# HONG KONG TELECOMMUNICATIONS (HKT) LIMITED

## CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2025

pwc 羅兵咸永道

# Independent Auditor's Report

TO THE BOARD OF DIRECTORS OF HONG KONG TELECOMMUNICATIONS (HKT) LIMITED
(Incorporated in Hong Kong with limited liability)

## Opinion

### What we have audited

The consolidated financial statements of Hong Kong Telecommunications (HKT) Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 5 to 83, comprise:

- the consolidated statement of financial position as at 31 December 2025;
- 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, comprising material accounting policy information and other explanatory information.

### Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2025, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with HKFRS Accounting Standards as issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").



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## Basis for Opinion

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

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

### Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), as applicable to audits of financial statements of public interest entities. We have also fulfilled our other ethical responsibilities in accordance with the Code.

## Responsibilities of Directors for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRS Accounting Standards as issued by the HKICPA, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

## Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors 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.

The engagement partner on the audit resulting in this independent auditor's report is Sean William Tuckfield (practising certificate number: P03802).

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 10 April 2026

**HONG KONG TELECOMMUNICATIONS (HKT) LIMITED**

**CONSOLIDATED INCOME STATEMENT**
**FOR THE YEAR ENDED 31 DECEMBER 2025**

| In HK$ million | Note | 2024 | **2025** |
|---|---|---|---|
| Revenue | 5 | 17,437 | **18,338** |
| Cost of sales | 6(a) | (7,083) | **(8,975)** |
| General and administrative expenses | 6(b) | (3,920) | **(4,550)** |
| Other losses, net | | (4) | **-** |
| Finance costs, net | 7 | (2,316) | **(1,701)** |
| Share of result of a joint venture | | (4) | **(4)** |
| Profit before income tax | 6 | 4,110 | **3,108** |
| Income tax | 9 | (447) | **(341)** |
| Profit for the year | | 3,663 | **2,767** |
| Profit attributable to: | | | |
| Equity holder of the Company | | 3,663 | **2,764** |
| Non-controlling interests | | - | **3** |
| Profit for the year | | 3,663 | **2,767** |

The notes on pages 12 to 83 form part of these consolidated financial statements.

**HONG KONG TELECOMMUNICATIONS (HKT) LIMITED**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**
**FOR THE YEAR ENDED 31 DECEMBER 2025**

| In HK$ million | 2024 | **2025** |
|---|---|---|
| Profit for the year | 3,663 | **2,767** |
| Other comprehensive (loss)/income | | |
| Items that have been reclassified or may be reclassified subsequently to consolidated income statement: | | |
| Exchange differences on translating foreign operations of subsidiaries | (2) | **1** |
| Cash flow hedges: | | |
| - effective portion of changes in fair value | (183) | **44** |
| - transfer from equity to consolidated income statement | 208 | **(234)** |
| Costs of hedging | 118 | **5** |
| Other comprehensive income/(loss) for the year | 141 | **(184)** |
| Total comprehensive income for the year | 3,804 | **2,583** |
| Attributable to: | | |
| Equity holder of the Company | 3,804 | **2,580** |
| Non-controlling interests | - | **3** |
| Total comprehensive income for the year | 3,804 | **2,583** |

The notes on pages 12 to 83 form part of these consolidated financial statements.

**HONG KONG TELECOMMUNICATIONS (HKT) LIMITED**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**
**FOR THE YEAR ENDED 31 DECEMBER 2025**

| | | 2024 | | |
|---|---|---|---|---|
| In HK$ million | Note | Attributable to equity holder of the Company | Non-controlling interests | Total equity |
| **As at 1 January 2024** | | 11,575 | 15 | 11,590 |
| **Total comprehensive income for the year** | | | | |
| Profit for the year | | 3,663 | - | 3,663 |
| Other comprehensive income/(loss) | | | | |
| Items that have been reclassified or may be reclassified subsequently to consolidated income statement: | | | | |
| Exchange differences on translating foreign operations of subsidiaries | | (2) | - | (2) |
| Cash flow hedges: | | | | |
| - effective portion of changes in fair value | 22(c) | (183) | - | (183) |
| - transfer from equity to consolidated income statement | 22(c) | 208 | - | 208 |
| Costs of hedging | 22(c) | 118 | - | 118 |
| Other comprehensive income | | 141 | - | 141 |
| **Total comprehensive income for the year** | | 3,804 | - | 3,804 |
| **Transactions with equity holder** | | | | |
| Final dividend paid in respect of the previous year | 10 | (2,388) | - | (2,388) |
| **Total transactions with equity holder** | | (2,388) | - | (2,388) |
| **As at 31 December 2024** | | 12,991 | 15 | 13,006 |

HONG KONG TELECOMMUNICATIONS (HKT) LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY** *(CONTINUED)*
**FOR THE YEAR ENDED 31 DECEMBER 2025**

| | | 2025 | | |
|---|---|---|---|---|
| In HK$ million | Note | **Attributable to equity holder of the Company** | **Non-controlling interests** | **Total equity** |
| **As at 1 January 2025** | | **12,991** | **15** | **13,006** |
| **Total comprehensive income for the year** | | | | |
| Profit for the year | | **2,764** | **3** | **2,767** |
| Other comprehensive income/(loss) | | | | |
| Items that have been reclassified or may be reclassified subsequently to consolidated income statement: | | | | |
| Exchange differences on translating foreign operations of subsidiaries | | **1** | **-** | **1** |
| Cash flow hedges: | | | | |
| - effective portion of changes in fair value | 22(c) | **44** | **-** | **44** |
| - transfer from equity to consolidated income statement | 22(c) | **(234)** | **-** | **(234)** |
| Costs of hedging | 22(c) | **5** | **-** | **5** |
| Other comprehensive loss | | **(184)** | **-** | **(184)** |
| **Total comprehensive income for the year** | | **2,580** | **3** | **2,583** |
| **Transactions with equity holder** | | | | |
| Final dividend paid in respect of the previous year | 10 | **(2,950)** | **-** | **(2,950)** |
| Interim dividend declared and paid in respect of the current year | 10 | **(1,735)** | **-** | **(1,735)** |
| **Total transactions with equity holder** | | **(4,685)** | **-** | **(4,685)** |
| **As at 31 December 2025** | | **10,886** | **18** | **10,904** |

The notes on pages 12 to 83 form part of these consolidated financial statements.

**HONG KONG TELECOMMUNICATIONS (HKT) LIMITED**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
**AS AT 31 DECEMBER 2025**

| In HK$ million | Note | 2024 | **2025** |
|---|---|---|---|
| **ASSETS AND LIABILITIES** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 11 | 21,669 | **22,810** |
| Right-of-use assets | 12 | 1,170 | **1,251** |
| Interests in leasehold land | 13 | 153 | **143** |
| Goodwill | 14 | 32,630 | **32,630** |
| Intangible assets | 15 | 16,989 | **19,063** |
| Fulfilment costs | | 2,047 | **2,253** |
| Customer acquisition costs | | 337 | **358** |
| Contract assets | | 21 | **34** |
| Interest in a joint venture | 16 | 97 | **86** |
| Financial assets at fair value through profit or loss | 17 | 10 | **17** |
| Derivative financial instruments | 22 | 58 | **121** |
| Deferred income tax assets | 26 | 8 | **7** |
| Other non-current assets | 19 | 360 | **216** |
| | | 75,549 | **78,989** |
| **Current assets** | | | |
| Inventories | 20(a) | 1,159 | **1,047** |
| Prepayments, deposits and other current assets | 20(b) | 2,368 | **2,476** |
| Contract assets | | 268 | **429** |
| Trade receivables, net | 20(c) | 378 | **407** |
| Amounts due from related companies | 4(c) | 15 | **12** |
| Amounts due from fellow subsidiaries, the immediate holding company and intermediate holding companies | 4(c) | 7,915 | **4,288** |
| Financial assets at fair value through profit or loss | 17 | 14 | **15** |
| Derivative financial instruments | 22 | - | **40** |
| Restricted cash | 20(d) | 17 | **21** |
| Short-term deposits | | 295 | **358** |
| Cash and cash equivalents | 28(c) | 899 | **751** |
| | | 13,328 | **9,844** |

HONG KONG TELECOMMUNICATIONS (HKT) LIMITED

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(CONTINUED)*
## AS AT 31 DECEMBER 2025

| In HK$ million | Note | 2024 | **2025** |
|---|---|---|---|
| **Current liabilities** | | | |
| Short-term borrowing | 20(e) | (3,881) | **(5,829)** |
| Trade payables | 20(f) | (5,967) | **(8,583)** |
| Accruals and other payables | | (3,774) | **(4,134)** |
| Derivative financial instruments | 22 | (41) | **(17)** |
| Carrier licence fee liabilities | 27 | (324) | **(384)** |
| Amounts due to fellow subsidiaries, the immediate holding company and an intermediate holding company | 4(c) | (10,837) | **(6,023)** |
| Amount due to a related company | 4(c) | (2) | **(2)** |
| Advances from customers | | (107) | **(107)** |
| Contract liabilities | | (619) | **(522)** |
| Lease liabilities | | (597) | **(592)** |
| Current income tax liabilities | | (164) | **(161)** |
| | | (26,313) | **(26,354)** |
| **Non-current liabilities** | | | |
| Long-term borrowings | 21 | (37,372) | **(38,691)** |
| Amounts due to a fellow subsidiary | 4(c) | (38) | **(29)** |
| Derivative financial instruments | 22 | (769) | **(814)** |
| Deferred income tax liabilities | 26 | (5,517) | **(5,856)** |
| Carrier licence fee liabilities | 27 | (3,198) | **(3,494)** |
| Contract liabilities | | (4) | **(4)** |
| Lease liabilities | | (583) | **(666)** |
| Other long-term liabilities | | (2,077) | **(2,021)** |
| | | (49,558) | **(51,575)** |
| **Net assets** | | 13,006 | **10,904** |
| **CAPITAL AND RESERVES** | | | |
| Share capital | 24 | 9,945 | **9,945** |
| Reserves | 25 | 3,046 | **941** |
| **Equity attributable to equity holder of the Company** | | 12,991 | **10,886** |
| Non-controlling interests | 18(b) | 15 | **18** |
| **Total equity** | | 13,006 | **10,904** |

Approved and authorised for issue by the board of directors of the Company (the "Board") on 10 April 2026 and signed on behalf of the Board by

**Hui Hon Hing, Susanna**
*Director*

**Poon Chi Ho**
*Director*

The notes on pages 12 to 83 form part of these consolidated financial statements.

**HONG KONG TELECOMMUNICATIONS (HKT) LIMITED**

**CONSOLIDATED STATEMENT OF CASH FLOWS**
**FOR THE YEAR ENDED 31 DECEMBER 2025**

| In HK$ million | Note | 2024 | **2025** |
|---|---|---|---|
| **NET CASH GENERATED FROM OPERATING ACTIVITIES** | 28(a) | 13,081 | **8,260** |
| **INVESTING ACTIVITIES** | | | |
| Proceeds from disposal of property, plant and equipment | | 4,054 | **1** |
| Proceeds from disposal of intangible assets | | 56 | **-** |
| Purchases of property, plant and equipment | | (1,778) | **(1,360)** |
| Additions of intangible assets | | (2,849) | **(3,328)** |
| Loans to a joint venture | | (96) | **(70)** |
| Increase in short-term deposits with maturity more than three months | | (216) | **(63)** |
| **NET CASH USED IN INVESTING ACTIVITIES** | | (829) | **(4,820)** |
| **FINANCING ACTIVITIES** | | | |
| New borrowings raised | 28(b) | 29,825 | **39,869** |
| Finance costs paid | 28(b) | (1,857) | **(1,605)** |
| Repayments of borrowings | 28(b) | (33,011) | **(37,177)** |
| Payment for lease liabilities (including interest) | 28(b) | (874) | **(836)** |
| Movement in balances with fellow subsidiaries and an intermediate holding company | 28(b) | (3,787) | **845** |
| Dividends paid to equity holder of the Company | 10 | (2,388) | **(4,685)** |
| **NET CASH USED IN FINANCING ACTIVITIES** | | (12,092) | **(3,589)** |
| **NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS** | | 160 | **(149)** |
| Exchange differences | | (3) | **1** |
| **CASH AND CASH EQUIVALENTS** | | | |
| Beginning of year | | 742 | **899** |
| End of year | 28(c) | 899 | **751** |

The notes on pages 12 to 83 form part of these consolidated financial statements.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

## 1 GENERAL INFORMATION

Hong Kong Telecommunications (HKT) Limited (the "Company") is a limited liability company incorporated in the Hong Kong Special Administrative Region ("Hong Kong"). The address of its registered office is 39th Floor, PCCW Tower, Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong.

The Company is a direct wholly-owned subsidiary of HKT (Hong Kong) Limited, which is a limited liability company incorporated in the British Virgin Islands, and is an indirect wholly-owned subsidiary of HKT Limited ("HKT"), which is a limited liability company incorporated in the Cayman Islands with its share stapled units (the "Share Stapled Units") jointly issued with the HKT Trust listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The directors consider PCCW Limited ("PCCW"), a limited liability 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, to be the ultimate holding company of the Company.

The principal activities of the Company and its subsidiaries (together the "Group") are the provision of telecommunications and related services which include local telephony, local data and broadband, international telecommunications, wholesale mobile, enterprise solutions, and other telecommunications businesses such as customer premises equipment sales, outsourcing and consulting primarily in Hong Kong.

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

## 2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES

### a. Statement of compliance

These consolidated financial statements have been prepared in accordance with all applicable HKFRS Accounting 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"). A summary of the material accounting policies adopted by the Group is set out below.

### b. Basis of preparation of the financial statements

The following amended HKAS is adopted for the financial year beginning 1 January 2025, but has no material effect on the Group's reported results and financial position for the current and prior accounting periods.

- HKAS 21 (Amendments), *The Effects of Changes in Foreign Exchange Rates*

The Group has not early adopted any new or amended HKFRS Accounting Standards that are not yet effective for the current accounting period, details of which are set out in note 34.

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

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

The consolidated financial statements for the year ended 31 December 2025 have been prepared for refinancing purpose. The Company, as a holding company has applied Section 379(3) of the Hong Kong Companies Ordinance (Cap. 622) to prepare company level financial statements as the Company's statutory financial statements for the year ended 31 December 2025. Consequently, these consolidated financial statements and the comparatives do not constitute the Company's statutory financial statements for either of the years ended 31 December 2024 or 2025. Information relating to the Company's statutory financial statements required to be disclosed in accordance with Section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

As the Company is a private company, it is not required to deliver its financial statements to the Registrar of Companies, and has not done so.

The Company's auditor has reported on the company level financial statements for both years. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under Sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Cap. 622).

The consolidated financial statements for the year ended 31 December 2025 comprise the financial statements of the Group, and the Group's interest in a joint venture.

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 2(m)); and
- derivative financial instruments (see note 2(o)).

As at 31 December 2025, the current liabilities of the Group exceeded its current assets by HK$16,510 million. After considering the Group's ability to generate net operating cash inflows and raise additional debt financing, and the undrawn banking facilities available as at 31 December 2025, management considers the Group is able to meet its liabilities as and when they fall due within the next 12-month period. Accordingly, these consolidated financial statements have been prepared on a going concern basis.

The preparation of financial statements in conformity with HKFRS Accounting 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 HKFRS Accounting Standards that have significant effect on the consolidated financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 3.

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

**c. Subsidiaries and non-controlling interests**

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

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

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

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

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill (see note 2(h)). If this is less than the fair value of the identifiable 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 identifiable net assets of the acquired business are finalised within 12 months of the acquisition date, all fair value adjustments are recorded with effect from the date of acquisition and consequently may result in the restatement of previously reported financial results.

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

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

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

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

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

## 2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES *(CONTINUED)*

### d. Joint arrangements

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

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

Investment in a joint venture is accounted for in the consolidated financial statements using the equity method and is initially recorded at cost. The Group's interest in a joint venture includes goodwill identified on acquisition, net of any accumulated impairment loss and adjust thereafter for the post-acquisition changes in the Group's share of the joint venture's net assets. The consolidated income statement includes the Group's share of post-acquisition, post-tax result of the joint venture and any impairment losses for the year. The consolidated statement of comprehensive income includes the Group's share of the post-acquisition, post-tax items of the joint venture's other comprehensive income.

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

Unrealised profits and losses resulting from transactions between the Group and its joint venture are eliminated to the extent of the Group's interest in the joint venture, 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 a joint venture is reduced but joint control 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 the joint venture when necessary to align its accounting policies to ensure consistency with policies adopted by the Group.

