.465 million in 2022, despite emigration headwinds. The number of our Home Wi-Fi solutions subscribers also grew, with a penetration of 24%.

Our Wi-Fi and Smart Living solutions were also wholesaled to property developers, who have been pre-installing such options to add a point of differentiation to their offerings. During 2022, we secured 46 new residential projects, an increase of 35%.

Unique customer-centric propositions

Now TV continued to grow, leveraging its unique proposition as a world-class digital content platform for our audience and content partners. Riding on our robust network infrastructure and the Now Player app and Now E OTT service, Now TV provides a scalable, seamless and stable viewing experience, presenting linear television as well as on-demand content via digital devices ranging from televisions to handsets, tablets and laptops.

Consistently focused on sports fans, families with kids and fans of movies and dramas, our customer-centricity has proven successful. We pride ourselves as the Home of Sports, presenting match after match of the most popular football leagues worldwide, including Premier League, La Liga and Serie A, alongside an unrivalled selection of sports such as Formula 1®, tennis, golf and badminton. Undoubtedly, the sporting highlight of 2022 was FIFA World Cup Qatar 2022™, which helped drive up our advertising revenue by 52% half on half. The timely relaxation of social distancing regulations and primetime kick-offs also boosted our commercial subscription revenue by 22% half on half. For home viewers, our Now AR – FIFA World Cup™ app provided a new immersive experience with real-time statistics.

As a super aggregator with the largest entertainment content library among our peers, we provide an open platform for top-tier OTT partners via our smart Android system. Our rich slate of content continues to expand, presenting premier Asian programmes such as Chinese and Korean drama alongside local and international blockbusters, Japanese animation and award-winning factual entertainment, as well as exclusive MOOV concerts for music lovers to tap the wide-ranging demographics. During the year, Now TV's paying audience grew by about 2% to reach almost 1.4 million by the end of 2022.

To enhance our position as an edutainment partner mindful of the needs of families with children, HKT Home innovated its services with expanded offerings. Together with the STEM Learning Pack on Now TV, we launched the eye AI Interactive Robot to enhance children's language learning and coding skills.

Recognising the importance of holistic development, we introduced Sooper Yoo, a 10,000-square-foot indoor playground in family-friendly Island West, to stimulate kids' intellectual and physical growth while promoting offline engagement.

Supporting enterprise digital transformation and smart city development

Outside of the home, the increasing demand for digital transformation and the shortage of technology talent have driven the growth of our commercial business, helping to mitigate the effects of economic contraction in 2022 which hard-hit the SME sector. By offering innovative solutions and enterprise managed services ("EMS"), we cater to the specific digital needs of SMEs and conglomerates across various industries, such as aviation, transportation, and hospitality, as the world reconnects.

Our support to these businesses has helped strengthen Hong Kong's efforts to become a smart city. Moreover, the integration of 5G connectivity with advancements in technologies like blockchain, artificial intelligence ("AI"), and cloud computing is driving demand for ancillary services such as cybersecurity, proptech, fintech, energy management solutions and the Internet of Things ("IoT"). This presents revenue potential for our commercial business.

Empowering enterprises to capture mainland opportunities

As borders reopen, we are committed to helping clients expand their operations into the Greater Bay Area and beyond by actively adding to our capabilities. In the retail industry, we have stepped up our support for Hong Kong clients to help them remotely manage their operation network amidst periodic lockdowns. We have deployed solutions and integrated AI chatbots to enhance customer service and manage interactions at scale for the insurance industry. Despite anti-pandemic measures, our mainland business registered a growth of 57% during the year from local and multinational clients. We will continue to expand our product offerings and partnerships in the market to further scale up our services.

Continuing to strengthen our international coverage

Beyond Hong Kong and the mainland, we have also been expanding our international network to both improve the local customer experience and serve customers looking for secure global connectivity that they can depend on. PCCW Global continued to provide voice, data and cloud services to our carrier and enterprise customers worldwide, supported by a network with over 140 points of presence and over 60 international cable systems, where two new submarine cable systems (PEACE and Jupiter) have been Ready For Service ("RFS"), adding 58Tbps to our capacity.

On top of that, we rolled out a software-defined platform to automate connectivity to over 160 cloud zones and over 850 data centres globally, allowing users to independently manage their connectivity speed and performance.

AI-enabled personalised digital services

We have actively promoted the digital economy by growing our digital payment service. We are pleased to have been selected again to support the Government's Consumption Voucher Scheme ("CVS") in 2022 via our Tap & Go mobile wallet, through which we established a loyal young customer base. To help SMEs capture opportunities presented by the CVS and reduce their operating costs, we launched a series of complementary measures. These included waiving the fees for Tap & Go and Faster Payment System ("FPS") transactions as well as rental for our SmartPOS which supports 16 digital payment methods, helping merchants accelerate their technology adoption to cater to the evolving spending habits of consumers.

In 2022, Tap & Go consumer spending soared by 55% year on year, while merchant transaction volume jumped by 68%.

The Club, our integrated loyalty and digital commerce online platform, continued its positive performance. Its overall Gross Merchandise Value ("GMV") grew by 2% and non-phone GMV by 16%, as the number of members grew 5% year on year. We have diversified our product offerings to address the varying needs of our target audiences, including families, travellers and gamers. Our extensive network of internal and external partnerships, such as that we have with Agoda, allows us to offer themed packages encompassing air travel, hotel accommodations, roaming services and insurance coverage.

As more and more customers enjoy our expanding portfolio of services, we are able to further tailor our offerings for individual tastes and interests. Our plans to integrate existing services into a seamless and convenient single sign-on platform will pave the way for us to offer The Club members a customised "super app" experience, thereby creating a flywheel of increasing engagement and spending.

Our healthtech platform, DrGo, has provided much-needed teleconsultation services during the pandemic. In 2022, we recorded 15-fold growth in the number of completed video consultations, as registered members hit 352,000. To meet the growing demand, we have linked up with doctors and medical service partners, totalling over 130 and 15, respectively. We are also expanding DrGo's capacity and capabilities through collaborations with organisations to offer more comprehensive assistance. One key focus is preventive care, such as atrial fibrillation in-app screening to help manage stroke risk, bone density screening for osteoporosis, digital monitoring of diabetes, and Traditional Chinese Medicine, helping promote the public's well-being while alleviating the burden on the public healthcare system.

Continuing our support for the community, we provided free telecom services such as health hotlines and Internet connection for community isolation facilities during COVID-19, while DrGo offered free services for the underprivileged. Our staff continued to show their care for the community through volunteering – over 100 colleagues signed up as mentors in the Strive & Rise Programme to broaden the horizons of mentees and support their upward mobility.

Committed to combating climate change and building a sustainable future, we have joined hands with Mastercard to support global reforestation through the Priceless Planet Coalition. Leveraging emerging technologies such as AI and IoT, we have devised energy management solutions for both corporates and households, in addition to our Smart Charge EV charging service which promotes green transport. To further contribute towards a greener future, we have committed US$2 billion in sustainability-linked loan facilities.

Outlook

In 2023, the group is poised for growth, despite the backdrop of China-US tensions and the Federal Reserve's hawkish tone. We believe that our agility, diversified portfolio and long-term investment in technology, innovation and talent will help us mitigate risk and drive sustainable development.

Susanna Hui
Group Managing Director
23 February 2023

HKT IN NUMBERS

DIGITAL ECOSYSTEM

The Club Members
3.71M +5%

Non-phone Gross Merchandise Value
+16%

Tap & Go Accounts
3.63M

Merchant Transaction Volume by HKT Merchant Services
+68%

MOBILE

5G Customers
1.061M

Roaming & IDD Revenue
+6%

SMART HOME

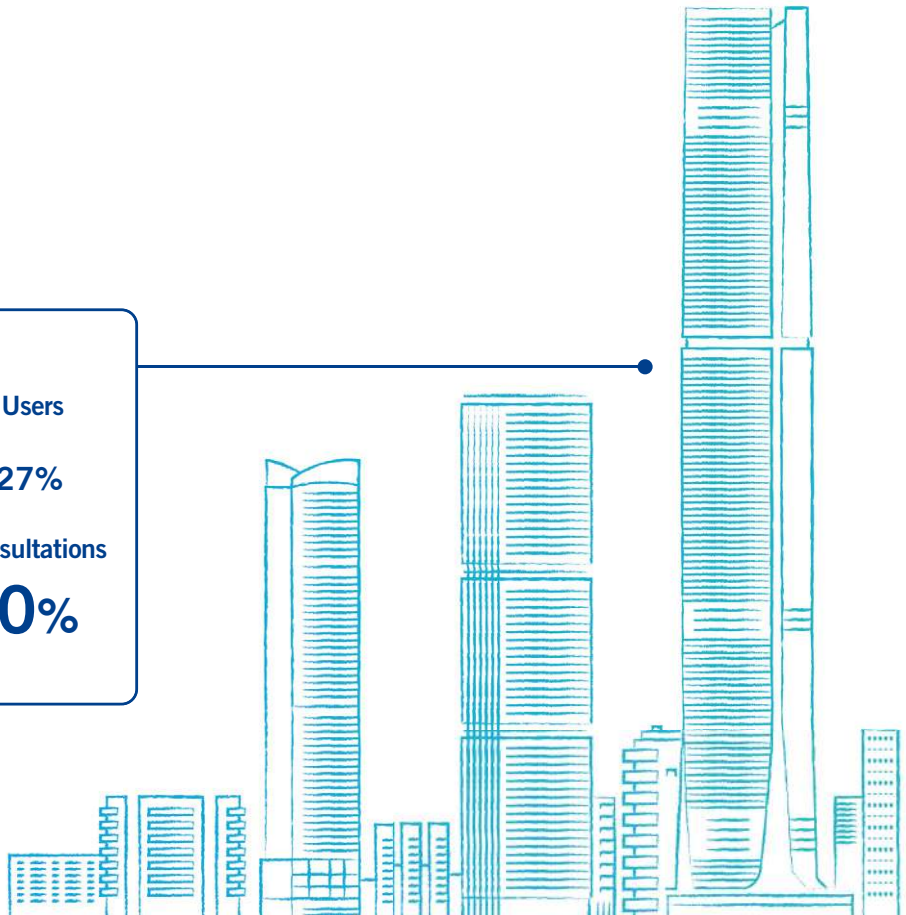
Consumer Broadband Subscribers
1.465M +4K

Now TV Subscribers
1.398M +2%

HEALTHTECH

DrGo Registered Users
352K +27%

No. of Video Consultations
+1,500%



ENTERPRISE SOLUTIONS

Local Data Services Revenue

+3%

Mainland Business Revenue

+57%

INTERNATIONAL TELECOMMUNICATIONS SERVICES

Points of Presence

140

Data Centre Connections

850+

FINANCIAL HIGHLIGHTS

Total Revenue

HK$30,501M* +2%

Total EBITDA

HK$13,064M +3%

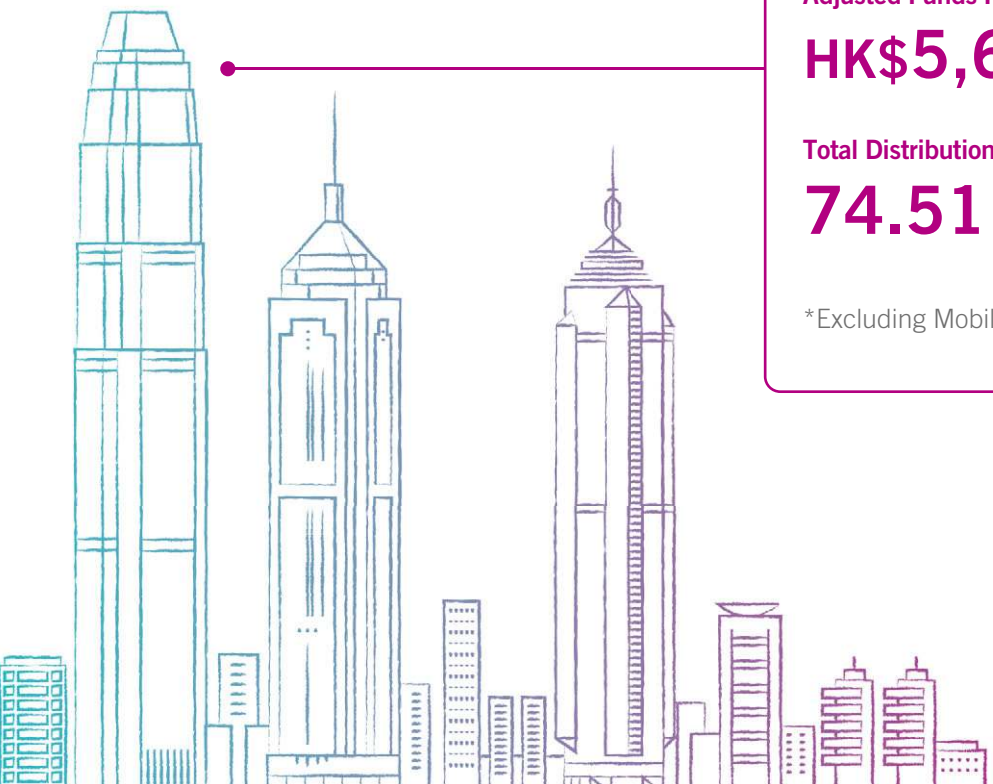
Adjusted Funds Flow (AFF)

HK$5,648M +2.4%

Total Distribution Per Share Stapled Unit

74.51 HK cents +2.4%

*Excluding Mobile product sales



SIGNIFICANT EVENTS IN 2022

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

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

- 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

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

- PCCW & HKT corporate volunteers distribute anti-epidemic service bags

3. 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

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

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

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

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

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

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

9 CSL Mobile offers Nothing phone (1) on exclusive basis

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

- 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

- 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

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

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

LI Tzar Kai, Richard
Executive Chairman
Mr Li, aged 56, was appointed the Executive Chairman and an Executive Director of HKT Limited (HKT) and HKT Management Limited, the trustee-manager of the HKT Trust, in November 2011. He is the Chairman of HKT's Executive Committee and a member of the Nomination Committee of the HKT Board. Mr Li has also been an Executive Director and the Chairman of PCCW Limited (PCCW) since August 1999, the Chairman of PCCW's Executive Committee and a member of the Nomination Committee of the board of directors of PCCW. He is also the Chairman and Chief Executive of the Pacific Century Group, a Director of certain FWD group companies, an Executive Director of Pacific Century Premium Developments Limited (PCPD), the Chairman of PCPD's Executive Committee, a member of PCPD's Remuneration Committee and Nomination Committee, the Chairman and an Executive Director of Singapore-based Pacific Century Regional Developments Limited (PCRD), and the Chairman of PCRD's Executive Committee.

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

HUI Hon Hing, Susanna
Group Managing Director
Ms Hui, aged 58, is the Group Managing Director of HKT Limited (HKT) and HKT Management Limited (Trustee-Manager), the trustee-manager of the HKT Trust, since September 2018. She has also been an Executive Director of HKT and the Trustee-Manager since November 2011. She is a member of HKT's Executive Committee and holds directorships in various Group companies. She was the Group Chief Financial Officer of HKT from November 2011 to August 2018 primarily responsible for overseeing the financial matters of the Group. Ms Hui is also the Acting Group Managing Director, Group Chief Financial Officer and Executive Director of PCCW Limited (PCCW) and a member of PCCW's Executive Committee.

Ms Hui joined Cable & Wireless HKT Limited (which was subsequently acquired by PCCW) in September 1999. Since then, she has served the PCCW Group in various capacities in the past 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 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

Peter Anthony ALLEN
Non-Executive Director
Mr Allen, aged 67, was appointed a Non-Executive Director of HKT Limited (HKT) and HKT Management Limited (Trustee-Manager), the trustee-manager of the HKT Trust, in November 2011. He is a member of HKT's Audit Committee and the Trustee-Manager's Audit Committee. He is an Executive Director and the Group Managing Director of Pacific Century Regional Developments Limited, an Executive Director and the Chief Financial Officer of the Pacific Century Group, a Director of certain FWD group companies and Senior Advisor to PCCW Limited (PCCW). He is also a Director of certain other companies controlled by Mr Li Tzar Kai, Richard, the Executive Chairman of HKT and the Trustee-Manager. Mr Allen was an Executive Director of PCCW from August 1999 to November 2011.

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

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

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

CHUNG Cho Yee, Mico
Non-Executive Director
Mr Chung, aged 62, was appointed a Non-Executive Director of HKT Limited and HKT Management Limited, the trustee-manager of the HKT Trust, in November 2011. Mr Chung was a Non-Executive Director of PCCW Limited (PCCW) from May 2010 to November 2011. He was an Executive Director of PCCW from November 1996 who was responsible for merger and acquisition activities and was re-designated to a Non-Executive Director of PCCW in May 2010. He joined the Pacific Century Group in March 1999.

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

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

WANG Fang
Non-Executive Director
Ms Wang, aged 52, was appointed a Non-Executive Director of HKT Limited (HKT) and HKT Management Limited, the trustee-manager of the HKT Trust, in December 2021. She is a member of HKT's Regulatory Compliance Committee. Ms Wang is also a Non-Executive Director of PCCW Limited (PCCW) and a member of the Nomination Committee of the board of directors of PCCW.

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Professor CHANG Hsin Kang, FREng, GBS, JP

Independent Non-Executive Director

Professor Chang, aged 82, was appointed an Independent Non-Executive Director of HKT Limited (HKT) and HKT Management Limited (Trustee-Manager), the trustee-manager of the HKT Trust, in November 2011. He is the Chairman of HKT's Regulatory Compliance Committee, a member of HKT's Audit Committee, Remuneration Committee and Nomination Committee, and a member of the Trustee-Manager's Audit Committee. Professor Chang was an Independent Non-Executive Director of PCCW Limited from October 2000 to November 2011.

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

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

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

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

Sunil VARMA

Independent Non-Executive Director

Mr Varma, aged 79, was appointed an Independent Non-Executive Director of HKT Limited (HKT) and HKT Management Limited (Trustee-Manager), the trustee-manager of the HKT Trust, in November 2011. He is also the Chairman of both HKT's Audit Committee and the Trustee-Manager's Audit Committee and a member of HKT's Nomination Committee, Remuneration Committee and Regulatory Compliance Committee.

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

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

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

Aman MEHTA

Independent Non-Executive Director

Mr Mehta, aged 76, was appointed an Independent Non-Executive Director of HKT Limited (HKT) and HKT Management Limited, the trustee-manager of the HKT Trust, in May 2014. He is the Chairman of HKT's Nomination Committee. Mr Mehta has been an Independent Non-Executive Director of PCCW Limited (PCCW) since February 2004. He is also the Chairman of the Audit Committee, the Nomination Committee and the Remuneration Committee of the board of directors of PCCW.

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

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

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

Following his retirement in December 2003, Mr Mehta took up residence in New Delhi. He is an Independent Director on the board of several public companies and institutions in India and internationally. He is an Independent Non-Executive Director of Wockhardt Limited in Mumbai, India and Max Financial Services Limited in New Delhi, India. He was an Independent Non-Executive Director of Emaar MGF Land Limited, Jet Airways (India) Limited, Cairn India Limited, Vedanta Resources plc, Tata Consultancy Services Limited, Vedanta Limited, Godrej Consumer Products Limited and Tata Steel Limited; and an Independent Director on the Supervisory Board of ING Groep N.V., a Netherlands company.

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

Frances Waikwun WONG

Independent Non-Executive Director

Ms Wong, aged 61, was appointed an Independent Non-Executive Director of HKT Limited (HKT) and HKT Management Limited, the trustee-manager of the HKT Trust, in May 2015. She is the Chairwoman of HKT's Remuneration Committee. Ms Wong has been an Independent Non-Executive Director of PCCW Limited (PCCW) since March 2012 and is the Chairwoman of the Regulatory Compliance Committee and a member of the Nomination Committee and the Remuneration Committee of the board of directors of PCCW. She is also an Independent Non-Executive Director of Pacific Century Regional Developments Limited.

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

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

COMBINED CORPORATE GOVERNANCE REPORT

The board of directors of HKT Management Limited (in its capacity as the trustee-manager of the HKT Trust) (the "Trustee-Manager") (the "Trustee-Manager Board") and the board of directors of HKT Limited (the "Company") (the "Company Board") (together, the "Boards" or each, the "Board") present the corporate governance report of the HKT Trust and the Company on a combined basis for the year ended 31 December 2022.

The HKT Trust is a trust constituted pursuant to a Deed of Trust dated 7 November 2011 under the laws of Hong Kong (the "Trust Deed") and managed by the Trustee-Manager. The HKT Trust, the Trustee-Manager and the Company are committed to maintaining a high standard of corporate governance, the principles of which serve to uphold a high standard of ethics, transparency, responsibility and integrity in all aspects of their businesses, and to ensure that their affairs are conducted in accordance with applicable laws and regulations.

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

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

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

CORPORATE STRATEGY

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

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

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

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

CORPORATE GOVERNANCE CODE *(CONTINUED)*

During the year ended 31 December 2022, the HKT Trust and the Company have adopted the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules applicable during the period as the corporate governance code of the HKT Trust and the Company. The HKT Trust and the Company have applied the principles, and complied with all relevant code provisions of the applicable CG Code in each case as set out in Appendix 14 to the Listing Rules during the year ended 31 December 2022, save and except for the code provisions set out below. The requirement to establish a separate Remuneration Committee with written terms of reference for the Trustee-Manager under the code provision E.1.2 of the CG Code is not relevant to the Trustee-Manager as its directors are not entitled to any remuneration under the Trust Deed, and therefore has not been complied with. In addition, given the unique circumstances of the HKT Trust i.e., the fact that the Trust Deed requires that the directors of the Company and the directors of the Trustee-Manager must always be the same individuals, the establishment of a separate Nomination Committee with written terms of reference for the Trustee-Manager as required by code provision B.3.1 of the CG Code is not relevant to the Trustee-Manager, and therefore has not been complied with.

Having regard to the mandatory global travel restrictions in connection with the COVID-19 pandemic, certain directors of the Trustee-Manager and the Company participated in the combined annual general meeting of unitholders of the HKT Trust and of shareholders of the Company (the "Combined Annual General Meeting") on 13 May 2022 by video/audio conferencing, and such directors, including the chairpersons of the Boards committees, were available to answer questions at the meeting pursuant to code provision F.2.2 of the CG Code.

MODEL CODE SET OUT IN APPENDIX 10 TO THE LISTING RULES

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

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

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

BOARDS OF DIRECTORS

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

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

- those functions and matters as set out in the terms of reference of various committees (as amended from time to time) for which Company Board approval must be sought from time to time;
- those functions and matters for which Company Board approval must be sought in accordance with the HKT Limited Group's internal policies (as amended from time to time);
- consideration and approval of the HKT Limited Group's financial statements in the interim and annual reports, and announcements of interim and annual results;

BOARDS OF DIRECTORS *(CONTINUED)*

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

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

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

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

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

- consideration of distributions to holders of Share Stapled Units; and

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

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

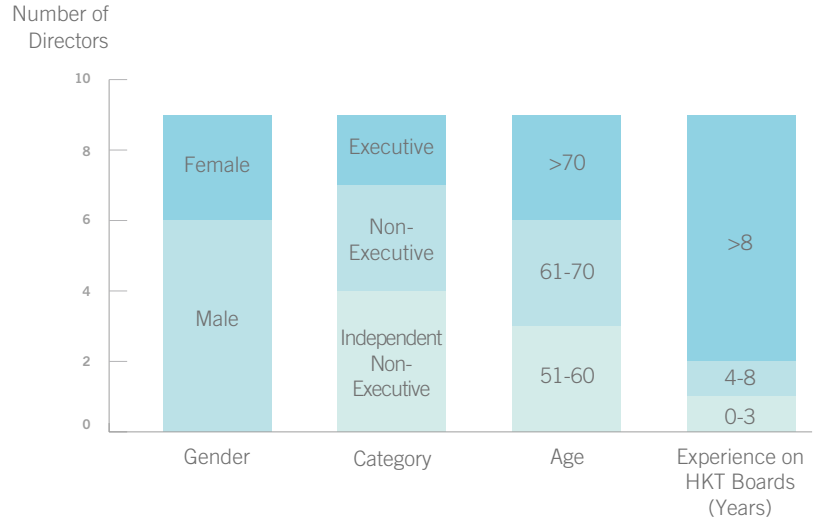
All directors of the Trustee-Manager and the Company have full and timely access to all relevant information, including monthly updates from the management, regular reports from various Boards committees and briefings on significant legal, regulatory or accounting issues affecting the Group. Directors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

The directors of the Trustee-Manager and the Company acknowledge their responsibility for preparing the financial statements of the Group, the HKT Limited Group and the Trustee-Manager, as appropriate, for each financial year, which give a true and fair view of the financial position of the Group and of the HKT Limited Group and of the Trustee-Manager, and of the financial performance and cash flows of the Group and of the HKT Limited Group and of the Trustee-Manager, for the year in accordance with Hong Kong Financial Reporting Standards, the Hong Kong Companies Ordinance and the Listing Rules. In preparing the financial statements for the year ended 31 December 2022, the directors of the Trustee-Manager and the Company have selected suitable accounting policies and applied them consistently; made judgements and estimates that are prudent and reasonable; stated the reasons for any significant departure from applicable accounting standards in Hong Kong; and have prepared the financial statements on a going concern basis. The statements of the external auditor relating to its reporting responsibilities on the financial statements of the HKT Trust and HKT Limited, and the Trustee-Manager are respectively set out in the Independent Auditor's Reports of this annual report.

As at the date of this report, each of the Boards is comprised of nine directors including two executive directors, three non-executive directors and four independent non-executive directors. At least one-third of each of the Boards are independent non-executive directors and at least one of them from each Board has appropriate professional qualifications, or accounting or related financial management expertise. Biographies of all members of the Boards are set out on pages 14 to 17 of this annual report and are available on the Company's website (www.hkt.com). The relationships (including financial, business, family or other material or relevant relationships), if any, among members of the Boards have also been disclosed in the Combined Report of the Directors of this annual report.

BOARDS OF DIRECTORS *(CONTINUED)*

Board Composition

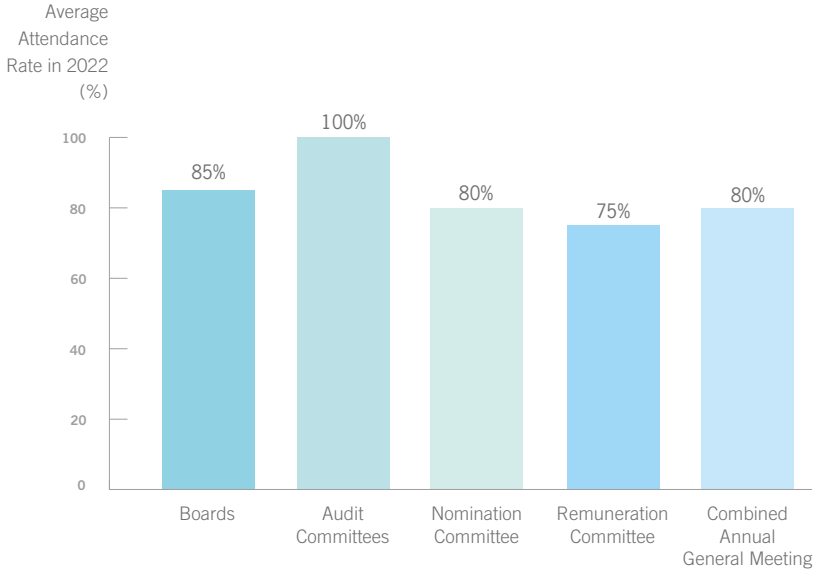


The Trustee-Manager and the Company have arranged appropriate directors and officers liability insurance cover for their directors and officers.

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

The Boards each held four meetings in 2022. The Combined Annual General Meeting 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 Boards and their respective committee meetings, and the Combined Annual General Meeting held in 2022:



BOARDS OF DIRECTORS *(CONTINUED)*

	Meetings attended/eligible to attend in 2022 *(Note 1)*						
	Company				Trustee-Manager		Combined Annual General Meeting *(Note 4)*
Name	Board	Audit Committee *(Note 2)*	Nomination Committee *(Note 2)*	Remuneration Committee *(Note 2)*	Board	Audit Committee *(Note 3)*	
Executive Directors							
Li Tzar Kai, Richard	4/4	N/A	1/1	N/A	4/4	N/A	1/1
Hui Hon Hing, Susanna	4/4	N/A	N/A	N/A	4/4	N/A	1/1
Non-Executive Directors							
Peter Anthony Allen	4/4	4/4	N/A	N/A	4/4	4/4	1/1
Chung Cho Yee, Mico	4/4	N/A	N/A	N/A	4/4	N/A	1/1
Mai Yanzhou *(Note 5)*	0/2	N/A	0/1	0/1	0/2	N/A	0/1
Wang Fang	0/4	N/A	N/A	N/A	0/4	N/A	0/1
BG Srinivas *(Note 6)*	1/1	N/A	N/A	N/A	1/1	N/A	N/A
Independent Non-Executive Directors							
Professor Chang Hsin Kang	4/4	4/4	1/1	1/1	4/4	4/4	1/1
Sunil Varma	4/4	4/4	1/1	1/1	4/4	4/4	1/1
Aman Mehta	4/4	N/A	1/1	N/A	4/4	N/A	1/1
Frances Waikwun Wong	4/4	N/A	N/A	1/1	4/4	N/A	1/1

Notes:

1. Directors may attend meetings in person or by means of telephone or other audio communications equipment in accordance with the Company's Articles of Association (as amended and restated from time to time) (the "Company Articles") and the Trustee-Manager's Articles of Association (the "Trustee-Manager Articles").

2. For the composition of and the number of meetings held in 2022 by the Audit Committee, Nomination Committee and Remuneration Committee of the Company, please refer to the section headed "**Committees of the Company Board**" in this Combined Corporate Governance Report.

3. For the composition of and the number of meetings held in 2022 by the Audit Committee of the Trustee-Manager, please refer to the section headed "**Committees of the Trustee-Manager Board**" in this Combined Corporate Governance Report.

4. Having regard to the mandatory global travel restrictions in connection with the COVID-19 pandemic, certain directors of the Trustee-Manager and the Company participated in the 2022 Combined Annual General Meeting by video/audio conferencing.

5. Resigned as a non-executive director of the Company and the Trustee-Manager, and as a member of the Company's Remuneration Committee and Nomination Committee, with effect from 30 May 2022.

6. Retired as a non-executive director of the Company and the Trustee-Manager with effect from 28 February 2022.

BOARDS OF DIRECTORS *(CONTINUED)*

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

The Boards have established mechanisms to ensure independent views and input are available to the Boards. 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 Boards also conduct an annual evaluation of their performance, whereby directors anonymously submit their comments on the effectiveness of the Boards and suggest areas for improvement. In addition, directors are entitled to take independent professional advice as appropriate at the expense of the Trustee-Manager or the Company in order to facilitate proper discharge of their duties.

According to the Company Articles and the Trust Deed, any director appointed by the Company Board either to fill a casual vacancy or as an addition shall also be appointed as a director of the Trustee-Manager. Any director of the Company and the Trustee-Manager appointed to fill a casual vacancy or as an addition to the Board shall hold office only until the first general meeting of the Company and of the HKT Trust after his/her appointment and shall be eligible for re-election at that meeting.

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

The Boards have a structured process to evaluate their own performance and directors' contribution on an annual basis including a self-evaluation questionnaire which is completed by all directors. The objectives of the evaluation are to assess whether the Boards and the committees, as well as the directors, have adequately and effectively performed their roles and fulfilled their responsibilities; have devoted sufficient time commitment to the Company's and Trustee-Manager's affairs and made contributions to the Boards; and to recommend areas for improvement. The evaluation process has confirmed that the Boards and committees continue to operate effectively and that the performance of the directors and the time commitment in discharging their duties as directors of the Company and the Trustee-Manager for the year ended 31 December 2022 were generally satisfactory.

DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT

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

As part of an ongoing process of director's continuous professional development ("CPD") training, the directors of the Company and the Trustee-Manager are regularly briefed on legal and regulatory requirements relevant to their duties through their participation in the training seminars 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.

DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT *(CONTINUED)*

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

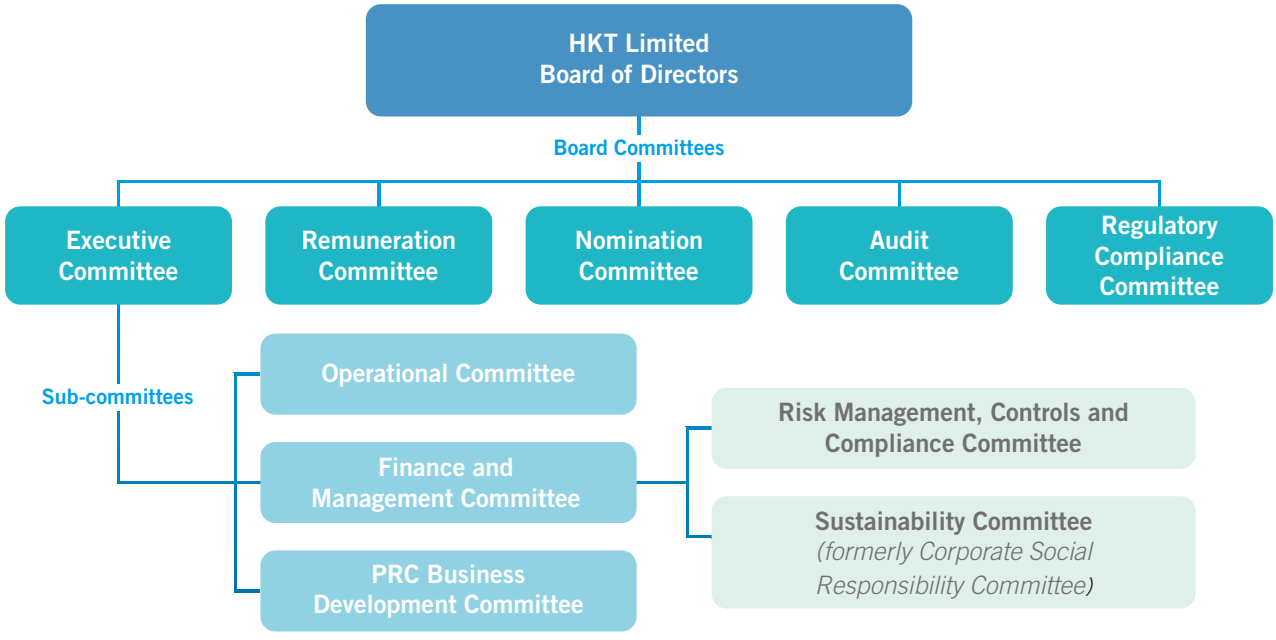
Name of Director	Type of CPD training *(Note(s))*
Current Directors	
Li Tzar Kai, Richard	(a), (b)
Hui Hon Hing, Susanna	(a), (b)
Peter Anthony Allen	(a), (b)
Chung Cho Yee, Mico	(a), (b)
Wang Fang	(b)
Professor Chang Hsin Kang	(a), (b)
Sunil Varma	(a), (b)
Aman Mehta	(a), (b)
Frances Waikwun Wong	(a),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

Notes:

(a) participated in seminars/forums/conferences (including giving speeches)

(b) read seminar materials/journals/articles/business or industry updates

COMMITTEES OF THE COMPANY BOARD



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

COMMITTEES OF THE COMPANY BOARD *(CONTINUED)*

Executive Committee and Sub-committees

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

The Executive Committee is comprised of two members, each of whom is an executive director.

