IMPORTANT NOTICE

NOT FOR DISTRIBUTION TO (i) ANY PERSON OR ADDRESS IN THE UNITED STATES; OR (ii) TO ANY U.S. PERSONS OR ANY PERSON ACTING FOR THE ACCOUNT OR BENEFIT OF A U.S. PERSON (AS DEFINED IN REGULATION S UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT")

IMPORTANT: You must read the following before continuing. The following applies to the offering circular following this page (the "**Offering Circular**"), and you are therefore advised to read this carefully before reading, accessing or making any other use of the Offering Circular. In accessing the Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access. In order to review the Offering Circular or make an investment decision with respect to the securities, you must be located outside the United States and not be a U.S. person or acting for the account or benefit of a U.S. person.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO.

THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT, OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD OR (IN THE CASE OF THE NOTES IN BEARER FORM) DELIVERED, DIRECTLY OR INDIRECTLY, WITHIN THE UNITED STATES, OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND IN PARTICULAR, MAY NOT BE FORWARDED TO ANY ADDRESS IN THE UNITED STATES OR TO ANY U.S. PERSONS. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

Confirmation of your Representation:

The Offering Circular is being sent at your request and by accepting the e-mail and accessing the Offering Circular, you shall be deemed to have represented to each of the Issuer, the Guarantors, the Arranger and the Dealers (each as defined in the Offering Circular) that (1) you and any customers you represent are not in the United States and are not a U.S. person nor acting for the account or benefit of a U.S. person, (2) the electronic mail address that you provided and to which this e-mail has been delivered is not located in the United States, its territories and possessions and (3) that you consent to delivery of the Offering Circular and any amendments or supplements thereto by electronic transmission.

You are reminded that the Offering Circular has been delivered to you on the basis that you are a person into whose possession the Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver the Offering Circular to any other person. If you have gained access to this transmission contrary to the foregoing restrictions, you are not allowed to purchase any of the securities described in the attached.

Actions that you may not take: If you receive this document by e-mail, you should not reply by e-mail to this document, and you may not purchase any securities by doing so. Any reply e-mail communications, including those you generate by using the "Reply" function on your e-mail software, will be ignored or rejected.

The materials relating to the offering of securities to which the Offering Circular relates do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer, and the Dealer or any affiliate of the Dealer is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Dealer or such affiliate on behalf of the Issuer and the Guarantors in such jurisdiction.

The Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Issuer, the Guarantors, the Arranger, the Dealers, the Trustee or the Agents (each as defined in the Offering Circular), nor any person who controls any of them, nor any of their respective directors, officers, employees, representatives, advisers, affiliates or agents accepts any liability or responsibility whatsoever in respect of any discrepancies between the Offering Circular distributed to you in electronic format and the hard copy version. The Arranger or any Dealer will provide a hard copy version to you upon request.

You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

Offering Circular

HKT Capital Limited

(incorporated in the British Virgin Islands with limited liability)

U.S.$3,000,000,000
Guaranteed Medium Term Note Programme

irrevocably and unconditionally jointly and severally guaranteed by
HKT Group Holdings Limited

(incorporated in the Cayman Islands with limited liability)

and

Hong Kong Telecommunications (HKT) Limited

(incorporated in Hong Kong with limited liability)

Under the U.S.$3,000,000,000 Guaranteed Medium Term Note Programme described in this Offering Circular (the "**Programme**"), HKT Capital Limited (the "**Issuer**"), subject to compliance with all relevant laws, regulations and directives, may from time to time issue medium term notes (the "**Notes**") irrevocably and unconditionally jointly and severally guaranteed (the "**Guarantee**") by HKT Group Holdings Limited ("**HKTGH**") and Hong Kong Telecommunications (HKT) Limited (each of HKTGH and Hong Kong Telecommunications (HKT) Limited, a "Guarantor" and together, the "**Guarantors**"). The aggregate nominal amount of Notes outstanding will not at any time exceed U.S. $3,000,000,000 (or the equivalent in other currencies), subject to increases as described herein.