### e. Gaining or losing control

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in the consolidated income statement. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint arrangement or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to the consolidated income statement or transferred to another category of equity as specified/permitted by applicable HKFRS Accounting Standards.

## 2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES *(CONTINUED)*

### f. Property, plant and equipment

The following items of property, plant and equipment are stated in the consolidated statement of financial position at cost less accumulated depreciation and impairment losses (see note 2(n)(ii)):

- buildings held for own use which are situated on leasehold 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 2(g)); and
- other items of plant and equipment.

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

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

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

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 50 years |
| Other plant and equipment | 1 to 20 years |

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

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

**g. Leased assets**

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

i. Assets leased to the Group

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

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

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

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

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

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

- the amount of the initial measurement of lease liabilities;
- any lease payments made at or before the commencement date, less any lease 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.

ii. Assets leased out by the Group

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

Where the Group leases out assets under operating leases, the assets are included in the consolidated statement of financial position according to their nature and, where applicable, are depreciated in accordance with the Group's depreciation policies. Impairment losses are accounted for in accordance with the accounting policy as set out in note 2(n)(ii). Revenue arising from operating leases is recognised in 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.

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

**h. Goodwill**

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

Goodwill is stated in the consolidated statement of financial position at cost less accumulated impairment losses. Goodwill is allocated to the cash-generating unit ("CGU") and is tested at least annually for impairment (see note 2(n)(ii)). In respect of the joint venture, the carrying amount of goodwill is included in the carrying amount of the interest in a joint venture and tested for impairment when there is an indication that the investment may be impaired.

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

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

i. Carrier licences

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

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

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

ii. Software

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

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

- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software and use or sell it;
- there is an ability to use or sell the software;
- it can be demonstrated how the software will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software are available; and
- the expenditure attributable to the software during its development can be reliably measured.

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

Capitalised software costs are amortised on a straight-line basis over the estimated useful life of 5 to 10 years.

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

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

iii. Other intangible assets

Other intangible assets that are acquired by the Group are stated in the consolidated statement of financial position at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 2(n)(ii)). Expenditures on internally generated goodwill and brands are recognised as expenses in the period in which they are incurred.

Amortisation of intangible assets with finite useful lives is charged to the consolidated income statement on a straight-line basis over their estimated useful lives. The following intangible asset with finite useful life is amortised from the date it is available for use and its estimated useful life is as follows:

| | |
|---|---|
| Trademarks | 20 years |

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

**j. Fulfilment costs**

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

**k. Customer acquisition costs**

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

**l. Contract assets/liabilities**

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

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

**m. Investments in debt and equity securities**

*Classification*

The Group classifies its investments in debt and equity securities, other than interests in subsidiaries and interest in a joint venture, as:

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

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

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

The Group reclassifies debt instruments when and only when its business model for managing those assets changes.

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

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

*Recognition and derecognition*

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

*Initial measurement*

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

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

*Subsequent measurement*

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt instrument that is subsequently measured at amortised cost is recognised in the consolidated income statement when the asset is derecognised or impaired. Interest income from these financial assets is included in interest income using the effective interest method.

- FVOCI: Assets that are held for collection of contractual cash flows and for sale, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment losses, interest income using the effective interest method and foreign exchange gains and losses which are recognised in the consolidated income statement. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to the consolidated income statement and recognised in other gains/(losses), net.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt instrument that is subsequently measured at FVPL is recognised and presented net in the consolidated income statement within other gains/(losses), net in the period in which it arises.

Equity instruments

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

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

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

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

**n. Impairment of assets**

i. Investments in debt instruments, intercompany receivables and trade and other receivables

The Group assesses on forward-looking basis the expected credit losses associated with its debt instruments, intercompany receivables and trade and other receivables carried at amortised cost.

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

- internal credit rating;
- external credit rating (as far as available);
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations;
- actual or expected significant changes in the operating results of the borrower;
- significant increases in credit risk on other financial instruments of the same borrower; and
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of the borrower in the Group and changes in the operating results of the borrower.

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

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

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

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

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

**n. Impairment of assets** *(continued)*

ii. Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period, or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, to identify indications that the following major 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;
- interest in a joint venture; and
- goodwill.

If any such indication exists, the asset's recoverable amount is estimated. Impairment tests are performed for the CGU 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 the CGU 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.

**o. Derivative financial instruments**

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value at the end of each reporting period. The gain or loss on remeasurement to fair value is recognised immediately in the consolidated income statement, except where the derivatives are designated and qualify for hedge accounting, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged (see note 2(p)).

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

**o. Derivative financial instruments** *(continued)*

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

**p. Hedging**

At inception of the hedge relationship, the Group documents the economic relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking its 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 Group designates only the change in fair value of the forward contract related to the spot component as the hedging instrument. Gains or losses relating to the effective portion of the change in the spot component of the forward contracts are recognised in the hedging reserve within equity. The change in the forward element is recognised in the consolidated income statement.

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

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 the hedged forecast transactions subsequently result in the recognition of a non-financial asset such as inventory, the amount accumulated in the hedging reserve is removed from the reserve and is included directly in the initial cost of the non-financial item when it is recognised.

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.

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

**q. Inventories**

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

Purchased parts and materials, finished goods and consumable inventories 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.

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

**r. Trade and other receivables**

Trade 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.

Other receivables and intercompany receivables are recognised initially at fair value.

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

**s. Cash and cash equivalents**

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

**t. Trade and other payables**

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

**u. Borrowings**

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

**v. Provisions and contingent liabilities**

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

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

**w. Revenue recognition**

Telecommunications services comprise local telephony, local data and broadband, international telecommunications, wholesale mobile, enterprise solutions, and other telecommunications businesses such as customer premises equipment sales, outsourcing and consulting.

## 2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES *(CONTINUED)*

### w. Revenue recognition *(continued)*

Local telephony, local data and broadband, international telecommunications and wholesale mobile businesses earn revenue primarily by providing access to and usage of the telecommunications network locally and internationally. As part of the bundled service offerings, the Group also delivers equipment, gifts and reward points from the customer loyalty programme operated by a fellow subsidiary 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 Group's activities. Revenue is recognised when the control of the goods or services is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the goods or services may be transferred over time or at a point in time.

The Group often enters into bundled sale contracts with customers in which, apart from the provision of telecommunications and other services, the Group has certain other performance obligations to customers such as the delivery of equipment, gifts and Reward Points. When multiple-element arrangements exist, the total transaction price receivable from customers is allocated among the Group's performance obligations on a relative stand-alone selling price basis. Management estimates the stand-alone selling price at contract inception mainly based on observable retail prices and observable market data of the respective performance obligations in similar circumstances to similar customers. If a bundled discount is granted, it is allocated to respective performance obligations based on their relative stand-alone selling prices unless the Group has observable evidence that the entire discount related to only one or more, but not all performance obligations in the contracts. The costs of respective 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 Group's performance as the Group performs and is based on the output method, either as the service allowance units are used or as time elapses, because it reflects the pattern by which the Group satisfies the performance obligation through the rendering 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 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 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 taken into consideration when determining the stand-alone selling price of the Reward Points 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 Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. Input method is used to measure the progress as it depicts the Group's performance in transferring the control of the asset. The progress is measured by reference to the percentage of contract costs incurred to date to estimated total contract costs for the contract. When the outcome of a contract cannot be estimated reliably, revenue is recognised only to the extent that it is probable the contract costs incurred will be recoverable. Customers make settlement periodically throughout the contract period according to the pre-agreed payment schedule. Accumulated experience is used to estimate the variable consideration to the extent that it is highly probable that a significant reversal will not occur, using the expected value method, to be included in the transaction price.

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

**w. Revenue recognition** *(continued)*

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

**x. Interest income**

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

**y. Dividend income**

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

**z. Borrowing costs**

Borrowing costs are expensed in the consolidated income statement in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Discounts or premiums relating to borrowings, and ancillary costs incurred in connection with arranging borrowings, to the extent that they are regarded as adjustments to interest costs, are recognised as expenses over the period of the borrowing using the effective interest method.

**aa. Cost of sales and general and administrative expenses**

General and administrative expenses represent operating costs incurred other than cost of sales. Cost of sales mainly includes cost of inventories sold, connectivity costs and staff costs relating to sales; while general and administrative expenses mainly include depreciation of property, plant and equipment, depreciation of right-of-use assets, amortisation of land lease premium, amortisation of intangible assets, amortisation of fulfilment costs, amortisation of customer acquisition costs, impairment loss for trade receivables and other staff costs.

**ab. Income tax**

i. Income tax for the year comprises current income tax and movements in deferred income tax assets and liabilities. Current income tax and movements in deferred income tax assets and liabilities are recognised in the consolidated income statement except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts are recognised in other comprehensive income or directly in equity, respectively.

ii. Current income tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period.

iii. Deferred income tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred income tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences;

- temporary differences related to investments in subsidiaries and investment in a joint venture to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future or there is no sufficient taxable profit be available against which the deductible temporary differences can be utilised; and

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

**ab. Income tax** *(continued)*

iii. *(continued)*

- taxable temporary differences arising on the initial recognition of goodwill.

The Group recognised deferred income tax assets and deferred income tax liabilities separately in relation to its lease liabilities and right-of-use assets.

Deferred income tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. 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 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 Group has the legally enforceable right to set off current income tax assets against current income tax liabilities and the following additional conditions are met:

- in the case of current income tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred income tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

  - different taxable entities, which, in each future period in which significant amounts of deferred income tax liabilities or assets are expected to be settled or recovered, intend to realise the current income tax assets and settle the current income tax liabilities on a net basis or realise and settle simultaneously.

**ac. Employee benefits**

i. Short-term employee benefits

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

ii. Retirement and other post-employment benefits

The Group offers defined contribution retirement schemes (including the Mandatory Provident Fund “MPF” scheme) to its employees.

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

**ac. Employee benefits** *(continued)*

ii. Retirement and other post-employment benefits *(continued)*

The assets of retirement schemes are generally held in separate trustee-administered funds. The schemes are generally funded by contributions from the relevant companies in the Group.

For defined contribution retirement schemes, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The Group's contributions to the defined contribution retirement schemes are recognised as an expense in the consolidated income statement in the period to which the contributions relate.

iii. Share-based payments

PCCW, the HKT Trust and HKT operate share option schemes where employees of the Group (including directors) are granted options to acquire shares of PCCW ("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. 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. 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 vests (with a corresponding adjustment to the capital contribution from members in respect of employee share-based compensation under equity). The equity amount remains in the capital contribution from members in respect of employee share-based compensation under equity.

Share Stapled Units were granted to employees at nil consideration under the Share Stapled Unit award schemes adopted on 11 October 2011, the extension of the duration of which for a further term of 10 years commencing from 11 October 2021 was approved by the board of directors of HKT on 5 August 2021 (collectively the "2011 Share Stapled Unit Award Schemes"). The 2011 Share Stapled Unit Award Schemes will remain valid and effective until all outstanding awards granted thereunder have vested, lapsed, forfeited or been cancelled in accordance with the terms of the corresponding scheme. No further awards have been or will be granted under the 2011 Share Stapled Unit Award Schemes after the annual general meeting of the HKT Trust and HKT held on 30 May 2024. Under the 2011 Share Stapled Unit Award Schemes, the awarded Share Stapled Units were 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").

Share Stapled Units may also be granted to, among others, employees at nil consideration under the HKT Trust and HKT Limited 2024 Share Stapled Unit Award Scheme adopted on 30 May 2024 (the "2024 Share Stapled Unit Award Scheme"), under which the awarded Share Stapled Units are either newly issued at issue price (the "Grants Funded by New Share Stapled Units") or purchased from the open market (the "Grants Funded by Existing Share Stapled Units").

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

**ac. Employee benefits** *(continued)*

iii. Share-based payments *(continued)*

PCCW granted PCCW Shares to employees of PCCW and its participating companies at nil consideration under the share award schemes adopted by PCCW on 15 November 2012, the extension of the duration of which for a further period of 10 years commencing from 15 November 2022 was approved by PCCW on 12 August 2022 (collectively the "PCCW 2012 Share Award Schemes"). The PCCW 2012 Share Award Schemes will remain valid and effective until all outstanding awards granted thereunder have vested, lapsed, forfeited or been cancelled in accordance with the terms of the corresponding scheme. No further awards have been or will be granted under the PCCW 2012 Share Award Schemes after the annual general meeting of PCCW held on 30 May 2024. Under the PCCW 2012 Share Award Schemes, 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").

PCCW also grants PCCW Shares to, among others, employees of any PCCW group member at nil consideration under the PCCW Limited 2024 Share Award Scheme adopted by PCCW on 30 May 2024 (the "PCCW 2024 Share Award Scheme"), under which the awarded PCCW Shares are either newly issued at issue price (the "Grants Funded by New PCCW Shares") or purchased from the open market (the "Grants Funded by Existing PCCW Shares").

Awards under the share award schemes are accounted for as cash-settled share-based payments. The fair value of the awarded PCCW Shares and Share Stapled Units represents the quoted market price of PCCW Shares and Share Stapled Units purchased from the open market under the PCCW Purchase Scheme/the PCCW 2024 Share Award Scheme/the HKT Share Stapled Units Purchase Scheme/the 2024 Share Stapled Unit Award Scheme, and the issue price of PCCW Shares and Share Stapled Units under the PCCW Subscription Scheme/the PCCW 2024 Share Award Scheme/the HKT Share Stapled Units Subscription Scheme/the 2024 Share Stapled Unit Award 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 and Share Stapled Units 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 and 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 obligation. On vesting date, the amount recognised as staff costs is adjusted to reflect the actual number of awarded PCCW Shares and Share Stapled Units that vests (with a corresponding adjustment to the obligation) and the carrying amount of awarded PCCW Shares and Share Stapled Units 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.

**ad. Translation of foreign currencies**

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

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.

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

**ad. Translation of foreign currencies** *(continued)*

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.

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.

**ae. Related parties**

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

i. a person or a close member of that person's family is related to the Group if that person:

(1) has control or joint control of the Group;
(2) has significant influence over the Group; or
(3) is a member of the key management personnel of the Group or of the Group's parent.

ii. an entity is related to the Group if any of the following conditions applies:

(1) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
(2) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
(3) both entities are joint ventures of the same third party.
(4) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
(5) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
(6) the entity is controlled or jointly controlled by a person identified in (i).
(7) a person identified in (i)(1) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
(8) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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

**af. Segment reporting**

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

## 2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES *(CONTINUED)*

### ag. Dividend to the sole member of the Company

Dividend to the Company's sole member is recognised as a liability in the consolidated financial statements in the period in which the dividend is approved by the Board or the Company's sole member, where appropriate.

## 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Notes 14 and 30 contain information about the assumptions and their risk factors relating to goodwill impairment and financial instruments. Management has also made judgements in applying the Group's accounting policies. These judgements and other key sources of estimation uncertainty are discussed below:

### i. Impairment of non-financial assets

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

- property, plant and equipment;
- right-of-use assets;
- interests in leasehold land;
- fulfilment costs;
- customer acquisition costs;
- intangible assets;
- interest in a joint venture; and
- goodwill.

If any such indication exists, the asset's recoverable amount is estimated. Impairment tests are performed for the CGU 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 the CGU appropriately. An impairment loss is recognised in the consolidated income statement whenever the carrying amount of an asset exceeds its recoverable amount.

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

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

**3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS** *(CONTINUED)*

**ii. Deferred income tax**

While deferred income tax liabilities are provided in full on all taxable temporary differences, deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. In assessing the amount of deferred income tax assets that need to be recognised, the Group considers future taxable income and business plans. In the event that the Group's estimates of projected future taxable income and benefits from available business plans are changed, or changes in current income tax regulations are enacted that would impact the timing or extent of the Group's ability to utilise the tax benefits of net operating loss carry-forward in the future, adjustments to the recorded amount of net deferred income tax assets and income tax expense would be made.

**iii. Current income tax**

The Group makes a provision for current income tax based on estimated taxable income for the year. The estimated income tax liabilities are computed based on the tax computations as prepared by the Group. Certain tax queries have been raised by the tax authorities in Hong Kong in respect of the tax treatment of items included in the tax computations and certain non-routine transactions. Where the Group considers it probable that these queries will result in different outcome, 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. The Group considers that the resolution of these queries will not result in material adverse impact to the Group's financial position.

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

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

The lives are estimated at the time of purchase of these assets or direct costs incurred in fulfilling or acquiring a contract with a customer after considering future technology changes, business developments, the Group's strategies and expected lives of customer contracts. The Group performs annual reviews to assess the appropriateness of the estimated lives. Such reviews take into account any unexpected adverse changes in circumstances or events, including declines in projected operating results, negative industry or economic trends and rapid advancements in technology. The Group extends or shortens the lives according to the results of the reviews.