As at the date of this annual report, the members of the Executive Committee are:
Li Tzar Kai, Richard *(Chairman)*
Hui Hon Hing, Susanna

During the year, Mai Yanzhou resigned as a member of the Executive Committee with effect from 30 May 2022.

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

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

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

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

The *Sustainability Committee*, which reports to the Finance and Management Committee, was established with effect from the Listing Date and was renamed from the "Corporate Social Responsibility Committee" to "Sustainability Committee" on 23 February 2023. It is comprised of senior members of the Company's Group Communications, Group Human Resources, Group Legal Office and Corporate Secretariat, Group Finance, Group Risk Management & 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.

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

COMMITTEES OF THE COMPANY BOARD *(CONTINUED)*

Remuneration Committee

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

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

As at the date of this annual report, the members of the Remuneration Committee are:
Frances Waikwun Wong *(Chairperson)*
Professor Chang Hsin Kang
Sunil Varma

During the year, Mai Yanzhou resigned as a member of the Remuneration Committee with effect from 30 May 2022.

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

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

COMMITTEES OF THE COMPANY BOARD *(CONTINUED)*

Remuneration Committee *(continued)*

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

The Remuneration Committee met 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 of the terms of reference of the Remuneration Committee;

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

(iii) review of the proposed issue of new Share Stapled Units under general mandate for grant of awards pursuant to Share Stapled Units award scheme, with a recommendation to the Company Board for approval; and

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

Details of emoluments of each director and senior executives are set out in note 11 to the consolidated financial statements of the HKT Trust and the Company.

Nomination Committee

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

The Boards jointly adopted a board diversity policy (the "Board Diversity Policy") with a primary objective to enhance the effectiveness of the Boards and the corporate governance standard through promoting and achieving diversity on the Boards. The Group 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 45:55 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 Boards also jointly adopted a nomination policy (the "Nomination Policy") which sets out the procedures and criteria to be used by the Nomination Committee for the selection, appointment and re-appointment of directors.

The Nomination Committee is delegated with the authority to review and assess the diversity of perspectives of the Company Board, develop measurable objectives for achieving diversity of the Company 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 Company 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 Company 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.

COMMITTEES OF THE COMPANY BOARD *(CONTINUED)*

Nomination Committee *(continued)*

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

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

As at the date of this annual report, the members of the Nomination Committee are:
Aman Mehta *(Chairman)*
Professor Chang Hsin Kang
Li Tzar Kai, Richard
Sunil Varma

During the year, Mai Yanzhou resigned as a member of the Nomination Committee with effect from 30 May 2022.

On 23 February 2023, the Nomination Committee, having reviewed the Company Board's structure, size and composition, nominated Hui Hon Hing, Susanna, Chung Cho Yee, Mico and Aman Mehta to the Company Board for it to consider and recommend to shareholders their re-election at the forthcoming annual general meeting. The nominations were made in accordance with the Nomination Policy and the Board Diversity Policy. The Nomination Committee formed the view that the Company Board has maintained an appropriate mix and balance of skills, knowledge, experience and diversity of perspectives appropriate to the requirements of the Company's business.

The Nomination Committee met once in 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 Company Board for approval the list of retiring directors of the Company for re-election at the Combined Annual General Meeting on 13 May 2022; and

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

COMMITTEES OF THE COMPANY BOARD *(CONTINUED)*

Audit Committee

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

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

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

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

For the year ended 31 December 2022, the fees paid or payable in respect of audit, audit related and permissible non-audit services provided to the HKT Limited Group by the external auditor amounted to approximately HK$13 million, HK$2 million and HK$5 million, respectively.

On 22 February 2023, the Audit Committee recommended to the Company Board the re-appointment of PricewaterhouseCoopers to conduct statutory audits in respect of the Company for the financial year 2023 at the forthcoming Combined Annual General Meeting. Pursuant to the terms of the Trust Deed, the HKT Trust, the Company and the Trustee-Manager must have the same auditor.

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

The members of the Audit Committee during 2022 and up to the date of this annual report are:
Sunil Varma *(Chairman)*
Professor Chang Hsin Kang
Peter Anthony Allen

COMMITTEES OF THE COMPANY BOARD *(CONTINUED)*

Audit Committee *(continued)*

The Audit Committee is provided with sufficient resources to discharge its duties and meets regularly with management, the internal auditor and external auditor and also reviews their reports. During 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.

The work performed by the Audit Committee during 2022 included:

(i) review of the terms of reference of the Audit Committee;

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

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

(iv) review and assessment of effectiveness of the risk management and internal control systems under the CG Code for the year ended 31 December 2021, with a recommendation to the Company Board for approval;

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

(vi) review of the continuing connected transactions with relevant members of the FWD Group and PCCW Group for the three years ending 31 December 2024 and 31 December 2025, respectively, in respect of the provision and receipt of certain services and products by the HKT Limited Group to or from the FWD Group and/or PCCW Group and of the related announcements made by HKT Trust and HKT Limited, with a recommendation to the Company Board for approval;

(vii) review and approval of the Group Internal Audit reports (including the internal audit work plans) and the progress of the internal audit function made during 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 Company 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 letters of engagement for the year ending 31 December 2022;

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

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

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

(xv) 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 Company Board for approval;

COMMITTEES OF THE COMPANY BOARD *(CONTINUED)*

Audit Committee *(continued)*

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

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

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

Subsequent to the year end, the Audit Committee reviewed the draft annual report and the draft annual results announcement, the effectiveness of the risk management and internal control systems, as well as the draft ESG report for the year ended 31 December 2022, with recommendations to the Company Board for approval.

Regulatory Compliance Committees

The Regulatory Compliance Committee of the Company is comprised of three members, including two independent non-executive directors and one non-executive director. It primarily reviews and monitors the HKT Limited Group's dealings with the CK Hutchison Holdings Limited ("CK Hutchison") Group and the CK Asset Holdings Limited ("CK Asset") Group to ensure that all dealings with these entities are conducted on an arm's-length basis and do not raise any anti-competitive concerns under the Competition Ordinance. The Regulatory Compliance Committee is chaired by an independent non-executive director. The written terms of reference setting out the committee's authority and duties are posted on the websites of the Company and HKEX.

The members of the Regulatory Compliance Committee during 2022 and as at the date of this annual report are:
Professor Chang Hsin Kang *(Chairman)*
Sunil Varma
Wang Fang

PCCW Media Limited ("PCCW Media"), previously an indirect wholly-owned subsidiary of PCCW Limited ("PCCW"), has become an indirect wholly-owned subsidiary of the Company since September 2020. The Regulatory Compliance Committee of PCCW Media primarily reviews and monitors dealings of PCCW Media with the CK Hutchison Group and the CK Asset Group to ensure that all dealings with these entities are conducted on an arm's-length basis and do not raise any anti-competitive concerns under the Competition Ordinance. It also monitors disqualified persons matters under the 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.

COMMITTEES OF THE TRUSTEE-MANAGER BOARD

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

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

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

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

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

For the year ended 31 December 2022, the fees paid or payable in respect of audit services provided to the HKT Trust and the Trustee-Manager by the external auditor amounted to approximately HK$0.05 million.

On 22 February 2023, the Trustee-Manager Audit Committee recommended to the Trustee-Manager Board the re-appointment of PricewaterhouseCoopers to conduct statutory audits in respect of the HKT Trust and the Trustee-Manager for the financial year 2023 at the forthcoming Combined Annual General Meeting. Pursuant to the terms of the Trust Deed, the HKT Trust, the Company and the Trustee-Manager must have the same auditor. Furthermore, the fees and expenses of the auditors of the HKT Trust and the Trustee-Manager in connection with the audit of the consolidated financial statements of the HKT Trust and the financial statements of the Trustee-Manager are to be paid out of the Trust Property (as defined in the Trust Deed). The Trust Deed also requires that the membership of the Trustee-Manager Audit Committee must be the same as the membership of the Audit Committee of the Company Board.

COMMITTEES OF THE TRUSTEE-MANAGER BOARD *(CONTINUED)*

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

The members of the Trustee-Manager Audit Committee during 2022 and up to the date of this annual report are:
Sunil Varma *(Chairman)*
Professor Chang Hsin Kang
Peter Anthony Allen

The Trustee-Manager Audit Committee is provided with sufficient resources to discharge its duties and meets regularly with management, the internal auditor and external auditor and also reviews their reports. During 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.

The Trustee-Manager Audit Committee reviewed and noted the resolutions passed and matters approved and confirmed at the Audit Committee of the Company, whose work performed during 2022 and subsequent to the year end is set out under the heading of "**Audit Committee**" on pages 30 and 31 of this annual report, and where appropriate, approved and confirmed those items specific to the HKT Trust and the Trustee-Manager. Other work performed by the Trustee-Manager Audit Committee during 2022 included:

(i) review of the terms of reference of the Trustee-Manager Audit Committee;

(ii) review of the draft financial statements of the Trustee-Manager for the year ended 31 December 2021, with a recommendation to the Trustee-Manager Board for approval;

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

(iv) review and assessment of effectiveness of the risk management and internal control systems under the CG Code for the year ended 31 December 2021, with a recommendation to the Trustee-Manager Board for approval;

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

(vi) review of the continuing connected transactions with relevant members of the FWD Group and PCCW Group for the three years ending 31 December 2024 and 31 December 2025, respectively, in respect of the provision and receipt of certain services and products by the HKT Limited Group to or from the FWD Group and/or PCCW Group and of the related announcements made by HKT Trust and HKT Limited, with a recommendation to the Trustee-Manager Board for approval;

(vii) review and approval of the Group Internal Audit reports (including the internal audit work plans) and the progress of the internal audit function made during 2022;

(viii) review of the draft financial information of the Trustee-Manager for the six months ended 30 June 2022, with a recommendation to the Trustee-Manager Board for approval;

(ix) review and approval of PricewaterhouseCoopers' confirmation of independence and its report to the Trustee-Manager 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 letters of engagement for the year ending 31 December 2022;

COMMITTEES OF THE TRUSTEE-MANAGER BOARD *(CONTINUED)*

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

(xiii) review and approval of PricewaterhouseCoopers' pre-year end report to the Trustee-Manager Audit Committee for the year 2022.

Subsequent to the year end, the Trustee-Manager Audit Committee reviewed the draft annual report and the draft annual results announcement of the HKT Trust (including the financial statements of the Trustee-Manager), the effectiveness of the risk management and internal control systems, as well as the draft ESG report for the year ended 31 December 2022, with recommendations to the Trustee-Manager Board for approval.

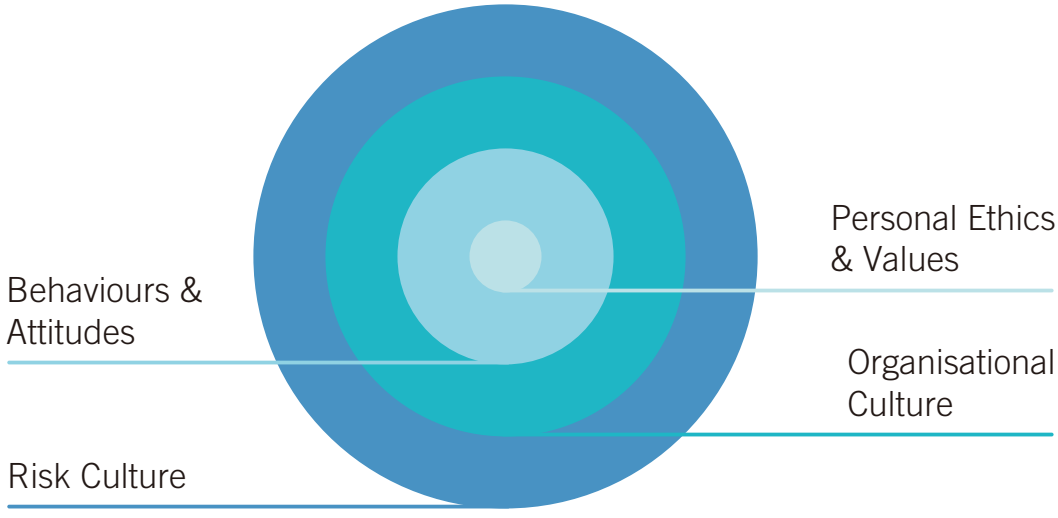
The Trustee-Manager has not established a separate Remuneration Committee and Nomination Committee as its directors are not entitled to any remuneration under the Trust Deed, and as the Trust Deed requires that the directors of the Company and the directors of the Trustee-Manager must always be the same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

RISK MANAGEMENT AND INTERNAL CONTROLS

The Boards acknowledge their responsibility for overseeing the risk management and internal control systems (including ESG related risks) of the Group and reviewing their effectiveness at least annually through the Trustee-Manager Audit Committee and the Company Audit Committee (collectively the "Audit Committees") respectively. The Audit Committees assist the Boards in fulfilling their corporate governance roles in overseeing the Group's financial, operational, compliance, risk management and internal controls 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

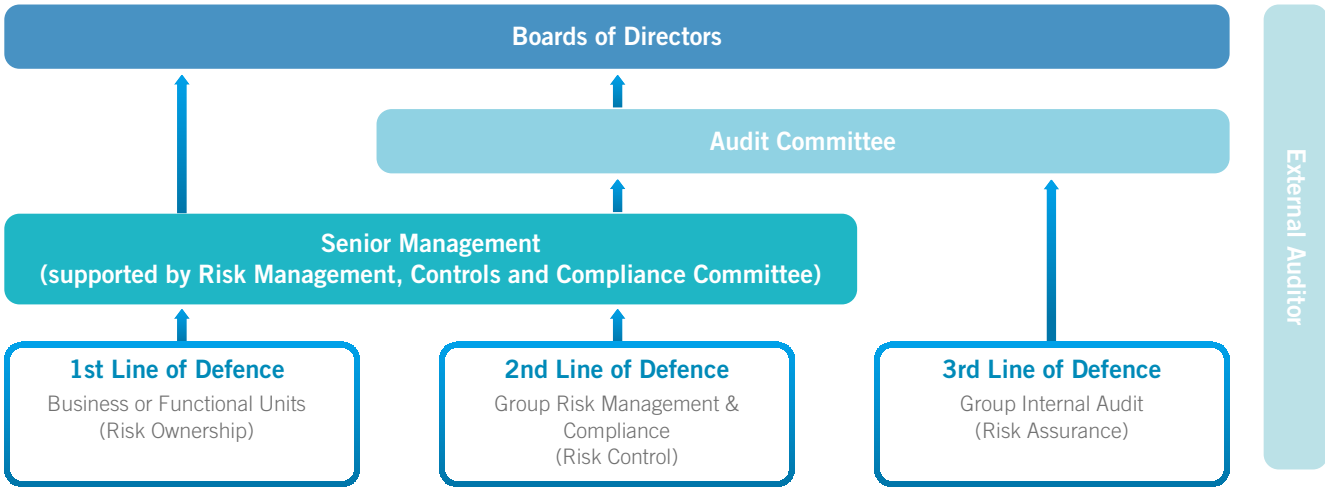
The Group has established an organisational structure with defined levels of responsibility, reporting and escalation procedures. The Risk Management, Controls and Compliance Committee ("RMCCC") and GIA assist the Boards and/or the Audit Committees in reviewing the effectiveness of the Group's risk management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

Appropriate policies and controls have been designed and established by the Group to ensure that assets are safeguarded against improper use or disposal, 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 its accountability for achieving business and operational objectives where it also designs and executes the internal control measures on a daily basis. Being the risk owners, the First Line of Defence has the responsibility to monitor and update the risk profiles on an ongoing basis which are measured against a pre-defined set of likelihood and impact criteria.

The Second Line of Defence provides the policies, frameworks, tools, techniques and advisory support to enable risk and compliance oversight of the First Line of Defence while ascertaining the relevant embedded controls are effective, as well as ensuring the consistency of 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 Committees and the RMCCC such that any material findings will be reported to the Boards.

The Third Line of Defence provides the Boards, executive and senior management of the Group with assurance in an independent and objective manner. Such assurance work covers the effectiveness of governance, risk management, and internal controls, including the manner 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 Committees 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 HKT Limited Group, as risk owners identify, evaluate, mitigate and monitor their own risks, and report such risk management activities to GRM&C on a regular basis. GRM&C assesses and presents regular reports to the RMCCC at each regularly scheduled meeting.

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

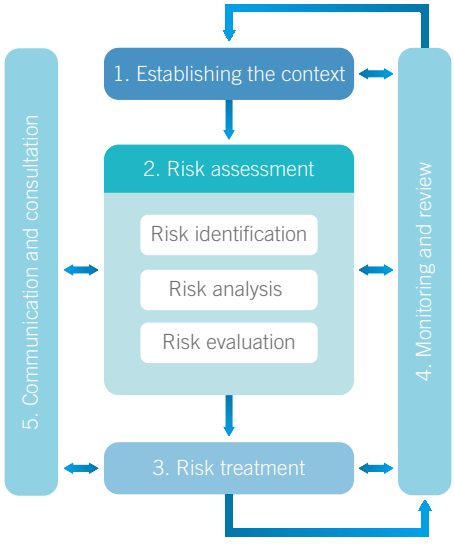
GIA maintains primary accountability to the Boards and independence from the responsibilities of management. The Head of GIA reports functionally to the Chairmen of the Audit Committees, and administratively to the Group Managing Director and the Chief Financial Officer of the Group.

RISK MANAGEMENT AND INTERNAL CONTROLS *(CONTINUED)*

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

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

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.

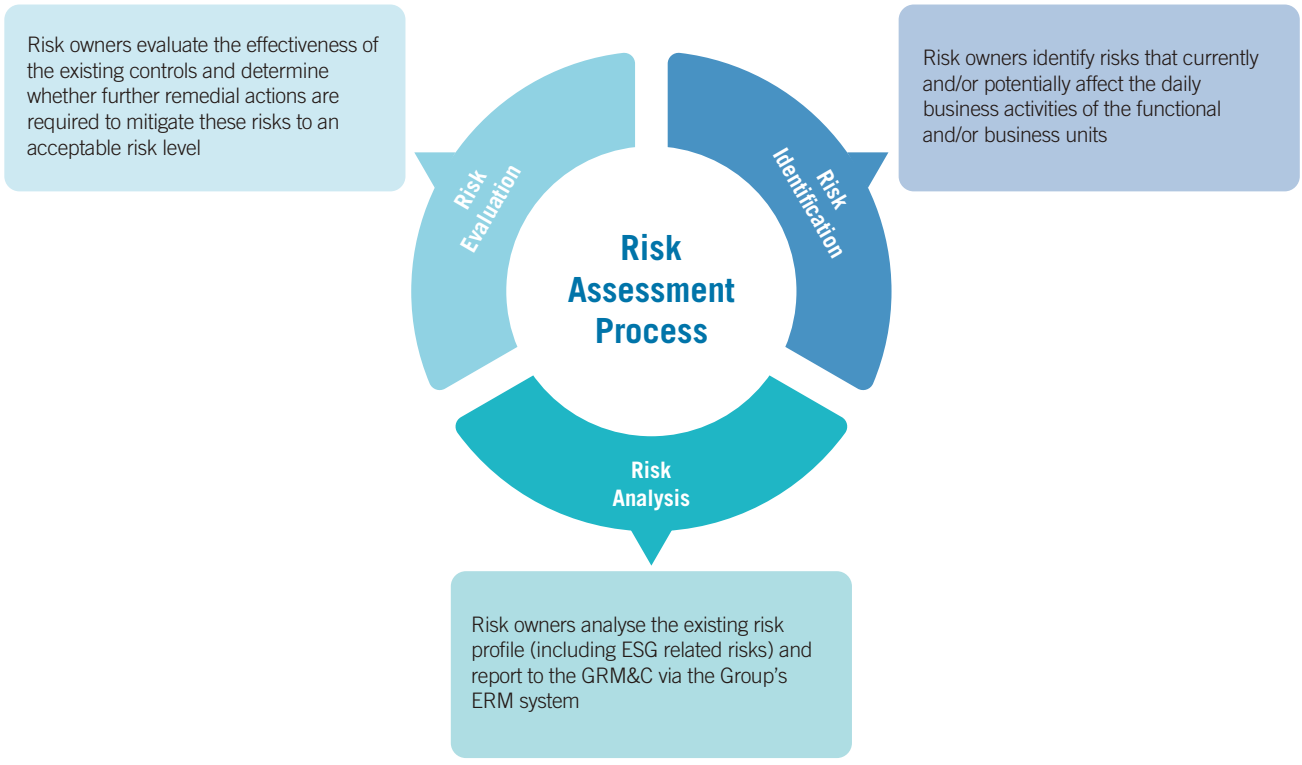
The Group has adopted policies and procedures for assessing and, where prudent, improving the effectiveness of its enterprise risk management and internal control systems, including the requirement for executive management of the Group to regularly assess and, at least annually to certify that such aforementioned 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 HKT Limited Group review and assess the status of potential risks which may impact their business objectives and/or those of the Group. This review process includes assessment as to whether the existing system of internal controls continues to remain relevant and effective, adequately addresses potential risks, and/or should be supplemented.

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 Committees where they were reviewed and distributed to the Boards. The same reports highlighted the development progress while assisted the directors in the review of the effectiveness of the enterprise risk management and internal control systems of the Group throughout the year.

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 HKT Limited Group were required to evaluate their internal controls through the process of updating the risk registers of their operating units. These results were assessed by GRM&C and reported to the Audit Committees, which was then reviewed and reported the same to the Boards. GIA has provided with the authority in reviewing these risk registers as part of its annual internal audit planning process.

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

RISK MANAGEMENT AND INTERNAL CONTROLS *(CONTINUED)*

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

POTENTIAL CONFLICTS OF INTERESTS

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

- if a director has a conflict of interest in a matter to be considered by the Company Board or the Trustee-Manager Board which the relevant Board has determined to be material, the matter will be dealt with by a physical board meeting rather than a written resolution, and independent non-executive directors who, and whose close associates, have no material interest in the transaction must be present at that board meeting.

- in respect of matters in which PCCW and/or its subsidiaries have an interest, direct or indirect, any nominees appointed by PCCW and/or its subsidiaries to the Company Board or the Trustee-Manager Board to represent PCCW's (or its subsidiaries') interests will abstain from voting. In such matters, the quorum must comprise of a majority of the independent non-executive directors and must exclude any nominee directors appointed by PCCW and/or its subsidiaries.

- where matters concerning the HKT Limited Group relate to transactions entered into or to be entered into with a related party of the Trustee-Manager (which would include relevant associates thereof), the HKT Trust or the Company, the relevant Board is required to consider the terms of the transactions to satisfy itself that the transactions are conducted on normal commercial terms, are not prejudicial to the interests of the HKT Limited Group and the holders of Share Stapled Units and are in compliance with applicable requirements of the Listing Rules and the Trust Deed relating to the transaction in question. The relevant Board will also review these contracts to ensure that they comply with the provisions of the Listing Rules and the Trust Deed relating to connected transactions (as may be amended from time to time) as well as any other guidelines as may from time to time be prescribed by the Securities and Futures Commission of Hong Kong and the Stock Exchange that are applicable to the HKT Trust.

- a regime for all of the existing continuing connected transactions has already been established, with the ongoing requirement that all such transactions (other than those qualifying for an exemption) be reviewed and reported annually by the independent non-executive directors and the external auditor.

- the HKT Trust and the Company has each established an Audit Committee in accordance with the Listing Rules to, among other matters, regularly review their respective risk management and internal control systems and internal audit reports.

COMPANY SECRETARY

Ms Cheung Hok Chee, Vanessa has been appointed as the Group General Counsel and Company Secretary of the Trustee-Manager and the Company since October 2021. She is also the Group General Counsel and Company Secretary of PCCW. All directors of the Trustee-Manager and the Company have access to the advice and services of the company secretary, who is responsible for ensuring that the board procedures are followed, advising the Boards on all corporate governance matters, and arranging induction 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.

RIGHTS OF HOLDERS OF SHARE STAPLED UNITS

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

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

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

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

Procedures by which enquiries may be put to the Boards

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

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

INVESTOR RELATIONS AND COMMUNICATION WITH THE HOLDERS OF SHARE STAPLED UNITS

The HKT Trust (including the Trustee-Manager) and the Company are committed to promoting and maintaining effective communication with the holders of Share Stapled Units (both individual and institutional). A Unitholders Communication Policy has been adopted for ensuring the HKT Trust and the Company provide the holders of Share Stapled Units and the investment community at large with ready, equal and timely access to balanced and understandable information about the HKT Trust and the Company in order to enable the holders of Share Stapled Units to exercise their rights in an informed manner, and to allow holders of Share Stapled Units and the investment community to engage actively with the HKT Trust and the Company. The Unitholders Communication Policy is available on the Company's website (www.hkt.com/ir). In July 2022, the Unitholders Communication Policy was updated to align with the Listing Rules and the CG Code.

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

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

Regular dialogue takes place with the investment community. Inquiries from individuals on matters relating to their holdings in the Share Stapled Units, the business of the Company and the HKT Trust are dealt with in an informative and timely manner. The relevant contact information is provided on page 206 of this annual report and also provided in the Unitholders Communication Policy. Based on the information set out in the above paragraphs, the implementation of the Unitholders Communication Policy, which has been reviewed during the year, is considered to be effective.

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

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

The Combined Annual General Meeting of the Company and the HKT Trust 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 business relating to HKT Limited Group and external auditor will be available to answer questions about the conduct of the audit, the preparation and content of the auditor's reports, the accounting policies and the auditor independence.

CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2022, there were no significant changes to the Company's Articles and the Trust Deed save for those amendments approved at the Combined Annual General Meeting held on 13 May 2022 by special resolution, relating principally to meetings of Shareholders and alignment with the Listing Rules, the applicable laws of the Cayman Islands and the Companies Ordinance (Chapter 622 of the Laws of Hong Kong). The updated consolidated version of these constitutional documents are available on the websites of the Company and HKEX.

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

Cheung Hok Chee, Vanessa
Group General Counsel and Company Secretary
Hong Kong, 23 February 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

- 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

- Total EBITDA increased by 3% to HK$13,064 million year on year spurred by cost efficiency initiatives across the Group

- Adjusted funds flow increased by 2.4% to HK$5,648 million year on year

- Profit attributable to holders of Share Stapled Units increased by 2% year on year to HK$4,901 million; basic earnings per Share Stapled Unit was 64.71 HK cents

- Final distribution per Share Stapled Unit is 43.15 HK cents, resulting in a total distribution of 74.51 HK cents representing the full payout of Adjusted Funds Flow per Share Stapled Unit for the year

MANAGEMENT REVIEW

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.

MANAGEMENT REVIEW *(CONTINUED)*

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.

The board of directors of the Trustee-Manager has 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.

OUTLOOK

In 2023, the group is poised for growth, despite the backdrop of China-US tensions and the Federal Reserve's hawkish tone. We believe that our agility, diversified portfolio and long-term investment in technology, innovation and talent will help us mitigate risks and drive sustainable development.

FINANCIAL REVIEW BY SEGMENT

For the year ended 31 December HK$ million	2021			2022			Better/ (Worse)
	H1	H2	Full Year	**H1**	**H2**	**Full Year**	y-o-y
Revenue							
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)%
Total revenue	15,643	18,318	33,961	**16,157**	**17,968**	**34,125**	–
Total revenue (excluding Mobile Product Sales)	14,112	15,919	30,031	**14,868**	**15,633**	**30,501**	2%
Cost of sales	(7,550)	(9,179)	(16,729)	**(8,134)**	**(8,960)**	**(17,094)**	(2)%
Operating costs before depreciation, amortisation, and gains/(losses) on disposal of property, plant and equipment and right-of-use assets, net	(2,378)	(2,121)	(4,499)	**(2,189)**	**(1,778)**	**(3,967)**	12%
EBITDA[1]							
TSS	4,036	4,913	8,949	**4,104**	**5,036**	**9,140**	2%
Mobile	2,072	2,708	4,780	**2,122**	**2,766**	**4,888**	2%
– Mobile Services	2,058	2,643	4,701	**2,107**	**2,705**	**4,812**	2%
– Mobile Product Sales	14	65	79	**15**	**61**	**76**	(4)%
Other Businesses	(393)	(603)	(996)	**(392)**	**(572)**	**(964)**	3%
Total EBITDA[1]	5,715	7,018	12,733	**5,834**	**7,230**	**13,064**	3%
TSS EBITDA[1] Margin	*37%*	*40%*	*38%*	***35%***	***41%***	***38%***	
Mobile EBITDA[1] Margin	*41%*	*41%*	*41%*	***43%***	***42%***	***42%***	
– Mobile Services EBITDA[1] Margin	*58%*	*62%*	*60%*	***58%***	***63%***	***61%***	
Total EBITDA[1] Margin	*37%*	*38%*	*37%*	***36%***	***40%***	***38%***	
Total EBITDA[1] Margin (excluding Mobile Product Sales)	*40%*	*44%*	*42%*	***39%***	***46%***	***43%***	
Depreciation and amortisation	(2,751)	(2,901)	(5,652)	**(2,825)**	**(2,982)**	**(5,807)**	(3)%
Gains/(Losses) on disposal of property, plant and equipment and right-of-use assets, net	2	22	24	**–**	**(3)**	**(3)**	NA
Other (losses)/gains, net	–	(8)	(8)	**3**	**(11)**	**(8)**	–
Finance costs, net	(561)	(587)	(1,148)	**(627)**	**(962)**	**(1,589)**	(38)%
Share of results of associates and joint ventures	(63)	(67)	(130)	**(38)**	**(59)**	**(97)**	25%
Profit before income tax	2,342	3,477	5,819	**2,347**	**3,213**	**5,560**	(4)%

ADJUSTED FUNDS FLOW[3]

For the year ended 31 December HK$ million	2021			**2022**			Better/ (Worse)
	H1	H2	Full Year	**H1**	**H2**	**Full Year**	y-o-y
Total EBITDA[1]	5,715	7,018	12,733	**5,834**	**7,230**	**13,064**	3%
Less cash outflows in respect of capital expenditures, customer acquisition costs and licence fees[2]:							
Capital expenditures	(1,170)	(1,208)	(2,378)	**(1,140)**	**(1,113)**	**(2,253)**	5%
Customer acquisition costs and licence fees	(534)	(1,166)	(1,700)	**(595)**	**(970)**	**(1,565)**	8%
Fulfilment costs	(227)	(260)	(487)	**(309)**	**(258)**	**(567)**	(16)%
Right-of-use assets	(809)	(815)	(1,624)	**(687)**	**(702)**	**(1,389)**	14%
Adjusted funds flow[3] before tax paid, net finance costs paid and changes in working capital	2,975	3,569	6,544	**3,103**	**4,187**	**7,290**	11%
Adjusted for:							
Net finance costs paid	(281)	(319)	(600)	**(353)**	**(528)**	**(881)**	(47)%
Tax payment	(180)	(194)	(374)	**(75)**	**(9)**	**(84)**	78%
Changes in working capital	(188)	131	(57)	**(298)**	**(379)**	**(677)**	>(500)%
Adjusted funds flow[3]	2,326	3,187	5,513	**2,377**	**3,271**	**5,648**	2.4%
Annual adjusted funds flow per Share Stapled Unit (HK cents)[4]			72.77			**74.51**	

KEY OPERATING DRIVERS[5]

	2021		**2022**		Better/ (Worse)
	H1	H2	**H1**	**H2**	y-o-y
Exchange lines in service ('000)	2,486	2,443	**2,405**	**2,343**	(4)%
Business lines ('000)	1,206	1,195	**1,186**	**1,176**	(2)%
Residential lines ('000)	1,280	1,248	**1,219**	**1,167**	(6)%
Total broadband access lines ('000) (Consumer, business and wholesale)	1,634	1,637	**1,640**	**1,640**	0.2%
Retail consumer broadband access lines ('000)	1,464	1,461	**1,464**	**1,465**	0.3%
Retail business broadband access lines ('000)	161	163	**163**	**162**	(0.6)%
Mobile subscribers ('000)	4,477	4,770	**4,817**	**4,787**	0.4%
Post-paid subscribers ('000)	3,263	3,297	**3,305**	**3,323**	0.8%
Prepaid subscribers ('000)	1,214	1,473	**1,512**	**1,464**	(0.6)%
Pay TV installed base ('000)	1,352	1,373	**1,378**	**1,398**	2%
The Club members ('000)	3,293	3,541	**3,630**	**3,707**	5%
Tap & Go accounts in use ('000)	2,774	3,402	**3,522**	**3,634**	7%

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 *Group capital expenditures represent additions to property, plant and equipment and interests in leasehold land. Fulfilment costs and right-of-use assets are considered as part of customer acquisition costs and capital expenditures, respectively, for the purpose of adjusted funds flow calculation.*

Note 3 *Adjusted funds flow is defined as EBITDA less capital expenditures, customer acquisition costs and licence fees paid, taxes paid, finance costs and interest expense paid, and adjusted for interest income received and changes in working capital. It is not presented as a measure of leverage or liquidity in accordance with HKFRSs and should not be considered as representing net cash flows or any other similar measures derived in accordance with HKFRSs, or an alternative to cash flow from operations or a measure of liquidity. The Group's adjusted funds flow is computed in accordance with the above definition using financial information derived from the Group's audited consolidated financial statements. The adjusted funds flow may be used for debt repayment.*

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

Note 5 *Figures are stated as at the period end.*

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

Telecommunications Services

For the year ended 31 December HK$ million	2021			**2022**			Better/ (Worse)
	H1	H2	Full Year	**H1**	**H2**	**Full Year**	y-o-y
TSS Revenue							
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%
Total TSS Revenue	11,030	12,369	23,399	**11,596**	**12,376**	**23,972**	2%
Cost of sales	(5,679)	(6,442)	(12,121)	**(6,302)**	**(6,356)**	**(12,658)**	(4)%
Operating costs before depreciation and amortisation	(1,315)	(1,014)	(2,329)	**(1,190)**	**(984)**	**(2,174)**	7%
Total TSS EBITDA[1]	4,036	4,913	8,949	**4,104**	**5,036**	**9,140**	2%
TSS EBITDA[1] margin	*37%*	*40%*	*38%*	***35%***	***41%***	***38%***	

Local TSS Services revenue grew by 1% to HK$16,503 million for the year ended 31 December 2022, underpinned by an increase of 3% in Local Data Services revenue to HK$12,077 million. Local Data Services is the largest component of the Local TSS Services segment, comprising 73% of revenue. Pay TV Services revenue increased by 2% to HK$2,499 million while Local Telephony Services generated a revenue of HK$2,518 million. Revenue from International Telecommunications Services increased by 7% to HK$7,469 million during the year. As a result, total TSS revenue rose by 2% to HK$23,972 million.