Application has been made to the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") for permission to deal in, and quotation of any Notes that may be issued pursuant to the Programme and which are agreed at the time of issue thereof to be so listed on the Official List of the SGX-ST. Such permission will be granted when such Notes have been admitted to the Official List of the SGX-ST. Unlisted Series (as defined herein) of Notes may also be issued pursuant to the Programme. The relevant Pricing Supplement (as defined herein) in respect of any Series of Notes will specify whether or not such Notes will be listed on the SGX-ST (or any other stock exchange). There is no assurance that an application for the listing of the Notes on the Official List of the SGX-ST will be approved. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained in this Offering Circular. The approval in-principle for the listing and quotation of any Notes to be issued pursuant to the Programme from, and admission of any Notes to the Official List of the SGX-ST is not to be taken as an indication of the merits of the Programme, the Notes, the Issuer, the Guarantors, the Group (as defined below), their respective subsidiaries or their respective associated companies. Investors are advised to read and understand the contents of this document before investing. If in doubt, investors should consult their advisers.

Each Series of Notes in bearer form will be represented on issue by a temporary global note in bearer form (each, a "**temporary Global Note**") or a permanent global note in bearer form (each a "**permanent Global Note**") (collectively, the "**Global Note**"). Notes in registered form will be represented by registered certificates (each, a "Certificate"), one Certificate being issued in respect of each Noteholder's entire holding of Notes in registered form of one Series. The Notes of each Series in registered form will initially be represented by a global certificate (each a "**Global Certificate**"). Global Notes and Global Certificates may be deposited on the relevant issue date with a common depositary on behalf of Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream**") (the "**Common Depositary**") or with a sub-custodian for the Central Moneymarkets Unit Service, operated by the Hong Kong Monetary Authority (the "**HKMA**") (the "**CMU**"). The provisions governing the exchange of interests in Global Notes for other Global Notes and definitive Notes are described in "*Summary of Provisions Relating to the Notes while in Global Form*".

The Notes may be issued on a continuing basis to the Dealers specified under "*Summary of the Programme*" and any additional Dealer appointed under the Programme from time to time by the Issuer and the Guarantors (each a "**Dealer**" and, together, the "**Dealers**"), which appointment may be for a specific issue or on an ongoing basis. References in this Offering Circular to the "**relevant Dealer**" shall, in the case of an issue of Notes being (or intended to be) subscribed for by more than one Dealer, be to all Dealers agreeing to subscribe such Notes.

The Notes and the Guarantee have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") or with any securities regulatory authority of any state or other jurisdiction of the United States and may include Notes in bearer form that are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered, sold or, in the case of bearer notes, delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act or, in the case of bearer notes, the U.S. Internal Revenue Code of 1986, as amended). Registered Notes are subject to certain restrictions on transfer, see "*Subscription and Sale*".

The Programme has been rated "(P)Baa2" by Moody's Investors Service Hong Kong Limited ("**Moody's**") and "BBB" by S&P Global Ratings ("**S&P**"). Tranches (as defined in "*Summary of the Programme*") of Notes to be issued under the Programme will be rated or unrated. Where a Tranche of Notes is to be rated, such rating will not necessarily be the same as the ratings assigned to the Programme. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction, revision or withdrawal at any time by the assigning rating agency.

Investing in Notes issued under the Programme involves certain risks and may not be suitable for all investors. Investors should have sufficient knowledge and experience in financial and business matters to evaluate the information contained in this Offering Circular and in the applicable Pricing Supplement and the merits and risks of investing in a particular issue of Notes in the context of their financial position and particular circumstances. Investors also should have the financial capacity to bear the risks associated with an investment in Notes. Investors should not purchase Notes unless they understand and are able to bear risks associated with Notes. Prospective investors should have regard to the factors described under the section headed "*Risk Factors*" in this Offering Circular in connection with an investment in the Notes.

MiFID II product governance/target market – The Pricing Supplement in respect of any Notes will include a legend entitled "MiFID II Product Governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the target market assessment; however, a distributor subject to Directive 2014/65/EU (as amended, "**MiFID II**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the "**MiFID Product Governance Rules**"), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise none of the Arranger, the Dealers or any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

UK MiFIR product governance/target market – The Pricing Supplement in respect of any Notes may include a legend entitled "UK MiFIR Product Governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. A distributor should take into consideration the target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the UK MiFIR Product Governance Rules, any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise none of the Arranger, the Dealers or any of their respective affiliates will be a manufacturer for the purpose of the UK MiFIR Product Governance Rules.

PRIIPs REGULATION – PROHIBITION OF SALES TO EEA RETAIL INVESTORS – If the Pricing Supplement in respect of any Notes includes a legend entitled "*Prohibition of Sales to EEA Retail Investors*", the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (as amended, the "**Prospectus Regulation**"). Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation.