**v. Lease term and discount rate determination**

In determining the lease term, management considers facts and circumstances such as conditions of the Group's existing leases, future technology changes, business developments and the Group's strategies, that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Potential future cash outflows are not included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee. As at 31 December 2025, no potential future undiscounted cash outflows (2024: HK$166 million) have not been included in the lease liabilities because it is not reasonably certain that the lease will be extended (or not terminated).

In determining the discount rate, the Group is required to exercise considerable judgement by taking into account the nature of the underlying assets and the terms and conditions of the leases, at both the commencement date and the effective date of the lease modification (if any).

**vi. Capitalisation criteria on capitalised software**

Capitalised software are intangible assets mostly developed in-house. Management exercises judgement in determining whether costs associated with the development of software meet the criteria to be capitalised as intangible assets in accordance with applicable accounting framework. Management also exercises judgement in determining the proportion of internal costs that are directly attributable to the development of intangible assets.

## 4 RELATED PARTY TRANSACTIONS

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

| In HK$ million | Note | 2024 | **2025** |
|---|---|---|---|
| Telecommunications service fees and interest income received or receivable from a joint venture | a | 26 | **23** |
| Telecommunications service fees and interest expense paid or payable to a joint venture | a | 127 | **123** |
| Telecommunications service fees, data centre service fees, connectivity service fees, equipment sales and customer acquisition service fees received or receivable from related companies | a | 33 | **42** |
| IT charges, data centre service fees, customer acquisition service fees and rental charges paid or payable to related companies | a | 327 | **184** |
| Telecommunications service fees, connectivity service fees and equipment sales received or receivable from related parties under a common shareholder with the ultimate holding company | a | 37 | **42** |
| Telecommunications service fees, IT and logistics charges, system development charges, management fee, equipment sales, interest income and other costs recharge received or receivable from fellow subsidiaries | a | 3,476 | **3,756** |
| 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, interest expense and other costs recharge paid or payable to fellow subsidiaries | a | 1,858 | **4,006** |
| Interest expense paid or payable to an intermediate holding company | a | 104 | **-** |

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

**b. Details of key management compensation**

Key management compensation for the year ended 31 December 2025 was borne by a fellow subsidiary of the Company (2024: same).

**c. Balances with related companies, fellow subsidiaries, the immediate holding company and intermediate holding companies**

As at 31 December 2025, other than a loan payable of Renminbi ("RMB") 26 million (approximately HK$29 million) to a fellow subsidiary which bears interest at 3.75% per annum classified as a non-current liability and is repayable in 2027, a loan payable of United States dollar ("US$") 32 million (approximately HK$250 million) to a fellow subsidiary which bears interest at Secured Overnight Financing Rate ("SOFR") per annum and is repayable on demand, a loan payable of RMB11 million (approximately HK$12 million) to a fellow subsidiary which bears interest at 1.98% per annum and is repayable on demand, and a loan payable of RMB12 million (approximately HK$13 million) to a fellow subsidiary which bears interest at 2.30% per annum and is repayable on demand, the balances with related companies, the immediate holding company, intermediate holding companies and the remaining balances with fellow subsidiaries are unsecured, non-interest bearing, and have no fixed repayment terms.

**4 RELATED PARTY TRANSACTIONS** *(CONTINUED)*

**c. Balances with related companies, fellow subsidiaries and the immediate holding company and intermediate holding companies** *(continued)*

As at 31 December 2024, other than a loan payable of RMB36 million (approximately HK$38 million) to a fellow subsidiary which bears interest at 3.75% per annum classified as a non-current liability and is repayable in 2027, a loan payable of US$29 million (approximately HK$227 million) to a fellow subsidiary which bears interest at SOFR per annum and is repayable on demand, and a loan payable of RMB12 million (approximately HK$13 million) to a fellow subsidiary which bears interest at 2.30% per annum and is repayable on demand, the balances with related companies, the immediate holding company, intermediate holding companies and the remaining balances with fellow subsidiaries are unsecured, non-interest bearing, and have no fixed repayment terms.

## 5 REVENUE AND SEGMENT INFORMATION

| In HK$ million | 2024 | **2025** |
|---|---|---|
| Revenue from contracts with customers: | | |
| Timing of revenue recognition | | |
| At a point in time | 3,917 | **4,313** |
| Over time | 13,439 | **13,940** |
| Revenue from other sources: | | |
| Rental income | 81 | **85** |
| | 17,437 | **18,338** |

### a. Revenue recognition in relation to contract liabilities

| In HK$ million | 2024 | **2025** |
|---|---|---|
| Revenue recognised that was included in the contract liabilities balance at the beginning of the year | 567 | **619** |

### b. Unsatisfied long-term fixed-price contracts

| In HK$ million | 2024 | **2025** |
|---|---|---|
| Aggregate amount of the transaction price allocated to long-term fixed-price contracts that are partially or fully unsatisfied as at 31 December | 10,163 | **10,283** |

As at 31 December 2025, management expected that 60% and 27% (2024: 56% and 27%) 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 13% (2024: 17%) would be recognised as revenue in the periods afterward. The amount disclosed above does not include unsatisfied performance obligation that is related to the Group's contracts with customers with duration of one year or less and contracts with customers billed directly according to performance completed to date.

**5 REVENUE AND SEGMENT INFORMATION** *(CONTINUED)*

**c. Segment information**

The directors consider that the Group as a whole is an operating segment since the Group is only engaged in local and international telecommunications and related business. No geographical information has been disclosed as the majority of the Group's operating activities are carried out in Hong Kong. The Group's assets located and operating revenue derived from activities outside Hong Kong are less than 5% (2024: same) of the Group's total assets and operating revenue, respectively.

**6 PROFIT BEFORE INCOME TAX**

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

**a. Cost of sales**

| In HK$ million | 2024 | **2025** |
|---|---|---|
| Cost of inventories sold | 4,119 | **4,766** |
| Connectivity costs | 893 | **2,439** |
| Staff costs | - | **12** |
| Write-back of provision for inventory obsolescence, net | (4) | **(2)** |
| Others | 2,075 | **1,760** |
| | 7,083 | **8,975** |

**b. General and administrative expenses**

| In HK$ million | 2024 | **2025** |
|---|---|---|
| Staff costs | 266 | **272** |
| Impairment loss for trade receivables | 71 | **76** |
| Depreciation of property, plant and equipment | 568 | **348** |
| Depreciation of right-of-use assets – land and buildings | 776 | **758** |
| Depreciation of right-of-use assets – network capacity and equipment | 11 | **10** |
| Amortisation of land lease premium – interests in leasehold land | 12 | **10** |
| Amortisation of intangible assets | 1,065 | **1,641** |
| Amortisation of fulfilment costs | 473 | **479** |
| Amortisation of customer acquisition costs | 344 | **340** |
| Exchange (gains)/losses, net | (225) | **236** |
| Less: cash flow hedges: transfer from equity | 229 | **(229)** |
| Gains on disposal of property, plant and equipment, net | (4) | **(1)** |
| Auditor's remuneration | 7 | **9** |
| Others | 327 | **601** |
| | 3,920 | **4,550** |

## 7 FINANCE COSTS, NET

| In HK$ million | 2024 | **2025** |
|---|---|---|
| Interest expense, excluding interest expense on lease liabilities | (2,346) | **(1,985)** |
| Interest expense on lease liabilities | (59) | **(66)** |
| Notional accretion on carrier licence fee liabilities | (87) | **(94)** |
| Other finance costs | (5) | **(6)** |
| Hedge ineffectiveness: cross currency swap contracts and foreign exchange forward contracts – cash flow hedges for foreign currency risk | (108) | **46** |
| Hedge ineffectiveness: interest rate swap contracts – cash flow hedges for interest rate risk | 25 | **(20)** |
| Cash flow hedges: transfer from equity | 21 | **5** |
| | (2,559) | **(2,120)** |
| Interest capitalised in property, plant and equipment and intangible assets *(note a)* | 197 | **384** |
| Total finance costs | (2,362) | **(1,736)** |
| Total interest income | 46 | **35** |
| Finance costs, net | (2,316) | **(1,701)** |

**a.** The capitalisation rates used to determine the amount of interest eligible for capitalisation in property, plant and equipment and intangible assets ranged from 2.79% to 4.36% for the year ended 31 December 2025 (2024: from 4.19% to 4.98%).

## 8 DIRECTORS' EMOLUMENTS

Directors' emoluments for the year ended 31 December 2025 were borne by a fellow subsidiary of the Company (2024: same).

## 9 INCOME TAX

**a. Income tax in the consolidated income statement represents:**

| In HK$ million | 2024 | **2025** |
|---|---|---|
| Current income tax: | | |
| Hong Kong profits tax | | |
| - provision for current year | 185 | **-** |
| - over provision in respect of prior years | (11) | **(8)** |
| Overseas tax | | |
| - provision for current year | 10 | **8** |
| - under provision in respect of prior years | 6 | **1** |
| Movement of deferred income tax *(note 26(a))* | 257 | **340** |
| | 447 | **341** |

**9 INCOME TAX** *(CONTINUED)*

**a. Income tax in the consolidated income statement represents:** *(continued)*

Hong Kong profits tax is provided at the rate of 16.5% (2024: 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.

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

| In HK$ million | 2024 | **2025** |
|---|---|---|
| Profit before income tax | 4,110 | **3,108** |
| Notional tax on profit before income tax, calculated at the Hong Kong tax rate of 16.5% (2024: 16.5%) | 678 | **513** |
| Effect of different tax rates of subsidiaries operating overseas | 2 | **1** |
| Income not subject to tax | (7) | **(9)** |
| Expenses not deductible for tax purposes | 54 | **33** |
| Tax losses not recognised | 3 | **4** |
| Over provision in respect of prior years, net | (5) | **(7)** |
| Recognition and utilisation of previously unrecognised tax losses | (10) | **(1)** |
| Recognition of previously unrecognised temporary differences | 3 | **8** |
| Result of a joint venture not deductible for tax purposes | 1 | **1** |
| Corporate income tax incentives | (272) | **(202)** |
| Income tax expense | 447 | **341** |

## 10 DIVIDENDS

| In HK$ million | 2024 | **2025** |
|---|---|---|
| Interim dividend declared and paid in respect of the current year of approximately 69.73 HK cents (2024: nil) per ordinary share of the Company | - | **1,735** |
| Final dividend declared in respect of the previous financial year, approved and paid during the year of approximately HK$1.1856 (2024: approximately 95.95 HK cents) per ordinary share of the Company | 2,388 | **2,950** |
| | 2,388 | **4,685** |
| Final dividend of approximately 67.72 HK cents (2024: approximately HK$1.1856) per ordinary share of the Company proposed after the end of the reporting period | 2,950 | **1,685** |

The final 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.

## 11 PROPERTY, PLANT AND EQUIPMENT

| | | | 2024 | | | |
|---|---|---|---|---|---|---|
| In HK$ million | Buildings | Exchange equipment | Transmission plant | Other plant and equipment | Projects under construction | Total |
| **Cost** | | | | | | |
| Beginning of year | 1,353 | 21,930 | 27,368 | 15,317 | 1,638 | 67,606 |
| Additions | - | 191 | 318 | 288 | 1,158 | 1,955 |
| Disposals | - | (456) | (12,086) | (137) | (141) | (12,820) |
| Transfers | - | 201 | 371 | 114 | (686) | - |
| End of year | 1,353 | 21,866 | 15,971 | 15,582 | 1,969 | 56,741 |
| **Accumulated depreciation and impairment** | | | | | | |
| Beginning of year | 836 | 16,219 | 15,454 | 10,765 | - | 43,274 |
| Charge for the year | 27 | 270 | 221 | 50 | - | 568 |
| Disposals | - | (456) | (8,177) | (137) | - | (8,770) |
| End of year | 863 | 16,033 | 7,498 | 10,678 | - | 35,072 |
| **Net book value** | | | | | | |
| End of year | 490 | 5,833 | 8,473 | 4,904 | 1,969 | 21,669 |
| Beginning of year | 517 | 5,711 | 11,914 | 4,552 | 1,638 | 24,332 |

## 11 PROPERTY, PLANT AND EQUIPMENT (*CONTINUED)*

| | 2025 | | | | | |
|---|---|---|---|---|---|---|
| In HK$ million | **Buildings** | **Exchange equipment** | **Transmission plant** | **Other plant and equipment** | **Projects under construction** | **Total** |
| **Cost** | | | | | | |
| Beginning of year | **1,353** | **21,866** | **15,971** | **15,582** | **1,969** | **56,741** |
| Additions | **-** | **34** | **392** | **248** | **815** | **1,489** |
| Disposals | **-** | **(27)** | **-** | **(47)** | **-** | **(74)** |
| Transfers | **-** | **74** | **517** | **58** | **(649)** | **-** |
| End of year | **1,353** | **21,947** | **16,880** | **15,841** | **2,135** | **58,156** |
| **Accumulated depreciation and impairment** | | | | | | |
| Beginning of year | **863** | **16,033** | **7,498** | **10,678** | **-** | **35,072** |
| Charge for the year | **27** | **172** | **62** | **87** | **-** | **348** |
| Disposals | **-** | **(27)** | **-** | **(47)** | **-** | **(74)** |
| End of year | **890** | **16,178** | **7,560** | **10,718** | **-** | **35,346** |
| **Net book value** | | | | | | |
| End of year | **463** | **5,769** | **9,320** | **5,123** | **2,135** | **22,810** |
| Beginning of year | **490** | **5,833** | **8,473** | **4,904** | **1,969** | **21,669** |

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

## 12 RIGHT-OF-USE ASSETS

| In HK$ million | 2024 | **2025** |
|---|---|---|
| Land and buildings | 1,147 | **1,226** |
| Network capacity and equipment | 23 | **25** |
| Total | 1,170 | **1,251** |

The Group obtains right to control the use of various land and buildings, and network capacity and equipment for a period of time through lease arrangements. Lease arrangements are negotiated on an individual basis and contain a wide range of different terms and conditions including lease payments and lease terms ranging from 1 to 10 years for land and buildings, and from 1 to 5 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 2025 were HK$855 million (2024: HK$780 million).

During the year ended 31 December 2025, total cash outflow for leases amounted to HK$869 million (2024: HK$885 million), which included cash outflow for short-term lease expenses amounted to HK$33 million (2024: HK$11 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.

## 13 INTERESTS IN LEASEHOLD LAND

| In HK$ million | 2024 | **2025** |
|---|---|---|
| **Cost** | | |
| Beginning and end of year | 536 | **536** |
| **Accumulated amortisation** | | |
| Beginning of year | 371 | **383** |
| Charge for the year | 12 | **10** |
| End of year | 383 | **393** |
| **Net book value** | | |
| End of year | 153 | **143** |
| Beginning of year | 165 | **153** |

## 14 GOODWILL

| In HK$ million | 2024 | **2025** |
|---|---|---|
| **Cost** | | |
| Beginning and end of year | 32,630 | **32,630** |

The recoverable amount of the CGU is determined based on value-in-use calculation. For the year ended 31 December 2025, the calculation uses cash flow projection based on financial budget approved by management covering a 5-year period.

The key assumptions used for the value-in-use calculation of Local telephony and data services include average revenue growth rate of 2% (2024: 1%), average EBITDA growth rate of 2% (2024: 2%), estimated terminal growth rate of 1% (2024: 1%) and pre-tax discount rate of 8% (2024: 10%). There was no impairment required from the review of goodwill. A reasonably possible change in assumptions would not result in impairment and as such disclosure of sensitivity analysis is not considered necessary.

The average revenue and EBITDA growth rates used are based on the financial budget approved by management, taking into account the market growth rate, past experience, growth target of the CGU, as well as expected efficiency improvements. The terminal growth rate used to extrapolate the cash flows beyond the financial budget period is based on the long-term average growth rate for the businesses in which the CGU operates. The pre-tax discount rate used reflect specific risks relating to the CGU.