Local Data Services. Comprising broadband revenue and local data revenue, Local Data Services revenue rose by 3% to HK$12,077 million for the year ended 31 December 2022.

The broadband business recorded revenue growth for the 15th consecutive year, with revenue increasing by 2% as demand for our robust and reliable fibre network continued due to the increasingly established switch to digital services at home and ongoing hybrid work arrangements. During the year, we took the opportunity to join our broadband, local telephony, pay TV, lifestyle technology and learning teams to form the single unit of "HKT Home" to better cater for the needs of every family member, boosting customer loyalty and enhancing average revenue per user ("ARPU") through integrated services. In addition to kicking off the year with our leading "2500M Fibre Service" and introducing the all-round "Stay Home Super Combo", we have presented a Home Wi-Fi solution utilising the latest definitive "Wi-Fi 6E" standard to deliver an uninterfered, dedicated channel that is smooth and strong enough to accommodate today's hefty wireless traffic. This is complemented by the exceptional stability of our "fibre-to-the-room" ("FTTR") service as well as the combined strengths of the csl. 5G mobile network and Netvigator's broadband backbone network to empower flexible connectivity services in every corner of the home.

Despite robust competition and the impact of emigration, the broadband business achieved an overall net gain in customers, with total broadband access lines growing to 1.64 million as at the end of December 2022. Of these, 969,000 were FTTH connections which represented a net increase of 25,000 or 3% growth from a year earlier and 66% of consumer broadband lines. Penetration of our Home Wi-Fi solutions also continued to rise steadily, which helped lift overall ARPU. As at year end, a total of 346,000 customers have subscribed to our Home Wi-Fi solutions, up 4% from the previous year and representing 24% of the consumer broadband base.

Telecommunications Services *(CONTINUED)*

On the enterprise side, local data revenue achieved a solid growth of 3%, reflecting the growing demand for our unique integrated fixed-mobile solutions across different industries that incorporate 5G connectivity with smart city solutions including blockchain, artificial intelligence ("AI"), machine learning and the Internet of Things ("IoT") in Hong Kong and the Greater Bay Area. Amidst project delays and contracted spending in the SME sector, we continued to assist in the digital transformation of enterprises and smart city initiatives in the public sector, including a number of telecom-related projects to support the Hong Kong Government's anti-pandemic efforts. Across the border, despite stringent social distancing measures, the local data business registered growth in the mainland where revenue expanded by 57% year on year, as we empowered our enterprise customers such as Hong Kong retailers who sought to remotely manage their mainland operations during the epidemic. Although the business was impacted by periodic lockdowns, multinational and regional enterprise customers continued to choose our well-established HKT Enterprise Solutions for its high-quality, reliable connectivity solutions including MPLS, premium internet, SD-WAN and enterprise managed services ("EMS") to support their expansion in mainland China. As borders reopen, we are committed to helping enterprises expand their operations into the Greater Bay Area and beyond.

Pay TV Services. Pay TV Services revenue increased by 2% to HK$2,499 million for the year ended 31 December 2022 versus HK$2,456 million a year earlier. Now TV continued to enrich its content slate with comprehensive and compelling world-class offerings focused on the sports, kids and entertainment segments. As a result, it continued to grow its installed base by 2% to 1.398 million versus 1.373 million a year earlier.

Undoubtedly, one of the highlights was the exclusive broadcast of FIFA World Cup Qatar 2022™, in partnership with PCCW Limited's ViuTV, which helped drive both subscription and advertising revenue in the second half of the year. With 4K broadcasting and added features such as the Now AR – FIFA World Cup™ app and Watch Party, we further enhanced the viewer experience, attracting increased service subscription. The commercial segment also recorded meaningful contribution in subscription revenue as the kick-off of the tournament coincided with the relaxation of social distancing regulations in October 2022. Now TV continued to provide a wide choice of entertainment content for every family member, including VOD content from popular Asian and Western drama series, Hong Kong and Hollywood blockbuster movies, Japanese animation and award-winning documentaries. To better serve households with children, Now TV continued to expand the Now Kids ecosystem with fun STEM learning content from the eye AI Interactive Robot learning companion and the opening of the Sooper Yoo indoor playground in Island West.

Local Telephony Services. Local Telephony Services revenue registered a decline of 11% to HK$2,518 million for the year ended 31 December 2022 versus HK$2,826 million a year earlier. This reflected the increased terminations caused by emigration, the closure and contraction of the SME segment due to COVID-19 as well as continued mobile and broadband substitution. As such, the total number of fixed lines in service at the end of December 2022 dropped to 2.343 million from 2.443 million a year earlier.

International Telecommunications Services. Revenue from International Telecommunications Services increased by 7% to HK$7,469 million for the year ended 31 December 2022 versus HK$7,006 million a year earlier. The revenue growth was driven by increased global voice revenue which generate a thin margin, resilient data revenue and increasing adoption and usage on Console Connect, a software-defined, on-demand platform facilitating secure interconnections to data centres, partners, clouds, applications and infrastructures.

The TSS business registered an increase of 2% in EBITDA to HK$9,140 million, resulting in an EBITDA margin of 38%.

Mobile

For the year ended 31 December HK$ million	2021			**2022**			Better/ (Worse)
	H1	H2	Full Year	**H1**	**H2**	**Full Year**	y-o-y
Mobile Revenue							
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)%
Total Mobile Revenue	5,108	6,640	11,748	**4,936**	**6,630**	**11,566**	(2)%
Mobile EBITDA[1]							
Mobile Services	2,058	2,643	4,701	**2,107**	**2,705**	**4,812**	2%
Mobile Product Sales	14	65	79	**15**	**61**	**76**	(4)%
Total Mobile EBITDA[1]	2,072	2,708	4,780	**2,122**	**2,766**	**4,888**	2%
Mobile EBITDA[1] margin	*41%*	*41%*	*41%*	***43%***	***42%***	***42%***	
Mobile Services EBITDA[1] margin	*58%*	*62%*	*60%*	***58%***	***63%***	***61%***	

The Mobile business recorded a 2% growth in services revenue to HK$7,942 million for the year ended 31 December 2022. The expansion in services revenue benefited from higher 5G adoption and growth 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, with roaming usage rebounding in the fourth quarter of 2022 as the borders reopened. 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%. On top of its differentiated customer service, the Mobile business is offering quality 5G roaming at popular overseas destinations to cater for travel resumption, with tailored packages ranging from pay-as-you-go, pre-purchase day passes to monthly plans for distinct types of user groups.

Despite intense market competition, the Mobile business reported a net gain of 26,000 year on year to 3.323 million in post-paid customers. Our 5G customer base increased to 1.061 million at the end of December 2022 and surpassed our forecast to reach 32% of our post-paid base. During the year, HKT became the first mobile operator to extend its 5G service to the MTR East Rail Line Cross-Harbour Extension, and the first to provide full 5G coverage along all MTR lines.

The post-paid exit ARPU as at 31 December 2022 rose to HK$188 versus HK$187 as at 31 December 2021, as the APRU uplift from the 5G service plan was partially offset by competition in the price-conscious segment of the market. The churn rate for post-paid customers was 0.8% during the year, affected by the challenging economic environment and emigration impact.

Mobile product sales of HK$3,624 million for the year ended 31 December 2022 was comparatively lower due to supply chain disruptions in 2022 and a supply spike in 2021 from the delayed launch of popular handset models.

Mobile services EBITDA for the year rose by 2% to HK$4,812 million with a margin of 61%, reflecting efficiency gains from mobile network operations including improved cell site architecture enabling network design optimisation and the enhancement of O2O sales channels. Total Mobile EBITDA for the year also increased by 2% to HK$4,888 million from HK$4,780 million a year earlier. The overall EBITDA margin also improved to 42% from 41% a year earlier.

Other Businesses

Other Businesses primarily comprise new business areas such as HKT Digital Ventures, and corporate support functions, which recorded a steady revenue of HK$881 million for the year ended 31 December 2022 versus HK$872 million a year earlier.

The Club's membership base expanded by 5% to 3.71 million as at 31 December 2022 from 3.54 million a year earlier. During the year, The Club deepened its market penetration and enhanced the customer experience by diversifying its product offerings to cater for the varying needs of target audiences, including families, travellers, and gamers. With conscious efforts to diversify our product offerings in the face of mobile handset supply shortages, non-phone gross merchandise value ("GMV") on The Club platform for the year increased by 16% from a year earlier, while total GMV grew by 2%.

In April 2022, Tap & Go took part in the Consumption Voucher Scheme for a second year. With the sustained adoption of mobile payments fostered by the scheme as well as its growing popularity particularly amongst the Gen Z and Millennial market segment, Tap & Go's number of accounts rose to 3.63 million, an increase of 7% from 3.40 million a year earlier. During the year, Tap & Go also witnessed a 55% growth in customer spending year on year. In order to drive further adoption and usage, Tap & Go has been focused on merchant acquisition, with over 8,000 subscriptions to its merchant payment solutions at the end of 2022 and recorded a 68% growth in processed merchant transaction volume.

Eliminations

Eliminations were HK$2,294 million for the year ended 31 December 2022 versus HK$2,058 million a year earlier, reflecting the increased collaboration across all of HKT's business segments.

Cost of Sales

Cost of sales for the year ended 31 December 2022 increased by 2% to HK$17,094 million, reflecting the relatively higher costs associated with international voice revenues.

General and Administrative Expenses

For the year ended 31 December 2022, operating costs before depreciation, amortisation, and gains/(losses) on disposal of property, plant and equipment and right-of-use assets, net ("operating costs") improved by 12% to HK$3,967 million, reflecting the Group's continued focus on operating efficiency across each of the business lines through digitalising business processes as well as optimising O2O sales channels and retail footprint to drive higher sales efficiency. Overall operating costs-to-revenue ratio for the year further improved to 11.6% versus 13.2% a year earlier.

Depreciation and amortisation expenses increased by 3% to HK$5,807 million for the year ended 31 December 2022, largely due to an increase in the amortisation of the 1800MHz mobile spectrum licences arising from the reassignment in 2021.

As a result of the above, general and administrative expenses decreased by 3% to HK$9,777 million for the year ended 31 December 2022 versus HK$10,127 million a year earlier.

EBITDA[1]

With the steady growth in the TSS and Mobile businesses and further operating efficiencies, total EBITDA increased by 3% to HK$13,064 million for the year ended 31 December 2022 versus HK$12,733 million a year earlier. The overall EBITDA margin improved to 38% in 2022 versus 37% a year earlier. Excluding Mobile product sales, the EBITDA margin improved to 43% for the year versus 42% a year earlier, reflecting the effectiveness of our continuous cost control measures taken during the year.

Finance Costs, Net

Net finance costs for the year ended 31 December 2022 increased by 38% to HK$1,589 million from HK$1,148 million a year earlier, mainly due to the rise in HIBOR in the fourth quarter of 2022. The average cost of debt was less than 3% during the year, compared to 2.4% a year earlier due to our prudent mix of fixed and floating rate debt. We will continue to closely monitor the interest rate environment to optimise the ratio.

Income Tax

Income tax expense for the year ended 31 December 2022 was HK$641 million, as compared to HK$997 million a year earlier. The effective tax rate for the year was 11.5%, compared to 17.1% a year earlier. The decrease in the tax expense was mainly due to recognition of a deferred income tax asset resulting from a loss-making company turning profitable.

Non-controlling Interests

Non-controlling interests of HK$18 million (2021: HK$14 million) comprised the net profits/losses attributable to the non-controlling shareholders of the Group's subsidiaries.

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

Profit attributable to holders of Share Stapled Units/shares of the Company for the year ended 31 December 2022 increased by 2% to HK$4,901 million (2021: HK$4,808 million).

LIQUIDITY AND CAPITAL RESOURCES

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

In January 2022, HKT took advantage of a favourable market window and raised US$650 million 10-year guaranteed notes at an annual coupon of 3.00%. The proceeds were for general corporate purposes including repayment of existing indebtedness.

HKT's gross debt[6] was HK$44,179 million as at 31 December 2022 (31 December 2021: HK$43,886 million). Cash and short-term deposits totalled HK$2,113 million as at 31 December 2022 (31 December 2021: HK$2,883 million). HKT's gross debt[6] to total assets was 40% as at 31 December 2022 (31 December 2021: 40%).

As at 31 December 2022, HKT had ample liquidity as evidenced by banking facilities totalling HK$32,013 million, of which HK$14,459 million remained undrawn.

CREDIT RATINGS OF HONG KONG TELECOMMUNICATIONS (HKT) LIMITED

As at 31 December 2022, Hong Kong Telecommunications (HKT) Limited, an indirect wholly-owned subsidiary of the Company, had investment grade ratings with Moody's Investors Service (Baa2) and S&P Global Ratings (BBB).

CAPITAL EXPENDITURE[2]

Capital expenditure including capitalised interest for the year ended 31 December 2022 was HK$2,346 million (2021: HK$2,458 million). Capital expenditure relative to revenue was 6.9% for the year ended 31 December 2022 (2021: 7.2%).

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.

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

ADJUSTED FUNDS FLOW[3]

Adjusted funds flow increased by 2.4% to HK$5,648 million for the year ended 31 December 2022 from HK$5,513 million for the year ended 31 December 2021. This growth was driven by the 3% expansion in EBITDA, disciplined capex investments, lower customer acquisition costs and licence fees due to improved sales channel efficiencies, savings from the continued rationalisation of our retail shops as well as lower tax payment during the year. These positive factors were partially offset by increases in fulfilment costs to serve our growing base of consumer and enterprise customers and the rise in net finance costs due to recent interest rate increases.

Following the delayed receipt of tax demand notes pertaining to the financial year ended 31 December 2021, the amount of cash tax payments in 2022 declined as compared with 2021. Nevertheless, the relevant tax payments have been estimated and a corresponding provision has been included as part of the changes in working capital for the year.

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

HEDGING

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

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

A significant portion of HKT's financing is denominated in foreign currencies including United States dollars. Accordingly, HKT has entered into forward and swap contracts in order to manage its exposure to adverse fluctuations in foreign currency exchange rates and interest rates. These instruments are executed with creditworthy financial institutions. As at 31 December 2022, all forward and swap contracts were designated as cash flow hedges for the related financing of HKT.

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

CHARGE ON ASSETS

As at 31 December 2022, no assets of the Group (2021: nil) were pledged to secure loans and banking facilities of HKT.

CONTINGENT LIABILITIES

As at 31 December HK$ million	2021	**2022**
Performance guarantees	994	**1,053**
Others	2	**6**
	996	**1,059**

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

HUMAN RESOURCES

HKT had over 14,900 employees as at 31 December 2022 (2021: 15,400) located in 21 countries and cities. About 67% of these employees work in Hong Kong and the others are based mainly in mainland China, the United States, the United Kingdom and the Philippines. HKT has established performance-based bonus and incentive schemes designed to motivate and reward employees at all levels to achieve business performance targets. Payment of performance bonuses is generally based on achievement of revenue, EBITDA and free cash flow targets for HKT as a whole and for each of the individual business units and performance ratings of employees.

FINAL DIVIDEND/DISTRIBUTION

The board of directors of the Trustee-Manager has recommended the payment of a final distribution by the HKT Trust in respect of the Share Stapled Units, of 43.15 HK cents per Share Stapled Unit (after deduction of any operating expenses permissible under the trust deed dated 7 November 2011 constituting the HKT Trust (the "Trust Deed")), in respect of the year ended 31 December 2022 (and in order to enable the HKT Trust to pay that distribution, the board of directors of the Company has recommended the payment of a final dividend in respect of the ordinary shares in the Company held by the Trustee-Manager, of 43.15 HK cents per ordinary share, in respect of the same period), subject to the approval of unitholders of the HKT Trust and of shareholders of the Company at the forthcoming annual general meeting of unitholders of the HKT Trust and of shareholders of the Company to be held on a combined basis as a single meeting characterised as an annual general meeting of registered holders of Share Stapled Units ("AGM"). An interim distribution/dividend of 31.36 HK cents per Share Stapled Unit/ordinary share of the Company for the six months ended 30 June 2022 was paid to holders of Share Stapled Units/shareholders of the Company in September 2022.

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

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COMBINED REPORT OF THE DIRECTORS

The board of directors of HKT Management Limited (in its capacity as the trustee-manager of the HKT Trust) (the "Trustee-Manager") (the "Trustee-Manager Board") and the board of directors of HKT Limited (the "Company" or "HKT") (the "Company Board") present their combined report together with the audited consolidated financial statements of (i) the HKT Trust and the Company and its subsidiaries (collectively the "Group") and (ii) the Company and its subsidiaries (collectively the "HKT Limited Group") (the consolidated financial statements of the Group and the HKT Limited Group are presented together and referred to as the "HKT Trust and HKT Limited consolidated financial statements") for the year ended 31 December 2022.

The Trustee-Manager Board also presents its audited financial statements for the year ended 31 December 2022, which are set out in the accompanying financial statements on pages 194 to 205.

PRINCIPAL ACTIVITIES

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

The principal activity of the Company is investment holding, and the principal activities of the HKT Limited Group are the provision of 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.

The principal activities of the Company's principal subsidiaries and the Group's principal joint venture are set out in notes 24 and 21 respectively to the HKT Trust and HKT Limited consolidated financial statements.

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

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

BUSINESS REVIEW

A fair review of the business of the Group during the year and particulars of important events affecting the Group that have occurred since the end of the financial year 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 Group Managing Director and the Management's Discussion and Analysis on page 4, pages 5 to 9 and pages 47 to 58 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 Combined Corporate Governance Report on pages 18 to 46.

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

Environmental Policies and Performance

As a responsible corporate citizen, HKT recognises the importance of good environmental stewardship. In this connection, HKT has in place a Corporate Social Responsibility ("CSR") Policy and other related policies and procedures. A 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 Company actively participates in various external environmental working groups. HKT's parent company, 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.

BUSINESS REVIEW *(CONTINUED)*

Environmental Policies and Performance *(continued)*

HKT 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, with CLP Holdings Limited, to encourage electric mobility for a cleaner environment. The Group has 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.

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 recognition of our undertaking to promote sustainability, HKT Trust and HKT Limited received an overall rating of AA in the MSCI ESG rating update in 2022, ranking in the top 35% of its global telecommunication services peers.

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

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

In 2022, HKT also continued to voluntarily disclose its carbon emissions data to the Environmental Protection Department's Carbon Footprint Repository for Listed Companies in Hong Kong.

Relationships with Stakeholders

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

HKT 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.

BUSINESS REVIEW *(CONTINUED)*

Relationships with Stakeholders *(continued)*

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. Our workforce comprises employees of over 50 nationalities with a diverse range of expertise and backgrounds.

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

HKT believes direct and effective communication is essential to building up a strong partnership between management and employees. We have established channels for employees to share feedback and suggestions with senior management and to understand company and business development. These include 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. To encourage our staff to receive COVID-19 vaccination, we offer two days of paid leave for every dose received.

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

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, HKT has extended service offerings beyond connectivity into a wide range of digital services such as fintech and healthtech.

The Group has in place a customer loyalty and rewards 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. HKT received over 54,000 customer compliments in 2022.

BUSINESS REVIEW *(CONTINUED)*

Relationships with Stakeholders *(continued)*

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.

HKT 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, HKT is increasingly making responsible sourcing an integral part of its procurement and supply chain management processes to understand and manage these risks.

To integrate 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, HKT continues to be a member of the Sustainable Procurement Charter established by the Green Council.

Together with PCCW, HKT 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 close to 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 of 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 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.

BUSINESS REVIEW *(CONTINUED)*

Relationships with Stakeholders *(continued)*

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. HKT was awarded the Social Capital Builder logo from the Labour and Welfare Bureau's Community Investment and Inclusion Fund. In appreciation of the commitment of our staff volunteers, HKT operates a Volunteer Appreciation Scheme whereby employees participating in community services may be entitled to volunteer leave days.

HKT was also awarded the 20 Years Plus Caring Company Logo by the Hong Kong Council of Social Service.

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

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

Telecommunications Ordinance ("TO")

The Hong Kong Government's policies relating to 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.

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.

BUSINESS REVIEW *(CONTINUED)*

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

Competition Ordinance ("CO")

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

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.

RESULTS, APPROPRIATIONS AND DISTRIBUTIONS

The results of the Group for the year ended 31 December 2022 are set out in the consolidated income statement of HKT Trust and of HKT Limited on page 95.

The results of the Trustee-Manager for the year ended 31 December 2022 are also set out in the income statement of HKT Management Limited on page 196.

An interim distribution/dividend of 31.36 HK cents per share stapled unit of HKT Trust and the Company (the "Share Stapled Unit")/ ordinary share of the Company for the six months ended 30 June 2022 was paid to holders of Share Stapled Units/shareholder of the Company in September 2022.

The Trustee-Manager Board has recommended the payment of a final distribution by the HKT Trust in respect of the Share Stapled Units, of 43.15 HK cents per Share Stapled Unit (after deduction of any operating expenses permissible under the Trust Deed (as defined below)), in respect of the year ended 31 December 2022 (and in order to enable the HKT Trust to pay that distribution, the Company Board has recommended the payment of a final dividend in respect of the ordinary shares in the Company held by the Trustee-Manager, of 43.15 HK cents per ordinary share, in respect of the same period), subject to the approval of unitholders of the HKT Trust and of shareholders of the Company at the forthcoming annual general meeting of unitholders of the HKT Trust and of shareholders of the Company to be held on a combined basis as a single meeting characterised as an annual general meeting of registered holders of Share Stapled Units ("AGM").

The Trustee-Manager Board does not recommend the payment of a final dividend for the year ended 31 December 2022 to CAS Holding No. 1 Limited, the sole member of the Trustee-Manager.

FINANCIAL SUMMARY

A summary of the consolidated results and of the assets and liabilities of the Group for the last five financial years is set out on page 193.

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 15 and 17 respectively to the HKT Trust and HKT Limited consolidated financial statements.

BORROWINGS

Particulars of the Group's borrowings are set out in note 27 to the HKT Trust and HKT Limited consolidated financial statements.

SHARE STAPLED UNITS/SHARES ISSUED

During the year, a total number of 4,000,000 Share Stapled Units were issued and allotted for grant of awards pursuant to the Share Stapled Units award scheme for an aggregate consideration of HK$43,368,000.

Details of movements in share capital of the Company for the year ended 31 December 2022 are set out in note 30 to the HKT Trust and HKT Limited consolidated financial statements.

There were no new shares of the Trustee-Manager issued during the year ended 31 December 2022. Details of the share capital of the Trustee-Manager for the year ended 31 December 2022 are set out in note 7 to the financial statements of HKT Management Limited.

DEBENTURES ISSUED

During the year, HKT Capital No. 6 Limited, an indirect 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 Company and the Group during the year are set out in notes 30 and 31 respectively to the HKT Trust and HKT Limited consolidated financial statements.

The statement of changes in equity of HKT Management Limited during the year is set out on page 199.

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

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

Executive Directors

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

Non-Executive Directors

Peter Anthony Allen
Chung Cho Yee, Mico
Wang Fang
Mai Yanzhou (resigned with effect from 30 May 2022)
Srinivas Bangalore Gangaiah (aka BG Srinivas) (retired with effect from 28 February 2022)

Independent Non-Executive Directors

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

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

In accordance with the Company's articles of association (as amended and restated from time to time) and the Trust Deed, Hui Hon Hing, Susanna, Chung Cho Yee, Mico and Aman Mehta shall retire from office of both the Company and the Trustee-Manager at the forthcoming AGM and, being eligible, offer themselves for re-election.

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

With respect to Aman Mehta, on 15 February 2013, Pacific Century Regional Developments Limited ("PCRD", a substantial shareholder of PCCW) announced the execution of a term sheet between PCRD Services Pte Ltd ("PCRD Services", a wholly-owned subsidiary of PCRD) and, amongst the others, KSH Distriparks Private Limited ("KSH Distriparks"), Pasha Ventures Private Limited ("Pasha Ventures"), Aman Mehta (an independent non-executive Director) and Akash Mehta (the adult son of Aman Mehta) (together, the "Mehta Family") and Sky Advance Associates Limited ("Sky Advance", a company controlled by Akash Mehta) in relation to a proposed restructuring (the "Restructuring") of their respective interests in Pasha Ventures and KSH Distriparks by way of a scheme of amalgamation. As of 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, PCCW, the Company or the Trustee-Manager.

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

DIRECTORS' SERVICE CONTRACTS

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

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

As at 31 December 2022, the Directors, the chief executives of the Company and the Trustee-Manager (collectively referred to as the "Chief Executives") and their respective close associates had the following interests or short positions in the Share Stapled Units and underlying Share Stapled Units, and the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register(s) required to be kept under Section 352 of the SFO or as otherwise notified to the Company, the Trustee-Manager and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules:

1. Interests in HKT Trust and HKT Limited

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

	Number of Share Stapled Units held				
Name of Director/Chief Executive	Personal 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%
Peter Anthony Allen *(Note 3)*	21,530	–	–	21,530	0.0003%

Each Share Stapled Unit confers an interest in:

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

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

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

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

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

Notes:

1. (a) Of these Share Stapled Units, Pacific Century Diversified Limited ("PCD"), a wholly-owned subsidiary of Chiltonlink Limited ("Chiltonlink"), held 20,227,614 Share Stapled Units, Eisner Investments Limited ("Eisner") held 46,020,000 Share Stapled Units and Hopestar Holdings Limited ("Hopestar") held 1,408,350 Share Stapled Units. Li Tzar Kai, Richard owned 100% of the issued share capital of Chiltonlink, Eisner and Hopestar.

   (b) These interests represented:

   (i) a deemed interest in 130,511,730 Share Stapled Units held by Pacific Century Group Holdings Limited ("PCGH"). Li Tzar Kai, Richard was the founder of certain trusts which held 100% interests in PCGH. Accordingly, Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the 130,511,730 Share Stapled Units held by PCGH; and

   (ii) a deemed interest in 22,279,151 Share Stapled Units held by PCRD, a company in which PCGH had, through itself and certain wholly-owned subsidiaries being Anglang Investments Limited, Pacific Century Group (Cayman Islands) Limited, Pacific Century International Limited and Borsington Limited, an aggregate of 88.63% interest. Li Tzar Kai, Richard was the founder of certain trusts which held 100% interests in PCGH. Accordingly, Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the 22,279,151 Share Stapled Units held by PCRD. Li Tzar Kai, Richard was also deemed to be interested in 1.06% of the issued share capital of PCRD through Hopestar.

2. These interests represented awards made to Hui Hon Hing, Susanna, which were subject to certain vesting conditions pursuant to the relevant award schemes of the Company and PCCW, namely the HKT Share Stapled Units Purchase Scheme and the Purchase Scheme. Details of the HKT Share Stapled Units Purchase Scheme are set out in the section below headed "**Share Stapled Unit Schemes**".

3. As disclosed in the previous annual and interim reports of HKT Trust and HKT Limited, a private company owned by Li Tzar Kai, Richard ("Private Co") provided an interest-free loan facility not exceeding the amount of S$25,000,000 (equivalent to approximately HK$148,000,000*) to Peter A. Allen at his request and for personal reasons. In 2020, the parties agreed to amend the terms of this loan facility to increase the principal amount of the loan by S$23,000,000 (equivalent to approximately HK$136,000,000*) to a total amount of not more than S$48,000,000 (equivalent to approximately HK$284,000,000*). The loan is repayable upon written request by Private Co giving six months' prior notice. As of 31 December 2022, S$35,166,000 (equivalent to approximately HK$205,000,000*) of the loan had been repaid by Peter A. Allen to Private Co, and S$12,834,000 (equivalent to approximately HK$79,000,000*) remained outstanding. This private arrangement is not connected with and does not conflict with Peter A. Allen's duties at HKT Trust and HKT Limited.

   * Hong Kong dollar figures are for reference only based on prevailing exchange rates

2. Interests in the Associated Corporation of the Company

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

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

	Number of ordinary shares of PCCW held				
Name of Director/Chief Executive	Personal interests	Corporate interests	Other interests	Total	Approximate percentage of the total number of shares of PCCW 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%
Peter Anthony Allen	246,596	–	–	246,596	0.003%

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

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

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

Notes:

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

   (b) These interests represented:

   (i) a deemed interest in 175,312,270 shares of PCCW held by PCGH. Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the 175,312,270 shares of PCCW held by PCGH; and

   (ii) a deemed interest in 1,753,529,954 shares of PCCW held by PCRD. Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the 1,753,529,954 shares of PCCW held by PCRD.

2. These interests represented awards made to Hui Hon Hing, Susanna, which were subject to certain vesting conditions pursuant to an award scheme of PCCW, namely the Purchase Scheme.

Save as disclosed in the foregoing, as at 31 December 2022, none of the Directors or the Chief Executives or their respective close associates had any interests or short positions in any Share Stapled Units or underlying Share Stapled Units, or in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register(s) required to be kept under Section 352 of the SFO or as otherwise notified to the Company, the Trustee-Manager and the Stock Exchange pursuant to the Model Code of the Listing Rules.

SHARE STAPLED UNIT SCHEMES

1. Share Stapled Units Option Scheme

HKT Trust and the Company operate a Share Stapled Units option scheme which was adopted by the holders of Share Stapled Units and the shareholders of PCCW at their annual general meetings held on 7 May 2021 (the "Adoption Date") (the "2021-2031 Option Scheme"). Under the 2021-2031 Option Scheme, the Trustee-Manager Board and the Company Board shall be entitled to offer to grant a Share Stapled Unit option to any eligible participant whom the Trustee-Manager Board and the Company Board may, at their absolute discretion, select. The major terms of the 2021-2031 Option Scheme are set out below:

(1) The purpose of the 2021-2031 Option Scheme is to enable the HKT Trust and the Company, acting jointly by mutual agreement between them, to grant options to the eligible participants as incentives or rewards for their contribution to the growth of the Group and to provide the Group with a more flexible means to reward, remunerate, compensate and/or provide benefits to the eligible participants.

(2) Eligible participants include (a) any full time or part time employee of the Company and/or any of its subsidiaries; (b) any director (including executive, non-executive or independent non-executive) of the Company and/or any of its subsidiaries; and (c) any consultant or adviser (whether professional or otherwise and whether on an employment or contractual or honorary basis or otherwise and whether paid or unpaid), distributor, contractor, supplier, service provider, agent, customer and/or business partner of the Company and/or any of its subsidiaries. The Trustee-Manager is not an eligible participant under the 2021-2031 Option Scheme.

SHARE STAPLED UNIT SCHEMES *(CONTINUED)*

1. Share Stapled Units Option Scheme *(continued)*

(3) (i) Notwithstanding any other provisions of the 2021-2031 Option Scheme, no options may be granted under the 2021-2031 Option Scheme if the exercise of the options may result in PCCW ceasing to hold at least 51% of the Share Stapled Units in issue (on a fully diluted basis assuming full conversion or exercise of all outstanding options and other rights of subscription, conversion and exchange for Share Stapled Units).

(ii) In addition, the maximum aggregate number of Share Stapled Units which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2021-2031 Option Scheme and any other share option schemes of the HKT Trust and the Company must not exceed 30% of the issued Share Stapled Units from time to time. No options may be granted under the 2021-2031 Option Scheme if this will result in such limit being exceeded.

(iii) Subject to the further limitation in (i) above, as required by the Listing Rules, the total number of Share Stapled Units which may be issued upon exercise of all options to be granted under the 2021-2031 Option Scheme and any other share option schemes of the HKT Trust and the Company must not, in aggregate, exceed 10% of the issued Share Stapled Units as at the Adoption Date unless the approval of holders of Share Stapled Units has been obtained.

As at the date of this annual report, the total number of Share Stapled Units available for issue in respect of options which may be granted under the 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 the Company, or any of their respective associates) under the 2021-2031 Option Scheme (including exercised, cancelled and outstanding options under the 2021-2031 Option Scheme) in any 12-month period shall not exceed 1% of the Share Stapled Units in issue at the relevant time. For options granted or to be granted to a substantial holder of Share Stapled Units or an independent non-executive director of the Trustee-Manager and the Company, or any of their respective associates, the said limit is reduced to 0.1% of the Share Stapled Units in issue and HK$5 million in aggregate value based on the closing price of the Share Stapled Units on the date of each grant. Any further grant of Share Stapled Unit options in excess of such limits is subject to the approval of registered holders of Share Stapled Units in general meeting.