UK PRIIPs REGULATION – PROHIBITION OF SALES TO UK RETAIL INVESTORS – If the Pricing Supplement in respect of any Notes includes a legend entitled "*Prohibition of Sales to UK Retail Investors*", the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the UK. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "**EUWA**"); (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the "**FSMA**") and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of the Prospectus Regulation as it forms part of domestic law by virtue of the EUWA (the "**UK Prospectus Regulation**"). Consequently, no key information document required by the PRIIPs Regulation as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

PRODUCT CLASSIFICATION PURSUANT TO SECTION 309B OF THE SECURITIES AND FUTURES ACT 2001 OF SINGAPORE – In connection with Section 309B of the Securities and Futures Act 2001 of Singapore (as modified or amended from time to time, the "**SFA**") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), unless otherwise specified before an offer of Notes, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Arranger and Dealer for the Programme

HSBC

Dated 4 July 2024

The Issuer and each Guarantor are responsible for the accuracy and completeness of the information in this Offering Circular. The Issuer and each Guarantor represent and warrant that (i) this Offering Circular contains all information with respect to each of the Issuer, the Guarantors and their respective subsidiaries and affiliates (the "Group"), the Notes and the Guarantee which is material in the context of the issue and offering of the Notes and the giving of the Guarantee (including all information which, according to the particular nature of each of the Issuer, the Guarantors, the Group and of the Notes and the Guarantee, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of each of the Issuer, the Guarantors, the Group and of the rights attaching to the Notes); (ii) the statements of fact contained in this Offering Circular relating to each of the Issuer, the Guarantors, the Group, the Notes and the Guarantee are in every material particular true and accurate and not misleading in any material respect, and there are no other facts in relation to each of the Issuer, the Guarantors, the Group and the Notes and the Guarantee the omission of which would in the context of the issue of the Notes and the Guarantee make any statement in the Offering Circular misleading in any material respect; (iii) the statements of intention, opinion, belief or expectation contained in this Offering Circular are honestly and reasonably made or held and have been reached after considering all relevant circumstances; and (iv) all reasonable enquiries have been and will be made by each of the Issuer and the Guarantors to ascertain such facts and to verify the accuracy of all such statements.

This Offering Circular is based on information provided by the Issuer and each Guarantor and by other sources that they believe are reliable. No assurance can be given that such information from other sources is accurate or complete.

No person has been authorised to give any information or to make any representation other than those contained in or not inconsistent with this Offering Circular in connection with the Programme and the issue or sale of the Notes and the giving of the Guarantee and, if given or made, such information or representation must not be relied upon as having been authorised by or on behalf of any of the Issuer, the Guarantors, the Arranger or any of the Dealers (as defined in "*Summary of the Programme*"). Neither the delivery of this Offering Circular nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer and the Guarantors since the date hereof or the date upon which this Offering Circular has been most recently amended or supplemented or that there has been no adverse change in the financial or trading position of the Issuer and the Guarantors since the date hereof or the date upon which this Offering Circular has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The distribution of this Offering Circular and the offering or sale of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer, the Guarantors, the Arranger and the Dealers to inform themselves about and to observe any such restrictions. None of the Issuer, the Guarantors, the Arranger, the Dealers, the Trustee or the Agents represents that this Offering Circular or any Pricing Supplement may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assumes any responsibility for facilitating any such distribution or offering. In particular, no action is being taken to permit a public offering of the Notes or the distribution of this Offering Circular or any Pricing Supplement in any jurisdiction where action would be required for such purposes. Accordingly, no Notes may be offered or sold, directly or indirectly, and none of this Offering Circular, any Pricing Supplement or any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations.

The Notes and the Guarantee have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may include Notes in bearer form that are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered, sold or, in the case of bearer notes, delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act or, in the case of bearer notes, the U.S. Internal Revenue Code of 1986, as amended). The Notes and Guarantee are being offered and sold outside the United States to non-U.S. persons in reliance on Regulation S under the Securities Act. For a description of certain restrictions on offers and transfers of Notes and on the distribution of this Offering Circular, see "*Subscription and Sale*".

Neither this Offering Circular nor any Pricing Supplement constitutes an offer of, or an invitation by or on behalf of the Issuer, the Guarantors, the Arranger or the Dealers to subscribe for, or purchase, any Notes.

Each Tranche of Notes will be issued on the terms set out herein under "*Terms and Conditions of the Notes*" (the "Conditions") as amended and/or supplemented by the Pricing Supplement specific to such Tranche. This Offering Circular is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see "*Documents Incorporated by Reference*"). This Offering Circular shall be read and construed on the basis that such documents are incorporated and form part of this Offering Circular.