## 15 INTANGIBLE ASSETS

| | | | 2024 | | |
|---|---|---|---|---|---|
| In HK$ million | Trademarks | Carrier licences | Software* | Others | Total |
| **Cost** | | | | | |
| Beginning of year | 459 | 8,465 | 14,504 | 11 | 23,439 |
| Additions | - | 506 | 2,258 | - | 2,764 |
| Write-off | - | (31) | (1) | (3) | (35) |
| Disposals | - | (1,939) | (187) | - | (2,126) |
| Exchange differences | 1 | - | - | - | 1 |
| End of year | 460 | 7,001 | 16,574 | 8 | 24,043 |
| **Accumulated amortisation** | | | | | |
| Beginning of year | 348 | 3,483 | 3,694 | 2 | 7,527 |
| Charge for the year | 24 | 618 | 422 | 1 | 1,065 |
| Write-off | - | (31) | - | - | (31) |
| Disposals | - | (1,376) | (131) | - | (1,507) |
| End of year | 372 | 2,694 | 3,985 | 3 | 7,054 |
| **Net book value** | | | | | |
| End of year | 88 | 4,307 | 12,589 | 5 | 16,989 |
| Beginning of year | 111 | 4,982 | 10,810 | 9 | 15,912 |

## 15 INTANGIBLE ASSETS (*CONTINUED)*

| | 2025 | | | | |
|---|---|---|---|---|---|
| In HK$ million | **Trademarks** | **Carrier licences** | **Software*** | **Others** | **Total** |
| **Cost** | | | | | |
| Beginning of year | **460** | **7,001** | **16,574** | **8** | **24,043** |
| Additions | **-** | **791** | **2,924** | **-** | **3,715** |
| Write-off | **-** | **(589)** | **-** | **-** | **(589)** |
| End of year | **460** | **7,203** | **19,498** | **8** | **27,169** |
| **Accumulated amortisation** | | | | | |
| Beginning of year | **372** | **2,694** | **3,985** | **3** | **7,054** |
| Charge for the year | **23** | **612** | **1,006** | **-** | **1,641** |
| Write-off | **-** | **(589)** | **-** | **-** | **(589)** |
| End of year | **395** | **2,717** | **4,991** | **3** | **8,106** |
| **Net book value** | | | | | |
| End of year | **65** | **4,486** | **14,507** | **5** | **19,063** |
| Beginning of year | **88** | **4,307** | **12,589** | **5** | **16,989** |

* Included software under development. The additions in 2025 are primarily internally generated (2024: same).

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

As at 31 December 2024 and 2025, no impairment loss was recognised for the intangible assets. Impairment assessments for intangible assets are performed as part of the impairment assessments for the CGU. For details of the accounting policies and the impairment assessments, please refer to notes 2(n)(ii) and 14.

## 16 INTEREST IN A JOINT VENTURE

| In HK$ million | 2024 | **2025** |
|---|---|---|
| Share of net liabilities of a joint venture | (67) | **(71)** |
| Loan due from a joint venture | 164 | **157** |
| | 97 | **86** |

As at 31 December 2025, the loan due from a joint venture of HK$157 million (2024: HK$164 million) bears interest at HIBOR plus 3% per annum (2024: same). The loan is unsecured and has no fixed repayment terms. The amount is considered as part of the interest in the joint venture.

**a.** As at 31 December 2024 and 2025, the Group considered that there was no principal joint venture.

## 16 INTEREST IN A JOINT VENTURE *(CONTINUED)*

### b. Commitments and contingent liabilities in respect of the joint venture

As at 31 December 2025, the Group's commitments in respect of the joint venture are as follows:

| In HK$ million | 2024 | **2025** |
|---|---|---|
| The Group's commitments to provide funding | - | **30** |
| The Group's share of joint venture's capital commitments authorised and contracted for acquisition of property, plant and equipment | 22 | **57** |

There were no contingent liabilities relating to the Group's interest in the joint venture. As at 31 December 2025, the Group had no share of contingent liabilities of the joint venture (2024: nil).

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

For the year ended 31 December 2025, the net amounts of the Group's share of loss after income tax, other comprehensive income and total comprehensive loss of the joint venture that is accounted for using the equity method were HK$4 million (2024: HK$4 million), nil (2024: nil) and HK$4 million (2024: HK$4 million), respectively.

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

As at 31 December 2025, the carrying amount of interest in the joint venture that is accounted for using the equity method was HK$86 million (2024: HK$97 million).

During the year ended 31 December 2025, the Group did not have any unrecognised share of losses of the joint venture (2024: nil). As at 31 December 2025, there was no accumulated share of losses of the joint venture unrecognised by the Group (2024: nil).

## 17 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| In HK$ million | 2024 | **2025** |
|---|---|---|
| Listed securities | 14 | **22** |
| Less: securities held for employee share award schemes to be vested within one year classified as current assets | (14) | **(15)** |
| Listed securities (non-current) | - | **7** |
| Unlisted securities (non-current) | 10 | **10** |
| Total non-current portion | 10 | **17** |

Financial assets at FVPL mainly comprise:

- equity investments for which the Group has not elected to recognise fair value gains and losses through other comprehensive income;
- PCCW Shares acquired and subscribed under the PCCW Purchase Scheme, PCCW Subscription Scheme and PCCW 2024 Share Award Scheme. Refer to note 23(b)(ii) for details of the share award schemes of PCCW; and
- Share Stapled Units acquired and subscribed under the HKT Share Stapled Units Purchase Scheme, HKT Share Stapled Units Subscription Scheme and 2024 Share Stapled Unit Award Scheme. Refer to note 23(b)(ii) for details of the Share Stapled Unit award schemes of HKT Trust and HKT.

During the year ended 31 December 2025, there was no disposal of unlisted instruments recognised as financial assets at FVPL (2024: nil).

## 17 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (*CONTINUED)*

During the year ended 31 December 2025, there was no addition of unlisted instruments recognised as financial assets at FVPL (2024: nil).

## 18 INTERESTS IN SUBSIDIARIES

**a. Particulars of the principal subsidiaries of the Company as at 31 December 2025 are as follows:**

| Company name | Place of incorporation/ operations | Amount of issued capital/ registered capital | Interest held by the Company Directly | Interest held by the Company Indirectly | Principal activities |
|---|---|---|---|---|---|
| 北京訊通通信服務有限公司 (Beijing Xun Tong HKT Communications Services (China) Limited[1]) ("Xun Tong") | The People's Republic of China (the "PRC") | RMB10,000,000 | 50%[2] | - | Provision of telecommunications services, internet information services and computer system services |
| eSmartHealth Limited | Hong Kong | HK$ 1 | - | 100% | Sale of health care products and electronic devices, health care services and data management services |
| 佛山電訊盈科科技有限公司[3] (Foshan PCCW Technology Limited[1]) | The PRC | HK$5,000,000 | 100% | - | Provision of software development and information technology services |
| HKT Advance Limited | Hong Kong | HK$ 1 | 100% | - | Engaging in non-fungible token and metaverse business |
| HKT Capital Limited | British Virgin Islands | US$1 | 100% | - | Notes issuer |
| HKT Capital No. 1 Limited | British Virgin Islands | US$1 | 100% | - | Notes issuer |
| HKT Capital No. 2 Limited | British Virgin Islands | US$1 | 100% | - | Notes issuer |
| HKT Capital No. 3 Limited | British Virgin Islands | US$1 | 100% | - | Notes issuer |
| HKT Capital No. 4 Limited | British Virgin Islands | US$1 | 100% | - | Notes issuer |
| HKT Capital No. 5 Limited | British Virgin Islands | US$1 | 100% | - | Notes issuer |
| HKT Capital No. 6 Limited | British Virgin Islands | US$1 | 100% | - | Notes issuer |
| HKT CSP Limited | Hong Kong | HK$1 | 100% | - | Provision of customer services and online sales of products and services |
| PCCW-HKT Consumer Services Limited | Hong Kong | HK$2 | - | 100% | Investment holding |

**18 INTERESTS IN SUBSIDIARIES** *(CONTINUED)*

**a. Particulars of the principal subsidiaries of the Company as at 31 December 2025 are as follows:** *(continued)*

| Company name | Place of incorporation/ operations | Amount of issued capital/ registered capital | Interest held by the Company Directly | Interest held by the Company Indirectly | Principal activities |
|---|---|---|---|---|---|
| 電訊盈科科技（北京）有限公司 [3] (PCCW Technology (Beijing) Limited[1]) | The PRC | RMB40,000,000 | 100% | - | System integration, software development and technical services consultancy |
| 廣東電盈信息科技有限公司 (PCCW Information Communication Technologies Co. Ltd.[1]) | The PRC | HK$12,000,000 | 50%[2] | - | Internet data centre/internet services provider licensing in China |
| 深圳市前海香港電訊科技有限公司 [3] (Shenzhen Qianhai HKT Technology Co. Ltd.[1]) | The PRC | RMB500,000 | 100% | - | Provision of system integration and maintenance services, information technology outsourcing and consulting services |

Certain subsidiaries which do not materially affect the results or financial position of the Group are not included in the above.

***Notes:***

1 Unofficial company name.

2 The equity interest held by non-controlling interest is 50% as at 31 December 2025. The entity is accounted for as a subsidiary of the Group as the Group owns more than half of the voting rights in the board of directors even though the equity interest attributable to the Group is 50%.

3 Represents a wholly-foreign owned enterprise.

**b. Non-controlling interests of the Group's subsidiaries**

The total of non-controlling interests as at 31 December 2025 was HK$18 million (2024: HK$15 million), which was mainly attributable to non-controlling interest in Xun Tong.

## 19 OTHER NON-CURRENT ASSETS

| In HK$ million | 2024 | **2025** |
|---|---|---|
| Prepayments | 318 | **177** |
| Deposits | 42 | **39** |
| | 360 | **216** |

## 20 CURRENT ASSETS AND LIABILITIES

### a. Inventories

| In HK$ million | 2024 | **2025** |
|---|---|---|
| Purchased parts and materials | 1,030 | **998** |
| Finished goods | 82 | **29** |
| Consumable inventories | 47 | **20** |
| | 1,159 | **1,047** |

### b. Prepayments, deposits and other current assets

| In HK$ million | 2024 | **2025** |
|---|---|---|
| Prepayments | 666 | **576** |
| Deposits | 250 | **258** |
| Other current assets | 1,452 | **1,642** |
| | 2,368 | **2,476** |

### c. Trade receivables, net

| In HK$ million | 2024 | **2025** |
|---|---|---|
| Trade receivables *(note i)* | 416 | **448** |
| Less: loss allowance *(note ii)* | (38) | **(41)** |
| Trade receivables, net | 378 | **407** |

**20 CURRENT ASSETS AND LIABILITIES** *(CONTINUED)*

**c. Trade receivables, net** *(continued)*

The balance represents amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days from the date of invoice and therefore are all classified as current. Details about the Group's impairment policies are provided in note 2(n)(i).

As at 31 December 2025, included in trade receivables, net were amounts due from related parties of HK$47 million (2024: HK$78 million).

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

| In HK$ million | 2024 | **2025** |
|---|---|---|
| 1 – 30 days | 273 | **365** |
| 31 – 60 days | 53 | **36** |
| 61 – 90 days | 13 | **7** |
| 91 – 120 days | 16 | **4** |
| Over 120 days | 61 | **36** |
| | 416 | **448** |

ii. Impairment for trade receivables

The Group applies the HKFRS 9 (2014) simplified approach to measure loss allowance for expected credit losses which uses a lifetime expected loss allowance for trade receivables.

To measure the expected credit losses, trade receivables are grouped based on shared credit risk characteristics and the days past due. The expected loss rates are estimated based on the corresponding historical credit losses experienced, adjusted with the expected change between current and forward-looking information on macroeconomic factors, if material. On that basis, the loss allowance as at 31 December 2025 was determined as follows:

| Expected credit loss rate | 2024 | **2025** |
|---|---|---|
| Current | 9% | **3%** |
| 1 – 120 days past due | 8% | **20%** |
| Over 120 days past due | 50% | **25%** |

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

| In HK$ million | 2024 | **2025** |
|---|---|---|
| Beginning of year | 49 | **38** |
| Net impairment loss recognised | 71 | **76** |
| Uncollectible amounts written off | (82) | **(73)** |
| End of year | 38 | **41** |

**d. Restricted cash**

As at 31 December 2025, restricted cash included a cash balance of HK$21 million (2024: HK$17 million) which has been mainly received from and restricted for the use of a customer.

**20 CURRENT ASSETS AND LIABILITIES** *(CONTINUED)*

**e. Short-term borrowing**

| In HK$ million | 2024 | **2025** |
|---|---|---|
| US$500 million 3.625% guaranteed notes due 2025 *(note i)* | 3,881 | **-** |
| US$750 million 3.00% guaranteed notes due 2026 *(note ii)* | - | **5,829** |
| | 3,881 | **5,829** |
| Secured | - | **-** |
| Unsecured | 3,881 | **5,829** |

i. **US$500 million 3.625% guaranteed notes due 2025**

On 2 April 2015, HKT Capital No. 2 Limited, a direct wholly-owned subsidiary of the Company, issued US$500 million 3.625% guaranteed notes due 2025, which were listed on the Singapore Exchange Securities Trading Limited. The notes were irrevocably and unconditionally guaranteed by HKT Group Holdings Limited ("HKTGH") and the Company and ranked pari passu with all other outstanding unsecured and unsubordinated obligations of HKTGH and the Company. The notes were fully redeemed in April 2025 and were delisted from the Singapore Exchange Securities Trading Limited.

ii **US$750 million 3.00% guaranteed notes due 2026**

On 14 July 2016, HKT Capital No. 4 Limited, a direct 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 the Company and rank pari passu with all other outstanding unsecured and unsubordinated obligations of HKTGH and the Company.

**f. Trade payables**

As at 31 December 2025, included in trade payables were amounts due to related parties of HK$156 million (2024: HK$138 million).

## 21 LONG-TERM BORROWINGS

| In HK$ million | 2024 | **2025** |
|---|---|---|
| Repayable within a period | | |
| – over one year, but not exceeding two years | 10,059 | **10,075** |
| – over two years, but not exceeding five years | 19,996 | **23,608** |
| – over five years | 7,317 | **5,008** |
| | 37,372 | **38,691** |
| Representing: | | |
| US$300 million zero coupon guaranteed notes due 2030 *(note a)* | 2,322 | **2,326** |
| EUR200 million 1.65% guaranteed notes due 2027 *(note b)* | 1,612 | **1,828** |
| US$750 million 3.00% guaranteed notes due 2026 *(note c)* | 5,817 | **-** |
| US$500 million 3.25% guaranteed notes due 2029 *(note d)* | 3,822 | **3,839** |
| US$650 million 3.00% guaranteed notes due 2032 *(note e)* | 4,994 | **5,008** |
| Bank borrowings *(note f)* | 18,805 | **25,690** |
| | 37,372 | **38,691** |
| Secured | - | **-** |
| Unsecured | 37,372 | **38,691** |

**a. US$300 million zero coupon guaranteed notes due 2030**

On 15 January 2015, HKT Capital No. 1 Limited, a direct 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 the Company and rank pari passu with all other outstanding unsecured and unsubordinated obligations of HKTGH and the Company.

**b. EUR200 million 1.65% guaranteed notes due 2027**

On 10 April 2015, HKT Capital No. 3 Limited, a direct 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 the Company and rank pari passu with all other outstanding unsecured and unsubordinated obligations of HKTGH and the Company.

**c. US$750 million 3.00% guaranteed notes due 2026**

The notes were classified as short-term borrowing during the year ended 31 December 2025. Please refer to note 20(e) for more details.

**d. US$500 million 3.25% guaranteed notes due 2029**

On 30 September 2019, HKT Capital No. 5 Limited, a direct 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 the Company and rank pari passu with all other outstanding unsecured and unsubordinated obligations of HKTGH and the Company.

**e. US$650 million 3.00% guaranteed notes due 2032**

On 18 January 2022, HKT Capital No. 6 Limited, a direct 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 the Company and rank pari passu with all other outstanding unsecured and unsubordinated obligations of HKTGH and the Company.

**f.** Refer to note 33 for details of the Group's banking facilities.

## 22 DERIVATIVE FINANCIAL INSTRUMENTS

| In HK$ million | 2024 | **2025** |
|---|---|---|
| Non-current assets | | |
| Cross currency swap contracts – cash flow hedges for foreign currency risk *(note a)* | 11 | **121** |
| Interest rate swap contracts – cash flow hedges for interest rate risk *(note b)* | 47 | **-** |
| | 58 | **121** |
| Current assets | | |
| Cross currency swap contracts and foreign exchange forward contracts – cash flow hedges for foreign currency risk *(note a)* | - | **40** |
| Current liabilities | | |
| Cross currency swap contracts and foreign exchange forward contracts – cash flow hedges for foreign currency risk *(note a)* | (41) | **-** |
| Interest rate swap contracts – cash flow hedges for interest rate risk *(note b)* | - | **(17)** |
| | (41) | **(17)** |
| Non-current liabilities | | |
| Cross currency swap contracts and foreign exchange forward contracts – cash flow hedges for foreign currency risk *(note a)* | (720) | **(753)** |
| Interest rate swap contracts – cash flow hedges for interest rate risk *(note b)* | (49) | **(61)** |
| | (769) | **(814)** |

Derivatives are mainly used for economic hedging purposes and not as speculative investments. However, where derivatives do not meet the hedge accounting criteria, they are accounted for at FVPL.