(5) The options granted under the 2021-2031 Option Scheme will be vested according to the terms and conditions as determined by the Trustee-Manager Board and the Company Board, provided that such terms and conditions shall not be inconsistent with the 2021-2031 Option Scheme and no option may be exercised 10 years after the date of grant.

(6) The 2021-2031 Option Scheme does not specify any consideration which is payable on acceptance of an option. Upon acceptance of the offer, the date on which the option is offered shall be deemed to be the date of grant of the relevant option, except in determining the date of grant for the purpose of calculating the subscription price for grants requiring approval of holders of Share Stapled Units in accordance with the provisions of the 2021-2031 Option Scheme.

(7) The subscription price for Share Stapled Units in respect of any particular option shall not be less than the highest of (i) the closing price per Share Stapled Unit on the main board as stated in the Stock Exchange's daily quotation sheet on the date of grant, which must be a business day; (ii) the average closing price per Share Stapled Unit on the main board as stated in the Stock Exchange's daily quotation sheet for the 5 business days immediately preceding the date of grant; and (iii) the nominal value of a Share Stapled Unit.

(8) Subject to the early termination by an ordinary resolution in general meeting of registered holders of Share Stapled Units or resolutions of the Trustee-Manager Board and the Company Board, the 2021-2031 Option Scheme shall be valid and effective for a period of 10 years commencing from the Adoption Date and expiring on the tenth anniversary thereof, after which period no further options shall be granted but the provisions of the 2021-2031 Option Scheme shall remain in full force and effect in all other respects.

SHARE STAPLED UNIT SCHEMES *(CONTINUED)*

1. **Share Stapled Units Option Scheme** *(continued)*

   No Share Stapled Unit options have been granted under the 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 2021-2031 Option Scheme mandate was 757,574,233.

2. **Share Stapled Units Award Schemes**

   On 11 October 2011, the Company adopted two award schemes pursuant to which awards of Share Stapled Units may be made, namely the HKT Share Stapled Units Purchase Scheme and the HKT Share Stapled Units Subscription Scheme (collectively the "Share Stapled Units Award Schemes"). The purposes of the Share Stapled Units Award Schemes are to 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 Share Stapled Units Award Schemes include any director or employee of the Company or any of its subsidiaries.

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

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

   (i) as a result of such subscription, PCCW's aggregate holding of Share Stapled Units would on a fully-diluted basis (which shall take into account the relevant subscription(s) proposed to be made under the HKT Share Stapled Units Subscription Scheme, the amount of all outstanding options in respect of Share Stapled Units as granted pursuant to the Share Stapled Units option scheme(s), and all other rights or entitlements granted by the Company concerning the prospective allotment of new Share Stapled Units) represent less than 51% of the total number of Share Stapled Units as would exist were all such commitments to allot new Share Stapled Units to be duly fulfilled; or

   (ii) the Company does not have a relevant general mandate or specific mandate from holders of the Share Stapled Units necessary to effect the allotment and issue of Share Stapled Units pursuant to the scheme.

   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 Subscription Scheme is 74,237,358, representing approximately 0.98% of the Share Stapled Units in issue as at that date.

SHARE STAPLED UNIT SCHEMES *(CONTINUED)*

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

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

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

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

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

SHARE STAPLED UNIT SCHEMES *(CONTINUED)*

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

Details of the Share Stapled Unit awards granted and their 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 Stapled Unit 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) 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 STAPLED UNIT SCHEMES *(CONTINUED)*

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

Notes:

(a) The fair value of awards granted is measured by the quoted market price of the Share Stapled Units at the respective dates of grant. A description of the basis for fair value measurement is set out in note 3(ad)(iii) to the HKT Trust and HKT Limited consolidated financial statements.

(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 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 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 Share Stapled Units Award Schemes are set out in note 29(b) to the HKT Trust and HKT Limited consolidated financial statements.

The number of Share Stapled Units that may be issued in respect of Share Stapled Unit options granted under the 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 Trustee-Manager, the Company or any of their subsidiaries, holding companies or fellow subsidiaries a party to any arrangement that may enable the Directors to acquire benefits by means of the acquisition of Share Stapled Units in HKT Trust and the Company, or shares in, or debentures of, the Company or any other body corporate and none of the Directors or the Chief Executives or their spouses or children under 18 years of age had any right to subscribe for equity or debt securities of the HKT Trust and/or the Company or any of its associated corporations or had exercised any such right during the year under review.

EQUITY-LINKED AGREEMENTS

Details of the 2021-2031 Option Scheme adopted by the HKT Trust and the Company, and the Share Stapled Units Award Schemes adopted by the Company are set out in the section above headed "**Share Stapled Unit Schemes**" and note 29(b) to the HKT Trust and HKT Limited consolidated financial statements.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL HOLDERS OF SHARE STAPLED UNITS

As at 31 December 2022, the following persons (other than Directors or Chief Executives) were substantial holders of Share Stapled Units, and of ordinary shares and preference shares in the Company, and had interests or short positions in the Share Stapled Units and underlying Share Stapled Units, and in the shares and underlying shares of the Company as recorded in the register(s) required to be kept under Section 336 of the SFO:

Name	Capacity	Number of Share Stapled Units held in long position	Approximate percentage of the total number of Share Stapled Units in issue	*Note*
PCCW	Interest in controlled corporation	3,963,449,681	52.29%	1
CAS Holding No. 1 Limited	Beneficial owner	3,963,449,681	52.29%	

Each Share Stapled Unit confers an interest in:

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

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

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

Notes:

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

1. PCCW indirectly held these interests through its direct wholly-owned subsidiary, CAS Holding No. 1 Limited.

Save as disclosed above in this section, the Trustee-Manager and the Company have not been notified of any other persons (other than Directors or Chief Executives) who had an interest or a short position in the Share Stapled Units or underlying Share Stapled Units, or in the shares, underlying shares or debentures of the Company as recorded in the register(s) required to be kept under Section 336 of the SFO as at 31 December 2022.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

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

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

MANAGEMENT CONTRACTS

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

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 December 2022, the interests of the Directors in competing business required to be disclosed pursuant to Rule 8.10 of the Listing Rules were as follows:

Li Tzar Kai, Richard

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

Mai Yanzhou and Wang Fang

Mai Yanzhou was a Vice President of China United Network Communications Group Company Limited ("Unicom"), a Senior Vice President of China United Network Communications Limited ("Unicom A-Share"), an executive director and Senior Vice President of China Unicom (Hong Kong) Limited ("Unicom HK"), and a director and Senior Vice President of China United Network Communications Corporation Limited ("CUCL"). He was also a non-executive director of China Communications Services Corporation Limited ("CCSCL"), a company listed on the Stock Exchange. In May 2022, Mai Yanzhou resigned from the above positions.

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

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

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

PERMITTED INDEMNITY

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

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

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

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

DONATIONS

During the year, the Group made donations for charitable and other purposes of approximately HK$29,700,000 (2021: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

During the year ended 31 December 2022, none of the HKT Trust (including the Trustee-Manager), the Company or the Company's subsidiaries purchased, sold or redeemed any Share Stapled Units.

CONTINUING CONNECTED TRANSACTIONS

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

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

The Trustee-Manager and the Company issued an announcement on 23 December 2022 in relation to the renewal of certain continuing connected transaction agreements made between the HKT Limited Group and the PCCW Group with new annual caps for a term of three years ending 31 December 2025.

PCCW is the controlling holder of the Share Stapled Units in issue and therefore a connected person (as defined in the Listing Rules) of the HKT Trust and HKT.

Set out below are the continuing connected transactions between the HKT Limited Group and the PCCW Group during the year ended 31 December 2022 under the relevant agreements with a term of not exceeding three years. The Trustee-Manager and the Company have complied with the applicable requirements under Chapter 14A of the Listing Rules with respect to the below continuing connected transactions during the year.

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

(1) Provision of carriage services

On 18 July 2019, Hong Kong Telecommunications (HKT) Limited ("HK Telecom"), an indirect wholly-owned subsidiary of the Company, and PCCW Media Limited ("PCCW Media"), the then indirect wholly-owned subsidiary of PCCW, entered into a carriage services agreement (as subsequently novated on 30 September 2020 from PCCW Media to PCCW Media Holdings and as subsequently renewed on 23 December 2022 for a term of three years ending 31 December 2025), pursuant to which HK Telecom agreed to provide or procure the provision of carriage services to the Media Group to facilitate the Media Group's delivery of its pay-TV, free TV, over-the-top services and other services to its customers.

(2) Provision of marketing and sales services

On 18 July 2019, HK Telecom and PCCW Media entered into a marketing and sales services agreement (as subsequently novated on 30 September 2020 from PCCW Media to PCCW Media Holdings and as subsequently renewed on 23 December 2022 for a term of three years ending 31 December 2025), pursuant to which HK Telecom agreed to market and sell Media Group's products and services through the HKT Limited Group's direct marketing staff, front-line (i.e. on the street) sales teams, online shopping platform, shops and via its call centres; and to provide a unified call-centre support service. This agreement is the reciprocal arrangement of the agreement referred to in paragraph (8) below, on like terms, governing sales by the Media Group's dedicated sales staff of the HKT Limited Group's products and services.

(3) Provision of internal (specialist telecom) services

On 18 July 2019, HK Telecom and PCCW Media entered into an internal services agreement (as subsequently novated on 30 September 2020 from PCCW Media to PCCW Media Holdings and as subsequently renewed on 23 December 2022 for a term of three years ending 31 December 2025), pursuant to which HK Telecom agreed to procure that relevant members of the HKT Limited Group provide to the Media Group a range of specialised support services that are integral to the operation of the Media Group's business.

CONTINUING CONNECTED TRANSACTIONS *(CONTINUED)*

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

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

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

On 18 July 2019, HK Telecom and PCCW Media entered into a customer premises equipment (CPE), cloud and networking services agreement (as subsequently novated on 30 September 2020 from PCCW Media to PCCW Media Holdings and as subsequently renewed on 23 December 2022 for a term of three years ending 31 December 2025), pursuant to which HK Telecom agreed to provide customer premises equipment and solutions, cloud, network connectivity relocation and set-up and other related services to the Media Group so as to meet demand from the Media Group for its plan of ongoing infrastructure upgrade and expansion. This covered PCCW Media's office relocation project that required set-up of relevant equipment and facilities, provision of new fixed and broadband lines and IT infrastructure set-up (inclusive of cable networks and security systems) by the HKT Limited Group.

(5) Licensed access to floor space

Under the licence agreement dated 18 July 2019 (as subsequently novated on 30 September 2020 from PCCW Media to PCCW Media Holdings and as subsequently renewed on 23 December 2022 for a term of three years ending 31 December 2025), PCCW Media Holdings was afforded certain limited access rights to floor space for it and members of the Media Group at a number of premises of PCCW-HKT Telephone Limited ("HKTC", an indirect wholly-owned subsidiary of PCCW) ("HKTC's Premises"). Pursuant to a licence agreement signed between HK Telecom and HKTC, HKTC granted to HK Telecom a licence to, among other things, install, store, operate and maintain equipment, machinery, chattels and installations at HKTC's Premises. HKTC continues to meet and defray all costs, expenses and outgoings of HKTC's Premises but HK Telecom is responsible for reimbursing HKTC the outgoings on a periodic basis. HKTC is also required to pay the amount of any income or profit received or to be received by HKTC to HK Telecom in respect of HKTC's Premises. Accordingly, the licence fees paid by the Media Group are passed on by HKTC to HK Telecom pursuant to the aforesaid arrangement. In effect, therefore, these licensing arrangements are akin to direct arrangements between HK Telecom and the Media Group.

On 30 September 2020, PCCW Media and PCCW Media Holdings entered into a licence agreement (as subsequently renewed on 23 December 2022 for a term of three years ending 31 December 2025), pursuant to which PCCW Media agreed to grant to members of the Media Group certain limited rights of access to and use of certain floor space. The licence and related fees are charged based on the area used by the Media Group and, if applicable, in proportion to the total floor space leased by PCCW Media on a pro-rata basis at market rate.

(6) Content provision arrangements

On 30 September 2020, PCCW Media and PCCW Media Holdings entered into a media content services agreement (as subsequently renewed on 23 December 2022 for a term of three years ending 31 December 2025), pursuant to which PCCW Media agreed to provide or procure the provision of media content supply, management, production and production support services to the Media Group for distribution through its various platforms, and media event production, management, consultancy and related services. This agreement is the reciprocal arrangement of the agreement referred to in paragraph (9) below, under which the Media Group provides media content services to the HKT Limited Group.

CONTINUING CONNECTED TRANSACTIONS *(CONTINUED)*

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

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

(7) Provision of service and product packaging

On 18 July 2019, HK Telecom and PCCW Media entered into a service and product packaging agreement (as subsequently novated on 30 September 2020 from PCCW Media to PCCW Media Holdings and as subsequently renewed on 23 December 2022 for a term of three years ending 31 December 2025), comprising two aspects:

- a mutual commitment to package the HKT Limited Group's products and services and the Media Group's products and services from time to time, from which results a dynamic and ongoing series of promotional packages; and
- a commitment by the Media Group to provide the HKT Limited Group and/or its customers with certain services and products, the composition of which is agreed between the parties from time to time.

(8) Provision of marketing and sales services

On 18 July 2019, HK Telecom and PCCW Media entered into a marketing and sales services agreement (as subsequently novated on 30 September 2020 from PCCW Media to PCCW Media Holdings and as subsequently renewed on 23 December 2022 for a term of three years ending 31 December 2025), which represents the reciprocal arrangement to that provided for in the agreement described in paragraph (2) above. By this agreement, PCCW Media Holdings agreed to procure that relevant members of the Media Group will market the products and services of the HKT Limited Group.

(9) Content provision arrangements

On 18 July 2019, HK Telecom and PCCW Media entered into a media content services agreement (as subsequently novated on 30 September 2020 from PCCW Media to PCCW Media Holdings and as subsequently renewed on 23 December 2022 for a term of three years ending 31 December 2025), pursuant to which PCCW Media Holdings has a first right of supply and agreed to supply, procure the supply of or provide content management, production and production support services to the HKT Limited Group for distribution through its various platforms including Now TV, eye and mobile platforms or other platforms.

Services and floor space supplied by the HKT Limited Group to PCCW Solutions Holdings Limited (formerly known as HKT Solutions Holdings Limited) and its subsidiaries (collectively the "Solutions Group")

(10) Provision of telecommunications services and other miscellaneous services

On 18 July 2019, HK Telecom and PCCW Solutions Limited ("PCCW Solutions"), at the time an indirect wholly-owned subsidiary of PCCW, entered into a telecommunications services and other miscellaneous services agreement (as subsequently renewed on 23 December 2022 for a term of three years ending 31 December 2025) whereby HK Telecom and its specified affiliates in the HKT Limited Group agreed to provide certain agreed telecommunications and other miscellaneous services to the Solutions Group on normal commercial terms.

(11) Licensed access to floor space

Under the licence agreement dated 18 July 2019 (as subsequently renewed on 23 December 2022 for a term of three years ending 31 December 2025), PCCW Solutions was afforded certain limited access rights to floor space for it and members of the Solutions Group at a number of HKTC's Premises. Pursuant to a licence agreement signed between HK Telecom and HKTC, HKTC granted to HK Telecom a licence to, among other things, install, store, operate and maintain equipment, machinery, chattels and installations at HKTC's Premises. HKTC continues to meet and defray all costs, expenses and outgoings of HKTC's Premises but HK Telecom is responsible for reimbursing HKTC the outgoings on a periodic basis. HKTC is also required to pay the amount of any income or profit received or to be received by HKTC to HK Telecom in respect of HKTC's Premises. Accordingly, the licence fees paid by the Solutions Group are passed on by HKTC to HK Telecom pursuant to the aforesaid arrangement. In effect, therefore, these licensing arrangements are akin to direct arrangements between HK Telecom and the Solutions Group.

CONTINUING CONNECTED TRANSACTIONS *(CONTINUED)*

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

Services supplied by the Solutions Group to the HKT Limited Group

(12) Provision of solutions services (information technology, logistic and other contractor services)

On 18 July 2019, HK Telecom and PCCW Solutions entered into a consolidated agreement for information technology, logistic and other contractor services, whereby PCCW Solutions and/or its affiliates agreed to provide certain solutions services (e.g. bureau services, application management services, system development services, business processing, order fulfillment and logistical services) to the HKT Limited Group. The consolidated agreement was terminated on 12 August 2022 and was not renewed.

(13) Sub-contracting agreement

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

Other transactions between the HKT Limited Group and the PCCW Group

(14) Provision of corporate shared services

On 18 July 2019, HKT Services Limited ("HKT Services"), a company within the HKT Limited Group, and PCCW Services Limited, a direct wholly-owned subsidiary of PCCW, entered into a shared services agreement (as subsequently renewed on 23 December 2022 for a term of three years ending 31 December 2025), pursuant to which HKT Services and its affiliates agreed to provide certain members of the PCCW Group a range of corporate support services that are integral to the operation of both groups, including managerial support.

(15) Provision of marketing and promotion services

On 18 July 2019, HK Telecom and PCCW-HKT Limited, an indirect wholly-owned subsidiary of PCCW, entered into a marketing and promotion services agreement (as subsequently renewed on 23 December 2022 for a term of three years ending 31 December 2025), pursuant to which HK Telecom agreed to provide marketing and promotion services to members of the PCCW Group for the marketing and promotion of the PCCW Group's products and services.

CONTINUING CONNECTED TRANSACTIONS *(CONTINUED)*

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

The approximate aggregate value and the annual cap for each category of continuing connected transactions as described in paragraphs (1) to (15) above for the financial year ended 31 December 2022 are set out below:

Agreement/Service description	Approximate aggregate values for the financial year ended 31 December 2022 HK$'000	Annual caps for the financial year ended 31 December 2022 HK$'000
Products and services and floor space supplied by the HKT Limited Group to the Media Group		
(1) Provision of carriage services	59,611	175,900
(2) Provision of marketing and sales services	168,507	379,900
(3) Provision of internal (specialist telecom) services	26,521	43,400
(4) Provision of customer premises equipment (CPE) solutions, cloud and networking services	45,098	160,000
(5) Licensed access to floor space	14,738	65,000
(6) Content provision arrangements	98,156	120,000
Products and services supplied by the Media Group to the HKT Limited Group		
(7) Provision of service and product packaging	27,890	905,300
(8) Provision of marketing and sales services	9,053	111,100
(9) Content provision arrangements	164,666	684,000
Services and floor space supplied by the HKT Limited Group to the Solutions Group		
(10) Provision of telecommunications services and other miscellaneous services	1,511,290	1,513,000
(11) Licensed access to floor space	3,400	6,200
Services supplied by the Solutions Group to the HKT Limited Group		
(12) Provision of solutions services (information technology, logistic and other contractor services)	521,700	1,593,500
(13) (a) Contracted service cost from PCCW Macau to PCCS	9,012	150,000
(b) Sub-contracting fees from PCCS to PCCW Macau	592	7,500
Other transactions between the HKT Limited Group and the PCCW Group		
(14) Provision of corporate shared services	307,317	307,700
(15) Provision of marketing and promotion services	178,315	201,400

CONTINUING CONNECTED TRANSACTIONS *(CONTINUED)*

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

The HKT Trust and the Company and PCCW jointly issued an announcement on 23 December 2022 in relation to the renewal of certain existing continuing connected transaction agreements made between the HKT Limited 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 HKT Limited Group to or from the FWD Group. It is considered that provision of these services can be expected to generate additional revenue and operating profit for the relevant members of the HKT Limited Group providing the services, and to increase 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 HKT and the Trustee-Manager. Accordingly, members of the FWD Group are associates of Li Tzar Kai, Richard and thus connected persons of the HKT Trust and HKT under Chapter 14A of the Listing Rules.

Set out below are the continuing connected transactions between the HKT Limited Group and the FWD Group during the year ended 31 December 2022 under the relevant agreements with a term of not exceeding three years. The Trustee-Manager and the Company have complied with the applicable requirements under Chapter 14A of the Listing Rules with respect to the below continuing connected transactions during the year.

Services provided by the HKT Limited Group to the FWD Group

(I) Telecommunications and related services

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

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

2. other support services, such as computer and customer premises equipment (CPE) rental services; teleservices; network, operational and maintenance support services; equipment and facilities leasing services; and other support services as agreed to be provided by members of the HKT Limited Group to the FWD Group. The services are charged on cost-plus basis as agreed by the relevant members of the HKT Limited Group and the FWD Group from time to time.

CONTINUING CONNECTED TRANSACTIONS *(CONTINUED)*

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

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

(II) Insurance and related services

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

1. insurance agency services in Hong Kong to be provided by members of the HKT Limited Group as insurance agent in Hong Kong for selling certain insurance products of members of the FWD Group. Commission for such insurance agency services will be charged at such 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 HKT Limited Group and the FWD Group;

2. reinsurance services to be provided by the HKT Limited Group to the FWD Group under which relevant members of the HKT Limited Group, such as PCCW Risk Finance Limited, being a registered insurer in Bermuda, may reinsure some of the FWD Group's underwriting liabilities arising from insurance policies issued in Hong Kong to members of the HKT Limited Group. Premium to be received by the HKT Limited Group from the FWD Group will be determined based on prevailing market rates and actuarial review of the relevant members of the HKT Limited Group and the FWD Group; and

3. other insurance and related services as may be agreed by members of the HKT Limited Group and the FWD Group from time to time.

(III) Branding and marketing arrangements

On 23 December 2022, now Productions Limited ("now Productions"), an indirect wholly-owned subsidiary of the Company, entered into an amendment agreement to revise the annual cap applicable to a branding and marketing arrangements framework agreement with FWD Life Insurance with a one-year term ended 31 December 2022. Pursuant to such framework agreement, now Productions will provide or enter into, or procure other members of the HKT Limited 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 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.

Services provided by the FWD Group to the HKT Limited Group

(IV) FWD Insurance services and products

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

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

2. other insurance and related services and products as may be agreed by members of the HKT Limited Group and the FWD Group from time to time.

CONTINUING CONNECTED TRANSACTIONS *(CONTINUED)*

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

The approximate aggregate value and the annual cap for each category of continuing connected transactions as described in paragraphs (I) to (IV) above for the financial year ended 31 December 2022 are set out below:

Agreement/Service description	Approximate aggregate values for the financial year ended 31 December 2022 HK$'000	Annual caps for the financial year ended 31 December 2022 HK$'000
Services provided by the HKT Limited Group to the FWD Group		
(I) Telecommunications and related services	43,436	150,000
(II) Insurance and related services	16,426	250,000
(III) Branding and marketing arrangements	1,682	3,000
Services provided by the FWD Group to the HKT Limited Group		
(IV) FWD Insurance services and products	220,471	620,000

Annual Review of Continuing Connected Transactions

The Company's external auditor was engaged to report on the continuing connected transactions described in paragraphs (1) to (15) above entered into between the HKT Limited Group and the PCCW Group and in paragraphs (I) to (IV) above entered into between the HKT Limited Group and the FWD 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 above continuing connected transactions in accordance with Rule 14A.56 of the Listing Rules. A copy of the external auditor's letter has been provided by the Trustee-Manager and the Company jointly to the Stock Exchange.

The Trustee-Manager Board and the Company Board, including the independent non-executive Directors, have reviewed and confirmed that the continuing connected transactions described in paragraphs (1) to (15) and (I) to (IV) above were entered into:

(i) in the ordinary and usual course of business of the HKT Limited Group;

(ii) on normal commercial terms or better; and

(iii) according to the relevant agreements governing them on terms that are fair and reasonable and in the interests of the holders of the Share Stapled Units as a whole.

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

RELATED PARTY TRANSACTIONS

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

PRE-EMPTIVE RIGHTS

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

PUBLIC FLOAT

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

AUDITOR

The HKT Trust and HKT Limited consolidated financial statements for the financial year ended 31 December 2022 and the financial statements of the Trustee-Manager 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 AGM. A resolution for the re-appointment of PricewaterhouseCoopers as auditor of the HKT Trust, the Company and the Trustee-Manager is to be proposed at the forthcoming AGM.

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

Cheung Hok Chee, Vanessa
Group General Counsel and Company Secretary
Hong Kong, 23 February 2023

INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

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

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

Opinion

What we have audited

The consolidated financial statements of HKT Trust, HKT Limited (the "Company") and its subsidiaries (together the "Group") and of HKT Limited and its subsidiaries (the "HKT Limited Group") set out on pages 95 to 192 (together referred to as the "HKT Trust and HKT Limited consolidated financial statements"). As explained in note 1 to the HKT Trust and HKT Limited consolidated financial statements, the consolidated financial statements of the HKT Trust and the consolidated financial statements of HKT Limited are presented together. The HKT Trust and HKT Limited consolidated financial statements together comprise:

- the consolidated statement of financial position as at 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 HKT Trust and HKT Limited consolidated financial statements give a true and fair view of the consolidated financial position of the Group and of the HKT Limited Group as at 31 December 2022, and of their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

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

Independence

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

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

Key Audit Matters

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

Key audit matters identified in our audit are 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 HKT Trust and HKT Limited consolidated financial statements*	
The Group and the HKT Limited Group recognised revenue of HK$34,125 million for the year ended 31 December 2022, including external revenue from Telecommunications Services ("TSS") Business and Mobile Business of HK$22,705 million and HK$10,556 million respectively. The Group and the HKT Limited Group enter into bundled sale contracts with customers in which, apart from the provision of telecommunications services, the Group and the HKT Limited Group have certain other performance obligations to customers such as the delivery of handsets, equipment and gifts. Revenue recognition is subject to high degree of estimation uncertainty and significant inherent risk. Significant management's judgements were needed to appropriately identify the number of performance obligations included in the multiple-element arrangements, to estimate the stand-alone selling price of each performance obligation, and to allocate the total transaction prices from customers to each performance obligation of multiple-element arrangements based on its relative stand-alone selling price. Significant effort was spent auditing the revenue recognised by TSS Business and Mobile Business due to the large volume of transactions, the complexity of the systems used, the significant judgements involved in the identification of performance obligations and the estimation of the stand-alone selling price of each performance obligation to allocate the total transaction prices to multiple-element arrangements.	Our procedures in relation to the judgements and estimates used in the recognition of revenue included: • Obtaining an understanding of and evaluating the internal controls, and validating key controls in place on revenue recognition and assessing the inherent risk of material misstatement by considering the degree of estimation uncertainty and the judgement involved in determining assumptions to be applied; • Assessing the appropriateness of management's assessments on the identification of performance obligations based on the contractual agreements and our knowledge of the business; • Assessing the reasonableness of management's judgements and estimates used to determine the stand-alone selling price of each performance obligation and to allocate revenue to multiple-element arrangements with reference to observable market data; • Testing, on a sample basis, the revenue transactions by tracing the transactions from the billing systems to supporting documents, such as underlying invoices, contractual agreements and evidence of cash receipts; • Testing, on a sample basis, the calculation and allocation of total transaction prices to each performance obligation of multiple-element arrangements; and • Assessing the adequacy of the disclosures related to revenue recognition in the context of HKFRSs disclosure requirements. Based on the procedures performed, we considered that the judgements and estimates used in the recognition of revenue are supported by the available evidence.

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

Key Audit Matters *(continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessments for CGUs containing goodwill *Refer to note 18 to the HKT Trust and HKT Limited consolidated financial statements*	
As at 31 December 2022, the Group and the HKT Limited Group had goodwill amounting to HK$49,803 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 assessments and assessing the inherent risk of material misstatement by considering the degree of estimation uncertainty and the judgement involved in determining assumptions to be applied; • Assessing the reasonableness of management's identification of CGUs based on the Group's and the HKT Limited Group's accounting policies and our understanding of the Group's and the HKT Limited Group's businesses; • Involving our internal expert in assessing the value-in-use calculation methodology in accordance with Hong Kong Accounting Standard 36 *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 12 and 32 to the HKT Trust and HKT Limited consolidated financial statements*	
The Group and the HKT Limited Group operate across several jurisdictions and are subject to Hong Kong and overseas taxes. From time to time, there are queries raised by relevant tax authorities in respect of the tax treatments of certain matters. Significant judgements were used to estimate the outcome of these matters and the appropriate amount of current income tax liabilities. These estimations are subject to high degree of estimation uncertainty and significant inherent risk. The Group and the HKT Limited Group recognised deferred income tax assets of HK$1,170 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 and the HKT Limited Group have 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.

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

Other Information

The directors of HKT Management Limited (in its capacity as the trustee-manager of the HKT Trust) (the "Trustee-Manager") and the directors of the Company are responsible for the other information. The other information comprises all of the information included in the HKT Trust and HKT Limited 2022 annual report other than the HKT Trust and HKT Limited consolidated financial statements, the financial statements of HKT Management Limited and our auditor's reports thereon.

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

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

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

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

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

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

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

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

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

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

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the HKT Limited Group's internal control.

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the HKT Limited Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the HKT Trust and HKT Limited consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the HKT Limited Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the HKT Trust and HKT Limited consolidated financial statements, including the disclosures, and whether the HKT Trust and HKT Limited consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group and the HKT Limited Group to express an opinion on the HKT Trust and HKT Limited consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 23 February 2023

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

CONSOLIDATED INCOME STATEMENT OF HKT TRUST AND OF HKT LIMITED

For the year ended 31 December 2022

In HK$ million (except for earnings per Share Stapled Unit/share of the Company)	Note(s)	2021	**2022**
Revenue	7, 8	33,961	**34,125**
Cost of sales	9(b)	(16,729)	**(17,094)**
General and administrative expenses	9(c)	(10,127)	**(9,777)**
Other losses, net		(8)	**(8)**
Finance costs, net	10	(1,148)	**(1,589)**
Share of results of associates		(115)	**(106)**
Share of results of joint ventures		(15)	**9**
Profit before income tax	7, 9	5,819	**5,560**
Income tax	12	(997)	**(641)**
Profit for the year		4,822	**4,919**
Profit attributable to:			
Holders of Share Stapled Units/shares of the Company		4,808	**4,901**
Non-controlling interests		14	**18**
Profit for the year		4,822	**4,919**
Earnings per Share Stapled Unit/share of the Company	14		
Basic		63.49 cents	**64.71 cents**
Diluted		63.48 cents	**64.70 cents**

The notes on pages 102 to 192 form part of the consolidated financial statements. As explained in note 1, the consolidated financial statements of the HKT Trust and the consolidated financial statements of HKT Limited are presented together.

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

For the year ended 31 December 2022

In HK$ million	2021	**2022**
Profit for the year	4,822	**4,919**
Other comprehensive (loss)/income		
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	(30)	**(74)**
– exchange differences on translating foreign operations of joint ventures	(8)	**(24)**
Cash flow hedges:		
– effective portion of changes in fair value	(2)	**(46)**
– transfer from equity to consolidated income statement	8	**101**
Costs of hedging	(55)	**(114)**
Other comprehensive loss for the year	(87)	**(157)**
Total comprehensive income for the year	4,735	**4,762**
Attributable to:		
Holders of Share Stapled Units/shares of the Company	4,721	**4,744**
Non-controlling interests	14	**18**
Total comprehensive income for the year	4,735	**4,762**

The notes on pages 102 to 192 form part of the consolidated financial statements. As explained in note 1, the consolidated financial statements of the HKT Trust and the consolidated financial statements of HKT Limited are presented together.

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

For the year ended 31 December 2022

In HK$ million	Note	2021 Attributable to holders of Share Stapled Units/shares of the Company	Non-controlling interests	Total equity
As at 1 January 2021		37,838	62	37,900
Total comprehensive income for the year				
Profit for the year		4,808	14	4,822
Other comprehensive (loss)/income				
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		(30)	–	(30)
– exchange differences on translating foreign operations of joint ventures		(8)	–	(8)
Cash flow hedges:				
– effective portion of changes in fair value	28(c)	(2)	–	(2)
– transfer from equity to consolidated income statement	28(c)	8	–	8
Costs of hedging	28(c)	(55)	–	(55)
Other comprehensive loss		(87)	–	(87)
Total comprehensive income for the year		4,721	14	4,735
Transactions with equity holders				
Purchase of Share Stapled Units under the Share Stapled Units Award Schemes		(5)	–	(5)
Employee share-based compensation		17	–	17
Distribution/Dividend for Share Stapled Units/shares of the Company granted under the Share Stapled Units Award Schemes		(2)	–	(2)
Distribution/Dividend paid in respect of the previous year	13	(3,103)	–	(3,103)
Interim distribution/dividend declared and paid in respect of the current year	13	(2,325)	–	(2,325)
Dividends declared and paid to non-controlling shareholders of subsidiaries		–	(19)	(19)
Total contributions by and distributions to equity holders		(5,418)	(19)	(5,437)
Acquisition of a subsidiary		–	(1)	(1)
Total changes in ownership interest in a subsidiary that do not result in a loss of control		–	(1)	(1)
Total transactions with equity holders		(5,418)	(20)	(5,438)
As at 31 December 2021		37,141	56	37,197

In HK$ million	Note	2022 Attributable to holders of Share Stapled Units/shares of the Company	Non-controlling interests	Total equity
As at 1 January 2022		**37,141**	**56**	**37,197**
Total comprehensive income for the year				
Profit for the year		**4,901**	**18**	**4,919**
Other comprehensive (loss)/income				
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		**(74)**	**–**	**(74)**
– exchange differences on translating foreign operations of joint ventures		**(24)**	**–**	**(24)**
Cash flow hedges:				
– effective portion of changes in fair value	28(c)	**(46)**	**–**	**(46)**
– transfer from equity to consolidated income statement	28(c)	**101**	**–**	**101**
Costs of hedging	28(c)	**(114)**	**–**	**(114)**
Other comprehensive loss		**(157)**	**–**	**(157)**
Total comprehensive income for the year		**4,744**	**18**	**4,762**
Transactions with equity holders				
Issue of Share Stapled Units/shares of the Company under the HKT Share Stapled Units Subscription Scheme	30(a)(i)	**43**	**–**	**43**
Purchase/Subscription of Share Stapled Units under the Share Stapled Units Award Schemes		**(48)**	**–**	**(48)**
Receipt of shares of PCCW Limited ("PCCW Shares") under the PCCW Subscription Scheme		**36**	**–**	**36**
Employee share-based compensation		**16**	**–**	**16**
Distribution/Dividend for Share Stapled Units/shares of the Company granted under the Share Stapled Units Award Schemes		**(2)**	**–**	**(2)**
Distribution/Dividend paid in respect of the previous year	13	**(3,186)**	**–**	**(3,186)**
Interim distribution/dividend declared and paid in respect of the current year	13	**(2,375)**	**–**	**(2,375)**
Dividends declared and paid to non-controlling shareholders of subsidiaries		**–**	**(14)**	**(14)**
Total transactions with equity holders		**(5,516)**	**(14)**	**(5,530)**
As at 31 December 2022		**36,369**	**60**	**36,429**

The notes on pages 102 to 192 form part of the consolidated financial statements. As explained in note 1, the consolidated financial statements of the HKT Trust and the consolidated financial statements of HKT Limited are presented together.