To the fullest extent permitted by law, none of the Arranger, the Dealers, the Trustee or the Agents or any person who controls any of them or any of their respective directors, officers, employees, representatives, advisers, affiliates or agents accepts any responsibility for the contents of this Offering Circular or for any other statement made or purported to be made by the Arranger, a Dealer, the Trustee or the Agents or any person who controls any of them or any of their respective directors, officers, employees, representatives, advisers, affiliates or agents or on its behalf in connection with the Issuer, the Guarantors, or the issue and offering of the Notes. The Arranger, each Dealer, the Trustee and the Agents and each person who controls any of them and each of their respective directors, officers, employees, representatives, advisers, affiliates or agents accordingly disclaim all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Offering Circular or any such statement. Neither this Offering Circular nor any Pricing Supplement nor any other information provided or incorporated by reference in connection with the Programme is intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Issuer, the Guarantors, the Arranger, the Dealers, the Trustee or the Agents or any person who controls any of them or any of their respective directors, officers, employees, representatives, advisers, affiliates or agents that any recipient of this Offering Circular or any Pricing Supplement, or of any such information, should purchase the Notes. Each potential purchaser of Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and the Guarantors. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Offering Circular or any Pricing Supplement and its purchase of Notes should be based upon such investigation as it deems necessary. None of the Arranger, the Dealers, the Trustee or the Agents or any person who controls any of them or any of their respective directors, officers, employees, representatives, advisers, affiliates or agents undertakes to review the financial condition or affairs of the Issuer or any of the Guarantors during the life of the arrangements contemplated by this Offering Circular nor to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Arranger, the Dealers, the Trustee or the Agents or any person who controls any of them or any of their respective directors, officers, employees, representatives, advisers, affiliates or agents.

Notice to capital market intermediaries and prospective investors pursuant to paragraph 21 of the Hong Kong SFC Code of Conduct – Important Notice to Prospective Investors: Prospective investors should be aware that certain intermediaries in the context of certain offerings of Notes pursuant to this Programme, each such offering, a "**CMI Offering**", including certain Dealers, may be "capital market intermediaries" ("**CMIs**") subject to Paragraph 21 of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (the "**SFC Code**"). This notice to prospective investors is a summary of certain obligations the SFC Code imposes on such CMIs, which require the attention and cooperation of prospective investors. Certain CMIs may also be acting as "overall coordinators" ("**OCs**") for a CMI Offering and are subject to additional requirements under the SFC Code. The application of these obligations will depend on the role(s) undertaken by the relevant Dealer(s) in respect of each CMI Offering.

Prospective investors who are the directors, employees or major shareholders of the Issuer, the Guarantors, a CMI or its group companies would be considered under the SFC Code as having an association ("**Association**") with the Issuer, the Guarantors, the CMI or the relevant group company. Prospective investors associated with the Issuer, the Guarantors or any CMI (including its group companies) should specifically disclose this when placing an order for the relevant Notes and should disclose, at the same time, if such orders may negatively impact the price discovery process in relation to the relevant CMI Offering. Prospective investors who do not disclose their Associations are hereby deemed not to be so associated. Where prospective investors disclose their Associations but do not disclose that such order may negatively impact the price discovery process in relation to the relevant CMI Offering, such order is hereby deemed not to negatively impact the price discovery process in relation to the relevant CMI Offering.

Prospective investors should ensure, and by placing an order prospective investors are deemed to confirm, that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). A rebate may be offered by the Issuer to all private banks for orders they place (other than in relation to Notes subscribed by such private banks as principal whereby it is deploying its own balance sheet for onward selling to investors), payable upon closing of the relevant CMI Offering based on the principal amount of the Notes distributed by such private banks to investors. Private banks are deemed to be placing an order on a principal basis unless they inform the CMIs otherwise. As a result, private banks placing an order on a principal basis (including those deemed as placing an order as principal) will not be entitled to, and will not be paid, the rebate. Details of any such rebate will be set out in the applicable Pricing Supplement or otherwise notified to prospective investors. If a prospective investor is an asset management arm affiliated with any relevant Dealer, such prospective investor should indicate when placing an order if it is for a fund or portfolio where the relevant Dealer or its group company has more than 50% interest, in which case it will be classified as a "proprietary order" and subject to appropriate handling by CMIs in accordance with the SFC Code and should disclose, at the same time, if such "proprietary order" may negatively impact the price discovery process in relation to the relevant CMI Offering. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a "proprietary order". If a prospective investor is otherwise affiliated with any relevant Dealer, such that its order may be considered to be a "proprietary order" (pursuant to the SFC Code), such prospective investor should indicate to the relevant Dealer when placing such order. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a "proprietary order". Where prospective investors disclose such information but do not disclose that such "proprietary order" may negatively impact the price discovery process in relation to the relevant CMI Offering, such "proprietary order" is hereby deemed not to negatively impact the price discovery process in relation to the relevant CMI Offering.