Hedge effectiveness is determined at the inception of the hedging relationship and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and the hedging instrument.

Hedge ineffectiveness for the Group's cross currency swap, foreign exchange forward and interest rate swap contracts may occur due to:

- differences in critical terms between the hedged item and the hedging instrument; and

- changes in credit risk of the derivative counterparty.

**22 DERIVATIVE FINANCIAL INSTRUMENTS** *(CONTINUED)*

**a. Cash flow hedges for foreign currency risk**

For borrowings denominated in foreign currencies, the Group has entered into cross currency swap contracts and foreign exchange forward contracts to hedge the foreign currency risk. For certain purchases denominated in foreign currencies, the Group has entered into foreign exchange forward contracts to hedge the foreign currency risk. The Group performed qualitative assessment of hedge effectiveness. As the cross currency swap contracts and the foreign exchange forward contracts have similar critical terms as the hedged items, such as notional amounts, maturity dates and payment dates, the economic relationship exists between the hedged items and the hedging instruments.

The effects of the foreign currency related hedging instruments outstanding at the end of the reporting period on the Group's financial position and performance are as follows:

| | 2024 | **2025** |
|---|---|---|
| Net carrying amount (liabilities) | (HK$750 million) | **(HK$592 million)** |
| Notional amount | EUR200 million and US$2,870 million | **EUR200 million and US$2,725 million** |
| Maturity date | January 2025 to January 2032 | **January 2026 to January 2032** |
| Hedge ratio | 1:1* | **1:1*** |
| Change# in fair value of the hedging instruments during the year | (HK$245 million) | **HK$143 million** |
| Change# in value of the hedged items during the year | HK$138 million | **(HK$103 million)** |
| Weighted average hedged exchange rate for the year | EUR1:HK$8.32<br>US$1:HK$7.80 | **EUR1:HK$8.32**<br>**US$1:HK$7.76** |

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

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

**b. Cash flow hedges for interest rate risk**

For certain borrowings subject to cash flow interest rate risk, the Group has entered into floating-to-fixed interest rate swap contracts. The Group performed qualitative assessment of hedge effectiveness. As the interest rate swap contracts have similar critical terms as the hedged items, such as notional amounts, maturity dates and payment dates, the economic relationship exists between the hedged items and the hedging instruments.

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

| | 2024 | **2025** |
|---|---|---|
| Net carrying amount (liabilities) | (HK$2 million) | **(HK$78 million)** |
| Notional amount | HK$4,550 million | **HK$6,500 million** |
| Maturity date | July 2026 to March 2027 | **July 2026 to June 2027** |
| Hedge ratio | 1:1* | **1:1*** |
| Change# in fair value of the hedging instruments during the year | (HK$19 million) | **(HK$70 million)** |
| Change# in value of the hedged items during the year | HK$12 million | **HK$50 million** |
| Weighted average receive leg/pay leg interest ratio | 1.26 | **0.88** |

* 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.

## 22 DERIVATIVE FINANCIAL INSTRUMENTS *(CONTINUED)*

### c. Hedging reserve and costs of hedging reserve

The Group's hedging reserve and costs of hedging reserve relate to the following hedging instruments:

| In HK$ million | Cash flow hedges for foreign currency risk | Cash flow hedges for interest rate risk | Total |
|---|---|---|---|
| **Hedging reserve** | | | |
| As at 1 January 2024 | (262) | 43 | (219) |
| Cash flow hedges: | | | |
| - effective portion of changes in fair value | (138) | (45) | (183) |
| - transfer from equity to consolidated income statement | 196 | - | 196 |
| As at 31 December 2024 and 1 January 2025 | **(204)** | **(2)** | **(206)** |
| Cash flow hedges: | | | |
| - effective portion of changes in fair value | **94** | **(50)** | **44** |
| - transfer from equity to consolidated income statement | **(236)** | **-** | **(236)** |
| As at 31 December 2025 | **(346)** | **(52)** | **(398)** |

| In HK$ million | Cash flow hedges for foreign currency risk |
|---|---|
| **Costs of hedging reserve** | |
| As at 1 January 2024 | (145) |
| Cash flow hedges: | |
| - transfer from equity to consolidated income statement | 12 |
| Costs of hedging | 118 |
| As at 31 December 2024 and 1 January 2025 | **(15)** |
| Cash flow hedges: | |
| - transfer from equity to consolidated income statement | **2** |
| Costs of hedging | **5** |
| As at 31 December 2025 | **(8)** |

## 23 EMPLOYEE BENEFITS

### a. Employee retirement benefits – Defined contribution retirement schemes

The Group participates in defined contribution retirement schemes, including the Mandatory Provident Fund Scheme (the "MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance, for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The schemes are administered by independent trustees.

Under the defined contribution retirement scheme, the employer is required to make contributions to the scheme at rates specified under the rules of the scheme. Where employees leave the scheme prior to the full vesting of the employer's contributions, the amount of forfeited contributions is used to reduce the contributions payable by the Group.

**23 EMPLOYEE BENEFITS** *(CONTINUED)*

**a. Employee retirement benefits – Defined contribution retirement schemes** *(continued)*

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.

During the year ended 31 December 2025, the Group made contributions of HK$96 million (2024: HK$104 million) to the defined contribution retirement schemes.

Forfeited contributions totalling HK$3 million (2024: HK$4 million) were utilised during the year ended 31 December 2025 to reduce contributions and no forfeited contribution (2024: nil) was available as at 31 December 2025.

**b. Equity compensation benefits**

PCCW, the HKT Trust and HKT currently have the following share option schemes and share award schemes:

Share option schemes

- Share option scheme of PCCW adopted on 30 May 2024 (the "PCCW 2024 Share Option Scheme").

- Share Stapled Unit option scheme of the HKT Trust and HKT adopted on 30 May 2024 (the "2024-2034 Share Stapled Unit Option Scheme").

Share award schemes

- Share award schemes of PCCW namely the PCCW Purchase Scheme, the PCCW Subscription Scheme and the PCCW Limited 2024 Share Award Scheme (collectively the "PCCW Share Award Schemes").

- Share Stapled Unit award schemes of the HKT Trust and HKT namely the HKT Share Stapled Units Purchase Scheme, the HKT Share Stapled Units Subscription Scheme and the HKT Trust and HKT Limited 2024 Share Stapled Unit Award Scheme (collectively the "Share Stapled Unit Award Schemes").

i. Share option schemes

No share options/Share Stapled Unit options have been granted under the PCCW 2024 Share Option Scheme and the 2024-2034 Share Stapled Unit Option Scheme since their adoption and up to and including 31 December 2025.

ii. Share award schemes

Subject to the relevant scheme rules of the PCCW 2012 Share Award Schemes and the 2011 Share Stapled Unit 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 2012 Share Award Schemes; and any director or employee of HKT or any of its subsidiaries for the 2011 Share Stapled Unit 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, HKT, the relevant participating company or subsidiary, and satisfies any other conditions specified at the time the award is made, notwithstanding that the respective approving body shall be at liberty to waive such conditions. Other than satisfying the vesting conditions, selected participants are not required to provide any consideration in order to acquire the PCCW Shares/Share Stapled Units awarded to him/her under the relevant scheme.

**23 EMPLOYEE BENEFITS** *(CONTINUED)*

**b. Equity compensation benefits** *(continued)*

ii. Share award schemes *(continued)*

Subject to the relevant scheme rules of the PCCW 2024 Share Award Scheme and the 2024 Share Stapled Unit Award Scheme, each scheme provides that prior to the vesting of the awards under the relevant scheme to eligible participants (including PCCW Employee Participants#, directors and employees of any holding companies, fellow subsidiaries or associated companies of PCCW, and PCCW Service Providers# for the PCCW 2024 Share Award Scheme; and Employee Participants*, directors and employees of any holding companies, fellow subsidiaries or associated companies of HKT Trust and HKT, and Service Providers* for the 2024 Share Stapled Unit Award Scheme), the relevant PCCW Shares/Share Stapled Units will be held in trust by the trustee for such eligible participants selected by the respective approving body ("selected participant(s)"), 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 eligible participant, 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 scheme.

During the year ended 31 December 2025, share-based compensation expenses in respect of the PCCW Share Award Schemes of HK$9 million (2024: HK$8 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 2025, share-based compensation expenses in respect of the Share Stapled Unit Award Schemes of HK$9 million (2024: HK$7 million) were recognised in the consolidated income statement and as an obligation in liabilities in the consolidated statement of financial position, respectively.

# As defined in the section "Share Schemes of the Company and its Subsidiaries" in the Report of the Directors of PCCW's 2025 Annual Report.

* As defined in the section "Share Stapled Unit Schemes" in the Combined Report of the Directors of HKT Trust and HKT's 2025 Annual Report.

(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 Unit Award Schemes

**(a) PCCW 2012 Share Award Schemes**

| | **Number of PCCW Shares** | |
|---|---|---|
| | 2024 | **2025** |
| PCCW Purchase Scheme: | | |
| Beginning of year | 94,810 | **24,254** |
| Purchase from the market by the trustee at weighted average market price of HK$4.06 per PCCW Share in 2024 | 197 | **-** |
| PCCW Shares vested | (70,753) | **(24,254)** |
| End of year | 24,254 | **-** |
| PCCW Subscription Scheme: | | |
| Beginning of year | 2,249,420 | **1,637,966** |
| PCCW Shares vested | (1,449,241) | **(1,544,096)** |
| Transfer of PCCW Shares from group companies | 837,787 | **652,157** |
| End of year | 1,637,966 | **746,027** |

23 **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 Unit Award Schemes *(continued)*

**(b) PCCW 2024 Share Award Scheme**

| | Number of PCCW Shares | |
|---|---|---|
| | 2024 | **2025** |
| Grants Funded by New PCCW Shares: | | |
| Beginning of year | - | **-** |
| Transfer of PCCW Shares from group companies | - | **1,329,408** |
| End of year | - | **1,329,408** |

**(c) 2011 Share Stapled Unit Award Schemes**

| | Number of Share Stapled Units | |
|---|---|---|
| | 2024 | **2025** |
| HKT Share Stapled Units Purchase Scheme: | | |
| Beginning of year | 37,661 | **9,277** |
| Share Stapled Units vested | (28,384) | **(9,277)** |
| End of year | 9,277 | **-** |
| HKT Share Stapled Units Subscription Scheme: | | |
| Beginning of year | 915,821 | **676,259** |
| Share Stapled Units vested | (609,378) | **(637,601)** |
| Transfer of Share Stapled Units from group companies | 369,816 | **287,512** |
| End of year | 676,259 | **326,170** |

**(d) 2024 Share Stapled Unit Award Scheme**

| | Number of Share Stapled Units | |
|---|---|---|
| | 2024 | **2025** |
| Grants Funded by New Share Stapled Units: | | |
| Beginning of year | - | **-** |
| Transfer of Share Stapled Units from group companies | - | **612,528** |
| End of year | - | **612,528** |

**23 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

**(a) PCCW 2012 Share Award Schemes**

| | | | 2024 | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | Number of PCCW Shares | | | | | |
| Date of award | Vesting period | Fair value on the date of award HK$ | As at 1 January 2024 | Awarded | Forfeited | Vested | Transfer from/(to) group companies | As at 31 December 2024 |
| PCCW Purchase Scheme (PCCW Shares) | | | | | | | | |
| 19 April 2022 | 19 April 2022 to 19 April 2024 | 4.52 | 46,499 | - | - | (46,499) | - | - |
| 30 May 2023 | 30 May 2023 to 30 May 2024 | 4.02 | 24,254 | - | - | (24,254) | - | - |
| 30 May 2023 | 30 May 2023 to 30 May 2025 | 4.02 | 24,254 | - | - | - | - | 24,254 |
| Total | | | 95,007 | - | - | (70,753) | - | 24,254 |
| Weighted average fair value on the date of award (HK$) | | | 4.26 | - | - | 4.35 | - | 4.02 |
| PCCW Subscription Scheme (PCCW Shares) | | | | | | | | |
| 19 April 2022 | 19 April 2022 to 19 April 2024 | 4.52 | 705,486 | - | (10,982) | (692,051) | (2,453) | - |
| 15 August 2022 | 15 August 2022 to 19 April 2024 | 4.15 | 5,710 | - | - | (5,710) | - | - |
| 19 April 2023 | 19 April 2023 to 19 April 2024 | 4.01 | 679,827 | - | (13,905) | (663,899) | (2,023) | - |
| 19 April 2023 | 19 April 2023 to 19 April 2025 | 4.01 | 679,370 | - | (48,683) | - | (512) | 630,175 |
| 30 May 2023 | 30 May 2023 to 30 May 2024 | 4.02 | 73,317 | - | - | (73,317) | - | - |
| 30 May 2023 | 30 May 2023 to 30 May 2025 | 4.02 | 73,315 | - | - | - | 3,078 | 76,393 |
| 23 June 2023 | 23 June 2023 to 23 June 2024 | 3.85 | 16,203 | - | (2,369) | (14,264) | 430 | - |
| 23 June 2023 | 23 June 2023 to 23 June 2025 | 3.85 | 16,192 | - | (2,697) | - | 82 | 13,577 |
| 19 April 2024 | 19 April 2024 to 19 April 2025 | 3.85 | - | 835,295 | (39,603) | - | (1,204) | 794,488 |
| 19 April 2024 | 19 April 2024 to 19 April 2026 | 3.85 | - | 834,726 | (39,568) | - | (1,204) | 793,954 |
| 30 May 2024 | 30 May 2024 to 30 May 2025 | 4.19 | - | 93,535 | - | - | 3,366 | 96,901 |
| 30 May 2024 | 30 May 2024 to 30 May 2026 | 4.19 | - | 93,529 | - | - | 3,365 | 96,894 |
| Total | | | 2,249,420 | 1,857,085 | (157,807) | (1,449,241) | 2,925 | 2,502,382 |
| Weighted average fair value on the date of award (HK$) | | | 4.17 | 3.88 | 3.96 | 4.25 | 4.11 | 3.92 |

**23 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)*

### (a) PCCW 2012 Share Award Schemes *(continued)*

| | | | 2025 | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | Number of PCCW Shares | | | | | |
| **Date of award** | **Vesting period** | **Fair value on the date of award HK$** | **As at 1 January 2025** | **Awarded** | **Forfeited** | **Vested** | **Transfer to group companies** | **As at 31 December 2025** |
| PCCW Purchase Scheme (PCCW Shares) | | | | | | | | |
| 30 May 2023 | 30 May 2023 to 30 May 2025 | **4.02** | **24,254** | **-** | **-** | **(24,254)** | **-** | **-** |
| Total | | | **24,254** | **-** | **-** | **(24,254)** | **-** | **-** |
| Weighted average fair value on the date of award (HK$) | | | **4.02** | **-** | **-** | **4.02** | **-** | **-** |
| PCCW Subscription Scheme (PCCW Shares) | | | | | | | | |
| 19 April 2023 | 19 April 2023 to 19 April 2025 | **4.01** | **630,175** | **-** | **(8,242)** | **(621,556)** | **(377)** | **-** |
| 30 May 2023 | 30 May 2023 to 30 May 2025 | **4.02** | **76,393** | **-** | **(20,573)** | **(55,820)** | **-** | **-** |
| 23 June 2023 | 23 June 2023 to 23 June 2025 | **3.85** | **13,577** | **-** | **-** | **(13,577)** | **-** | **-** |
| 19 April 2024 | 19 April 2024 to 19 April 2025 | **3.85** | **794,488** | **-** | **(16,182)** | **(777,909)** | **(397)** | **-** |
| 19 April 2024 | 19 April 2024 to 19 April 2026 | **3.85** | **793,954** | **-** | **(35,351)** | **-** | **(87,803)** | **670,800** |
| 30 May 2024 | 30 May 2024 to 30 May 2025 | **4.19** | **96,901** | **-** | **(21,667)** | **(75,234)** | **-** | **-** |
| 30 May 2024 | 30 May 2024 to 30 May 2026 | **4.19** | **96,894** | **-** | **(21,667)** | **-** | **-** | **75,227** |
| Total | | | **2,502,382** | **-** | **(123,682)** | **(1,544,096)** | **(88,577)** | **746,027** |
| Weighted average fair value on the date of award (HK$) | | | **3.92** | **-** | **4.01** | **3.94** | **3.85** | **3.88** |