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

As at 31 December 2022

In HK$ million	Note	2021	**2022**
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	25,198	**26,286**
Right-of-use assets	16	2,139	**1,897**
Interests in leasehold land	17	189	**177**
Goodwill	18	49,809	**49,803**
Intangible assets	19	15,617	**16,415**
Fulfilment costs		1,512	**1,658**
Customer acquisition costs		858	**864**
Contract assets		300	**285**
Interests in associates	20	360	**410**
Interests in joint ventures	21	555	**493**
Financial assets at fair value through other comprehensive income	22	124	**147**
Financial assets at fair value through profit or loss	23	38	**34**
Derivative financial instruments	28	131	**27**
Deferred income tax assets	32	758	**968**
Other non-current assets	25	889	**571**
		98,477	**100,035**
Current assets			
Inventories	26(a)	1,218	**1,607**
Prepayments, deposits and other current assets	26(b)	2,141	**3,079**
Contract assets		699	**637**
Trade receivables, net	26(c)	3,953	**3,254**
Amounts due from related companies	6(c)	31	**25**
Financial assets at fair value through profit or loss	23	15	**12**
Derivative financial instruments	28	–	**58**
Tax recoverable		8	**–**
Restricted cash	26(d)	187	**375**
Short-term deposits		472	**116**
Cash and cash equivalents	34(c)	2,411	**1,997**
		11,135	**11,160**
Current liabilities			
Short-term borrowings	26(e)	(61)	**(3,950)**
Trade payables	26(f)	(5,250)	**(5,500)**
Accruals and other payables		(4,221)	**(5,973)**
Derivative financial instrument	28	–	**(98)**
Carrier licence fee liabilities	33	(315)	**(331)**
Amount due to a fellow subsidiary	6(c)	(1,962)	**(2,049)**
Amount due to a related company	6(c)	(65)	**(54)**
Advances from customers		(270)	**(286)**
Contract liabilities		(1,513)	**(1,410)**
Lease liabilities		(1,023)	**(1,049)**
Current income tax liabilities		(1,523)	**(1,909)**
		(16,203)	**(22,609)**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF HKT TRUST AND OF HKT LIMITED *(CONTINUED)*

As at 31 December 2022

In HK$ million	Note	2021	**2022**
Non-current liabilities			
Long-term borrowings	27	(43,628)	**(39,888)**
Derivative financial instruments	28	(128)	**(223)**
Deferred income tax liabilities	32	(4,674)	**(5,048)**
Carrier licence fee liabilities	33	(3,449)	**(3,340)**
Contract liabilities		(1,159)	**(1,031)**
Lease liabilities		(1,162)	**(925)**
Other long-term liabilities		(2,012)	**(1,702)**
		(56,212)	**(52,157)**
Net assets		37,197	**36,429**
CAPITAL AND RESERVES			
Share capital	30(a)	8	**8**
Reserves	31	37,133	**36,361**
Equity attributable to holders of Share Stapled Units/shares of the Company		37,141	**36,369**
Non-controlling interests	24(b)	56	**60**
Total equity		37,197	**36,429**

Approved and authorised for issue by the boards of directors of HKT Management Limited and HKT Limited (collectively, the "Boards") on 23 February 2023 and signed on behalf of the Boards by

Li Tzar Kai, Richard
Director

Hui Hon Hing, Susanna
Director

The notes on pages 102 to 192 form part of the consolidated financial statements. As explained in note 1, the consolidated financial statements of the HKT Trust and the consolidated financial statements of HKT Limited are presented together.

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

For the year ended 31 December 2022

In HK$ million	Note	2021	**2022**
NET CASH GENERATED FROM OPERATING ACTIVITIES	34(a)	10,641	**10,691**
INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		42	**4**
Purchases of property, plant and equipment		(2,378)	**(2,253)**
Additions of intangible assets		(2,887)	**(2,747)**
Net inflow of cash and cash equivalents in respect of a business combination		2	**–**
Investments in associates		(264)	**(156)**
Investment in a joint venture		(30)	**–**
Investment in a financial asset at fair value through profit or loss		(2)	**–**
Loans to a joint venture		(41)	**(46)**
Cash received from lease receivables		83	**–**
Decrease in short-term deposits with maturity more than three months		66	**356**
NET CASH USED IN INVESTING ACTIVITIES		(5,409)	**(4,842)**
FINANCING ACTIVITIES			
New borrowings raised	34(b)	15,912	**22,803**
Finance costs paid	34(b)	(616)	**(899)**
Repayments of borrowings	34(b)	(14,468)	**(22,502)**
Payment for lease liabilities (including interest)	34(b)	(1,624)	**(1,389)**
Movement in amount due to a fellow subsidiary	34(b)	1,305	**1,306**
Movement in amount due to a related company	34(b)	22	**(7)**
Proceeds from issuance of Share Stapled Units/shares of the Company		–	**43**
Distributions/Dividends paid to holders of Share Stapled Units/shareholders of the Company	13	(5,428)	**(5,561)**
Dividends paid to non-controlling shareholders of subsidiaries		(19)	**(14)**
NET CASH USED IN FINANCING ACTIVITIES		(4,916)	**(6,220)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		316	**(371)**
Exchange differences		3	**(43)**
CASH AND CASH EQUIVALENTS			
Beginning of year		2,092	**2,411**
End of year	34(c)	2,411	**1,997**

The notes on pages 102 to 192 form part of the consolidated financial statements. As explained in note 1, the consolidated financial statements of the HKT Trust and the consolidated financial statements of HKT Limited are presented together.

1 BASIS OF PRESENTATION

In accordance with the Trust Deed (as defined below), HKT Trust (the "HKT Trust") and HKT Limited (the "Company") are each required to prepare their own sets of financial statements on a consolidated basis. The HKT Trust consolidated financial statements for the year ended 31 December 2022 comprise the consolidated financial statements of the HKT Trust, the Company and its subsidiaries (together the "Group"), and the Group's interests in associates and joint ventures. The HKT Limited consolidated financial statements for the year ended 31 December 2022 comprise the consolidated financial statements of the Company and its subsidiaries (together the "HKT Limited Group") and the HKT Limited Group's interests in associates and joint ventures, and the Company's statement of financial position.

The HKT Trust controls the Company and the sole activity of the HKT Trust during the year ended 31 December 2022 was investing in the Company. Therefore, the consolidated financial results and financial position that would be presented in the consolidated financial statements of the HKT Trust are identical to the consolidated financial results and financial position of the Company with the only differences being disclosures of the capital of the Company. The directors of the Trustee-Manager (as defined below) and the directors of the Company believe therefore that it is clearer to present the consolidated financial statements of the HKT Trust and of the Company together. The consolidated financial statements of the HKT Trust and the consolidated financial statements of the Company are presented together to the extent they are identical and are hereinafter referred to as the "HKT Trust and HKT Limited consolidated financial statements".

The consolidated income statements, consolidated statements of comprehensive income, consolidated statements of financial position, consolidated statements of changes in equity, consolidated statements of cash flows, principal accounting policies and the related explanatory information are common to the HKT Trust and the Company. The HKT Limited consolidated financial statements also include the stand-alone statement of financial position of the Company as shown in note 5, and the relevant explanatory information in note 30 where information specific to the Company are disclosed separately.

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

2 GENERAL INFORMATION

The HKT Trust is constituted by a Hong Kong law governed trust deed as supplemented, amended or substituted from time to time (the "Trust Deed"), entered into between HKT Management Limited (in its capacity as the trustee-manager of the HKT Trust) (the "Trustee-Manager") and the Company. Under the Trust Deed, the Trustee-Manager has been appointed as the trustee and manager of the HKT Trust. The scope of activities of the HKT Trust specified in the Trust Deed is essentially limited to investing in the Company and all the issued and paid-up ordinary shares of the Company are held by the HKT Trust. The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 14 June 2011. The Company has established a principal place of business in the Hong Kong Special Administrative Region ("Hong Kong") at 39th Floor, PCCW Tower, Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong and is registered as a non-Hong Kong company. The HKT Limited Group is principally engaged in the provision of technology and telecommunications and related services including enterprise solutions, consumer mobile, total home solutions, digital ventures, healthtech services, and media entertainment (the "Pay TV business"). It operates primarily in Hong Kong, and also serves customers in mainland China and other parts of the world.

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

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

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

3 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

a. Statement of compliance

The HKT Trust and HKT Limited consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards, which is a collective term for all individual Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). A summary of the principal accounting policies adopted by the Groups is set out below.

b. Basis of preparation of the financial statements

The following amended Hong Kong Financial Reporting Standards are adopted for the financial year beginning 1 January 2022, but have no material effect on the Groups' 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

The Groups have 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 40.

The consolidated financial statements for the year ended 31 December 2022 comprise the financial statements of the Groups, and the Groups' interests in associates and joint ventures.

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

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

As at 31 December 2022, the current liabilities of the Groups exceeded their current assets by HK$11,449 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 Groups have arrangements to refinance this balance via long-term borrowings; and (ii) current portion of contract liabilities of HK$1,410 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 Groups' ability to generate net operating cash inflows and raise additional debt financing, and the undrawn banking facilities totalling HK$14,459 million as at 31 December 2022, management considers the Groups are able to meet their 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.

The preparation of financial statements in conformity with Hong Kong Financial Reporting Standards requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of judgements about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are 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 HKT Trust and HKT Limited consolidated financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 4.

c. Subsidiaries and non-controlling interests

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

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

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Groups. The cost of an acquisition is measured as the aggregate fair value of the assets transferred, equity instruments issued and liabilities incurred or assumed at the date of exchange. The consideration transferred includes the fair value of any asset, liability or equity resulting from a contingent consideration arrangement. A subsequent change to the fair value of the contingent consideration that is deemed to be an asset or a liability is 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 Groups recognise any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All other components of non-controlling interests are measured at their acquisition-date fair value, unless another measurement basis is required by Hong Kong Financial Reporting Standards.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill (see note 3(i)). If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is 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 Groups treat transactions with non-controlling interests that do not result in a loss of control as transactions with equity holders of the Groups. The difference between the fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

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

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

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

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

Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the HKT Trust and HKT Limited 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.

d. Associates

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

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

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

Unrealised profits and losses resulting from transactions between the Groups and their associates are eliminated to the extent of the Groups' interests in the associates, except where 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 Groups.

e. Joint arrangements

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

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

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

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

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

f. Gaining or losing control

When the Groups cease to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount 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 Groups 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.

g. Property, plant and equipment

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

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

– other items of plant and equipment.

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

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

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

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

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

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

h. Leased assets

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

i. Assets leased to the Groups

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

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

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

– fixed payments (including in-substance fixed payments), less any lease incentives receivable;

– variable lease payments that are based on an index or a rate; and

– payments of penalties for terminating the lease, if the lease term reflects the Groups, as lessees, exercising an option to terminate the lease.

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

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

– the amount of the initial measurement of lease liabilities;

– any lease payments made at or before the commencement date, less any lease incentives received;

– any initial direct costs; and

– restoration costs.

Payments associated with short-term leases and leases of low-value assets are 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.

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

h. Leased assets *(continued)*

ii. Assets leased out by the Groups

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

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

Where the Groups lease out assets under operating leases, the assets are included in the consolidated statement of financial position according to their nature and, where applicable, are depreciated in accordance with the Groups' depreciation policies. Impairment losses are accounted for in accordance with the accounting policy as set out in note 3(o)(ii). Revenue arising from operating leases is recognised in the consolidated income statement in equal instalments over the accounting periods covered by the lease term. 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.

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

i. Goodwill

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

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

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

j. Intangible assets (other than goodwill)

i. Carrier licences

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

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

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

ii. Capitalised programme costs

Costs incurred to produce or acquire television rights, for which the Groups 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 2 to 4 years and the licence period. Other costs incurred for the transmission rights for showing programmes, sports events and films on the Groups' television channels, including sport rights for multiple seasons or competitions, of which the broadcasting schedules are determined by the content providers, are 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 prepayments, deposits and other current assets or accruals and other payables, as appropriate.

iii. Software

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

Development costs that are directly attributable to the design and testing of the identifiable software are 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 Groups have power to obtain future economic benefits flowing from the underlying resource.

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

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

iv. Other intangible assets

Other intangible assets that are acquired by the Groups are stated in the consolidated statement of financial position at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 3(o)(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	8 to 10 years

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

k. Fulfilment costs

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

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

l. 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 Groups expect to recover those costs. Costs of obtaining a contract are amortised on a systematic basis over the expected life of the customer contract.

m. Contract assets/liabilities

Customer pays according to a pre-agreed payment schedule. If the performance obligations fulfilled by the Groups exceed the total non-refundable payments received and unconditional rights to contract consideration to date, a contract asset is 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 Groups' rights to the contract consideration become unconditional.

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

n. Investments in debt and equity securities

Classification

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

– those to be measured subsequently at fair value (at either fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVPL")); and

– those to be measured at amortised cost.

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

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

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

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Groups commit 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 Groups have transferred substantially all the risks and rewards of ownerships.

Initial measurement

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

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

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

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

Subsequent measurement

Debt instruments

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

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

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

o. Impairment of assets

i. Investments in debt instruments and trade and other receivables

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

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

– internal credit rating;

– external credit rating (as far as available);

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

o. Impairment of assets *(continued)*

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

– actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations;

– actual or expected significant changes in the operating results of the borrower;

– significant increases in credit risk on other financial instruments of the same borrower; and

– significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of the borrower in the Groups and changes in the operating results of the borrower.

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

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

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

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

ii. Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period, or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously 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.

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

o. Impairment of assets *(continued)*

ii. Impairment of other assets *(continued)*

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

– Calculation of recoverable amount

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

– Recognition of impairment losses

An impairment loss is 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.

iii. Interim financial reporting and impairment

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

Impairment losses 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.

p. 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 3(q)).

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

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

q. Hedging

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

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is 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 Groups designate only the change in fair value of the forward contract related to the spot component as the hedging instrument. Gains or losses relating to the effective portion of the change in the spot component of the forward contracts are 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 Groups designate only the change in fair value of the swap contract after exclusion of the foreign currency basis spread component as the hedging instrument. Gains or losses relating to the effective portion of the swap contract after exclusion of foreign currency basis spread component are 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.

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 denominated 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.

r. Inventories

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

Purchased parts and materials and finished goods are carried at the lower of cost and net 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 Groups' telecommunications systems, are stated at cost less provision for deterioration and obsolescence.

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

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

s. Trade and other receivables

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

t. Cash and cash equivalents

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

u. Trade and other payables

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

v. 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.

w. Provisions and contingent liabilities

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

x. Revenue recognition

Telecommunications services comprise local telephony, local data and broadband, international telecommunications, mobile, enterprise solutions, the Pay TV business, 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 Groups also deliver handsets, equipment, gifts and reward points from the Groups' customer loyalty programme offering a variety of goods and services ("Reward Points"), which are considered as separate performance obligations.

Revenue is measured at the fair value of the consideration received or receivable for the sales of goods and rendering of services in the ordinary course of the Groups' activities. Revenue is 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.

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

x. Revenue recognition *(continued)*

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

For the telecommunications services, revenue is recognised over time as the customer simultaneously receives and consumes the benefits provided by the Groups' performance as the Groups perform and is based on the output method, either as the service allowance units are used or as time elapses, because it reflects the pattern by which the Groups satisfy the performance obligation through the transfer of services to the customer. For service plan based on usage, where monthly usage exceeds the allowance, the overage usage represents options held by the customer for incremental services and the usage-based fee is 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.

Revenue from enterprise solutions services is recognised over time as the Groups' performance creates or enhances an asset that the customer controls as the asset is created or enhanced. Input method is used to measure the progress as it depicts the Groups' performance in transferring the control of the asset. The progress is measured by reference to the percentage of contract costs incurred to date to estimated total contract costs for the contract. When the outcome of a contract cannot be estimated reliably, revenue is 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.

Subscription income from the interactive pay-TV services is recognised rateably over the contract period which generally coincides with when the services are rendered.

Advertising income from interactive pay-TV services is recognised (i) when the advertisements are telecast on pay-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 Groups' website and mobile platforms.

Customers are invoiced in advance on a monthly basis or invoiced according to the pre-agreed payment schedule as set out in the customer contracts.

A financing component, if any, might exist when timing of the payment for goods or services by the customers, differs from the timing of satisfaction of the performance obligation. Such financing component is not significant to the Groups.

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

y. Interest income

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

z. Dividend income

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

aa. Borrowing costs

Borrowing costs are expensed in the consolidated income statement in the period in which they are incurred, except to the extent that they are 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.

ab. Cost of sales and general and administrative expenses

General and administrative expenses represent operating costs incurred other than cost of sales. Cost of sales mainly includes cost of inventories sold, connectivity costs and staff costs relating to sales; while general and administrative expenses mainly include depreciation of property, plant and equipment, depreciation of right-of-use assets, 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.

ac. Income tax

i. Income tax for the year comprises current income tax and movements in deferred income tax assets and liabilities. Current income tax and movements in deferred income tax assets and liabilities are 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.

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

ac. Income tax *(continued)*

iii. *(continued)*

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.

iv. Current income tax balances and deferred income tax balances, and movements therein, are presented separately from each other and are not offset. Current income tax assets are offset against current income tax liabilities, and deferred income tax assets against deferred income tax liabilities, if the Groups have the legally enforceable right to set off current income tax assets against current income tax liabilities and the following additional conditions are met:

- in the case of current income tax assets and liabilities, the Groups intend either to settle on a net basis, or to 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.

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

ad. Employee benefits

i. Short-term employee benefits

Salaries, annual bonuses, annual leave and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

ii. Retirement benefits

The Groups operate defined contribution retirement schemes (including the Mandatory Provident Fund) for their employees, the assets of which are generally held in separate trustee-administered funds. The schemes are generally funded by contributions from the relevant companies in the Groups.

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

The Groups' contributions to the defined contribution retirement schemes are recognised as an expense in the consolidated income statement in the period to which the contributions relate.

iii. Share-based payments

PCCW and the Groups operate share option schemes where employees of the Groups (including directors) are granted options to acquire PCCW Shares and Share Stapled Units at specified exercise prices. The fair value of the employee services received in exchange for the grant of options to acquire PCCW Shares and Share Stapled Units is recognised as staff costs in the consolidated income statement with a corresponding increase in a capital contribution from members in respect of employee share-based compensation under equity and an employee share-based compensation reserve respectively. The fair value of the options granted is measured at grant date using the trinomial option pricing model, taking into account the terms and conditions upon which the options were granted, and spread over the respective vesting period during which the employees become unconditionally entitled to the options. During the vesting period, the number of options that are expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years regarding the options to acquire PCCW Shares and options to acquire Share Stapled Units is charged or credited in the consolidated income statement for the year of the review, unless the original staff costs qualify for recognition as an asset, with a corresponding adjustment to the capital contribution from members in respect of employee share-based compensation under equity and the employee share-based compensation reserve respectively.
On vesting date, the amount recognised as staff costs regarding the options to acquire PCCW Shares and options to acquire Share Stapled Units is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital contribution from members in respect of employee share-based compensation under equity and the employee share-based compensation reserve respectively). The equity amount regarding the options to acquire PCCW Shares remains in the capital contribution from members in respect of employee share-based compensation under equity. The equity amount regarding the options to acquire Share Stapled Units is recognised in the employee share-based compensation reserve until either the options are exercised (when it is transferred to the share capital and share premium account) or the options expire (when it is released directly to retained profits).

Share Stapled Units may be granted to employees at nil consideration under the Company's Share Stapled Units award schemes, under which the awarded Share Stapled Units are either newly issued at issue price (the "HKT Share Stapled Units Subscription Scheme") or purchased from the open market (the "HKT Share Stapled Units Purchase Scheme").

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

ad. Employee benefits *(continued)*

iii. Share-based payments *(continued)*

The cost of Share Stapled Units purchased from the open market under the HKT Share Stapled Units Purchase Scheme and the issue price of newly issued Share Stapled Units under the HKT Share Stapled Units Subscription Scheme are recognised in equity as treasury stock. The fair value of the employee services received in exchange for the grant of Share Stapled Units under both schemes is 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 as treasury stock is transferred to the employee share-based compensation reserve with the difference recognised in equity.

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

Awards under the PCCW Purchase Scheme and the PCCW Subscription Scheme are accounted for as cash-settled share-based payments. The fair value of the awarded PCCW Shares represents the quoted market price of PCCW Shares purchased from the open market under the PCCW Purchase Scheme and the issue price of PCCW Shares under the PCCW Subscription Scheme is recognised as financial assets at FVPL, and subsequently measured at fair value. The fair value of the employee services received in exchange for the grant of PCCW Shares is recognised as staff costs in the consolidated income statement over the respective vesting period with a corresponding obligation being recognised. 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 obligation. 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 obligation) and the carrying amount of awarded PCCW Shares recognised in the financial assets at FVPL is offset with the obligation.

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.

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

ae. Translation of foreign currencies

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

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are 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.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of transactions. Items of foreign operations in the consolidated statement of financial position, including goodwill arising on consolidation of foreign operations, are translated into Hong Kong dollars at the foreign exchange rates ruling at the end of the reporting period. The resulting exchange differences are 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.

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

af. Related parties

For the purposes of the HKT Trust and HKT Limited consolidated financial statements, a party is considered to be related to the Groups if:

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

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

iii. the party is an associate of the Groups or a joint venture in which the Groups are venturers;

iv. the party is a member of key management personnel of the Groups or the Groups' parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individual;

v. the party is a close family member of a party referred to in note i above or is an entity under the control, joint control or significant influence of such party;

vi. the party is a post-employment benefit plan which is for the benefit of employees of the Groups or of any entity that is a related party of the Groups; or

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

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

ag. Segment reporting

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

Segment revenue, expenses, results and assets include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment revenue, expense and segment performance include transactions between segments. Inter-segment pricing is based on similar terms to those available to other external parties for similar services. Inter-segment transactions are eliminated in full in preparing the HKT Trust and HKT Limited consolidated financial statements.

Segment capital expenditure is the total cost incurred during the year to acquire segment assets (including property, plant and equipment and interests in leasehold land) that are expected to be used for more than one year.

ah. Distribution/Dividend to the holders of Share Stapled Units/shares of the Company

Distribution/Dividend to the holders of Share Stapled Units/shares of the Company is recognised as a liability in the HKT Trust and HKT Limited consolidated financial statements and the Company's financial statements in the period in which the distribution/dividend is approved by the Boards or holders of Share Stapled Units/shares of the Company, where appropriate.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

The Groups make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Notes 18 and 36 contain information about the assumptions and their risk factors relating to goodwill impairment and financial instruments. Management has also made judgements in applying the Groups' accounting policies. These judgements and other key sources of estimation uncertainty are discussed below:

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

At the end of each reporting period, the Groups review internal and external sources of information to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously 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. 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 Groups are required to use judgement in applying such information to their business. The Groups' interpretation of this information has a direct impact on whether an impairment assessment is performed as at the end of any given reporting period. Such information is particularly significant as it relates to the Groups' telecommunications services and infrastructure businesses in Hong Kong.

If an indication of impairment is identified, such information is further subject to an exercise that requires the Groups to estimate the recoverable amount, representing the greater of the asset's fair value less costs of disposal or its value-in-use. Depending on the Groups' assessment of the overall materiality of the asset under review and complexity of deriving a reasonable estimate of the recoverable amount, the Groups may perform such assessments utilising internal resources or the Groups may engage external advisors to counsel the Groups. Regardless of the resources utilised, the Groups are 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.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(CONTINUED)*

ii. Revenue recognition

Under certain arrangements, apart from the provision of telecommunications, media entertainment, and other services, the Groups have certain other performance obligations to customers such as the delivery of handsets, equipment, gifts and Reward Points. When multiple-element arrangements exist, the total transaction price receivable from customers is allocated among the Groups' performance obligations on a relative stand-alone selling price basis. Management estimates the stand-alone selling price at contract inception mainly based on observable retail prices and observable market data of the respective performance obligations in similar circumstances to similar customers. If a bundled discount is granted, it is allocated to respective performance obligations based on their relative stand-alone selling prices. The Groups are required to exercise considerable judgement in relation to estimating the stand-alone selling price.

iii. Deferred income tax

While deferred income tax liabilities are provided in full on all taxable temporary differences, deferred income tax assets are 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 Groups consider future taxable income and business plans. In the event that the Groups' estimates of projected future taxable income and benefits from available business plans are changed, or changes in current income tax regulations are enacted that would impact the timing or extent of the Groups' ability to 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 Groups make a provision for current income tax based on estimated taxable income for the year. The estimated income tax liabilities are primarily computed based on the tax computations as prepared by the Groups. Nevertheless, from time to time, there are queries raised by the tax authorities of Hong Kong and elsewhere on the tax treatment of items included in the tax computations and certain non-routine transactions. If the Groups consider it probable that these queries or judgements will result in different tax positions, the most likely amounts of the outcome will be estimated and adjustments to the income tax expense and income tax liabilities will be made accordingly.

v. Lives of property, plant and equipment, intangible assets (other than goodwill), fulfilment costs and customer acquisition costs

The Groups have significant property, plant and equipment, intangible assets (other than goodwill), fulfilment costs and customer acquisition costs. The Groups are 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 Groups' strategies and expected lives of customer contracts. The Groups perform annual reviews to assess the appropriateness of the estimated lives. Such reviews take into account any unexpected adverse changes in circumstances or events, including declines in projected operating results, negative industry or economic trends and rapid advancements in technology. The Groups extend or shorten the lives according to the results of the reviews.

vi. Lease term and discount rate determination

In determining the lease term, management considers facts and circumstances such as conditions of the Groups' existing leases, future technology changes, business developments and the Groups' strategies, that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Potential future cash outflows are not included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee. As at 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 Groups are required to exercise considerable judgement by taking into account the nature of the underlying assets and the terms and conditions of the leases, at both the commencement date and the effective date of the lease modification (if any).

5 STATEMENT OF FINANCIAL POSITION OF THE COMPANY

In HK$ million	Note	2021	**2022**
ASSETS AND LIABILITIES			
Non-current assets			
Interests in subsidiaries		30,820	**30,919**
		30,820	**30,919**
Current assets			
Prepayments and deposits		6	**9**
Amounts due from subsidiaries		4,509	**4,492**
Tax recoverable		8	**–**
		4,523	**4,501**
Current liabilities			
Accruals and other payables		(3)	**(3)**
Amounts due to subsidiaries		(158)	**(158)**
Current income tax liabilities		–	**(5)**
		(161)	**(166)**
Net assets		35,182	**35,254**
CAPITAL AND RESERVES			
Share capital	30(a)	8	**8**
Reserves	30(b)	35,174	**35,246**
Total equity		35,182	**35,254**

Approved and authorised for issue by the board of directors of the Company on 23 February 2023 and signed on behalf of the board of directors of the Company by

Li Tzar Kai, Richard
Director

Hui Hon Hing, Susanna
Director

6 RELATED PARTY TRANSACTIONS

PCCW is the controlling holder of Share Stapled Units. CAS Holding No. 1 Limited and PCCW are the immediate and ultimate holding companies of the Company respectively.

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

In HK$ million	Note	2021	**2022**
Telecommunications service fees, data centre service fees and contact centre service charges received or receivable from a substantial shareholder of PCCW	a	130	**158**
Telecommunications service fees and data centre service fees paid or payable to a substantial shareholder of PCCW	a	105	**119**
Telecommunications service fees, 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	32	**48**
Telecommunications service fees, equipment purchase costs, outsourcing fees, rental charges and interest expense paid or payable to joint ventures	a	282	**238**
Telecommunications service fees, connectivity service fees, interest income, contact centre service charges, equipment sales, consultancy service charges, advertising fees and other costs recharge received or receivable from associates	a	23	**26**
IT charges, logistics charges and other contractor services fees paid or payable to associates of PCCW	a	–	**397**
Telecommunications service fees, data centre service fees, connectivity service fees, equipment sales, insurance premium, insurance agency service charges, advertising fees, management fee, travel agency service fees and other costs recharge received or receivable from related parties under a common holder of Share Stapled Units/shareholder with the Company	a	55	**69**
Insurance premium and rental charges paid or payable to related parties under a common holder of Share Stapled Units/shareholder with the Company	a	105	**225**
Telecommunications service fees, carriage service fees, marketing and sales services fees, connectivity service fees, management fee, equipment sales, content provision fees, insurance premium, travel agency service fees, rental charges and other costs recharge received or receivable from fellow subsidiaries	a	2,148	**2,455**
Telecommunications service fees, IT and logistics charges, system development and integration charges, consultancy service charges, rental and facilities management charges, management fee, content provision fees and other costs recharge paid or payable to fellow subsidiaries	a	1,449	**775**
Key management compensation	b	29	**29**

a. The above transactions were carried out after negotiations between the Groups and the related parties in the ordinary course of business and on the basis of estimated market value as determined by the directors. In respect of transactions for which the price or volume has not yet been agreed with the relevant related parties, the directors have determined the relevant amounts based on their best estimation.

b. Details of key management compensation

In HK$ million	2021	**2022**
Salaries and other short-term employee benefits	22	**22**
Share-based compensation	6	**6**
Post-employment benefits	1	**1**
	29	**29**

c. Balances with related companies and a fellow subsidiary

As at 31 December 2021 and 2022, other than as specified in notes 20 and 21 and the amount due to a related company which comprised an unsecured loan of HK$53 million (2021: HK$65 million) which bears interest at 2.5% per annum (2021: same) and is repayable within 1 year (2021: same), the amount due to a fellow subsidiary and the other amounts due from related companies are unsecured, non-interest bearing, and have no fixed repayment terms.

7 SEGMENT INFORMATION

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

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

- Telecommunications Services ("TSS") is the leading provider of technology and telecommunications and related services including enterprise solutions, total home solutions, healthtech services, and media entertainment. It operates primarily in Hong Kong, and also serves customers in mainland China and other parts of the world.

- Mobile includes the Groups' mobile telecommunications businesses in Hong Kong.

- Other businesses of the Groups ("Other Businesses") primarily comprise new business areas such as HKT Digital Ventures, and corporate support functions.

The CODM assesses the performance of the operating segments based on a measure of adjusted earnings before interest, tax, depreciation and 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 Groups' share of results of associates and joint ventures.

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

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

			2021		
In HK$ million	TSS	Mobile	Other Businesses	Eliminations	Consolidated
Revenue					
External revenue	22,259	10,838	864	–	33,961
Inter-segment revenue	1,140	910	8	(2,058)	–
Total revenue	23,399	11,748	872	(2,058)	33,961
External revenue from contracts with customers:					
Timing of revenue recognition					
At a point in time	2,872	3,367	667	–	6,906
Over time	19,332	7,471	197	–	27,000
External revenue from other sources:					
Rental income	55	–	–	–	55
	22,259	10,838	864	–	33,961
Results					
EBITDA	8,949	4,780	(996)	–	12,733
Other information					
Capital expenditure (including property, plant and equipment and interests in leasehold land) incurred during the year	1,435	879	144	–	2,458

7 SEGMENT INFORMATION *(CONTINUED)*

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

			2022		
In HK$ million	**TSS**	**Mobile**	**Other Businesses**	**Eliminations**	**Consolidated**
Revenue					
External revenue	**22,705**	**10,556**	**864**	**–**	**34,125**
Inter-segment revenue	**1,267**	**1,010**	**17**	**(2,294)**	**–**
Total revenue	**23,972**	**11,566**	**881**	**(2,294)**	**34,125**
External revenue from contracts with customers:					
Timing of revenue recognition					
At a point in time	**3,357**	**3,224**	**766**	**–**	**7,347**
Over time	**19,272**	**7,332**	**98**	**–**	**26,702**
External revenue from other sources:					
Rental income	**76**	**–**	**–**	**–**	**76**
	22,705	**10,556**	**864**	**–**	**34,125**
Results					
EBITDA	**9,140**	**4,888**	**(964)**	**–**	**13,064**
Other information					
Capital expenditure (including property, plant and equipment and interests in leasehold land) incurred during the year	**1,426**	**791**	**129**	**–**	**2,346**

The CODM assesses the Pay TV business together with the TSS reportable segment upon the consolidation of the consumer retail business and Pay TV business. To conform with the current year's presentation, relevant revenue of HK$2,456 million with corresponding eliminations and EBITDA of HK$481 million are reclassified to "TSS" for the year ended 31 December 2021.

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

In HK$ million	2021	**2022**
Total segment EBITDA	12,733	**13,064**
Gains/(Losses) on disposal of property, plant and equipment and right-of-use assets, net	24	**(3)**
Depreciation and amortisation	(5,652)	**(5,807)**
Other losses, net	(8)	**(8)**
Finance costs, net	(1,148)	**(1,589)**
Share of results of associates	(115)	**(106)**
Share of results of joint ventures	(15)	**9**
Profit before income tax	5,819	**5,560**

7 SEGMENT INFORMATION *(CONTINUED)*

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

In HK$ million	2021	**2022**
Hong Kong (place of domicile)	28,303	**28,120**
Mainland and other parts of China	1,166	**1,231**
Others	4,492	**4,774**
	33,961	**34,125**

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$95,899 million (2021: HK$94,304 million), and the total of these non-current assets located in other geographical locations was HK$2,840 million (2021: HK$3,012 million).