Prospective investors should be aware that certain information may be disclosed by CMIs (including private banks) which is personal and/or confidential in nature to the prospective investor. By placing an order, prospective investors are deemed to have understood and consented to the collection, disclosure, use and transfer of such information by the relevant Dealers and/or any other third parties as may be required by the

SFC Code, including to the Issuer, the Guarantors, any OCs, relevant regulators and/or any other third parties as may be required by the SFC Code, it being understood and agreed that such information shall only be used for the purpose of complying with the SFC Code, during the bookbuilding process for the relevant CMI Offering. Failure to provide such information may result in that order being rejected.

STABILISATION

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the stabilisation manager(s) (the "Stabilisation Manager(s)") (or person(s) acting on behalf of any Stabilisation Manager(s)) in the applicable Pricing Supplement may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager(s) (or person(s) acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.

CERTAIN TERMS AND CONVENTIONS

In this Offering Circular, where information has been presented in thousands or millions of units, or as percentages, amounts may have been rounded up or down. Accordingly, totals of columns or rows of numbers in tables may not be equal to the apparent total of the individual items and actual numbers may differ from those contained herein due to rounding.

In this Offering Circular, unless otherwise specified or the context otherwise requires, references to "**Hong Kong**" are to the Hong Kong Special Administrative Region of the People's Republic of China; references to "**mainland China**" are to the People's Republic of China and for geographical reference only (unless otherwise stated) and exclude Taiwan, the Macau Special Administrative Region of the People's Republic of China and the Hong Kong Special Administrative Region of the People's Republic of China; references to "**U.S.**" are to the United States of America; references to "**H.K. dollars**", "**HK$**" or "**cents**" are to Hong Kong dollars and cents; references to "**USD**" or "**U.S.$**" are to U.S. dollars; references to "**GBP**", "**sterling**" or "**£**" are to the currency of the United Kingdom; references to "**euro**" or "**€**" are to the lawful currency of member states of the European Union that adopt the single currency introduced in accordance with the Treaty establishing the European Community, as amended from time to time; and references to "**Renminbi**" and "**RMB**" are to the currency of mainland China.

As used in this Offering Circular:

"**2G**", "**3G**", "**4G**" and "**5G**" refers to second, third, fourth and fifth generation mobile wireless telecommunications technology;

"**AI**" refers to artificial intelligence, which is a discipline of computer science that is aimed at developing machines and systems that can carry out tasks considered to require human intelligence, with limited or no human intervention;

"**AR**" refers to augmented reality, which is an interactive experience of a real-world environment where the objects that reside in the real world are enhanced by computer-generated perceptual information, sometimes across multiple sensory modalities, including visual, auditory, haptic, somatosensory and olfactory;

"**ARPU**" refers to average revenue per user;

"**Broadcasting Ordinance**" refers to the Broadcasting Ordinance (Cap. 562) of Hong Kong;

"**CA**" refers to the Communications Authority, which merges the offices of the former Broadcasting Authority and Telecommunications Authority;

"**CDN**" refers to content delivery network or content distribution network, which is a system of computers containing copies of data placed at various nodes of a network;

"**CSL Group**" refers to CSL Holdings and its subsidiaries (collectively);

"**CSL Holdings**" refers to CSL Holdings Limited, a company incorporated in Bermuda with limited liability, which was engaged, through its then subsidiaries and joint venture interests, primarily in the provision of mobile telecommunications services through 4G, 3G and 2G networks, and the sale of mobile telecommunications products to customers in Hong Kong;

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

"**Ethernet**" refers to a family of wired computer networking technologies commonly used in local area networks, metropolitan area networks and wide area networks, which is defined by the Institute of Electrical and Electronics Engineers as 802.3 standard;

"**FTTH**" means fibre-to-the-home;

"**Group**" refers to HKTGH and its subsidiaries (collectively);

"**HKFRS**" refers to the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants;

"**HKT**" refers to HKT Limited, a company incorporated in the Cayman Islands with limited liability; the share stapled units of HKT and the HKT Trust are listed on The Stock Exchange of Hong Kong Limited (stock code: 6823);