### (b) PCCW 2024 Share Award Scheme

| | | | 2025 | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | Number of PCCW Shares | | | | | |
| **Date of award** | **Vesting period** | **Fair value on the date of award HK$** | **As at 1 January 2025** | **Awarded** | **Forfeited** | **Vested** | **Transfer to group companies** | **As at 31 December 2025** |
| Grants Funded by New PCCW Shares | | | | | | | | |
| 25 April 2025 | 25 April 2025 to 25 April 2026 | **5.02** | **-** | **601,236** | **(22,356)** | **-** | **(5,332)** | **573,548** |
| 25 April 2025 | 25 April 2025 to 25 April 2027 | **5.02** | **-** | **600,806** | **(22,335)** | **-** | **(5,324)** | **573,147** |
| 28 May 2025 | 28 May 2025 to 28 May 2026 | **5.14** | **-** | **91,358** | **-** | **-** | **-** | **91,358** |
| 28 May 2025 | 28 May 2025 to 28 May 2027 | **5.14** | **-** | **91,355** | **-** | **-** | **-** | **91,355** |
| Total | | | **-** | **1,384,755** | **(44,691)** | **-** | **(10,656)** | **1,329,408** |
| Weighted average fair value on the date of award (HK$) | | | **-** | **5.04** | **5.02** | **-** | **5.02** | **5.04** |

**23 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)*

### (c) 2011 Share Stapled Unit Award Schemes

| Date of award | Vesting period | Fair value on the date of award HK$ | As at 1 January 2024 | Awarded | Forfeited | Vested | Transfer from/(to) group companies | As at 31 December 2024 |
|---|---|---|---|---|---|---|---|---|
| | | | 2024 Number of Share Stapled Units | | | | | |
| HKT Share Stapled Units Purchase Scheme (Share Stapled Units) | | | | | | | | |
| 19 April 2022 | 19 April 2022 to 19 April 2024 | 10.86 | 19,107 | - | - | (19,107) | - | - |
| 30 May 2023 | 30 May 2023 to 30 May 2024 | 9.98 | 9,277 | - | - | (9,277) | - | - |
| 30 May 2023 | 30 May 2023 to 30 May 2025 | 9.98 | 9,277 | - | - | - | - | 9,277 |
| Total | | | 37,661 | - | - | (28,384) | - | 9,277 |
| Weighted average fair value on the date of award (HK$) | | | 10.43 | - | - | 10.57 | - | 9.98 |
| HKT Share Stapled Units Subscription Scheme (Share Stapled Units) | | | | | | | | |
| 19 April 2022 | 19 April 2022 to 19 April 2024 | 10.86 | 324,828 | - | (4,510) | (319,310) | (1,008) | - |
| 15 August 2022 | 15 August 2022 to 19 April 2024 | 11.00 | 2,346 | - | - | (2,346) | - | - |
| 19 April 2023 | 19 April 2023 to 19 April 2024 | 10.18 | 260,307 | - | (5,324) | (254,209) | (774) | - |
| 19 April 2023 | 19 April 2023 to 19 April 2025 | 10.18 | 259,850 | - | (18,620) | - | (196) | 241,034 |
| 30 May 2023 | 30 May 2023 to 30 May 2024 | 9.98 | 28,047 | - | - | (28,047) | - | - |
| 30 May 2023 | 30 May 2023 to 30 May 2025 | 9.98 | 28,042 | - | - | - | 1,177 | 29,219 |
| 23 June 2023 | 23 June 2023 to 23 June 2024 | 9.05 | 6,208 | - | (907) | (5,466) | 165 | - |
| 23 June 2023 | 23 June 2023 to 23 June 2025 | 9.05 | 6,193 | - | (1,032) | - | 31 | 5,192 |
| 19 April 2024 | 19 April 2024 to 19 April 2025 | 8.68 | - | 365,544 | (17,336) | - | (527) | 347,681 |
| 19 April 2024 | 19 April 2024 to 19 April 2026 | 8.68 | - | 364,950 | (17,295) | - | (525) | 347,130 |
| 30 May 2024 | 30 May 2024 to 30 May 2025 | 9.20 | - | 40,898 | - | - | 1,472 | 42,370 |
| 30 May 2024 | 30 May 2024 to 30 May 2026 | 9.20 | - | 40,893 | - | - | 1,471 | 42,364 |
| Total | | | 915,821 | 812,285 | (65,024) | (609,378) | 1,286 | 1,054,990 |
| Weighted average fair value on the date of award (HK$) | | | 10.40 | 8.73 | 9.39 | 10.52 | 8.28 | 9.10 |

**23 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)*

**(c) 2011 Share Stapled Unit Award Schemes** *(continued)*

| | | | 2025 | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | Number of Share Stapled Units | | | | | |
| Date of award | Vesting period | Fair value on the date of award HK$ | As at 1 January 2025 | Awarded | Forfeited | Vested | Transfer to group companies | As at 31 December 2025 |
| HKT Share Stapled Units Purchase Scheme (Share Stapled Units) | | | | | | | | |
| 30 May 2023 | 30 May 2023 to 30 May 2025 | 9.98 | 9,277 | - | - | (9,277) | - | - |
| Total | | | 9,277 | - | - | (9,277) | - | - |
| Weighted average fair value on the date of award (HK$) | | | 9.98 | - | - | 9.98 | - | - |
| HKT Share Stapled Units Subscription Scheme (Share Stapled Units) | | | | | | | | |
| 19 April 2023 | 19 April 2023 to 19 April 2025 | 10.18 | 241,034 | - | (3,152) | (237,738) | (144) | - |
| 30 May 2023 | 30 May 2023 to 30 May 2025 | 9.98 | 29,219 | - | (7,869) | (21,350) | - | - |
| 23 June 2023 | 23 June 2023 to 23 June 2025 | 9.05 | 5,192 | - | - | (5,192) | - | - |
| 19 April 2024 | 19 April 2024 to 19 April 2025 | 8.68 | 347,681 | - | (7,082) | (340,425) | (174) | - |
| 19 April 2024 | 19 April 2024 to 19 April 2026 | 8.68 | 347,130 | - | (15,457) | - | (38,394) | 293,279 |
| 30 May 2024 | 30 May 2024 to 30 May 2025 | 9.20 | 42,370 | - | (9,474) | (32,896) | - | - |
| 30 May 2024 | 30 May 2024 to 30 May 2026 | 9.20 | 42,364 | - | (9,473) | - | - | 32,891 |
| Total | | | 1,054,990 | - | (52,507) | (637,601) | (38,712) | 326,170 |
| Weighted average fair value on the date of award (HK$) | | | 9.10 | - | 9.15 | 9.31 | 8.69 | 8.73 |

**23 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)*

### (d) 2024 Share Stapled Unit Award Scheme

| | | | 2025 | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | Number of Share Stapled Units | | | | | |
| Date of award | Vesting period | Fair value on the date of award HK$ | As at 1 January 2025 | Awarded | Forfeited | Vested | Transfer to group companies | As at 31 December 2025 |
| Grants Funded by New Share Stapled Units | | | | | | | | |
| 25 April 2025 | 25 April 2025 to 25 April 2026 | **10.94** | **-** | **277,141** | **(10,304)** | **-** | **(2,458)** | **264,379** |
| 25 April 2025 | 25 April 2025 to 25 April 2027 | **10.94** | **-** | **276,731** | **(10,290)** | **-** | **(2,449)** | **263,992** |
| 28 May 2025 | 28 May 2025 to 28 May 2026 | **11.36** | **-** | **42,081** | **-** | **-** | **-** | **42,081** |
| 28 May 2025 | 28 May 2025 to 28 May 2027 | **11.36** | **-** | **42,076** | **-** | **-** | **-** | **42,076** |
| Total | | | **-** | **638,029** | **(20,594)** | **-** | **(4,907)** | **612,528** |
| Weighted average fair value on the date of award (HK$) | | | **-** | **11.00** | **10.94** | **-** | **10.94** | **11.00** |

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:

| | 2024 | **2025** |
|---|---|---|
| PCCW Purchase Scheme (PCCW Shares) | 0.41 year | **-** |
| PCCW Subscription Scheme (PCCW Shares) | 0.67 year | **0.31 year** |
| HKT Share Stapled Units Purchase Scheme (Share Stapled Units) | 0.41 year | **-** |
| HKT Share Stapled Units Subscription Scheme (Share Stapled Units) | 0.68 year | **0.31 year** |
| PCCW 2024 Share Award Scheme (Grants Funded by New PCCW Shares) | - | **0.83 year** |
| 2024 Share Stapled Unit Award Scheme (Grants Funded by New Share Stapled Units) | - | **0.83 year** |

## 24 SHARE CAPITAL

| | 2024 Number of shares | 2024 Share capital HK$ million | **2025 Number of shares** | **2025 Share capital HK$ million** |
|---|---|---|---|---|
| Issued and fully paid: | | | | |
| Ordinary shares of no par value | | | | |
| Beginning and end of year | 2,488,200,001 | 9,945 | **2,488,200,001** | **9,945** |

## 25 RESERVES

| In HK$ million | 2024 Capital contribution reserve | Merger reserve | Currency translation reserve | Hedging reserve | Costs of hedging reserve | Retained profits | Total |
|---|---|---|---|---|---|---|---|
| **As at 1 January 2024** | 28 | (695) | 2 | (219) | (145) | 2,659 | 1,630 |
| **Total comprehensive income/(loss) for the year** | | | | | | | |
| Profit for the year | - | - | - | - | - | 3,663 | 3,663 |
| Other comprehensive income/(loss) | | | | | | | |
| Items that have been reclassified or may be reclassified subsequently to consolidated income statement: | | | | | | | |
| Exchange differences on translating foreign operations of subsidiaries | - | - | (2) | - | - | - | (2) |
| Cash flow hedges: | | | | | | | |
| - effective portion of changes in fair value | - | - | - | (183) | - | - | (183) |
| - transfer from equity to consolidated income statement | - | - | - | 196 | 12 | - | 208 |
| Costs of hedging | - | - | - | - | 118 | - | 118 |
| **Total comprehensive income/(loss) for the year** | - | - | (2) | 13 | 130 | 3,663 | 3,804 |
| **Transactions with equity holder** | | | | | | | |
| Final dividend paid in respect of the previous year | - | - | - | - | - | (2,388) | (2,388) |
| **Total transactions with equity holder** | - | - | - | - | - | (2,388) | (2,388) |
| **As at 31 December 2024** | 28 | (695) | - | (206) | (15) | 3,934 | 3,046 |

## 25 RESERVES *(CONTINUED)*

| In HK$ million | 2025<br>Capital contribution reserve | Merger reserve | Currency translation reserve | Hedging reserve | Costs of hedging reserve | Retained profits | Total |
|---|---|---|---|---|---|---|---|
| **As at 1 January 2025** | **28** | **(695)** | **-** | **(206)** | **(15)** | **3,934** | **3,046** |
| **Total comprehensive income/(loss) for the year** | | | | | | | |
| Profit for the year | - | - | - | - | - | 2,764 | 2,764 |
| Other comprehensive income/(loss) | | | | | | | |
| Items that have been reclassified or may be reclassified subsequently to consolidated income statement: | | | | | | | |
| Exchange differences on translating foreign operations of subsidiaries | - | - | 1 | - | - | - | 1 |
| Cash flow hedges: | | | | | | | |
| - effective portion of changes in fair value | - | - | - | 44 | - | - | 44 |
| - transfer from equity to consolidated income statement | - | - | - | (236) | 2 | - | (234) |
| Costs of hedging | - | - | - | - | 5 | - | 5 |
| **Total comprehensive income/(loss) for the year** | **-** | **-** | **1** | **(192)** | **7** | **2,764** | **2,580** |
| **Transactions with equity holder** | | | | | | | |
| Final dividend paid in respect of the previous year | - | - | - | - | - | (2,950) | (2,950) |
| Interim dividend declared and paid in respect of the current year | - | - | - | - | - | (1,735) | (1,735) |
| **Total transactions with equity holder** | **-** | **-** | **-** | **-** | **-** | **(4,685)** | **(4,685)** |
| **As at 31 December 2025** | **28** | **(695)** | **1** | **(398)** | **(8)** | **2,013** | **941** |

## 26 DEFERRED INCOME TAX

As at 31 December 2025, deferred income tax liabilities/(assets) represent:

| In HK$ million | 2024 | **2025** |
|---|---|---|
| Deferred income tax assets | (8) | **(7)** |
| Deferred income tax liabilities | 5,517 | **5,856** |
| | 5,509 | **5,849** |

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

| | | | 2024 | |
|---|---|---|---|---|
| In HK$ million | Accelerated tax depreciation and amortisation | Tax losses | Others | Total |
| Beginning of year | 5,259 | (5) | (2) | 5,252 |
| Charged/(Credited) to the consolidated income statement *(note 9(a))* | 265 | (8) | - | 257 |
| End of year | 5,524 | (13) | (2) | 5,509 |

| | | | **2025** | |
|---|---|---|---|---|
| In HK$ million | **Accelerated tax depreciation and amortisation** | **Tax losses** | **Others** | **Total** |
| Beginning of year | **5,524** | **(13)** | **(2)** | **5,509** |
| Charged/(Credited) to the consolidated income statement *(note 9(a))* | **450** | **(110)** | **-** | **340** |
| End of year | **5,974** | **(123)** | **(2)** | **5,849** |

**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 2025, the Group had unutilised estimated tax losses for which no deferred income tax assets have been recognised of HK$132 million (2024: HK$113 million) to carry forward for deduction against future taxable income. Estimated tax losses of HK$6 million (2024: HK$13 million) and HK$2 million (2024: nil) will expire within 1 to 5 years and after 5 years from 31 December 2025 respectively. The remaining portion of the tax losses, relating to Hong Kong companies, can be carried forward indefinitely.

## 27 CARRIER LICENCE FEE LIABILITIES

As at 31 December 2025, the Group had carrier licence fee liabilities payable as follows:

| In HK$ million | 2024 Present value of the minimum annual fees | 2024 Interest expense relating to future periods | 2024 Total minimum annual fees | **2025 Present value of the minimum annual fees** | **2025 Interest expense relating to future periods** | **2025 Total minimum annual fees** |
|---|---|---|---|---|---|---|
| Payable within a period | | | | | | |
| - not exceeding one year | 324 | 3 | 327 | **384** | **4** | **388** |
| - over one year, but not exceeding two years | 324 | 12 | 336 | **382** | **15** | **397** |
| - over two years, but not exceeding five years | 957 | 85 | 1,042 | **1,116** | **107** | **1,223** |
| - over five years | 1,917 | 412 | 2,329 | **1,996** | **479** | **2,475** |
| | 3,522 | 512 | 4,034 | **3,878** | **605** | **4,483** |
| Less: amounts payable within one year classified as current liabilities | (324) | (3) | (327) | **(384)** | **(4)** | **(388)** |
| Non-current portion | 3,198 | 509 | 3,707 | **3,494** | **601** | **4,095** |

## 28 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 | 2024 | **2025** |
|---|---|---|
| Profit before income tax | 4,110 | **3,108** |
| Adjustments for: | | |
| Other losses, net | 4 | **-** |
| Finance costs, net | 2,316 | **1,701** |
| Gains on disposal of property, plant and equipment, net | (4) | **(1)** |
| Write-back of provision for inventory obsolescence, net | (4) | **(2)** |
| Impairment loss for trade receivables | 71 | **76** |
| Depreciation of property, plant and equipment | 568 | **348** |
| Depreciation of right-of-use assets | 787 | **768** |
| Amortisation of land lease premium – interests in leasehold land | 12 | **10** |
| Amortisation of intangible assets | 1,065 | **1,641** |
| Amortisation of fulfilment costs | 473 | **479** |
| Amortisation of customer acquisition costs | 344 | **340** |
| Share of result of a joint venture | 4 | **4** |
| Share-based compensation expenses | 15 | **18** |
| Increase in PCCW Shares and Share Stapled Units under share award schemes | (7) | **(23)** |
| (Increase)/Decrease in operating assets | | |
| - inventories | (532) | **114** |
| - trade receivables, prepayments, deposits and other current assets | (219) | **(216)** |
| - contract assets | (20) | **(174)** |
| - amounts due from related companies | 3 | **3** |
| - restricted cash | (16) | **(4)** |
| - fulfilment costs | (646) | **(685)** |
| - customer acquisition costs | (369) | **(361)** |
| - other non-current assets | 46 | **144** |
| Increase/(Decrease) in operating liabilities | | |
| - trade payables, accruals and other payables, balances with fellow subsidiaries, the immediate holding company, intermediate holding companies and the ultimate holding company, net | 5,019 | **1,049** |
| - amount due to a related company | 1 | **-** |
| - advances from customers | 16 | **-** |
| - contract liabilities | 49 | **(97)** |
| - other long-term liabilities | (1) | **-** |
| **CASH GENERATED FROM OPERATIONS** | 13,085 | **8,240** |
| Interest received | 33 | **24** |
| Income tax paid, net of tax refund | | |
| - Hong Kong profits tax paid* | (21) | **-** |
| - overseas profits tax paid | (16) | **(4)** |
| **NET CASH GENERATED FROM OPERATING ACTIVITIES** | 13,081 | **8,260** |

* As at 31 December 2024 and 2025, the Hong Kong profits tax assessments and/or the current income tax liabilities of the Company had not been received or not yet due, such that any corresponding tax charge settlement would be deferred to upcoming financial years.