8 REVENUE

In HK$ million	2021	**2022**
Revenue from contracts with customers	33,906	**34,049**
Revenue from other sources: rental income	55	**76**
	33,961	**34,125**

a. Revenue recognition in relation to contract liabilities

In HK$ million	2021	**2022**
Revenue recognised that was included in the contract liability balance at the beginning of the year	1,423	**1,513**

b. Unsatisfied long-term fixed-price contracts

In HK$ million	2021	**2022**
Aggregate amount of the transaction price allocated to long-term fixed-price contracts that are partially or fully unsatisfied as at 31 December	20,107	**20,078**

As at 31 December 2022, management expected that 55% and 27% (2021: 57% and 24%) 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 18% (2021: 19%) would be recognised as revenue in the periods afterward. The amount disclosed above does not include unsatisfied performance obligation that is related to the Groups' contracts with customers with duration of one year or less and contracts with customers billed directly according to performance completed to date.

9 PROFIT BEFORE INCOME TAX

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

a. Staff costs

In HK$ million	2021	**2022**
Salaries, bonuses and other benefits	2,398	**2,361**
Share-based compensation expenses	33	**30**
Retirement costs for staff under defined contribution retirement schemes	320	**321**
	2,751	**2,712**
Less: staff costs included in cost of sales	(748)	**(788)**
Staff costs included in general and administrative expenses	2,003	**1,924**

b. Cost of sales

In HK$ million	2021	**2022**
Cost of inventories sold	6,648	**6,509**
Connectivity costs	6,201	**7,028**
Staff costs	748	**788**
(Write-back of provision for)/Provision for inventory obsolescence, net	(8)	**23**
Others	3,140	**2,746**
	16,729	**17,094**

9 PROFIT BEFORE INCOME TAX *(CONTINUED)*

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

c. General and administrative expenses

In HK$ million	2021	**2022**
Staff costs	2,003	**1,924**
Impairment loss for trade receivables	174	**130**
Depreciation of property, plant and equipment	1,234	**1,240**
Depreciation of right-of-use assets – land and buildings	1,338	**1,264**
Depreciation of right-of-use assets – network capacity and equipment	139	**116**
Amortisation of land lease premium – interests in leasehold land	13	**12**
Amortisation of intangible assets	1,500	**1,652**
Amortisation of fulfilment costs	393	**421**
Amortisation of customer acquisition costs	1,035	**1,102**
Exchange gains, net	(15)	**(112)**
Less: cash flow hedges: transfer from equity	26	**123**
(Gains)/Losses on disposal of property, plant and equipment and right-of-use assets, net	(24)	**3**
Remuneration to the Company's auditor		
– audit and audit related services	15	**15**
– non-audit services	3	**5**
Remuneration to other auditors		
– audit and audit related services	7	**7**
– non-audit services	1	**1**
Others	2,285	**1,874**
	10,127	**9,777**

10 FINANCE COSTS, NET

In HK$ million	2021	**2022**
Interest expense, excluding interest expense on lease liabilities	(1,195)	**(1,515)**
Interest expense on lease liabilities	(76)	**(64)**
Notional accretion on carrier licence fee liabilities	(64)	**(95)**
Other finance costs	(7)	**(10)**
Hedge ineffectiveness: cross currency swap contracts and foreign exchange forward contracts – cash flow hedges for foreign currency risk	24	**(55)**
Hedge ineffectiveness: interest rate swap contracts – cash flow hedges for interest rate risk	4	**–**
Cash flow hedges: transfer from equity	18	**22**
Unwind of derivative financial instruments	39	**8**
Impact of redesignation of fair value hedges	(16)	**(16)**
	(1,273)	**(1,725)**
Interest capitalised in property, plant and equipment and intangible assets *(note a)*	92	**107**
Total finance costs	(1,181)	**(1,618)**
Interest income	25	**29**
Interest income from net investment in leases	8	**–**
Total interest income	33	**29**
Finance costs, net	(1,148)	**(1,589)**

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: from 2.87% to 3.08%).

11 DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS

Details of directors' emoluments are set out below:

a. Directors' emoluments – cash and cash equivalents paid/payable

	2021							
In HK$ million	Directors' fees	Salaries	Allowances	Benefits in kind[1]	Bonuses[2]	Retirement scheme contributions	Share-based compensation[3]	Total
Executive directors								
Li Tzar Kai, Richard	–	–	–	–	–	–	–	–
Hui Hon Hing, Susanna	–	4.69	4.69	0.05	7.11	0.56	5.73	22.83
Non-executive directors								
Srinivas Bangalore Gangaiah	–	–	–	–	–	–	–	–
Peter Anthony Allen	–	–	–	–	–	–	–	–
Chung Cho Yee, Mico	0.25	–	–	–	–	–	–	0.25
Li Fushen[4]	0.24[5]	–	–	–	–	–	–	0.24
Zhu Kebing[4]	0.24[6]	–	–	–	–	–	–	0.24
Mai Yanzhou[7]	0.002[8]	–	–	–	–	–	–	0.002
Wang Fang[7]	0.002[9]	–	–	–	–	–	–	0.002
Independent non-executive directors								
Professor Chang Hsin Kang	0.25	–	–	–	–	–	–	0.25
Sunil Varma	0.37[10]	–	–	–	–	–	–	0.37
Aman Mehta	0.37[11]	–	–	–	–	–	–	0.37
Frances Waikwun Wong	0.37[12]	–	–	–	–	–	–	0.37
	2.094	4.69	4.69	0.05	7.11	0.56	5.73	24.924

Notes:

1 Benefits in kind mainly includes medical insurance premium.

2 Bonus amount shown above represents the 2020 bonuses that were paid in 2021. It was determined by reference to the Groups and the individual performance during the year ended 31 December 2020.

3 Share-based compensation amount shown above represents the aggregate fair values at the respective award dates of the PCCW Shares and Share Stapled Units vested in 2021 for the director under the share award schemes.

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

5 Fee receivable as a non-executive director in 2021 was surrendered to a subsidiary of China United Network Communications Group Company Limited in accordance with an arrangement between Mr Li Fushen and China United Network Communications Group Company Limited.

6 Fee receivable as a non-executive director in 2021 was surrendered to a subsidiary of China United Network Communications Group Company Limited in accordance with an arrangement between Mr Zhu Kebing and China United Network Communications Group Company Limited.

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

8 Fee receivable as a non-executive director in 2021 was surrendered to a subsidiary of China United Network Communications Group Company Limited in accordance with an arrangement between Mr Mai Yanzhou and China United Network Communications Group Company Limited.

9 Fee receivable as a non-executive director in 2021 was surrendered to a subsidiary of China United Network Communications Group Company Limited in accordance with an arrangement between Ms Wang Fang and China United Network Communications Group Company Limited.

10 Includes HK$124,400 fee as Chairman of Audit Committee.

11 Includes HK$124,400 fee as Chairman of Nomination Committee.

12 Includes HK$124,400 fee as Chairwoman of Remuneration Committee.

11 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)*

	2022							
In HK$ million	Directors' fees	Salaries	Allowances	Benefits in kind[1]	Bonuses[2]	Retirement scheme contributions	Share-based compensation[3]	Total
Executive directors								
Li Tzar Kai, Richard	–	–	–	–	–	–	–	–
Hui Hon Hing, Susanna	–	4.69	4.69	0.03	6.74	0.56	6.45	23.16
Non-executive directors								
Srinivas Bangalore Gangaiah[4]	–	–	–	–	–	–	–	–
Peter Anthony Allen	–	–	–	–	–	–	–	–
Chung Cho Yee, Mico	0.25	–	–	–	–	–	–	0.25
Mai Yanzhou[5]	0.10[6]	–	–	–	–	–	–	0.10
Wang Fang	0.25[7]	–	–	–	–	–	–	0.25
Independent non-executive directors								
Professor Chang Hsin Kang	0.25	–	–	–	–	–	–	0.25
Sunil Varma	0.37[8]	–	–	–	–	–	–	0.37
Aman Mehta	0.37[9]	–	–	–	–	–	–	0.37
Frances Waikwun Wong	0.37[10]	–	–	–	–	–	–	0.37
	1.96	4.69	4.69	0.03	6.74	0.56	6.45	25.12

Notes:

1 Benefits in kind mainly includes medical insurance premium.
2 Bonus amount shown above represents the 2021 bonuses that were paid in 2022. It was determined by reference to the Groups and the individual performance during the year ended 31 December 2021.
3 Share-based compensation amount shown above represents the aggregate fair values at the respective award dates of the PCCW Shares and Share Stapled Units vested in 2022 for the director under the share award schemes.
4 Retired as a non-executive director with effect from 28 February 2022.
5 Resigned as a non-executive director with effect from 30 May 2022.
6 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 Mr Mai Yanzhou and China United Network Communications Group Company Limited.
7 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 Wang Fang and China United Network Communications Group Company Limited.
8 Includes HK$124,400 fee as Chairman of Audit Committee.
9 Includes HK$124,400 fee as Chairman of Nomination Committee.
10 Includes HK$124,400 fee as Chairwoman of Remuneration Committee.

11 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

No retirement benefits were paid to or receivable by any director during the year ended 31 December 2022 by a defined contribution retirement scheme operated by the Groups in respect of 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 Groups' business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the reporting period or at any time during the year ended 31 December 2022 (2021: nil).

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

h. Individuals with highest emoluments

i. Of the five individuals with the highest emoluments, one (2021: one) is a director of the Company and the Trustee-Manager whose emoluments are disclosed in note 11(a). The emoluments in respect of the four (2021: four) 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	17	**16**
Bonuses	4	**3**
Retirement scheme contributions	1	**1**
	22	**20**

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

	Number of individuals	
	2021	**2022**
HK$3,000,001 – HK$3,500,000	–	**1**
HK$4,500,001 – HK$5,000,000	–	**1**
HK$5,000,001 – HK$5,500,000	3	**–**
HK$5,500,001 – HK$6,000,000	–	**1**
HK$6,500,001 – HK$7,000,000	1	**1**
	4	**4**

12 INCOME TAX

a. Income tax in the consolidated income statement represents:

In HK$ million	2021	**2022**
Current income tax:		
Hong Kong profits tax		
– provision for current year	480	**460**
– (over)/under provision in respect of prior years	(3)	**3**
Overseas tax		
– provision for current year	14	**15**
– under provision in respect of prior years	1	**–**
Movement of deferred income tax *(note 32(a))*	505	**163**
	997	**641**

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.

12 INCOME TAX *(CONTINUED)*

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

In HK$ million	2021	**2022**
Profit before income tax	5,819	**5,560**
Notional tax on profit before income tax, calculated at the Hong Kong tax rate of 16.5% (2021: 16.5%)	960	**917**
Effect of different tax rates of subsidiaries operating overseas	7	**3**
Income not subject to tax	(31)	**(13)**
Expenses not deductible for tax purposes	73	**125**
Tax losses not recognised	116	**65**
(Over)/Under provision in respect of prior years, net	(2)	**3**
(Utilisation)/Reversal of previously unrecognised/recognised tax losses	(8)	**6**
Recognition of previously unrecognised tax losses	(17)	**(455)**
Recognition of previously unrecognised temporary differences	(24)	**59**
Net losses of associates and joint ventures not deductible for tax purposes	21	**16**
Corporate income tax incentives	(98)	**(85)**
Income tax expense	997	**641**

13 DISTRIBUTIONS/DIVIDENDS

In HK$ million	2021	**2022**
Interim distribution/dividend declared and paid in respect of the current year of 31.36 HK cents (2021: 30.70 HK cents) per Share Stapled Unit/ordinary share of the Company	2,326	**2,377**
Less: distribution/dividend for Share Stapled Units/ordinary shares of the Company held by the Share Stapled Units Award Schemes	(1)	**(2)**
	2,325	**2,375**
Final distribution/dividend declared in respect of the previous financial year, approved and paid during the year of 42.07 HK cents (2021: 40.97 HK cents) per Share Stapled Unit/ ordinary share of the Company	3,104	**3,189**
Less: distribution/dividend for Share Stapled Units/ordinary shares of the Company held by the Share Stapled Units Award Schemes	(1)	**(3)**
	3,103	**3,186**
	5,428	**5,561**

For the year ended 31 December 2022, the Company proposed a final dividend of 43.15 HK cents per ordinary share, totalling HK$3,271 million (2021: 42.07 HK cents per ordinary share, totalling HK$3,189 million) to the HKT Trust after the end of the reporting period.

For the year ended 31 December 2022, the HKT Trust proposed a final distribution of 43.15 HK cents per Share Stapled Unit, totalling HK$3,271 million (2021: 42.07 HK cents per Share Stapled Unit, totalling HK$3,189 million) to holders of Share Stapled Units after the end of the reporting period.

The final distribution/dividend proposed after the end of the reporting period, referred to above, is not recognised as a liability as at the end of the reporting period.

14 EARNINGS PER SHARE STAPLED UNIT/SHARE OF THE COMPANY

The calculations of basic and diluted earnings per Share Stapled Unit/share of the Company were based on the following data:

	2021	**2022**
Earnings (in HK$ million)		
Earnings for the purpose of basic and diluted earnings per Share Stapled Unit/ share of the Company	4,808	**4,901**
Number of Share Stapled Units/shares of the Company		
Weighted average number of Share Stapled Units/ordinary shares of the Company	7,575,742,334	**7,578,460,142**
Effect of Share Stapled Units held under the Share Stapled Units Award Schemes	(2,967,769)	**(4,744,087)**
Weighted average number of Share Stapled Units/ordinary shares of the Company for the purpose of basic earnings per Share Stapled Unit/share of the Company	7,572,774,565	**7,573,716,055**
Effect of Share Stapled Units awarded under the Share Stapled Units Award Schemes	1,443,288	**1,410,043**
Weighted average number of Share Stapled Units/ordinary shares of the Company for the purpose of diluted earnings per Share Stapled Unit/share of the Company	7,574,217,853	**7,575,126,098**

15 PROPERTY, PLANT AND EQUIPMENT

	2021					
In HK$ million	Buildings	Exchange equipment	Transmission plant	Other plant and equipment	Projects under construction	Total
Cost						
Beginning of year	1,389	23,369	28,144	15,710	2,094	70,706
Additions	–	359	484	417	1,198	2,458
Disposals	(36)	(313)	(258)	(143)	–	(750)
Transfers	–	211	440	345	(996)	–
Exchange differences	–	–	(66)	(9)	–	(75)
End of year	1,353	23,626	28,744	16,320	2,296	72,339
Accumulated depreciation and impairment						
Beginning of year	771	17,605	17,018	11,293	–	46,687
Charge for the year	28	409	477	320	–	1,234
Disposals	(18)	(313)	(258)	(140)	–	(729)
Exchange differences	–	–	(40)	(11)	–	(51)
End of year	781	17,701	17,197	11,462	–	47,141
Net book value						
End of year	572	5,925	11,547	4,858	2,296	25,198
Beginning of year	618	5,764	11,126	4,417	2,094	24,019

15 PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

	2022					
In HK$ million	Buildings	Exchange equipment	Transmission plant	Other plant and equipment	Projects under construction	Total
Cost						
Beginning of year	1,353	23,626	28,744	16,320	2,296	72,339
Additions	–	386	269	427	1,264	2,346
Disposals	–	(204)	(4)	(350)	–	(558)
Transfers	–	163	800	274	(1,237)	–
Exchange differences	–	(38)	11	(54)	(2)	(83)
End of year	1,353	23,933	29,820	16,617	2,321	74,044
Accumulated depreciation and impairment						
Beginning of year	781	17,701	17,197	11,462	–	47,141
Charge for the year	28	412	483	317	–	1,240
Disposals	–	(203)	(2)	(346)	–	(551)
Exchange differences	–	(31)	10	(51)	–	(72)
End of year	809	17,879	17,688	11,382	–	47,758
Net book value						
End of year	544	6,054	12,132	5,235	2,321	26,286
Beginning of year	572	5,925	11,547	4,858	2,296	25,198

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

16 RIGHT-OF-USE ASSETS

In HK$ million	2021	**2022**
Land and buildings	1,928	**1,672**
Network capacity and equipment	211	**225**
Total	2,139	**1,897**

The Groups obtain right to control the use of various land and buildings, and network capacity and equipment for a period of time through lease arrangements. Lease arrangements are negotiated on an individual basis and contain a wide range of different terms and conditions including lease payments and lease terms ranging from 1 to 14 years for land and buildings, and from 1 to 10 years for network capacity and equipment. Except for lease covenants mainly related to the maintenance and use of the leased assets that are commonly found in lease arrangements, there are no other covenants or restrictions imposed by the lease agreements. The leased assets may not be used as security for borrowing purposes.

Additions to the right-of-use assets during the year ended 31 December 2022 were HK$1,149 million (2021: HK$1,278 million).

During the year ended 31 December 2022, total cash outflow for leases amounted to HK$1,493 million (2021: HK$1,725 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.

17 INTERESTS IN LEASEHOLD LAND

In HK$ million	2021	**2022**
Cost		
Beginning and end of year	536	**536**
Accumulated amortisation		
Beginning of year	334	**347**
Charge for the year	13	**12**
End of year	347	**359**
Net book value		
End of year	189	**177**
Beginning of year	202	**189**

18 GOODWILL

In HK$ million	2021	**2022**
Cost		
Beginning of year	49,816	**49,809**
Exchange differences	(7)	**(6)**
End of year	49,809	**49,803**

Impairment tests for CGUs containing goodwill

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

In HK$ million	2021	**2022**
TSS		
– Local telephony and data services	31,739	**31,740**
– Global	1,217	**1,210**
Mobile	16,853	**16,853**
Total	49,809	**49,803**

The recoverable amounts of the CGUs are determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management generally covering a 5-year period. Cash flows beyond the projection period are extrapolated using the estimated terminal growth rates stated below.

The key assumptions used for value-in-use calculations in 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**
TSS								
– Local telephony and data services	2%	2%	1%	8%	**2%**	**2%**	**1%**	**9%**
– Global	2%	5%	3%	14%	**2%**	**2%**	**3%**	**15%**
Mobile	3%	2%	2%	12%	**2%**	**2%**	**2%**	**12%**

These assumptions were used for the analysis of each CGU.

There was no impairment required from the review on goodwill. A reasonably possible change in assumptions would not result in impairment and as such disclosure of sensitivity analysis is not considered necessary.

Management determined budgeted revenue and EBITDA growth rates based on past performance and its expectations for market development. The average growth rates used were consistent with the forecasts included in industry reports. The terminal growth rates did not exceed the long-term average growth rates for the businesses in which the CGUs operate.

19 INTANGIBLE ASSETS

In HK$ million	Trademarks	Carrier licences	Customer base	Software	Capitalised programme costs	Others	Total
				2021			
Cost							
Beginning of year	2,054	5,138	2,964	8,250	128	67	18,601
Additions	–	3,355	–	2,250	103	–	5,708
Write-off	–	(169)	(40)	–	(4)	–	(213)
Exchange differences	–	–	2	–	–	–	2
End of year	2,054	8,324	2,926	10,500	227	67	24,098
Accumulated amortisation							
Beginning of year	754	1,953	2,518	1,941	25	2	7,193
Charge for the year	103	553	202	529	107	6	1,500
Write-off	–	(169)	(40)	–	(4)	–	(213)
Exchange differences	(1)	–	2	–	–	–	1
End of year	856	2,337	2,682	2,470	128	8	8,481
Net book value							
End of year	1,198	5,987	244	8,030	99	59	15,617
Beginning of year	1,300	3,185	446	6,309	103	65	11,408

19 INTANGIBLE ASSETS *(CONTINUED)*

	2022						
In HK$ million	Trademarks	Carrier licences	Customer base	Software	Capitalised programme costs	Others	Total
Cost							
Beginning of year	2,054	8,324	2,926	10,500	227	67	24,098
Additions	–	193	–	2,151	105	3	2,452
Write-off	–	(52)	(2,716)	–	(39)	–	(2,807)
Exchange differences	(5)	–	–	–	–	–	(5)
End of year	2,049	8,465	210	12,651	293	70	23,738
Accumulated amortisation							
Beginning of year	856	2,337	2,682	2,470	128	8	8,481
Charge for the year	102	623	80	733	107	7	1,652
Write-off	–	(52)	(2,716)	–	(39)	–	(2,807)
Exchange differences	(3)	–	–	–	–	–	(3)
End of year	955	2,908	46	3,203	196	15	7,323
Net book value							
End of year	1,094	5,557	164	9,448	97	55	16,415
Beginning of year	1,198	5,987	244	8,030	99	59	15,617

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 3(o)(ii) and 18.

20 INTERESTS IN ASSOCIATES

In HK$ million	2021	**2022**
Share of net assets of associates	423	**469**
Loan due from an associate	7	**7**
Provision for impairment	(70)	**(66)**
	360	**410**

During the year ended 31 December 2021, the Groups made investments in associates of HK$264 million, mainly in associates engaged in businesses in the provision of virtual banking services, and electric vehicle charging solutions and related services.

During the year ended 31 December 2022, the Groups made investments in an associate engaged in business in the provision of virtual banking services of HK$156 million.

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).

a. As at 31 December 2021 and 2022, the Groups considered that there were no principal associates.

b. Contingent liabilities in respect of associates

There were no contingent liabilities relating to the Groups' interests in the associates. As at 31 December 2022, the Groups' share of the contingent liabilities of an associate was HK$2 million (2021: HK$3 million).

c. Summarised unaudited financial information of the Groups' associates

For the year ended 31 December 2022, the aggregate net amounts of the Groups' 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$106 million (2021: HK$115 million), nil (2021: nil) and HK$106 million (2021: HK$115 million), respectively.

d. Reconciliation of summarised unaudited financial information of the Groups' associates

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$410 million (2021: HK$360 million).

During the year ended 31 December 2022, the Groups 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 associates unrecognised by the Groups (2021: nil).

21 INTERESTS IN JOINT VENTURES

In HK$ million	2021	**2022**
Share of net assets of joint ventures	313	**298**
Loan due from a joint venture	242	**195**
	555	**493**

As at 31 December 2022, all balances with joint ventures are unsecured, non-interest bearing, and have no fixed repayment terms except that 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). The amount is considered as part of the interests in joint ventures.

a. Particulars of the principal joint venture of the Groups 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		Measurement method
				Directly	Indirectly	
Genius Brand Limited ("GBL")	Hong Kong	Provision of mobile telecommunications services in Hong Kong	HK$10,000	–	50%	Equity

GBL is a strategic partnership of the Groups, providing access to advanced connectivity services in Hong Kong for the development of mobile business.

GBL is a private company and there is no quoted market price available for its shares.

b. Commitments and contingent liabilities in respect of joint ventures

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

In HK$ million	2021	**2022**
The Groups' commitments to provide funding	46	**34**
The Groups' share of joint ventures' capital commitments authorised and contracted for acquisition of property, plant and equipment	27	**16**
The Groups' share of joint ventures' other commitments	6	**25**

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

21 INTERESTS IN JOINT VENTURES *(CONTINUED)*

c. Summarised unaudited financial information of the Groups' joint ventures

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

In HK$ million	As at 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)**

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 Groups' share of those amounts) and adjusted for differences in accounting policies between the Groups and the joint venture, if any.

21 INTERESTS IN JOINT VENTURES *(CONTINUED)*

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

For the year ended 31 December 2022, the aggregate net amounts of the Groups' share of profit 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$15 million (2021: loss after income tax of HK$10 million), HK$24 million (2021: HK$8 million) and HK$9 million (2021: HK$18 million), respectively.

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

Reconciliation of the summarised unaudited financial information presented to the carrying amount of the Groups' 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**

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$356 million (2021: HK$365 million).

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

22 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

In HK$ million	2021	**2022**
Beginning of year	124	**124**
Additions	–	**23**
End of year	124	**147**

As at 31 December 2022, financial assets at FVOCI comprised unlisted equity investments which are held for strategic purposes (2021: same).

23 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

In HK$ million	2021	**2022**
Listed securities	20	**36**
Less: securities held for employee share award schemes to be vested within one year classified as current assets	(15)	**(12)**
Listed securities (non-current)	5	**24**
Unlisted securities (non-current)	33	**10**
Total non-current portion	38	**34**

Financial assets at FVPL mainly comprise:

- debt instrument that does not qualify for measurement either at amortised cost or at FVOCI;
- equity investments for which the Groups have not elected to recognise fair value gains and losses through other comprehensive income; and
- PCCW Shares acquired and subscribed under the PCCW Purchase Scheme and PCCW Subscription Scheme. Refer to note 29(b)(ii) for details of the share award schemes of PCCW.

During the year ended 31 December 2022, there was disposal of unlisted instruments recognised as financial assets at FVPL of HK$23 million (2021: nil).

During the year ended 31 December 2022, there was no addition of unlisted instruments recognised as financial assets at FVPL (2021: HK$2 million).

24 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	Amount of issued capital/ registered capital	Interest held by the Company		Principal activities
			Directly	Indirectly	
HKT Group Holdings Limited ("HKTGH")	Cayman Islands	US$636,000,026	100%	–	Investment holding
HKT Services Limited	Hong Kong	HK$1	–	100%	Provision of management services to group companies
Hong Kong Telecommunications (HKT) Limited ("HKTL")	Hong Kong	HK$9,945,156,001	–	100%	Provision of telecommunications services
電訊盈科科技(北京)有限公司[4] (PCCW Technology (Beijing) Limited[5])	The People's Republic of China (the "PRC")	RMB40,000,000	–	100%	System integration, software development and technical services consultancy
CSL Mobile Limited	Hong Kong	HK$7,900,280,100 ordinary shares and HK$1,254,000,000 non-voting deferred shares	–	100%	Provision of mobile services to its customers and the sale of mobile handsets and accessories
Sun Mobile Limited	Hong Kong	HK$41,600,002	–	60%[1]	Provision of mobile telecommunications services to customers in Hong Kong
Club HKT Limited	Hong Kong	HK$1	–	100%	Operating customer loyalty programme and online merchandise sales in Hong Kong
Gateway Global Communications Limited	United Kingdom	GBP2	–	100%	Provision of network-based telecommunications services to external customers and related companies
PCCW Global B.V.	Netherlands/ France	EUR18,000	–	100%	Sales, distribution and marketing of telecommunications services and products

24 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	Amount of issued capital/ registered capital	Interest held by the Company Directly	Indirectly	Principal activities
PCCW Global, Inc.	Delaware, U.S.	US$18.01	–	100%	Provision of voice and network-based telecommunications services, and technical consulting and engineering services
PCCW Global Limited	Hong Kong/ Dubai Media City	HK$240,016,690.65	–	100%	Provision of network-based telecommunications services
PCCW Global (Japan) K.K.	Japan	JPY10,000,000	–	100%	Provision of telecommunications services
PCCW Global (HK) Limited	Hong Kong	HK$10	–	100%	Provision of satellite-based and network-based telecommunications services
HKT Global (Singapore) Pte. Ltd.	Singapore/ Malaysia	S$260,960,522.64	–	100%	Provision of telecommunications solutions related services
PCCW (Macau), Limitada	Macau	MOP2,000,000	–	75%[2]	Selling customer premises equipment and related solutions, conducting systems integration projects and providing outsourced contact centre services
PCCW Media Limited	Hong Kong	HK$8,041,216,269 ordinary shares, HK$1 "A" Class share and HK$4 "B" Class shares	–	100%	Provision of pay television programme services, interactive multimedia services, the sale of advertising in various telephone directories, the publishing of those directories in Hong Kong and the sale of advertising on the Internet
PCCW Content Limited	Hong Kong	HK$1	–	100%	Distribution of media content

24 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	Amount of issued capital/ registered capital	Interest held by the Company		Principal activities
			Directly	Indirectly	
廣州電盈綜合客戶服務技術發展有限公司[4] (PCCW Customer Management Technology and Services (Guangzhou) Limited[5])	The PRC	HK$93,240,000	–	100%	Customer service and consultancy
HKT Teleservices International Limited	Hong Kong	HK$350,000,002	–	100%	Provision of customer relationship management and customer contact management solutions and services
北京訊通通信服務有限公司 (Beijing Xun Tong Communications Services Limited[5])	The PRC	RMB10,000,000	–	50%[3]	Provision of telecommunications services, internet information services and computer system services

Certain subsidiaries which do not materially affect the results or financial position of the Groups are not included in the above.

Notes:

1 The equity interest held by non-controlling interest is 40% as at 31 December 2022.
2 The equity interest held by non-controlling interest is 25% as at 31 December 2022.
3 The equity interest held by non-controlling interest is 50% as at 31 December 2022. The entity is accounted for as a subsidiary of the Groups as the Groups own more than half of the voting rights in the board of directors even though the equity interest attributable to the Groups is 50%.
4 Represents a wholly-foreign owned enterprise.
5 Unofficial company name.

b. Non-controlling interests of the Groups' subsidiaries

The total of non-controlling interests as at 31 December 2022 was HK$60 million (2021: HK$56 million), of which HK$47 million (2021: HK$48 million) was mainly attributable to non-controlling interests in Sun Mobile Limited and PCCW (Macau), Limitada.

25 OTHER NON-CURRENT ASSETS

In HK$ million	2021	**2022**
Prepayments	779	**451**
Deposits	110	**120**
	889	**571**

26 CURRENT ASSETS AND LIABILITIES

a. Inventories

In HK$ million	2021	**2022**
Purchased parts and materials	722	**930**
Finished goods	452	**631**
Consumable inventories	44	**46**
	1,218	**1,607**

b. Prepayments, deposits and other current assets

In HK$ million	2021	**2022**
Prepayments	785	**989**
Deposits	360	**343**
Other current assets	996	**1,747**
	2,141	**3,079**

As at 31 December 2022, included in prepayments were prepaid programme costs of HK$235 million (2021: HK$123 million).

c. Trade receivables, net

In HK$ million	2021	**2022**
Trade receivables *(note i)*	4,116	**3,400**
Less: loss allowance *(note ii)*	(163)	**(146)**
Trade receivables, net	3,953	**3,254**

The balance represents amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days from the date of invoice and therefore are all classified as current. Details about the Groups' impairment policies are provided in note 3(o)(i).

As at 31 December 2022, included in trade receivables, net were amounts due from related parties of HK$55 million (2021: HK$39 million).

26 CURRENT ASSETS AND LIABILITIES *(CONTINUED)*

c. Trade receivables, net *(continued)*

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

In HK$ million	2021	**2022**
1 – 30 days	2,829	**2,135**
31 – 60 days	440	**489**
61 – 90 days	180	**193**
91 – 120 days	92	**114**
Over 120 days	575	**469**
	4,116	**3,400**

ii. Impairment for trade receivables

The Groups apply the HKFRS 9 (2014) simplified approach to measure loss allowance for expected credit losses which uses a lifetime expected loss allowance for trade receivables.

To measure the expected credit losses, trade receivables are grouped based on shared credit risk characteristics and the days past due. The expected loss rates are estimated based on the corresponding historical credit losses experienced, adjusted with the expected change between current and forward-looking information on macroeconomic factors, if material. On that basis, the loss allowance as at 31 December 2022 was determined as follows:

Expected credit loss rate	2021	**2022**
Current	1%	**1%**
1 – 120 days past due	3%	**4%**
Over 120 days past due	32%	**37%**

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

In HK$ million	2021	**2022**
Beginning of year	195	**163**
Net impairment loss recognised	174	**130**
Uncollectible amounts written off	(206)	**(147)**
End of year	163	**146**

d. 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.

26 CURRENT ASSETS AND LIABILITIES *(CONTINUED)*

e. Short-term borrowings

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

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

On 8 March 2013, PCCW-HKT Capital No.5 Limited, an indirect wholly-owned subsidiary of the Company, issued US$500 million 3.75% guaranteed notes due 2023, which are listed on the Singapore Exchange Securities Trading Limited. The notes are irrevocably and unconditionally guaranteed by HKTGH and HKTL and rank pari passu with all other outstanding unsecured and unsubordinated obligations of HKTGH and HKTL.

Refer to note 39 for details of the Groups' 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	2,318	**2,009**
31 – 60 days	696	**1,105**
61 – 90 days	879	**1,205**
91 – 120 days	547	**517**
Over 120 days	810	**664**
	5,250	**5,500**

As at 31 December 2022, included in trade payables were amounts due to related parties of HK$325 million (2021: HK$22 million).

27 LONG-TERM BORROWINGS

In HK$ million	2021	**2022**
Repayable within a period		
– over one year, but not exceeding two years	9,592	**3,377**
– over two years, but not exceeding five years	26,111	**25,325**
– over five years	7,925	**11,186**
	43,628	**39,888**
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$750 million 3.00% guaranteed notes due 2026 *(note e)*	5,828	**5,832**
US$500 million 3.25% guaranteed notes due 2029 *(note f)*	3,844	**3,851**
US$650 million 3.00% guaranteed notes due 2032 *(note g)*	–	**5,005**
Bank borrowings *(note h)*	22,131	**17,343**
	43,628	**39,888**
Secured	–	**–**
Unsecured	43,628	**39,888**

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 26(e) for more details.

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

On 15 January 2015, HKT Capital No. 1 Limited, an indirect wholly-owned subsidiary of the Company, issued US$300 million zero coupon guaranteed notes due 2030, which are listed on the Taipei Exchange. The notes are irrevocably and unconditionally guaranteed by HKTGH and HKTL and rank pari passu with all other outstanding unsecured and unsubordinated obligations of HKTGH and HKTL.

27 LONG-TERM BORROWINGS *(CONTINUED)*

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

On 2 April 2015, HKT Capital No. 2 Limited, an indirect wholly-owned subsidiary of the Company, issued US$500 million 3.625% guaranteed notes due 2025, which are listed on the Singapore Exchange Securities Trading Limited. The notes are irrevocably and unconditionally guaranteed by HKTGH and HKTL and rank pari passu with all other outstanding unsecured and unsubordinated obligations of HKTGH and HKTL.

d. EUR200 million 1.65% guaranteed notes due 2027

On 10 April 2015, HKT Capital No. 3 Limited, an indirect wholly-owned subsidiary of the Company, issued EUR200 million 1.65% guaranteed notes due 2027, which are listed on the Singapore Exchange Securities Trading Limited. The notes are irrevocably and unconditionally guaranteed by HKTGH and HKTL and rank pari passu with all other outstanding unsecured and unsubordinated obligations of HKTGH and HKTL.