## 28 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:

| | 2024 | | | | | | |
|---|---|---|---|---|---|---|---|
| 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 | Balances with fellow subsidiaries, the immediate holding company and intermediate holding companies, net | Lease liabilities | Total |
| As at 1 January 2024 | (25) | 358 | 44,512 | 724 | 3,016 | 1,238 | 49,823 |
| Cash flows in financing activities | | | | | | | |
| New borrowings raised | - | (58) | 29,883 | - | - | - | 29,825 |
| Finance costs (paid)/received | - | (1,895) | - | 38 | - | - | (1,857) |
| Repayments of borrowings | - | - | (33,011) | - | - | - | (33,011) |
| Payment for lease liabilities (including interest) | - | - | - | - | - | (874) | (874) |
| Movement in balances with fellow subsidiaries and an intermediate holding company | - | - | - | - | (3,787) | - | (3,787) |
| Cash flows in investing activities | | | | | | | |
| Loan repayment in relation to licence fee *(note 30(b)(i))* | - | - | (130) | - | - | - | (130) |
| Other changes (including non-cash movements) | (3) | 1,922 | (1) | (10) | 3,731 | 816 | 6,455 |
| As at 31 December 2024 | (28) | 327 | 41,253 | 752 | 2,960 | 1,180 | 46,444 |

## 28 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(CONTINUED)*

### b. Movements of financial (assets)/liabilities arising from financing activities *(continued)*

Movements of financial (assets)/liabilities arising from financing activities are as follows: *(continued)*

| In HK$ million | Prepaid finance costs (included in prepayments, deposits and other current assets) | Interest payable (included in accruals and other payables) | Borrowings | Derivative financial instruments, net | Balances with fellow subsidiaries, the immediate holding company and intermediate holding companies, net | Lease liabilities | Total |
|---|---|---|---|---|---|---|---|
| | | | | 2025 | | | |
| As at 1 January 2025 | **(28)** | **327** | **41,253** | **752** | **2,960** | **1,180** | **46,444** |
| Cash flows in financing activities | | | | | | | |
| New borrowings raised | **(3)** | **(10)** | **39,882** | **-** | **-** | **-** | **39,869** |
| Finance costs paid | **-** | **(1,565)** | **-** | **(40)** | **-** | **-** | **(1,605)** |
| Repayments of borrowings | **-** | **-** | **(37,167)** | **(10)** | **-** | **-** | **(37,177)** |
| Payment for lease liabilities (including interest) | **-** | **-** | **-** | **-** | **-** | **(836)** | **(836)** |
| Movement in balances with fellow subsidiaries | **-** | **-** | **-** | **-** | **845** | **-** | **845** |
| Cash flows in investing activities | | | | | | | |
| Loan repayment in relation to licence fee *(note 30(b)(i))* | **-** | **-** | **(130)** | **-** | **-** | **-** | **(130)** |
| Other changes (including non-cash movements) | **6** | **1,511** | **682** | **(32)** | **(2,041)** | **914** | **1,040** |
| As at 31 December 2025 | **(25)** | **263** | **44,520** | **670** | **1,764** | **1,258** | **48,450** |

## 28 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(CONTINUED)*

### c. Analysis of cash and cash equivalents

| In HK$ million | 2024 | **2025** |
|---|---|---|
| Total cash and bank balances | 1,211 | **1,130** |
| Less: restricted cash | (17) | **(21)** |
| Less: short-term deposits | (295) | **(358)** |
| Cash and cash equivalents as at 31 December | 899 | **751** |

## 29 CAPITAL MANAGEMENT

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for equity holder of the Group and benefits for other stakeholders to support the Group's stability and growth; and to earn a margin commensurate with the level of business and market risks in the Group's operation.

The Group monitors capital by reviewing the level of capital that is at the disposal of the Group ("Adjusted Capital"), taking into consideration the future capital requirements of the Group, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. Adjusted Capital comprises all components of equity.

The Group is not subject to externally imposed capital requirements, except for the debt covenant requirement of loan agreements with external parties.

## 30 FINANCIAL INSTRUMENTS

The tables below analyse financial instruments by category:

| | 2024 | | | |
|---|---|---|---|---|
| In HK$ million | Financial assets at amortised cost | Financial assets at FVPL | Derivatives used for hedging | Total |
| Non-current assets | | | | |
| Financial assets at FVPL | - | 10 | - | 10 |
| Derivative financial instruments | - | - | 58 | 58 |
| Other non-current assets (excluding prepayments) | 42 | - | - | 42 |
| | 42 | 10 | 58 | 110 |
| Current assets | | | | |
| Prepayments, deposits and other current assets (excluding prepayments) | 1,702 | - | - | 1,702 |
| Trade receivables, net | 378 | - | - | 378 |
| Amount due from a related company | 15 | - | - | 15 |
| Amounts due from fellow subsidiaries, the immediate holding company and intermediate holding companies | 7,915 | - | - | 7,915 |
| Financial assets at FVPL | - | 14 | - | 14 |
| Restricted cash | 17 | - | - | 17 |
| Short-term deposits | 295 | - | - | 295 |
| Cash and cash equivalents | 899 | - | - | 899 |
| | 11,221 | 14 | - | 11,235 |
| Total | 11,263 | 24 | 58 | 11,345 |

**30 FINANCIAL INSTRUMENTS** *(CONTINUED)*

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

| | 2024 | | |
|---|---|---|---|
| In HK$ million | Derivatives used for hedging | Other financial liabilities at amortised cost | Total |
| Current liabilities | | | |
| Short-term borrowing | - | (3,881) | (3,881) |
| Trade payables | - | (5,967) | (5,967) |
| Accruals and other payables | - | (3,762) | (3,762) |
| Derivative financial instruments* | (41) | - | (41) |
| Carrier licence fee liabilities | - | (324) | (324) |
| Amounts due to fellow subsidiaries and an intermediate holding company | - | (10,837) | (10,837) |
| Amount due to a related company | - | (2) | (2) |
| Advances from customers | - | (107) | (107) |
| Lease liabilities | - | (597) | (597) |
| | (41) | (25,477) | (25,518) |
| Non-current liabilities | | | |
| Long-term borrowings | - | (37,372) | (37,372) |
| Amounts due to a fellow subsidiary | - | (38) | (38) |
| Derivative financial instruments | (769) | - | (769) |
| Carrier licence fee liabilities | - | (3,198) | (3,198) |
| Lease liabilities | - | (583) | (583) |
| Other long-term liabilities | - | (2,073) | (2,073) |
| | (769) | (43,264) | (44,033) |
| Total | (810) | (68,741) | (69,551) |

## 30 FINANCIAL INSTRUMENTS *(CONTINUED)*

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

| | 2025 | | | |
|---|---|---|---|---|
| In HK$ million | **Financial assets at amortised cost** | **Financial assets at FVPL** | **Derivatives used for hedging** | **Total** |
| Non-current assets | | | | |
| Financial assets at FVPL | **-** | **17** | **-** | **17** |
| Derivative financial instrument | **-** | **-** | **121** | **121** |
| Other non-current assets (excluding prepayments) | **39** | **-** | **-** | **39** |
| | **39** | **17** | **121** | **177** |
| Current assets | | | | |
| Prepayments, deposits and other current assets (excluding prepayments) | **1,900** | **-** | **-** | **1,900** |
| Trade receivables, net | **407** | **-** | **-** | **407** |
| Amounts due from related companies | **12** | **-** | **-** | **12** |
| Amounts due from fellow subsidiaries and an intermediate holding company | **4,288** | **-** | **-** | **4,288** |
| Financial assets at FVPL | **-** | **15** | **-** | **15** |
| Derivative financial instruments | **-** | **-** | **40** | **40** |
| Restricted cash | **21** | **-** | **-** | **21** |
| Short-term deposits | **358** | **-** | **-** | **358** |
| Cash and cash equivalents | **751** | **-** | **-** | **751** |
| | **7,737** | **15** | **40** | **7,792** |
| Total | **7,776** | **32** | **161** | **7,969** |

**30 FINANCIAL INSTRUMENTS** *(CONTINUED)*

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

| In HK$ million | **2025**<br>**Derivatives used for hedging** | **Other financial liabilities at amortised cost** | **Total** |
|---|---|---|---|
| Current liabilities | | | |
| Short-term borrowing | **-** | **(5,829)** | **(5,829)** |
| Trade payables | **-** | **(8,583)** | **(8,583)** |
| Accruals and other payables | **-** | **(4,121)** | **(4,121)** |
| Derivative financial instruments | **(17)** | **-** | **(17)** |
| Carrier licence fee liabilities | **-** | **(384)** | **(384)** |
| Amounts due to fellow subsidiaries, the immediate holding company and an intermediate holding company | **-** | **(6,023)** | **(6,023)** |
| Amount due to a related company | **-** | **(2)** | **(2)** |
| Advances from customers | **-** | **(107)** | **(107)** |
| Lease liabilities | **-** | **(592)** | **(592)** |
| | **(17)** | **(25,641)** | **(25,658)** |
| Non-current liabilities | | | |
| Long-term borrowings | **-** | **(38,691)** | **(38,691)** |
| Amount due to a fellow subsidiary | **-** | **(29)** | **(29)** |
| Derivative financial instruments* | **(814)** | **-** | **(814)** |
| Carrier licence fee liabilities | **-** | **(3,494)** | **(3,494)** |
| Lease liabilities | **-** | **(666)** | **(666)** |
| Other long-term liabilities | **-** | **(2,018)** | **(2,018)** |
| | **(814)** | **(44,898)** | **(45,712)** |
| Total | **(831)** | **(70,539)** | **(71,370)** |

* As at 31 December 2025, derivative financial instruments classified as non-current liabilities of HK$64 million (2024: current liabilities of HK$32 million) related to foreign exchange forward contracts with an aggregate notional contract amount of US$589 million (approximately HK$4,490 million) (2024: US$470 million (approximately HK$3,686 million)) were designated as cash flow hedges of US$300 million zero coupon guaranteed notes due 2030. Refer to notes 21(a) and 22(a) for details of the guaranteed notes and the foreign exchange forward contracts respectively.

Exposure to credit, liquidity and market risk (including foreign currency risk and interest rate risk) arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investments in other entities. Exposure to these risks is controlled by the Group's financial management policies and practices described below.

**30 FINANCIAL INSTRUMENTS** *(CONTINUED)*

**a. Credit risk**

The Group's credit risk is primarily attributable to cash and cash equivalents, short-term deposits, restricted cash, trade receivables, contract assets, amounts due from related companies, fellow subsidiaries, the immediate holding company and intermediate holding companies, derivative financial instruments, deposits and other receivables. Management has policies in place and exposure to these credit risks is monitored on an ongoing basis.

The Group's normal credit period for customers is ranging up to 30 days from the date of invoice unless there is a separate mutual agreement on extension of the credit period. The Group maintains a well-defined credit policy and individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Debtors who have overdue balances are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers. As at 31 December 2024 and 2025, the Group did not have a significant exposure to any individual debtors or counterparties.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables are set out in note 20(c).

The overall impact of impairment of the contract assets on the consolidated financial statements is considered by management. Management considered the lifetime expected losses with respect to these contract assets were minimal as at 31 December 2024 and 2025 and the Group made no write-off or provision for these contract assets during the years ended 31 December 2024 and 2025.

Amounts due from related companies, fellow subsidiaries, the immediate holding company and intermediate holding 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 2024 and 2025, amounts due from related companies, fellow subsidiaries, the immediate holding company and intermediate holding companies, deposits and other receivables were fully performing.

Derivative financial instruments, restricted cash, short-term deposits and cash and cash equivalents are considered to have low credit risk. These assets are executed with creditworthy financial institutions or investment counterparties and the Group does not expect any significant counterparty risk. Moreover, credit limits are set for individual counterparties and periodic reviews are conducted to ensure that the limits are strictly followed.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the consolidated statement of financial position. Except for the guarantees given by the Group as disclosed in note 32, the Group does not provide any other guarantees which would expose the Group to credit risk.

## 30 FINANCIAL INSTRUMENTS *(CONTINUED)*

### b. Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with debt covenants, to ensure that it maintains sufficient reserves of cash and adequate lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. Management believes there is no significant liquidity risk as the Group has sufficient cash and banking facilities to fund its operations and debt servicing requirements.

The Group is subject to certain corporate guarantee obligations to guarantee performance of the Company in the normal course of its businesses. Refer to note 32 for details.

The following tables detail the remaining contractual maturities at the end of the reporting periods of the Group's non-derivative financial liabilities and derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

| | 2024 | | | | | |
|---|---|---|---|---|---|---|
| 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 borrowing | (3,918) | - | - | - | (3,918) | (3,881) |
| Trade payables | (5,967) | - | - | - | (5,967) | (5,967) |
| Accruals and other payables | (3,762) | - | - | - | (3,762) | (3,762) |
| Derivative financial instruments | (41) | - | - | - | (41) | (41) |
| Carrier licence fee liabilities | (327) | - | - | - | (327) | (324) |
| Amounts due to fellow subsidiaries and an intermediate holding company | (10,845) | - | - | - | (10,845) | (10,837) |
| Amount due to a related company | (2) | - | - | - | (2) | (2) |
| Advances from customers | (107) | - | - | - | (107) | (107) |
| Lease liabilities | (643) | - | - | - | (643) | (597) |
| | (25,612) | - | - | - | (25,612) | (25,518) |
| Non-current liabilities | | | | | | |
| Long-term borrowings *(note (i))* | (1,457) | (11,340) | (21,894) | (7,688) | (42,379) | (37,372) |
| Amounts due to a fellow subsidiary | (1) | (1) | (38) | - | (40) | (38) |
| Derivative financial instruments | (82) | (141) | (371) | (312) | (906) | (769) |
| Carrier licence fee liabilities | - | (336) | (1,042) | (2,329) | (3,707) | (3,198) |
| Lease liabilities | - | (304) | (296) | (10) | (610) | (583) |
| Other long-term liabilities *(note (ii))* | - | (6) | (923) | (2,321) | (3,250) | (2,073) |
| | (1,540) | (12,128) | (24,564) | (12,660) | (50,892) | (44,033) |
| Total | (27,152) | (12,128) | (24,564) | (12,660) | (76,504) | (69,551) |

## 30 FINANCIAL INSTRUMENTS *(CONTINUED)*

### b. Liquidity risk *(continued)*

| | 2025 | | | | | |
|---|---|---|---|---|---|---|
| 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 borrowing | **(5,924)** | **-** | **-** | **-** | **(5,924)** | **(5,829)** |
| Trade payables | **(8,583)** | **-** | **-** | **-** | **(8,583)** | **(8,583)** |
| Accruals and other payables | **(4,121)** | **-** | **-** | **-** | **(4,121)** | **(4,121)** |
| Derivative financial instruments | **(17)** | **-** | **-** | **-** | **(17)** | **(17)** |
| Carrier licence fee liabilities | **(388)** | **-** | **-** | **-** | **(388)** | **(384)** |
| Amounts due to fellow subsidiaries, the immediate holding company and an intermediate holding company | **(6,024)** | **-** | **-** | **-** | **(6,024)** | **(6,023)** |
| Amount due to a related company | **(2)** | **-** | **-** | **-** | **(2)** | **(2)** |
| Advances from customers | **(107)** | **-** | **-** | **-** | **(107)** | **(107)** |
| Lease liabilities | **(624)** | **-** | **-** | **-** | **(624)** | **(592)** |
| | **(25,790)** | **-** | **-** | **-** | **(25,790)** | **(25,658)** |
| Non-current liabilities | | | | | | |
| Long-term borrowings *(note (i))* | **(1,306)** | **(11,329)** | **(25,429)** | **(5,212)** | **(43,276)** | **(38,691)** |
| Amount due to a fellow subsidiary | **(1)** | **(29)** | **-** | **-** | **(30)** | **(29)** |
| Derivative financial instruments | **(115)** | **(87)** | **(371)** | **(329)** | **(902)** | **(814)** |
| Carrier licence fee liabilities | **-** | **(397)** | **(1,223)** | **(2,475)** | **(4,095)** | **(3,494)** |
| Lease liabilities | **-** | **(332)** | **(328)** | **(11)** | **(671)** | **(666)** |
| Other long-term liabilities *(note (ii))* | **(300)** | **(299)** | **(2,250)** | **(77)** | **(2,926)** | **(2,018)** |
| | **(1,722)** | **(12,473)** | **(29,601)** | **(8,104)** | **(51,900)** | **(45,712)** |
| Total | **(27,512)** | **(12,473)** | **(29,601)** | **(8,104)** | **(77,690)** | **(71,370)** |

***Notes:***

(i) As at 31 December 2025, bank borrowings of HK$780 million (2024: HK$910 million) included in long-term borrowings were for financing a 15-year 3G spectrum utilisation fee paid upfront by the Group.