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

On 14 July 2016, HKT Capital No. 4 Limited, an indirect wholly-owned subsidiary of the Company, issued US$750 million 3.00% guaranteed notes due 2026, which are listed on the Singapore Exchange Securities Trading Limited. The notes are irrevocably and unconditionally guaranteed by HKTGH and HKTL and rank pari passu with all other outstanding unsecured and unsubordinated obligations of HKTGH and HKTL.

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

On 30 September 2019, HKT Capital No. 5 Limited, an indirect wholly-owned subsidiary of the Company, issued US$500 million 3.25% guaranteed notes due 2029, which are listed on the Singapore Exchange Securities Trading Limited. The notes are irrevocably and unconditionally guaranteed by HKTGH and HKTL and rank pari passu with all other outstanding unsecured and unsubordinated obligations of HKTGH and HKTL.

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

On 18 January 2022, HKT Capital No. 6 Limited, an indirect wholly-owned subsidiary of the Company, issued US$650 million 3.00% guaranteed notes due 2032, which are listed on the Singapore Exchange Securities Trading Limited. The notes are irrevocably and unconditionally guaranteed by HKTGH and HKTL and rank pari passu with all other outstanding unsecured and unsubordinated obligations of HKTGH and HKTL.

h. Refer to note 39 for details of the Groups' banking facilities.

28 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**
Current assets		
Cross currency swap contracts – cash flow hedges for foreign currency risk *(note a)*	–	**58**
Current liabilities		
Interest rate swap contract – cash flow hedge for interest rate risk *(note b)*	–	**(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)	**–**
	(128)	**(223)**

Derivatives are mainly used for economic hedging purposes and not as speculative investments. However, where derivatives do not meet the hedge accounting criteria, they are accounted for at FVPL.

Hedge effectiveness is determined at the inception of the hedging relationship and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and the hedging instrument.

Hedge ineffectiveness for the Groups' cross currency swap, foreign exchange forward and interest rate swap contracts may occur due to:

– differences in critical terms between the hedged item and the hedging instrument; and

– changes in credit risk of the derivative counterparty.

28 DERIVATIVE FINANCIAL INSTRUMENTS *(CONTINUED)*

a. Cash flow hedges for foreign currency risk

For certain borrowings denominated in foreign currencies, the Groups have entered into cross currency swap contracts and foreign exchange forward contracts to hedge the foreign currency risk. The Groups performed qualitative assessment of hedge effectiveness. As the cross currency swap contracts and the foreign exchange forward contracts have similar critical terms as the hedged items, such as notional amounts, maturity dates and payment dates, the economic relationship exists between the hedged items and the hedging instruments.

The effects of the foreign currency related hedging instruments outstanding at the end of the reporting period on the Groups' financial position and performance are as follows:

	2021	**2022**
Net carrying amount (assets/(liabilities))	HK$100 million	**(HK$138 million)**
Notional amount	EUR200 million and US$2,720 million	**EUR200 million and US$3,370 million**
Maturity date	March 2023 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 Groups have entered into a floating-to-fixed interest rate swap contract. The Groups 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 Groups' 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.

28 DERIVATIVE FINANCIAL INSTRUMENTS *(CONTINUED)*

c. Hedging reserve and costs of hedging reserve

The Groups' hedging reserve and costs of hedging reserve relate to the following hedging instruments:

In HK$ million	Cash flow hedges for foreign currency risk	Cash flow hedges for interest rate risk	Total
Hedging reserve			
As at 1 January 2021	135	(54)	81
Cash flow hedges:			
– effective portion of changes in fair value	(42)	40	(2)
– transfer from equity to consolidated income statement	(7)	3	(4)
As at 31 December 2021 and 1 January 2022	**86**	**(11)**	**75**
Cash flow hedges:			
– effective portion of changes in fair value	**(74)**	**28**	**(46)**
– transfer from equity to consolidated income statement	**90**	**–**	**90**
As at 31 December 2022	**102**	**17**	**119**

In HK$ million	Cash flow hedges for foreign currency risk
Costs of hedging reserve	
As at 1 January 2021	30
Cash flow hedges:	
– transfer from equity to consolidated income statement	12
Costs of hedging	(55)
As at 31 December 2021 and 1 January 2022	**(13)**
Cash flow hedges:	
– transfer from equity to consolidated income statement	**11**
Costs of hedging	**(114)**
As at 31 December 2022	**(116)**

29 EMPLOYEE BENEFITS

a. Employee retirement benefits – Defined contribution retirement schemes

The Groups operate defined contribution retirement schemes, including the Mandatory Provident Fund Scheme (the "MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance, for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The schemes are administered by independent trustees.

Under the defined contribution retirement scheme, the employer is required to make contributions to the scheme at rates specified under the rules of the scheme. Where employees leave the scheme prior to the full vesting of the employer's contributions, the amount of forfeited contributions is used to reduce the contributions payable by the Groups.

Under the MPF scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, subject to a current cap of monthly relevant income of HK$30,000. Contributions to the scheme vest immediately upon the completion of the services in the relevant service period.

Forfeited contributions totalling HK$13 million (2021: HK$16 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.

29 EMPLOYEE BENEFITS *(CONTINUED)*

b. Equity compensation benefits

PCCW and the Groups operate the following share option schemes and share award schemes:

Share option schemes

– Share option scheme of PCCW adopted on 8 May 2014 (the "PCCW 2014 Scheme").

– Share Stapled Units option scheme of the HKT Trust and the Company adopted on 7 May 2021 (the "2021-2031 Option Scheme").

Share award schemes

– Share award schemes of PCCW namely the PCCW Purchase Scheme and the PCCW Subscription Scheme (collectively the "PCCW Share Award Schemes").

– Share Stapled Units award schemes of the Company namely the HKT Share Stapled Units Purchase Scheme and the HKT Share Stapled Units Subscription Scheme (collectively the "Share Stapled Units Award Schemes").

The details of the 2021-2031 Option Scheme and the Share Stapled Units Award Schemes are disclosed under the section "Share Stapled Unit Schemes" in the Combined Report of the Directors of the 2022 Annual Report of the HKT Trust and the Company.

i. Share option schemes

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

ii. Share award schemes

Subject to the relevant scheme rules of the PCCW Share Award Schemes and the Share Stapled Units Award Schemes, each scheme provides that prior to the vesting of the awards under the relevant scheme to selected participants (including any director or employee of PCCW and its participating companies for the PCCW Share Award Schemes, and any director or employee of the Company or any of its subsidiaries for the Share Stapled Units Award Schemes), the relevant PCCW Shares/Share Stapled Units will be held in trust by the trustee for such selected participants, and will be vested over a period of time determined by the respective approving body, provided that each selected participant shall remain at all times up to and including the relevant vesting date (or, as the case may be, each relevant vesting date) an employee or a director of PCCW, the Company, the relevant participating company or subsidiary, and satisfies any other conditions specified at the time the award is made, notwithstanding that the respective approving body shall be at liberty to waive such conditions. Other than satisfying the vesting conditions, selected participants are not required to provide any consideration in order to acquire the PCCW Shares/Share Stapled Units awarded to him/her under the relevant schemes.

During the year ended 31 December 2022, share-based compensation expenses in respect of the PCCW Share Award Schemes of HK$14 million (2021: HK$16 million) were recognised in the consolidated income statement and as an obligation in liabilities in the consolidated statement of financial position, respectively.

During the year ended 31 December 2022, share-based compensation expenses in respect of the Share Stapled Units Award Schemes of HK$16 million (2021: HK$17 million) were recognised in the consolidated income statement and employee share-based compensation reserve in the consolidated statement of financial position, respectively.

29 EMPLOYEE BENEFITS *(CONTINUED)*

b. Equity compensation benefits *(continued)*

ii. Share award schemes *(continued)*

(1) Movements in the number of PCCW Shares held under the PCCW Share Award Schemes and the Share Stapled Units held under the Share Stapled Units Award Schemes

	Number of PCCW Shares	
	2021	**2022**
PCCW Purchase Scheme:		
Beginning of year	542,519	**1,091,637**
Purchases from the market by the trustee at weighted average market price of HK$4.29 (2021: HK$4.24) per PCCW Share	1,619,000	**958,000**
PCCW Shares vested	(1,069,882)	**(1,012,908)**
End of year	1,091,637	**1,036,729**
PCCW Subscription Scheme:		
Beginning of year	6,542,639	**3,803,886**
PCCW Shares obtained	–	**8,000,000**
PCCW Shares vested	(2,738,753)	**(2,637,980)**
End of year	3,803,886	**9,165,906**

	Number of Share Stapled Units	
	2021	**2022**
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 the HKT Trust and the Company 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**

29 EMPLOYEE BENEFITS *(CONTINUED)*

b. Equity compensation benefits *(continued)*

ii. Share award schemes *(continued)*

(2) Movements in the number of unvested PCCW Shares and Share Stapled Units and their related weighted average fair value on the date of award

			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	542,457	–	–	(542,457)	–
16 April 2020	16 April 2020 to 16 April 2021	4.64	527,425	–	–	(527,425)	–
16 April 2020	16 April 2020 to 16 April 2022	4.64	527,418	–	(1,641)	–	525,777
16 April 2021	16 April 2021 to 16 April 2022	4.53	–	564,051	(1,634)	–	562,417
16 April 2021	16 April 2021 to 16 April 2023	4.53	–	564,043	(1,633)	–	562,410
Total			1,597,300	1,128,094	(4,908)	(1,069,882)	1,650,604
Weighted average fair value on the date of award (HK$)			4.67	4.53	4.57	4.69	4.57
PCCW Subscription Scheme (PCCW Shares)							
17 April 2019	17 April 2019 to 17 April 2021	4.74	1,335,179	–	(25,495)	(1,309,684)	–
28 February 2020	28 February 2020 to 17 April 2021	4.69	35,873	–	–	(35,873)	–
28 February 2020	28 February 2020 to 17 April 2022	4.69	9,612	–	–	–	9,612
28 February 2020	28 February 2020 to 17 April 2023	4.69	9,610	–	–	–	9,610
16 April 2020	16 April 2020 to 16 April 2021	4.64	1,425,148	–	(31,952)	(1,393,196)	–
16 April 2020	16 April 2020 to 16 April 2022	4.64	1,424,121	–	(124,823)	–	1,299,298
11 May 2020	11 May 2020 to 16 April 2021	4.77	40,900	–	(40,900)	–	–
11 May 2020	11 May 2020 to 16 April 2022	4.77	40,900	–	–	–	40,900
11 May 2020	11 May 2020 to 16 April 2023	4.77	20,448	–	–	–	20,448
16 April 2021	16 April 2021 to 16 April 2022	4.53	–	1,349,596	(106,922)	–	1,242,674
16 April 2021	16 April 2021 to 16 April 2023	4.53	–	1,348,621	(106,815)	–	1,241,806
2 July 2021	2 July 2021 to 16 April 2022	4.09	–	143,177	–	–	143,177
2 July 2021	2 July 2021 to 16 April 2023	4.09	–	143,177	–	–	143,177
Total			4,341,791	2,984,571	(436,907)	(2,738,753)	4,150,702
Weighted average fair value on the date of award (HK$)			4.67	4.49	4.60	4.69	4.54

29 EMPLOYEE BENEFITS *(CONTINUED)*

b. Equity compensation benefits *(continued)*

ii. Share award schemes *(continued)*

(2) Movements in the number of unvested PCCW Shares and Share Stapled Units and their related weighted average fair value on the date of award *(continued)*

			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
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

29 EMPLOYEE BENEFITS *(CONTINUED)*

b. Equity compensation benefits *(continued)*

ii. Share award schemes *(continued)*

(2) Movements in the number of unvested PCCW Shares and Share Stapled Units and their related weighted average fair value on the date of award *(continued)*

			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	525,777	–	(31,661)	(494,116)	–
16 April 2021	16 April 2021 to 16 April 2022	4.53	562,417	–	(43,625)	(518,792)	–
16 April 2021	16 April 2021 to 16 April 2023	4.53	562,410	–	(43,624)	–	518,786
19 April 2022	19 April 2022 to 19 April 2023	4.52	–	517,681	–	–	517,681
19 April 2022	19 April 2022 to 19 April 2024	4.52	–	517,674	–	–	517,674
Total			1,650,604	1,035,355	(118,910)	(1,012,908)	1,554,141
Weighted average fair value on the date of award (HK$)			4.57	4.52	4.56	4.58	4.52
PCCW Subscription Scheme (PCCW Shares)							
28 February 2020	28 February 2020 to 17 April 2022	4.69	9,612	–	–	(9,612)	–
28 February 2020	28 February 2020 to 17 April 2023	4.69	9,610	–	(9,610)	–	–
16 April 2020	16 April 2020 to 16 April 2022	4.64	1,299,298	–	(36,245)	(1,263,053)	–
11 May 2020	11 May 2020 to 16 April 2022	4.77	40,900	–	(40,900)	–	–
11 May 2020	11 May 2020 to 16 April 2023	4.77	20,448	–	–	–	20,448
16 April 2021	16 April 2021 to 16 April 2022	4.53	1,242,674	–	(37,358)	(1,205,316)	–
16 April 2021	16 April 2021 to 16 April 2023	4.53	1,241,806	–	(146,559)	–	1,095,247
2 July 2021	2 July 2021 to 16 April 2022	4.09	143,177	–	–	(143,177)	–
2 July 2021	2 July 2021 to 16 April 2023	4.09	143,177	–	(111,857)	–	31,320
4 March 2022	4 March 2022 to 16 April 2022	4.34	–	16,822	–	(16,822)	–
4 March 2022	4 March 2022 to 16 April 2023	4.34	–	21,114	–	–	21,114
19 April 2022	19 April 2022 to 19 April 2023	4.52	–	1,357,097	(121,204)	–	1,235,893
19 April 2022	19 April 2022 to 19 April 2024	4.52	–	1,356,074	(121,093)	–	1,234,981
15 August 2022	15 August 2022 to 19 April 2023	4.15	–	5,710	–	–	5,710
15 August 2022	15 August 2022 to 19 April 2024	4.15	–	5,710	–	–	5,710
Total			4,150,702	2,762,527	(624,826)	(2,637,980)	3,650,423
Weighted average fair value on the date of award (HK$)			4.54	4.52	4.47	4.56	4.52

29 EMPLOYEE BENEFITS *(CONTINUED)*

b. Equity compensation benefits *(continued)*

ii. Share award schemes *(continued)*

(2) Movements in the number of unvested PCCW Shares and Share Stapled Units and their related weighted average fair value on the date of award *(continued)*

			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$)			11.31	10.86	11.27	11.44	10.93
HKT Share Stapled Units Subscription Scheme (Share Stapled Units)							
28 February 2020	28 February 2020 to 17 April 2022	11.66	3,845	–	–	(3,845)	–
28 February 2020	28 February 2020 to 17 April 2023	11.66	3,844	–	(3,844)	–	–
16 April 2020	16 April 2020 to 16 April 2022	11.86	499,289	–	(13,932)	(485,357)	–
11 May 2020	11 May 2020 to 16 April 2022	12.86	15,717	–	(15,717)	–	–
11 May 2020	11 May 2020 to 16 April 2023	12.86	7,858	–	–	–	7,858
16 April 2021	16 April 2021 to 16 April 2022	11.06	500,518	–	(15,051)	(485,467)	–
16 April 2021	16 April 2021 to 16 April 2023	11.06	499,639	–	(58,972)	–	440,667
2 July 2021	2 July 2021 to 16 April 2022	10.56	57,607	–	–	(57,607)	–
2 July 2021	2 July 2021 to 16 April 2023	10.56	57,606	–	(45,005)	–	12,601
4 March 2022	4 March 2022 to 16 April 2022	10.60	–	6,802	–	(6,802)	–
4 March 2022	4 March 2022 to 16 April 2023	10.60	–	8,537	–	–	8,537
19 April 2022	19 April 2022 to 19 April 2023	10.86	–	593,177	(49,866)	–	543,311
19 April 2022	19 April 2022 to 19 April 2024	10.86	–	592,158	(49,760)	–	542,398
15 August 2022	15 August 2022 to 19 April 2023	11.00	–	2,347	–	–	2,347
15 August 2022	15 August 2022 to 19 April 2024	11.00	–	2,346	–	–	2,346
Total			1,645,923	1,205,367	(252,147)	(1,039,078)	1,560,065
Weighted average fair value on the date of award (HK$)			11.30	10.86	11.06	11.41	10.92

29 EMPLOYEE BENEFITS *(CONTINUED)*

b. Equity compensation benefits *(continued)*

ii. Share award schemes *(continued)*

(2) Movements in the number of unvested PCCW Shares and Share Stapled Units and their related weighted average fair value on the date of award *(continued)*

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

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

	2021	**2022**
PCCW Purchase Scheme (PCCW Shares)	0.63 year	**0.64 year**
PCCW Subscription Scheme (PCCW Shares)	0.63 year	**0.64 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**

30 EQUITY OF HKT LIMITED

a. Share capital of HKT Limited

	2021		**2022**	
	Number of shares	Nominal value HK$	**Number of shares**	**Nominal value HK$**
Authorised:				
Ordinary shares of HK$0.0005 each				
Beginning and end of year	20,000,000,000	10,000,000	**20,000,000,000**	**10,000,000**
Preference shares of HK$0.0005 each				
Beginning and end of year	20,000,000,000	10,000,000	**20,000,000,000**	**10,000,000**
Issued and fully paid:				
Ordinary shares of HK$0.0005 each				
Beginning of year	7,575,742,334	3,787,871	**7,575,742,334**	**3,787,871**
Issued during the year *(note (i))*	–	–	**4,000,000**	**2,000**
End of year	7,575,742,334	3,787,871	**7,579,742,334**	**3,789,871**
Preference shares of HK$0.0005 each				
Beginning of year	7,575,742,334	3,787,871	**7,575,742,334**	**3,787,871**
Issued during the year *(note (i))*	–	–	**4,000,000**	**2,000**
End of year	7,575,742,334	3,787,871	**7,579,742,334**	**3,789,871**

(i) During the year ended 31 December 2022, the Company issued and allotted 4,000,000 new fully paid ordinary shares with nominal value of HK$0.0005 per share and 4,000,000 new fully paid preference shares with nominal value of HK$0.0005 per share respectively under general mandate for grant of awards pursuant to the HKT Share Stapled Units Subscription Scheme with a consideration of approximately HK$43 million in total.

30 EQUITY OF HKT LIMITED *(CONTINUED)*

b. Movements in reserves of the Company are as follows:

In HK$ million	2021 Share premium	Retained profits	Total
As at 1 January 2021	35,161	269	35,430
Total comprehensive income for the year	–	5,174	5,174
Dividend paid in respect of the previous year	–	(3,104)	(3,104)
Interim dividend declared and paid in respect of the current year	–	(2,326)	(2,326)
As at 31 December 2021	35,161	13	35,174

In HK$ million	**2022 Share premium**	**Retained profits**	**Total**
As at 1 January 2022	**35,161**	**13**	**35,174**
Total comprehensive income for the year	**–**	**5,595**	**5,595**
Issue of shares *(note 30(a)(i))*	**43**	**–**	**43**
Dividend paid in respect of the previous year	**–**	**(3,189)**	**(3,189)**
Interim dividend declared and paid in respect of the current year	**–**	**(2,377)**	**(2,377)**
As at 31 December 2022	**35,204**	**42**	**35,246**

31 RESERVES

In HK$ million	Share premium	Capital contribution reserve	Merger reserve	Treasury stock	Employee share-based compensation reserve	Currency translation reserve	Hedging reserve	Costs of hedging reserve	Other reserves	Retained profits	Total
					2021						
As at 1 January 2021	7,817	26,250	(347)	(46)	16	200	81	30	88	3,741	37,830
Total comprehensive income/(loss) for the year											
Profit for the year	–	–	–	–	–	–	–	–	–	4,808	4,808
Other comprehensive income/(loss)											
Items that have been reclassified or may be reclassified subsequently to consolidated income statement:											
Translation exchange differences:											
– exchange differences on translating foreign operations of subsidiaries	–	–	–	–	–	(30)	–	–	–	–	(30)
– exchange differences on translating foreign operations of joint ventures	–	–	–	–	–	(8)	–	–	–	–	(8)
Cash flow hedges:											
– effective portion of changes in fair value	–	–	–	–	–	–	(2)	–	–	–	(2)
– transfer from equity to consolidated income statement	–	–	–	–	–	–	(4)	12	–	–	8
Costs of hedging	–	–	–	–	–	–	–	(55)	–	–	(55)
Total comprehensive income/(loss) for the year	–	–	–	–	–	(38)	(6)	(43)	–	4,808	4,721
Transactions with equity holders											
Purchase of Share Stapled Units under the Share Stapled Units Award Schemes	–	–	–	(5)	–	–	–	–	–	–	(5)
Employee share-based compensation	–	–	–	–	17	–	–	–	–	–	17
Vesting of Share Stapled Units under the Share Stapled Units Award Schemes	–	–	–	18	(17)	–	–	–	–	(1)	–
Distribution/Dividend for Share Stapled Units/ shares of the Company granted under the Share Stapled Units Award Schemes	–	–	–	–	(2)	–	–	–	–	–	(2)
Distribution/Dividend paid in respect of the previous year	–	–	–	–	–	–	–	–	–	(3,103)	(3,103)
Interim distribution/dividend declared and paid in respect of the current year	–	–	–	–	–	–	–	–	–	(2,325)	(2,325)
Total transactions with equity holders	–	–	–	13	(2)	–	–	–	–	(5,429)	(5,418)
As at 31 December 2021	7,817	26,250	(347)	(33)	14	162	75	(13)	88	3,120	37,133

31 RESERVES *(CONTINUED)*

	2022										
In HK$ million	Share premium	Capital contribution reserve	Merger reserve	Treasury stock	Employee share-based compensation reserve	Currency translation reserve	Hedging reserve	Costs of hedging reserve	Other reserves	Retained profits	Total
As at 1 January 2022	7,817	26,250	(347)	(33)	14	162	75	(13)	88	3,120	37,133
Total comprehensive income/(loss) for the year											
Profit for the year	–	–	–	–	–	–	–	–	–	4,901	4,901
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	–	–	–	–	–	(74)	–	–	–	–	(74)
– exchange differences on translating foreign operations of joint ventures	–	–	–	–	–	(24)	–	–	–	–	(24)
Cash flow hedges:											
– effective portion of changes in fair value	–	–	–	–	–	–	(46)	–	–	–	(46)
– transfer from equity to consolidated income statement	–	–	–	–	–	–	90	11	–	–	101
Costs of hedging	–	–	–	–	–	–	–	(114)	–	–	(114)
Total comprehensive income/(loss) for the year	–	–	–	–	–	(98)	44	(103)	–	4,901	4,744
Transactions with equity holders											
Issue of Share Stapled Units/shares of the Company under the HKT Share Stapled Units Subscription Scheme *(note 30(a)(i))*	43	–	–	–	–	–	–	–	–	–	43
Purchase/Subscription of Share Stapled Units under the Share Stapled Units Award Schemes	–	–	–	(48)	–	–	–	–	–	–	(48)
Receipt of PCCW Shares under the PCCW Subscription Scheme	–	–	–	–	–	–	–	–	36	–	36
Employee share-based compensation	–	–	–	–	16	–	–	–	–	–	16
Vesting of Share Stapled Units under the Share Stapled Units Award Schemes	–	–	–	17	(15)	–	–	–	–	(2)	–
Distribution/Dividend for Share Stapled Units/shares of the Company granted under the Share Stapled Units Award Schemes	–	–	–	–	(2)	–	–	–	–	–	(2)
Distribution/Dividend paid in respect of the previous year	–	–	–	–	–	–	–	–	–	(3,186)	(3,186)
Interim distribution/dividend declared and paid in respect of the current year	–	–	–	–	–	–	–	–	–	(2,375)	(2,375)
Total transactions with equity holders	43	–	–	(31)	(1)	–	–	–	36	(5,563)	(5,516)
As at 31 December 2022	7,860	26,250	(347)	(64)	13	64	119	(116)	124	2,458	36,361

32 DEFERRED INCOME TAX

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

In HK$ million	2021	**2022**
Deferred income tax assets	(758)	**(968)**
Deferred income tax liabilities	4,674	**5,048**
	3,916	**4,080**

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

	2021			
In HK$ million	Accelerated tax depreciation and amortisation	Tax losses	Others	Total
Beginning of year	4,365	(950)	(3)	3,412
Charged to the consolidated income statement *(note 12(a))*	425	80	–	505
Exchange differences	–	(1)	–	(1)
End of year	4,790	(871)	(3)	3,916

	2022			
In HK$ million	**Accelerated tax depreciation and amortisation**	**Tax losses**	**Others**	**Total**
Beginning of year	**4,790**	**(871)**	**(3)**	**3,916**
Charged/(Credited) to the consolidated income statement *(note 12(a))*	**461**	**(299)**	**1**	**163**
Exchange differences	**1**	**–**	**–**	**1**
End of year	**5,252**	**(1,170)**	**(2)**	**4,080**

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 Groups had unutilised estimated tax losses for which no deferred income tax assets have been recognised of HK$3,003 million (2021: HK$5,175 million) to carry forward for deduction against future taxable income. Estimated tax losses of HK$246 million (2021: HK$186 million) and HK$5 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.

33 CARRIER LICENCE FEE LIABILITIES

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

	2021			**2022**		
In HK$ million	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**

34 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	5,819	**5,560**
Adjustments for:		
Other losses, net	8	**8**
Finance costs, net	1,148	**1,589**
(Gains)/Losses on disposal of property, plant and equipment and right-of-use assets, net	(24)	**3**
(Write-back of provision for)/Provision for inventory obsolescence, net	(8)	**23**
Impairment loss for trade receivables	174	**130**
Depreciation of property, plant and equipment	1,234	**1,240**
Depreciation of right-of-use assets	1,477	**1,380**
Amortisation of land lease premium – interests in leasehold land	13	**12**
Amortisation of intangible assets	1,500	**1,652**
Amortisation of fulfilment costs	393	**421**
Amortisation of customer acquisition costs	1,035	**1,102**
Share of results of associates	115	**106**
Share of results of joint ventures	15	**(9)**
Share-based compensation expenses	33	**30**
Increase in PCCW Shares and Share Stapled Units under share award schemes	(12)	**(52)**
(Increase)/Decrease in operating assets		
– inventories	(390)	**(412)**
– trade receivables, prepayments, deposits and other current assets	(942)	**(298)**
– contract assets	(62)	**26**
– amounts due from related companies	(10)	**(12)**
– restricted cash	(80)	**(188)**
– fulfilment costs	(487)	**(567)**
– customer acquisition costs	(1,149)	**(1,057)**
– other non-current assets	30	**251**
Increase/(Decrease) in operating liabilities		
– trade payables	1,304	**250**
– accruals and other payables	200	**1,040**
– amount due to a fellow subsidiary	(924)	**(1,243)**
– advances from customers	23	**16**
– contract liabilities	175	**(231)**
– other long-term liabilities	(10)	**(13)**
CASH GENERATED FROM OPERATIONS	10,598	**10,757**
Interest received	16	**18**
Income tax paid, net of tax refund		
– Hong Kong profits tax refund/(paid)*	63	**(66)**
– overseas profits tax paid	(36)	**(18)**
NET CASH GENERATED FROM OPERATING ACTIVITIES	10,641	**10,691**

* 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 Groups had not been received or not yet due, such that any corresponding tax charge settlement would be deferred to upcoming financial years.

34 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:

	2021							
In HK$ million	Prepaid finance costs (included in prepayments, deposits and other current assets)	Interest payable (included in accruals and other payables)	Borrowings	Derivative financial instruments, net	Amount due to a fellow subsidiary	Amount due to a related company	Lease liabilities	Total
As at 1 January 2021	(25)	206	42,271	(62)	1,585	42	2,709	46,726
Cash flows in financing activities								
New borrowings raised	–	(25)	15,937	–	–	–	–	15,912
Finance costs (paid)/received	–	(822)	–	206	–	–	–	(616)
Repayments of borrowings	–	–	(14,468)	–	–	–	–	(14,468)
Payment for lease liabilities (including interest)	–	–	–	–	–	–	(1,624)	(1,624)
Movement in amount due to a fellow subsidiary	–	–	–	–	1,305	–	–	1,305
Movement in amount due to a related company	–	–	–	–	–	22	–	22
Cash flows in investing activities								
Loan repayment in relation to licence fee *(note 36(b)(i))*	–	–	(130)	–	–	–	–	(130)
Addition upon a business combination	–	–	–	–	2	–	–	2
Cash flows in operating activities	–	–	–	–	(924)	–	–	(924)
Non-cash movements	16	852	79	(147)	(6)	1	1,100	1,895
As at 31 December 2021	(9)	211	43,689	(3)	1,962	65	2,185	48,100

34 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)*

	2022							
In HK$ million	Prepaid finance costs (included in prepayments, deposits and other current assets)	Interest payable (included in accruals and other payables)	Borrowings	Derivative financial instruments, net	Amount due to a fellow subsidiary	Amount due to a related company	Lease liabilities	Total
As at 1 January 2022	(9)	211	43,689	(3)	1,962	65	2,185	48,100
Cash flows in financing activities								
New borrowings raised	(27)	7	22,823	–	–	–	–	22,803
Finance costs (paid)/received	–	(1,087)	–	188	–	–	–	(899)
Repayments of borrowings	–	–	(22,502)	–	–	–	–	(22,502)
Payment for lease liabilities (including interest)	–	–	–	–	–	–	(1,389)	(1,389)
Movement in amount due to a fellow subsidiary	–	–	–	–	1,306	–	–	1,306
Movement in amount due to a related company	–	–	–	–	–	(7)	–	(7)
Cash flows in investing activities								
Loan repayment in relation to licence fee *(note 36(b)(i))*	–	–	(130)	–	–	–	–	(130)
Cash flows in operating activities	–	–	–	–	(1,243)	–	–	(1,243)
Non-cash movements	19	1,899	(42)	51	24	(4)	1,178	3,125
As at 31 December 2022	(17)	1,030	43,838	236	2,049	54	1,974	49,164

34 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(CONTINUED)*

c. Analysis of cash and cash equivalents

In HK$ million	2021	**2022**
Total cash and bank balances	3,070	**2,488**
Less: restricted cash	(187)	**(375)**
Less: short-term deposits	(472)	**(116)**
Cash and cash equivalents as at 31 December	2,411	**1,997**

35 CAPITAL MANAGEMENT

The Groups' primary objectives when managing capital are to safeguard the Groups' ability to continue as a going concern, so that they can continue to provide returns for equity holders of the Groups and benefits for other stakeholders to support the Groups' stability and growth; and to earn a margin commensurate with the level of business and market risks in the Groups' operation.

The Groups monitor capital by reviewing the level of capital that is at the disposal of the Groups ("Adjusted Capital"), taking into consideration the future capital requirements of the Groups, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. Adjusted Capital comprises all components of equity.

The Groups are not subject to externally imposed capital requirements, except for the debt covenant requirement of loan agreements with external parties and the minimum capital requirement of a subsidiary regulated by the Bermuda Monetary Authority. A subsidiary of the Groups also has a minimum capital requirement as a condition for a stored value facilities licence granted by the Hong Kong Monetary Authority.

36 FINANCIAL INSTRUMENTS

The tables below analyse financial instruments by category:

	2021				
In HK$ million	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	–	–	38	–	38
Derivative financial instruments	–	–	–	131	131
Other non-current assets (excluding prepayments)	110	–	–	–	110
	110	124	38	131	403
Current assets					
Prepayments, deposits and other current assets (excluding prepayments)	1,356	–	–	–	1,356
Trade receivables, net	3,953	–	–	–	3,953
Amounts due from related companies	31	–	–	–	31
Financial assets at FVPL	–	–	15	–	15
Restricted cash	187	–	–	–	187
Short-term deposits	472	–	–	–	472
Cash and cash equivalents	2,411	–	–	–	2,411
	8,410	–	15	–	8,425
Total	8,520	124	53	131	8,828

36 FINANCIAL INSTRUMENTS *(CONTINUED)*

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

In HK$ million	Derivatives used for hedging	2021 Other financial liabilities at amortised cost	Total
Current liabilities			
Short-term borrowings	–	(61)	(61)
Trade payables	–	(5,250)	(5,250)
Accruals and other payables	–	(4,206)	(4,206)
Carrier licence fee liabilities	–	(315)	(315)
Amount due to a fellow subsidiary	–	(1,962)	(1,962)
Amount due to a related company	–	(65)	(65)
Advances from customers	–	(270)	(270)
Lease liabilities	–	(1,023)	(1,023)
	–	(13,152)	(13,152)
Non-current liabilities			
Long-term borrowings	–	(43,628)	(43,628)
Derivative financial instruments*	(128)	–	(128)
Carrier licence fee liabilities	–	(3,449)	(3,449)
Lease liabilities	–	(1,162)	(1,162)
Other long-term liabilities	–	(1,999)	(1,999)
	(128)	(50,238)	(50,366)
Total	(128)	(63,390)	(63,518)

36 FINANCIAL INSTRUMENTS *(CONTINUED)*

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

	2022				
In HK$ million	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	–	147	–	–	147
Financial assets at FVPL	–	–	34	–	34
Derivative financial instruments	–	–	–	27	27
Other non-current assets (excluding prepayments)	120	–	–	–	120
	120	147	34	27	328
Current assets					
Prepayments, deposits and other current assets (excluding prepayments)	2,090	–	–	–	2,090
Trade receivables, net	3,254	–	–	–	3,254
Amounts due from related companies	25	–	–	–	25
Financial assets at FVPL	–	–	12	–	12
Derivative financial instruments	–	–	–	58	58
Restricted cash	375	–	–	–	375
Short-term deposits	116	–	–	–	116
Cash and cash equivalents	1,997	–	–	–	1,997
	7,857	–	12	58	7,927
Total	7,977	147	46	85	8,255

36 FINANCIAL INSTRUMENTS *(CONTINUED)*

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

In HK$ million	2022 Derivatives used for hedging	Other financial liabilities at amortised cost	Total
Current liabilities			
Short-term borrowings	–	(3,950)	(3,950)
Trade payables	–	(5,500)	(5,500)
Accruals and other payables	–	(5,960)	(5,960)
Derivative financial instrument	(98)	–	(98)
Carrier licence fee liabilities	–	(331)	(331)
Amount due to a fellow subsidiary	–	(2,049)	(2,049)
Amount due to a related company	–	(54)	(54)
Advances from customers	–	(286)	(286)
Lease liabilities	–	(1,049)	(1,049)
	(98)	(19,179)	(19,277)
Non-current liabilities			
Long-term borrowings	–	(39,888)	(39,888)
Derivative financial instruments*	(223)	–	(223)
Carrier licence fee liabilities	–	(3,340)	(3,340)
Lease liabilities	–	(925)	(925)
Other long-term liabilities	–	(1,692)	(1,692)
	(223)	(45,845)	(46,068)
Total	(321)	(65,024)	(65,345)

* 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 Groups on 15 January 2025 at an early redemption amount of US$470 million (2021: US$470 million). Refer to notes 27(b) and 28(a) for details of the guaranteed notes and the foreign exchange forward contracts respectively.

36 FINANCIAL INSTRUMENTS *(CONTINUED)*

Exposure to credit, liquidity and market risk (including foreign currency risk and interest rate risk) arises in the normal course of the Groups' business. The Groups are also exposed to equity price risk arising from their equity investments in other entities. Exposure to these risks is controlled by the Groups' financial management policies and practices described below.

a. Credit risk

The Groups' credit risk is primarily attributable to cash and cash equivalents, short-term deposits, restricted cash, trade receivables, contract assets, amounts due from related companies, investments in debt instruments, derivative financial instruments, deposits and other receivables. Management has policies in place and exposure to these credit risks is monitored on an ongoing basis.

The Groups' normal credit period for customers is ranging up to 30 days from the date of invoice unless there is a separate mutual agreement on extension of the credit period. The Groups maintain a well-defined credit policy and individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Debtors who have overdue balances are requested to settle all outstanding balances before any further credit is granted. Normally, the Groups do not obtain collateral from customers. As at 31 December 2021 and 2022, the Groups did not have a significant exposure to any individual debtors or counterparties.

Further quantitative disclosures in respect of the Groups' exposure to credit risk arising from trade receivables are set out in note 26(c).

The overall impact of impairment of the contract assets on the HKT Trust and HKT Limited consolidated financial statements is considered by management. Management considered the lifetime expected losses with respect to these contract assets were minimal as at 31 December 2021 and 2022 and the Groups made no write-off or 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 Groups do not expect any significant counterparty risk. Moreover, credit limits are set for individual counterparties and periodic reviews are conducted to ensure that the limits are strictly followed.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the consolidated statement of financial position. Except for the guarantees given by the Groups as disclosed in note 38, the Groups do not provide any other guarantees which would expose the Groups to credit risk.

36 FINANCIAL INSTRUMENTS *(CONTINUED)*

b. Liquidity risk

The Groups' policy is to regularly monitor current and expected liquidity requirements and their compliance with debt covenants, to ensure that they maintain sufficient reserves of cash and adequate lines of funding from major financial institutions to meet their liquidity requirements in the short and longer term. Management believes there is no significant liquidity risk as the Groups have sufficient cash and banking facilities to fund their operations and debt servicing requirements.

The Groups are subject to certain corporate guarantee obligations to guarantee performance of their subsidiaries in the normal course of their businesses. Refer to note 38 for details.

The following tables detail the remaining contractual maturities at the end of the reporting periods of the Groups' non-derivative financial liabilities and derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Groups can be required to pay:

	2021					
In HK$ million	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	(63)	–	–	–	(63)	(61)
Trade payables	(5,250)	–	–	–	(5,250)	(5,250)
Accruals and other payables	(4,206)	–	–	–	(4,206)	(4,206)
Carrier licence fee liabilities	(320)	–	–	–	(320)	(315)
Amount due to a fellow subsidiary	(1,962)	–	–	–	(1,962)	(1,962)
Amount due to a related company	(65)	–	–	–	(65)	(65)
Advances from customers	(270)	–	–	–	(270)	(270)
Lease liabilities	(1,068)	–	–	–	(1,068)	(1,023)
	(13,204)	–	–	–	(13,204)	(13,152)
Non-current liabilities						
Long-term borrowings *(note (i))*	(643)	(10,390)	(27,515)	(8,346)	(46,894)	(43,628)
Derivative financial instruments *(note (ii))*	12	(107)	1	(14)	(108)	(128)
Carrier licence fee liabilities	–	(325)	(915)	(2,910)	(4,150)	(3,449)
Lease liabilities	–	(610)	(579)	(19)	(1,208)	(1,162)
Other long-term liabilities *(note (iii))*	–	(773)	(46)	(3,267)	(4,086)	(1,999)
	(631)	(12,205)	(29,054)	(14,556)	(56,446)	(50,366)
Total	(13,835)	(12,205)	(29,054)	(14,556)	(69,650)	(63,518)

36 FINANCIAL INSTRUMENTS *(CONTINUED)*

b. Liquidity risk *(continued)*

	2022					
In HK$ million	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	(5,500)	–	–	–	(5,500)	(5,500)
Accruals and other payables *(note (iii))*	(6,000)	–	–	–	(6,000)	(5,960)
Derivative financial instrument *(note (ii))*	(100)	–	–	–	(100)	(98)
Carrier licence fee liabilities	(336)	–	–	–	(336)	(331)
Amount due to a fellow subsidiary	(2,049)	–	–	–	(2,049)	(2,049)
Amount due to a related company	(54)	–	–	–	(54)	(54)
Advances from customers	(286)	–	–	–	(286)	(286)
Lease liabilities	(1,106)	–	–	–	(1,106)	(1,049)
	(19,387)	–	–	–	(19,387)	(19,277)
Non-current liabilities						
Long-term borrowings *(note (i))*	(1,531)	(4,786)	(27,826)	(12,146)	(46,289)	(39,888)
Derivative financial instruments	36	(37)	(105)	(140)	(246)	(223)
Carrier licence fee liabilities	–	(343)	(912)	(2,712)	(3,967)	(3,340)
Lease liabilities	–	(603)	(340)	(3)	(946)	(925)
Other long-term liabilities *(note (iii))*	–	(35)	(1,000)	(2,332)	(3,367)	(1,692)
	(1,495)	(5,804)	(30,183)	(17,333)	(54,815)	(46,068)
Total	(20,882)	(5,804)	(30,183)	(17,333)	(74,202)	(65,345)

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 Groups.

(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 27(d), 26(e), 27(a) and 28(a) for details of the guaranteed notes and the derivative financial instruments respectively.

36 FINANCIAL INSTRUMENTS *(CONTINUED)*

c. Market risk

Market risk comprises foreign currency, interest rate and equity price exposure deriving from the Groups' operation, investment and funding activities. As a matter of policy, the Groups enter into cross currency swap contracts, interest rate swap contracts, foreign exchange forward contracts and other financial instruments to manage their exposure to market risk directly related to their operations and financing. The Groups do not undertake any speculative trading activities in connection with these financial instruments or enter into or acquire high market risk instruments for trading purposes.

The Finance and Management Committee, a sub-committee of the Executive Committee of the board of directors of the Company, determines the appropriate risk management activities with the aim of prudently managing the market risk associated with transactions undertaken in the normal course of the Groups' business.

All treasury risk management activities are carried out in accordance with policies and guidelines approved by the Finance and Management Committee, which are reviewed on a regular basis. Early termination and amendments to the terms of the transaction would typically occur when there are changes in the underlying assets or liabilities or in the risk management strategy of the Groups.

In the normal course of business, the Groups use the above-mentioned financial instruments to limit their exposure to adverse fluctuations in foreign exchange rates and interest rates. These instruments are executed with creditworthy financial institutions and all contracts are denominated in major currencies.

i. Foreign currency risk

The Groups operate internationally and are exposed to foreign currency risk arising from various currency exposure. Foreign currency risk arises when the Groups' recognised assets and liabilities are denominated in a currency that is not the functional currency of the relevant group entity.

The Groups' borrowings are substantially denominated in Hong Kong dollars, United States dollars and Euro. As at 31 December 2021 and 2022, all of the Groups' borrowings denominated in United States dollars/Euro were swapped into Hong Kong dollars by cross currency swap contracts and foreign exchange forward contracts. Given this, management does not expect that there will be any significant foreign currency risk associated with the Groups' borrowings. The cross currency swap contracts and foreign exchange forward contracts outstanding as at 31 December 2022 with an aggregate notional contract amount of US$3,370 million (approximately HK$26,279 million) (2021: US$2,720 million (approximately HK$21,189 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 Groups ensure that the net exposure is kept to an acceptable level by buying or selling foreign currencies at spot or forward rates where necessary to address short-term imbalances.

36 FINANCIAL INSTRUMENTS *(CONTINUED)*

c. Market risk *(continued)*

i. Foreign currency risk *(continued)*

The following table details the Groups' exposure at the end of the reporting period to currency risk arising from significant monetary assets or liabilities denominated in foreign currencies:

	2021			**2022**		
In HK$ million	United States Dollars	Euro	Pound Sterling	**United States Dollars**	**Euro**	**Pound Sterling**
Trade receivables	1,059	70	248	**1,242**	**36**	**2**
Short-term deposits	472	–	–	**–**	**–**	**–**
Cash and cash equivalents	931	69	13	**410**	**63**	**19**
Short-term borrowings	–	–	–	**(3,894)**	**–**	**–**
Trade payables	(3,247)	(72)	(4)	**(3,029)**	**(36)**	**(4)**
Advances from customers	(16)	(1)	(1)	**(16)**	**(1)**	**(1)**
Lease liabilities	(74)	(3)	(17)	**(57)**	**(9)**	**(12)**
Long-term borrowings	(19,745)	(1,752)	–	**(20,899)**	**(1,646)**	**–**
Gross exposure arising from net monetary (liabilities)/assets	(20,620)	(1,689)	239	**(26,243)**	**(1,593)**	**4**
Net monetary (assets)/liabilities denominated in respective entities' functional currencies	(86)	2	6	**(81)**	**(2)**	**1**
Borrowings with hedging instruments	19,745	1,752	–	**24,793**	**1,646**	**–**
Overall net exposure	(961)	65	245	**(1,531)**	**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 Groups for the year would have decreased/increased by approximately HK$13 million (2021: HK$8 million), mainly as a result of foreign exchange losses/gains on translation of United States dollar denominated monetary assets and liabilities which are not hedged by hedging instruments. Meanwhile, the hedging reserve and costs of hedging reserve of the Groups as at 31 December 2022 would have collectively debited/credited by approximately HK$248 million (2021: HK$197 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.

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 Groups 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 Groups as at 31 December 2022 would have collectively debited/credited by approximately HK$82 million (2021: HK$88 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 Groups 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 as at the end of the reporting period and applied to the Groups' exposure to currency risk for monetary assets and liabilities in existence at those dates, and that all other variables, in particular interest rates, remained constant.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the end of the next annual reporting period. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any change in the movement in value of the United States dollar against other currencies. The analysis was performed on the same methodology for the years ended 31 December 2021 and 2022.

36 FINANCIAL INSTRUMENTS *(CONTINUED)*

c. Market risk *(continued)*

ii. Interest rate risk

Given the relatively insignificant amount of interest-bearing assets, the Groups' income and operating cash flows are substantially independent of changes in market interest rates.

The Groups' interest rate risk arises primarily from short-term and long-term borrowings. Borrowings at variable rates and fixed rates expose the Groups to cash flow interest rate risk and fair value interest rate risk respectively. In addition, from time to time, the Groups draw under their revolving credit facilities which are substantially denominated in Hong Kong dollars with floating rate interest.

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

The following table details the interest rate profile of the Groups' borrowings at the end of the reporting period, after taking into account the effect of the cash flow hedging instruments:

	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 bank borrowing with hedging instrument	2.71	993	**2.71**	**997**
Long-term borrowings with hedging instruments	3.76	21,497	**3.32**	**22,545**
Variable rate borrowings:				
Short-term bank borrowing	5.47	61	**5.27**	**56**
Long-term bank borrowings	0.90	21,138	**3.14**	**16,346**
Total borrowings		43,689		**43,838**

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 Groups for the year would have decreased/increased by approximately HK$104 million (2021: HK$89 million), mainly as a result of higher/lower interest expense on floating rate borrowings in existence at the end of the reporting period.

The sensitivity analysis has been determined assuming that the change in interest rate occurred at the end of the reporting period and applied to the Groups' exposure to interest rate risk for floating rate borrowings in existence at those dates. The 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.

36 FINANCIAL INSTRUMENTS *(CONTINUED)*

c. Market risk *(continued)*

iii. Equity price risk

The Groups are exposed to equity price changes arising from equity investments. Other than unlisted equity securities held for strategic purposes, all of these investments are listed on a recognised stock exchange market.

Given the insignificant portfolio of listed equity securities held by the Groups, management believes that the Groups' equity price risk is minimal.

Performance of the Groups' unlisted investments held for long-term strategic purposes is assessed at least semi-annually against the performance of the associated business as well as similar listed entities, based on the limited information available to the Groups, together with an assessment of their relevance to the Groups' long-term strategic plans.

d. Fair values of financial instruments measured at amortised cost

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

	2021		**2022**	
In HK$ million	Carrying amount	Fair value	**Carrying amount**	**Fair value**
Short-term borrowings	61	61	**3,950**	**3,945**
Long-term borrowings	43,628	44,629	**39,888**	**37,741**

The fair values of 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 36(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 Groups is the current bid price. These instruments are included in level 1.

– Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which 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.

36 FINANCIAL INSTRUMENTS *(CONTINUED)*

e. Estimation of fair values *(continued)*

The following tables present the Groups' financial assets and liabilities that were measured at fair value:

	As at 31 December 2021			
In HK$ million	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at FVOCI				
– Unlisted securities	–	–	124	124
Financial assets at FVPL				
– Unlisted securities (non-current)	–	–	33	33
– Listed securities (non-current)	5	–	–	5
– Listed securities (current)	15	–	–	15
Derivative financial instruments				
– Non-current	–	131	–	131
Total assets	20	131	157	308
Liabilities				
Derivative financial instruments				
– Non-current	–	(128)	–	(128)

	As at 31 December 2022			
In HK$ million	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Financial assets at FVOCI				
– Unlisted securities	**–**	**–**	**147**	**147**
Financial assets at FVPL				
– Unlisted securities (non-current)	**–**	**–**	**10**	**10**
– Listed securities (non-current)	**24**	**–**	**–**	**24**
– Listed securities (current)	**12**	**–**	**–**	**12**
Derivative financial instruments				
– Non-current	**–**	**27**	**–**	**27**
– Current	**–**	**58**	**–**	**58**
Total assets	**36**	**85**	**157**	**278**
Liabilities				
Derivative financial instruments				
– Current	**–**	**(98)**	**–**	**(98)**
– Non-current	**–**	**(223)**	**–**	**(223)**
Total liabilities	**–**	**(321)**	**–**	**(321)**

36 FINANCIAL INSTRUMENTS *(CONTINUED)*

e. Estimation of fair values *(continued)*

Instruments included in level 1 comprised PCCW Shares acquired or subscribed under PCCW Share Award Schemes and classified as financial assets at FVPL.

Instruments included in level 2 comprised cross currency swap contracts, an interest rate swap contract and foreign exchange forward contracts classified as derivative financial instruments. In measuring the swap transactions, the fair value is the net present value of the estimated future cash flows discounted at the market quoted swap foreign exchange rates and interest rates. The fair value of the foreign exchange forward contracts is calculated based on the prevailing market foreign exchange rates quoted for contracts with the same notional amounts adjusted for maturity differences.

Instruments included in level 3 comprised investments in unlisted instruments classified as financial assets at FVOCI or financial assets at FVPL. During the year ended 31 December 2022, there was a disposal of HK$23 million in the unlisted instruments classified as financial assets at FVPL included in level 3 (2021: an addition of HK$2 million) and an addition of HK$23 million in the unlisted instruments classified as financial assets at FVOCI included in level 3 (2021: nil).

For unlisted securities or financial assets without an active market, the Groups establish the fair value by using valuation techniques including the use of recent arm's length transactions, reference to other instruments that are substantially the same, and discounted cash flow analysis, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

There were no transfers of financial assets and liabilities between fair value hierarchy classifications during the years ended 31 December 2021 and 2022.

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

f. Groups' valuation process

The Groups perform and monitor the valuations of financial instruments required for financial reporting purposes, including level 3 fair values. Material movements in valuations are reported to senior management immediately. Valuation results are reviewed by senior management at least on a semi-annual basis.

37 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	99	–
Acquisition of property, plant and equipment	800	**1,273**
	899	**1,273**

37 COMMITMENTS *(CONTINUED)*

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 Groups had other outstanding commitments as follows:

In HK$ million	2021	**2022**
Purchase of rights to broadcast certain TV content	688	**1,275**
Operating expenditure commitments	776	**507**
	1,464	**1,782**

37 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 Groups lease 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.

38 CONTINGENT LIABILITIES

In HK$ million	2021	**2022**
Performance guarantees	994	**1,053**
Others	2	**6**
	996	**1,059**

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

39 BANKING FACILITIES

Aggregate banking facilities as at 31 December 2022 was HK$32,013 million (2021: HK$32,209 million) of which the undrawn facilities amounted to HK$14,459 million (2021: HK$9,878 million).

Majority of the Groups' banking facilities are subject to the fulfilment of covenants relating to certain of the Groups' consolidated statement of financial position ratios, as are commonly found in lending arrangements with financial institutions. If the Groups were to breach the covenants, the drawn down facilities would become payable on demand and the undrawn facilities would be cancelled. The Groups regularly monitor their compliance with these covenants. As at 31 December 2022, the Groups were in compliance with the covenants relating to the banking facilities. Further details of the Groups' management of liquidity risk are set out in note 36(b).

Summaries of short-term and long-term borrowings are set out in notes 26(e) and 27 respectively.

40 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 Groups.

FIVE YEAR FINANCIAL SUMMARY

For the year ended 31 December 2022

Results

In HK$ million	2018*	2019*	2020# (Restated)	2021 (Restated)	**2022**
Revenue by Principal Activity					
Telecommunications Services	21,128	21,265	21,608	22,259	**22,705**
Mobile	13,825	11,612	10,006	10,838	**10,556**
Pay TV	–	–	418	–	**–**
Other Businesses	234	226	357	864	**864**
	35,187	33,103	32,389	33,961	**34,125**
Cost of sales	(17,980)	(15,787)	(15,703)	(16,729)	**(17,094)**
General and administrative expenses	(9,991)	(9,622)	(9,498)	(10,127)	**(9,777)**
Other gains/(losses), net	2	3	361	(8)	**(8)**
Finance costs, net	(1,350)	(1,372)	(1,296)	(1,148)	**(1,589)**
Share of results of equity accounted entities	(16)	(51)	(79)	(130)	**(97)**
Profit before income tax	5,852	6,274	6,174	5,819	**5,560**
Income tax	(1,010)	(1,037)	(855)	(997)	**(641)**
Profit for the year	4,842	5,237	5,319	4,822	**4,919**
Profit attributable to:					
Holders of Share Stapled Units/shares of the Company	4,825	5,217	5,303	4,808	**4,901**
Non-controlling interests	17	20	16	14	**18**

Assets and Liabilities

As at 31 December In HK$ million	2018	2019	2020	2021	**2022**
Total non-current assets	86,836	89,848	93,434	98,477	**100,035**
Total current assets	10,729	9,921	9,737	11,135	**11,160**
Total current liabilities	(12,141)	(13,091)	(15,369)	(16,203)	**(22,609)**
Total non-current liabilities	(47,830)	(48,708)	(49,902)	(56,212)	**(52,157)**
Net assets	37,594	37,970	37,900	37,197	**36,429**

* Comparative figures of the results for the year ended 31 December 2018 and 2019 have not been restated to reflect the impacts of assessing the business of The Club separately from the reportable segments other than "Other Businesses" as stated in note 7 to the consolidated financial statements for the year ended 31 December 2021 as the directors are of the opinion that it is costs over benefits to do so.

\# Comparative figures of the results for the year ended 31 December 2020 have not been restated to reflect the impacts of assessing the Pay TV business together with the TSS reportable segment upon the consolidation of the consumer retail business and Pay TV business as stated in note 7 to the consolidated financial statements as the directors are of the opinion that it is costs over benefits to do so.

INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

TO THE SOLE SHAREHOLDER OF HKT MANAGEMENT LIMITED
(Incorporated in Hong Kong with limited liability)

Opinion

What we have audited

The financial statements of HKT Management Limited (the "Company"), which are set out on pages 196 to 205, comprise:

- the statement of financial position as at 31 December 2022;
- the income statement for the year then ended;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include principal accounting policies and other explanatory information.

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

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

Independence

We are independent of the Company in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Other Information

The directors are responsible for the other information. The other information comprises all of the information included in the HKT Trust and HKT Limited 2022 annual report other than the financial statements of the Company, the consolidated financial statements of HKT Trust and HKT Limited and our auditor's reports thereon.

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

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

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

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

Responsibilities of Directors and the Audit Committee for the Financial Statements

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

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

The Audit Committee assists the directors in discharging their responsibilities for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 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 financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 23 February 2023

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

INCOME STATEMENT OF HKT MANAGEMENT LIMITED

For the year ended 31 December 2022

In HK$'000	Note	2021	**2022**
Management fee income		54	**55**
General and administrative expenses		(54)	**(55)**
Result before income tax	5	–	**–**
Income tax	6	–	**–**
Result for the year		–	**–**

The notes on pages 201 to 205 form part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME OF HKT MANAGEMENT LIMITED

For the year ended 31 December 2022

In HK$'000	2021	**2022**
Result for the year	–	**–**
Other comprehensive income	–	**–**
Total comprehensive income for the year	–	**–**

The notes on pages 201 to 205 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION OF HKT MANAGEMENT LIMITED

As at 31 December 2022

In HK$'000	Note	2021	**2022**
ASSET AND LIABILITIES			
Current asset			
Amount due from a fellow subsidiary	4(c)	492	**547**
		492	**547**
Current liabilities			
Accruals and other payables		(52)	**(54)**
Amounts due to fellow subsidiaries	4(c)	(440)	**(493)**
		(492)	**(547)**
Net assets		–	**–**
CAPITAL AND RESERVES			
Share capital	7	–	**–**
Reserves		–	**–**
Total equity		–	**–**

Approved and authorised for issue by the board of directors (the "Board") on 23 February 2023 and signed on behalf of the Board by

Li Tzar Kai, Richard
Director

Hui Hon Hing, Susanna
Director

The notes on pages 201 to 205 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY OF HKT MANAGEMENT LIMITED

For the year ended 31 December 2022

In HK$'000	Share capital	2021 Retained profits	Total
As at 1 January 2021	–	–	–
Total comprehensive income for the year			
Result for the year	–	–	–
Other comprehensive income	–	–	–
Total comprehensive income for the year	–	–	–
Transactions with the equity holder of the Company	–	–	–
As at 31 December 2021	–	–	–

In HK$'000	**Share capital**	**2022 Retained profits**	**Total**
As at 1 January 2022	–	–	–
Total comprehensive income for the year			
Result for the year	–	–	–
Other comprehensive income	–	–	–
Total comprehensive income for the year	–	–	–
Transactions with the equity holder of the Company	–	–	–
As at 31 December 2022	–	–	–

The notes on pages 201 to 205 form part of these financial statements.

STATEMENT OF CASH FLOWS OF HKT MANAGEMENT LIMITED

For the year ended 31 December 2022

In HK$'000	2021	**2022**
OPERATING ACTIVITIES		
Result before income tax	–	**–**
Adjustments for:		
Increase in amount due from a fellow subsidiary	(54)	**(55)**
Increase in accruals and other payables	–	**2**
Increase in amounts due to fellow subsidiaries	54	**53**
NET CASH GENERATED FROM OPERATING ACTIVITIES	–	**–**
INVESTING ACTIVITIES		
NET CASH GENERATED FROM INVESTING ACTIVITIES	–	**–**
FINANCING ACTIVITIES		
NET CASH GENERATED FROM FINANCING ACTIVITIES	–	**–**
NET CHANGE IN CASH AND CASH EQUIVALENTS	–	**–**
CASH AND CASH EQUIVALENTS		
Beginning of year	–	**–**
End of year	–	**–**

The notes on pages 201 to 205 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS OF HKT MANAGEMENT LIMITED

31 December 2022

1 GENERAL INFORMATION

HKT Management Limited (the "Company") was incorporated in the Hong Kong Special Administrative Region ("Hong Kong") under the Hong Kong Companies Ordinance on 14 June 2011. Its registered office is located at 39th Floor, PCCW Tower, Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong. The Company is an indirect wholly-owned subsidiary of PCCW Limited, which is also the ultimate holding company of the Company incorporated in Hong Kong with its shares listed on the Main Board of The Stock Exchange of Hong Kong Limited and traded in the form of American Depositary Receipts on the OTC Markets Group Inc. in the United States.

The Company has a limited and specific role, which is to administer the HKT Trust.

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

2 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

a. Statement of compliance

HKT Management Limited's financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards, which is a collective term for all individual Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance (Cap. 622). A summary of the principal accounting policies adopted by the Company is set out below.

b. Basis of preparation of the financial statements

The following amended Hong Kong Financial Reporting Standards are adopted for the financial year beginning 1 January 2022, but have no material effect on the Company'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

The Company 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 10.

The measurement basis used in the preparation of the financial statements is the historical cost basis.

The preparation of financial statements in conformity with Hong Kong Financial Reporting Standards requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of judgements about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are 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 financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 3.

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

c. Impairment of assets

The Company assesses on forward-looking basis the expected credit losses associated with its financial assets carried at amortised cost.

For intercompany receivable, the Company considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition by considering available reasonable and supportive forward-looking information. Considerations may include:

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

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

At each reporting date, the Company measures the loss allowance for the intercompany receivable at an amount equal to the lifetime expected credit losses if the credit risk on that intercompany receivable has increased significantly since initial recognition. If, at the reporting date, the credit risk on an intercompany receivable has not increased significantly since initial recognition, the Company measures the loss allowance for that intercompany receivable at an amount equal to 12-month expected credit losses.

Intercompany receivable is written off when there is no reasonable expectation of recovery. The Company categorises an intercompany receivable for write-off when the intercompany fails to make contractual payments for a period greater than predefined limit. Where the receivable has been written off, the Company continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in the income statement.

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

d. Related parties

For the purposes of these financial statements, a party is considered to be related to the Company if:

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

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

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

iv. the party is a member of key management personnel of the Company or the Company's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individual;

v. the party is a close family member of a party referred to in note i above or is an entity under the control, joint control or significant influence of such party;

vi. the party is a post-employment benefit plan which is for the benefit of employees of the Company or of any entity that is a related party of the Company; or

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

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company has no accounting estimates and judgements that would significantly affect its results and financial position.

4 RELATED PARTY TRANSACTION

During the year, the Company had the following significant transaction with a related party:

In HK$'000	2021	**2022**
Management fee receivable from a fellow subsidiary	54	**55**

a. This transaction was carried out after negotiations between the Company and the related party in the ordinary course of business and on the basis of estimated market value as determined by the directors.

b. The directors' emoluments of the Company were borne by a fellow subsidiary of the Company for the years ended 31 December 2021 and 2022.

c. The amounts due from/to fellow subsidiaries are unsecured, non-interest bearing, and have no fixed repayment terms.

5 RESULT BEFORE INCOME TAX

Result before income tax was stated after charging the following:

In HK$'000	2021	**2022**
Auditor's remuneration	54	**55**

6 INCOME TAX

No Hong Kong profits tax has been provided as the Company did not have any assessable profit during the years ended 31 December 2021 and 2022.

No deferred income tax asset and liability was recognised as at 31 December 2021 and 2022.

7 SHARE CAPITAL

	2021		**2022**	
	Number of share	Share capital HK$	**Number of share**	**Share capital HK$**
Issued and fully paid:				
Ordinary share of no par value				
Beginning and end of year	1	1	**1**	**1**

8 CAPITAL MANAGEMENT

The Company has a specific and limited role to administer the HKT Trust. It is not actively engaged in running the businesses which are managed by HKT Limited, a fellow subsidiary of the Company, and the operating subsidiaries of HKT Limited. Therefore, the Company is not subject to externally imposed capital requirements.

9 FINANCIAL INSTRUMENTS

As the principal activity of the Company is to administer the HKT Trust, the Company is not exposed to credit, liquidity and market risk (including foreign currency risk and interest rate risk). Risk management is carried out under policies approved by the Board.

10 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 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 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 financial statements.

None of the above is expected to have a significant effect on the result of operation and financial position of the Company.

CORPORATE INFORMATION

HKT LIMITED

(incorporated in the Cayman Islands with limited liability)

BOARD OF DIRECTORS

Executive Directors

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

Non-Executive Directors

Peter Anthony Allen
Chung Cho Yee, Mico
Wang Fang

Independent Non-Executive Directors

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

GROUP GENERAL COUNSEL AND COMPANY SECRETARY OF HKT LIMITED AND HKT MANAGEMENT LIMITED

Cheung Hok Chee, Vanessa

REGISTERED OFFICE

PO Box 309, Ugland House
Grand Cayman, KY1-1104
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

39th Floor, PCCW Tower
Taikoo Place, 979 King's Road
Quarry Bay, Hong Kong

SHARE STAPLED UNITS INFORMATION

Board lot:	1,000 units
Issued units as at 31 December 2022:	7,579,742,334 units

DISTRIBUTION

Distribution per share stapled unit for the year ended 31 December 2022:

Interim	31.36 HK cents
Final	43.15 HK cents*

** Subject to the approval of holders of share stapled units at the 2023 Annual General Meeting*

FINANCIAL CALENDAR

Announcement of 2022 Annual Results	23 February 2023
2023 Annual General Meeting	31 May 2023
Closure of books	6-7 June 2023 (both days inclusive)
Record date for 2022 final distribution	7 June 2023
Payment of 2022 final distribution	on or around 20 June 2023

INVESTOR RELATIONS

For more information, please contact Investor Relations at:
Telephone: +852 2514 5084
Email: ir@hkt.com

HKT MANAGEMENT LIMITED

(incorporated in Hong Kong with limited liability)
(THE TRUSTEE-MANAGER OF THE HKT TRUST)

BOARD OF DIRECTORS

Executive Directors

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

Non-Executive Directors

Peter Anthony Allen
Chung Cho Yee, Mico
Wang Fang

Independent Non-Executive Directors

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

REGISTERED OFFICE

39th Floor, PCCW Tower
Taikoo Place, 979 King's Road
Quarry Bay, Hong Kong

PRINCIPAL SHARE REGISTRAR

Maples Fund Services (Cayman) Limited
PO Box 1093, Boundary Hall, Cricket Square
Grand Cayman, KY1-1102
Cayman Islands

SHARE STAPLED UNITS REGISTRAR AND HONG KONG BRANCH SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wan Chai, Hong Kong
Telephone: +852 2862 8555
Fax: +852 2865 0990
Website: www.computershare.com/hk/contact

LISTINGS

The share stapled units of HKT Trust and HKT Limited are listed on The Stock Exchange of Hong Kong Limited. Certain guaranteed notes issued by subsidiaries of HKT Limited are listed on the Singapore Exchange Securities Trading Limited and the Taipei Exchange (as the case may be).

STOCK CODES

The Stock Exchange of Hong Kong Limited	6823
Reuters	6823.HK
Bloomberg	6823 HK

WEBSITE OF HKT LIMITED

www.hkt.com

ANNUAL REPORT 2022

This Annual Report 2022 in both English and Chinese is now available in printed form from HKT Limited, HKT Management Limited and the Share Stapled Units Registrar, and in accessible format on the websites of HKT Limited (www.hkt.com/ir) and Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk).

Holders of share stapled units who:

A) received the Annual Report 2022 using electronic means through the website of HKT Limited 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 HKT Limited and/or HKT Management Limited c/o the Share Stapled Units Registrar at:

Computershare Hong Kong Investor Services Limited
Investor Communications Centre
17M Floor, Hopewell Centre
183 Queen's Road East
Wan Chai, Hong Kong
Telephone: +852 2862 8688
Fax: +852 2865 0990
Email: hkt@computershare.com.hk

Holders of share stapled units who have chosen (or are deemed to have agreed) to receive the corporate communications of the HKT Trust, HKT Limited and HKT Management Limited (including but not limited to the Annual Report 2022) using electronic means through the website of HKT Limited and who, for any reason, have difficulty in receiving or gaining access to the Annual Report 2022 will promptly, upon request in writing or by email to the Share Stapled Units Registrar, be sent the Annual Report 2022 in printed form, free of charge.

Holders of share stapled units may change their choice of language and/or means of receipt of future corporate communications of the HKT Trust, HKT Limited and HKT Management Limited at any time, free of charge, by reasonable prior notice in writing or by email to the Share Stapled Units Registrar.

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 HKT relating to the business, industry and markets in which HKT 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:

- increased competition in the Hong Kong telecommunications market, the pay television market and other markets in which HKT operates;
- possible negative effects of potentially new legislation, regulations, guidelines, decisions or directives;
- possible negative effects of potentially new regulatory developments;
- our ability to implement our business plan as a consequence of our substantial debt;
- our exposure to interest rate risk;
- our ability to obtain additional capital;
- our ability to execute our business strategy, including our ability to enter into business combinations and restructuring, strategic investments and acquisitions and challenges in growing business organically; 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 HKT 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.

HKT Trust (A trust constituted on 7 November 2011 under the laws of Hong Kong and managed by HKT Management Limited)
and
HKT Limited (Incorporated in the Cayman Islands with limited liability)

Principal Place of Business in Hong Kong:
39/F, PCCW Tower, Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong
T: +852 2888 2888 F: +852 2877 8877 www.hkt.com

The Share Stapled Units are listed on The Stock Exchange of Hong Kong Limited (SEHK: 6823).

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