(ii) As at 31 December 2025, other long-term liabilities included HK$480 million (2024: HK$704 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) (2024: EUR200 million (approximately HK$1,665 million)). Refer to notes 21(b) and 22(a) for details of the guaranteed notes and the derivative financial instruments respectively.

**30 FINANCIAL INSTRUMENTS** *(CONTINUED)*

**c. Market risk**

Market risk comprises foreign currency, interest rate and equity price exposure deriving from the Group's operation, investment and funding activities. As a matter of policy, the Group enters into cross currency swap contracts, interest rate swap contracts, foreign exchange forward contracts and other financial instruments to manage its exposure to market risk directly related to its operations and financing. The Group does not undertake any speculative trading activities in connection with these financial instruments or 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 HKT, 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. Early termination and amendments to the terms of the transaction would typically occur when there are changes in the underlying assets or liabilities or in the risk management strategy of the Group.

In the normal course of business, the Group uses the above-mentioned financial instruments to limit its exposure to adverse fluctuations in foreign exchange rates and interest rates. These instruments are executed with creditworthy financial institutions and all contracts are denominated in major currencies.

i. Foreign currency risk

Foreign currency risk arises when the Group's recognised assets and liabilities are denominated in a currency that is not the functional currency of the relevant group entity.

The Group's borrowings are substantially denominated in Hong Kong dollars, United States dollars and Euro. As at 31 December 2024 and 2025, all of the Group's borrowings denominated in United States dollars/Euro were swapped into Hong Kong dollars by cross currency swap contracts and foreign exchange forward contracts. Given this, management does not expect that there will be any significant foreign currency risk associated with the Group's borrowings. The cross currency swap contracts and foreign exchange forward contracts outstanding as at 31 December 2025 with an aggregate notional contract amount of US$2,489 million (approximately HK$19,317 million) (2024: US$2,870 million (approximately HK$22,400 million)) and EUR200 million (approximately HK$1,665 million) (2024: EUR200 million (approximately HK$1,665 million)) were designated as cash flow hedges against foreign currency risk.

In respect of trade receivables and payables held in currencies other than the functional currency of the operations to which they relate, the Group ensures that the net exposure is kept to an acceptable level by buying or selling foreign currencies at spot or forward rates where necessary to address short-term imbalances. The foreign exchange forward contracts outstanding as at 31 December 2025 with an aggregate notional contract amount of US$236 million (approximately HK$1,821 million) (2024: nil) were designated as cash flow hedges against foreign currency risk.

**30 FINANCIAL INSTRUMENTS** *(CONTINUED)*

**c. Market risk** *(continued)*

i. Foreign currency risk *(continued)*

The following table details the Group's exposure at the end of the reporting period to currency risk arising from significant monetary assets or liabilities denominated in foreign currencies:

| In HK$ million | 2024 United States Dollars | 2024 Euro | **2025 United States Dollars** | **2025 Euro** |
|---|---|---|---|---|
| Trade receivables | 43 | - | **33** | **-** |
| Short-term deposits | 295 | - | **358** | **-** |
| Cash and cash equivalents | 396 | 9 | **276** | **21** |
| Short-term borrowing | (3,881) | - | **(5,829)** | **-** |
| Trade payables | (1,937) | - | **(2,432)** | **-** |
| Amounts due to fellow subsidiaries | (260) | - | **(295)** | **-** |
| Long-term borrowings | (16,955) | (1,612) | **(11,173)** | **(1,828)** |
| Gross exposure arising from net monetary liabilities | (22,299) | (1,603) | **(19,062)** | **(1,807)** |
| Borrowings with hedging instruments | 20,836 | 1,612 | **17,002** | **1,828** |
| Overall net exposure | (1,463) | 9 | **(2,060)** | **21** |

As at 31 December 2025, if the Hong Kong dollar had weakened/strengthened by 1% (2024: same) against the United States dollar, with all other variables held constant, the profit after tax of the Group for the year would have decreased/increased by approximately HK$17 million (2024: HK$12 million), mainly as a result of foreign exchange losses/gains on translation of United States dollar denominated monetary assets and liabilities which are not hedged by hedging instruments. Meanwhile, the hedging reserve and costs of hedging reserve of the Group as at 31 December 2025 would have collectively debited/credited by approximately HK$170 million (2024: HK$208 million), mainly as a result of foreign exchange losses/gains on the borrowings being hedged by cross currency swap contracts and foreign exchange forward contracts.

As at 31 December 2025, if the Hong Kong dollar had weakened/strengthened by 5% (2024: same) against Euro, with all other variables held constant, the profit after tax of the Group for the year would have increased/decreased by approximately HK$1 million (2024: an immaterial amount), mainly as a result of foreign exchange gains/losses on translation of Euro denominated monetary assets and liabilities which are not hedged by hedging instruments. Meanwhile, the hedging reserve and costs of hedging reserve of the Group as at 31 December 2025 would have collectively debited/credited by approximately HK$91 million (2024: HK$81 million), mainly as a result of foreign exchange losses/gains on the long-term borrowing being hedged by a cross currency swap contract.

The sensitivity analysis has been determined assuming that the change in foreign exchange rates occurred at the end of the reporting period and applied to the Group's exposure to currency risk for monetary assets and liabilities in existence at those dates, and that all other variables, in particular interest rates, remained constant.

**30 FINANCIAL INSTRUMENTS** *(CONTINUED)*

**c. Market risk** *(continued)*

i. Foreign currency risk *(continued)*

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 2024 and 2025.

ii. Interest rate risk

Given the relatively insignificant amount of interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises primarily from borrowings and amounts due to fellow subsidiaries. Borrowings and balances with group companies at variable rates and fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. In addition, from time to time, the Group draws under its revolving credit facilities which are substantially denominated in Hong Kong dollars with floating rate interest.

The Group has entered into floating-to-fixed interest rate swap contracts to hedge the cash flow interest rate risk arising from certain floating rate borrowings.

The following table details the interest rate profile of the Group's borrowings and balances with group companies at the end of the reporting period, after taking into account the effect of the cash flow hedging instruments:

| | 2024 | | **2025** | |
|---|---|---|---|---|
| | Effective interest rate % | HK$ million | **Effective interest rate %** | **HK$ million** |
| Net fixed rate balances: | | | | |
| Short-term borrowing with hedging instruments | 3.85 | 3,881 | **3.13** | **5,829** |
| Long-term bank borrowings with hedging instruments | 4.17 | 4,515 | **3.93** | **6,469** |
| Long-term borrowings with hedging instruments | 3.46 | 18,567 | **3.57** | **13,001** |
| Amounts due to fellow subsidiaries | 3.39 | 51 | **3.00** | **54** |
| Variable rate balances: | | | | |
| Long-term bank borrowings | 5.32 | 14,290 | **3.84** | **19,221** |
| Amount due to a fellow subsidiary | 5.28 | 227 | **4.39** | **250** |
| Total | | 41,531 | | **44,824** |

As at 31 December 2025, if the interest rate on variable rate borrowings and balances with group companies had increased/decreased by 75 basis points (2024: same), with all other variables held constant, the profit after tax of the Group for the year would have decreased/increased by approximately HK$123 million (2024: HK$92 million), mainly as a result of higher/lower interest expense on floating rate borrowings and balances with group companies in existence at the end of the reporting period.

**30 FINANCIAL INSTRUMENTS** *(CONTINUED)*

**c. Market risk** *(continued)*

ii. Interest rate risk *(continued)*

The sensitivity analysis has been determined assuming that the change in interest rate occurred at the end of the reporting period and applied to the Group's exposure to interest rate risk for floating rate borrowings and balances with group companies in existence at those dates. The 75 basis points (2024: same) increase or decrease represents management's assessment of a reasonably possible change in interest rate over the period until the end of the next annual reporting period. The analysis was performed on the same methodology for the years ended 31 December 2024 and 2025.

iii. Equity price risk

The Group is exposed to equity price changes arising from equity investments. Other than unlisted equity securities held for long-term growth potential or long-term 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 Group, management believes that the Group's equity price risk is minimal.

Performance of the Group's unlisted investments 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 Group. Assessment of investment's relevance to the Group's long-term strategic plans is also made by management on regular basis (if applicable).

**d. Fair values of financial instruments measured at amortised cost**

All financial instruments were carried at amounts not materially different from their fair values as at 31 December 2025 except as follows:

| In HK$ million | 2024 Carrying amount | 2024 Fair value | **2025 Carrying amount** | **2025 Fair value** |
|---|---|---|---|---|
| Long-term borrowings | 37,372 | 36,223 | **38,691** | **38,238** |

The fair values of 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 30(e)).

**e. Estimation of fair values**

Financial instruments carried at fair value are analysed by valuation method and the different levels are defined as follows:

- Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for the financial assets held by the Group is the current bid price. These instruments are included in level 1.

- Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

- Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted securities.

**30 FINANCIAL INSTRUMENTS** *(CONTINUED)*

**e. Estimation of fair values** *(continued)*

The following tables present the Group's financial assets and liabilities that were measured at fair value:

| | | As at 31 December 2024 | | |
|---|---|---|---|---|
| In HK$ million | Level 1 | Level 2 | Level 3 | Total |
| Assets | | | | |
| Financial assets at FVPL | | | | |
| - Unlisted securities (non-current) | - | - | 10 | 10 |
| - Listed securities (current) | 14 | - | - | 14 |
| Derivative financial instruments | | | | |
| - Non-current | - | 58 | - | 58 |
| Total assets | 14 | 58 | 10 | 82 |
| Liabilities | | | | |
| Derivative financial instruments | | | | |
| - Current | - | (41) | - | (41) |
| - Non-current | - | (769) | - | (769) |
| Total liabilities | - | (810) | - | (810) |

| | | **As at 31 December 2025** | | |
|---|---|---|---|---|
| In HK$ million | **Level 1** | **Level 2** | **Level 3** | **Total** |
| Assets | | | | |
| Financial assets at FVPL | | | | |
| - Unlisted securities (non-current) | **-** | **-** | **10** | **10** |
| - Listed securities (non-current) | **7** | **-** | **-** | **7** |
| - Listed securities (current) | **15** | **-** | **-** | **15** |
| Derivative financial instruments | | | | |
| - Non-current | **-** | **121** | **-** | **121** |
| - Current | **-** | **40** | **-** | **40** |
| Total assets | **22** | **161** | **10** | **193** |
| Liabilities | | | | |
| Derivative financial instruments | | | | |
| - Current | **-** | **(17)** | **-** | **(17)** |
| - Non-current | **-** | **(814)** | **-** | **(814)** |
| Total liabilities | **-** | **(831)** | **-** | **(831)** |

Instruments included in level 1 comprised PCCW Shares acquired or subscribed under PCCW Share Award Schemes and Share Stapled Units acquired or subscribed under Share Stapled Unit Award Schemes and classified as financial assets at FVPL.

Instruments included in level 2 comprised cross currency swap contracts, interest rate swap contracts and foreign exchange forward contracts classified as derivative financial instruments. In measuring the swap transactions, the fair value is the net present value of the estimated future cash flows discounted at the market quoted swap foreign exchange rates and interest rates. The fair value of the foreign exchange forward contracts is calculated based on the prevailing market foreign exchange rates quoted for contracts with the same notional amounts adjusted for maturity differences.

**30 FINANCIAL INSTRUMENTS** *(CONTINUED)*

**e. Estimation of fair values** *(continued)*

Instruments included in level 3 comprised investments in unlisted instruments classified as financial assets at FVPL. During the year ended 31 December 2025, there was no movement in the unlisted instruments classified as financial assets at FVPL included in level 3 (2024: same).

For unlisted securities or financial assets without an active market, the Group establishes the fair value by using valuation techniques including the use of recent arm's length transactions, reference to other instruments that are substantially the same, and discounted cash flow analysis, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

There were no transfers of financial assets and liabilities between fair value hierarchy classifications during the years ended 31 December 2024 and 2025.

There were no material changes in valuation techniques during the years ended 31 December 2024 and 2025.

**f. Group's valuation process**

The Group performs and monitors the valuations of financial instruments required for financial reporting purposes, including level 3 fair values. Material movements in valuations are reported to senior management immediately. Valuation results are reviewed by senior management at least on a semi-annual basis.

**31 COMMITMENTS**

**a. Capital**

As at 31 December 2025, capital commitments authorised and contracted for by nature were as follows:

| In HK$ million | 2024 | **2025** |
|---|---|---|
| Acquisition of property, plant and equipment | 1,414 | **1,439** |

**b. Committed leases not yet commenced**

As at 31 December 2025, the total future lease payments for leases committed but not yet commenced were payable as follows:

Land and buildings

| In HK$ million | 2024 | **2025** |
|---|---|---|
| Within 1 year | 2 | **7** |
| After 1 year but within 5 years | 3 | **11** |
| | 5 | **18** |

**c. Others**

As at 31 December 2025, the Group had other outstanding commitments as follows:

| In HK$ million | 2024 | **2025** |
|---|---|---|
| Operating expenditure commitments | 920 | **400** |

**31 COMMITMENTS** *(CONTINUED)*

**d. Lease receivables**

As at 31 December 2025, the maturity analysis of the total future minimum lease receipts under non-cancellable operating leases is as follows:

| In HK$ million | 2024 | **2025** |
|---|---|---|
| Within 1 year | 22 | **21** |
| After 1 year but within 2 years | 15 | **8** |
| After 2 years but within 3 years | 7 | **-** |
| | 44 | **29** |

The Group leases out properties under operating leases. The majority of the leases typically run for periods of 1 to 5 years (2024: 1 to 5 years). None of the leases include material contingent rentals.

**32 CONTINGENT LIABILITIES**

| In HK$ million | 2024 | **2025** |
|---|---|---|
| Performance guarantees | 222 | **231** |

The Group is subject to certain corporate guarantee obligations to guarantee the performance of the Company in the normal course of its 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.

**33 BANKING FACILITIES**

Aggregate banking facilities as at 31 December 2025 was HK$43,957 million (2024: HK$37,557 million) of which the undrawn facilities amounted to HK$18,087 million (2024: HK$18,612 million).

All of the Group's banking facilities are subject to the fulfilment of covenants relating to certain of HKTGH's consolidated statement of financial position ratios, as are commonly found in lending arrangements with financial institutions. If the Group and HKTGH were to breach the covenants, the drawn down facilities would become payable on demand and the undrawn facilities would be cancelled. The Group and HKTGH regularly monitor their compliance with these covenants. As at 31 December 2025, the Group and HKTGH were in compliance with the covenants relating to the banking facilities. Further details of the Group's management of liquidity risk are set out in note 30(b).

Summaries of short-term and long-term borrowings are set out in notes 20(e) and 21 respectively.

## 34 POSSIBLE IMPACT OF NEW AND AMENDED STANDARDS ISSUED BUT NOT YET EFFECTIVE FOR THE ANNUAL ACCOUNTING PERIOD ENDED 31 DECEMBER 2025

Up to the date of approval of these consolidated financial statements, the HKICPA has issued the following new and amended HKFRS Accounting Standards which are not yet effective for the accounting period ended 31 December 2025 and which have not been early adopted in these consolidated financial statements:

| | | Effective for accounting periods beginning on or after |
|---|---|---|
| HKAS 28 (2011) (Amendments) | Investments in Associates and Joint Ventures | To be announced |
| HKFRS 7 (Amendments) | Financial Instruments: Disclosures | 1 January 2026 |
| HKFRS 9 (Amendments) | Financial Instruments | 1 January 2026 |
| HKFRS 10 (Amendments) | Consolidated Financial Statements | To be announced |
| HKFRS 18 | Presentation and Disclosure in Financial Statements | 1 January 2027 |
| HKFRS 19 and Amendments | Subsidiaries without Public Accountability: Disclosures | 1 January 2027 |
| Annual Improvements to HKFRS Accounting Standards – Volume 11 | | 1 January 2026 |
| 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 2027 |

Apart from the above, a number of improvements and minor amendments to HKFRS Accounting Standards have also been issued by the HKICPA but they are not yet effective for the accounting period ended 31 December 2025 and have not been early adopted in these consolidated financial statements.

None of the above is expected to have a significant effect on the result of operation and financial position of the Group.