"**HKT Trust**" refers to the trust established under the laws of Hong Kong as a fixed single investment trust and known as the "**HKT Trust**" currently indirectly owned as to approximately 52.51% by PCCW;

"**ICT**" refers to information and communications technology;

"**Internet**" refers to the global system of interconnected computer networks;

"**IoT**" refers to the Internet of Things, which is a distributed network connecting physical objects that are capable of sensing or acting on their environment and able to communicate with each other, other machines or computers;

"**IP**" refers to Internet protocol, the protocol used for communicating data across a network;

"**IPTV**" refers to Internet protocol television, a system through which television services are delivered using the architecture and networking methods of the IP suite over a packet-switched network infrastructure, for example, the Internet and managed broadband IP networks;

"**MPLS**" refers to multi-protocol label switching network, a mechanism in high-performance telecommunications networks which directs and carries data from one network node to the next with the help of labels and helps to preserve quality of service on IP networks;

"**O2O**" means online to offline;

"**OFCA**" refers to the office of the CA;

"**OFTA**" refers to the Office of the Telecommunications Authority in Hong Kong and which has been replaced since 1 April 2012 by the OFCA;

"**OTT**" refers to over-the-top, which is an application accessed and delivered over the public Internet that may be a direct technical/functional substitute for traditional international telecommunications services;

"**PCCW**" refers to PCCW Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on The Stock Exchange of Hong Kong Limited (stock code: 0008) and traded in the form of American Depositary Receipts on the OTC Markets Group Inc. in the U.S. (ticker: PCCWY);

"**PCCW Group**" refers to PCCW and its subsidiaries (collectively);

"**PCCW Media**" refers to PCCW Media Limited, a company incorporated in Hong Kong with limited liability, an indirect wholly-owned subsidiary of HKT;

"**POS**" refers to point-of-sale;

"**SGX-ST**" refers to the Singapore Exchange Securities Trading Limited;

"**Smartphones**" refers to mobile phones offering advanced capabilities;

"**Telecommunications Ordinance**" refers to the Telecommunications Ordinance (Cap. 106) of Hong Kong;

"**VR**" refers to virtual reality, which is the use of computer technology to create the effect of an interactive three-dimensional world in which the objects have a sense of spatial presence;

"**Wi-Fi**" refers to the trademark used to brand a variety of products that belong to a class of wireless local area network devices; and

"**XGSPON**" refers to 10G Symmetric Passive Optical Network Technology.

Any discrepancies in the tables included herein between the listed amounts and the totals thereof are due to rounding.

SUPPLEMENTAL OFFERING CIRCULAR

The Issuer and the Guarantors have jointly and severally undertaken to the Permanent Dealers (as defined herein) that, where the Issuer has notified the relevant Dealers that it intends to issue Notes under the Programme for the time being, each of the Issuer and the Guarantors will prepare and publish an amendment or supplement to this Offering Circular if during the duration of the Programme a significant new factor, material mistake or material inaccuracy arises or is noted relating to the information included in this Offering Circular which may affect an assessment by investors of: (a) the assets and liabilities, financial position, profits and losses, and prospects of the Issuer and/or the Guarantors; and/or (b) the rights attaching to the Notes and/or the Guarantee.

FORWARD-LOOKING STATEMENTS

Certain statements under "*Risk Factors*", "*Business of the Group*" and elsewhere in this Offering Circular constitute "forward-looking statements". The words including "**believe**", "**expect**", "**plan**", "**anticipate**", "**schedule**", "**estimate**" and similar words or expressions identify forward-looking statements. In addition, all statements other than statements of historical facts included in this Offering Circular, including, but without limitation, those regarding the financial position, business strategy, prospects, capital expenditure and investment plans of the Group and the plans and objectives of the Group's management for its future operations (including development plans and objectives relating to the Group's operations), are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results or performance of the Group to differ materially from those expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Group's present and future business strategies and the environment in which the Group will operate in the future. Each of the Issuer and Guarantors expressly disclaims any obligation or undertaking to release any updates or revisions to any forward-looking statements contained herein to reflect any change in the Group's expectations with regard thereto or any change of events, conditions or circumstances, on which any such statements were based. This Offering Circular discloses, under "*Risk Factors*" and elsewhere, important factors that could cause actual results to differ materially from the expectations of the Issuer or the Guarantors. All subsequent written and forward-looking statements attributable to the Issuer or a Guarantor or persons acting on behalf of the Issuer or a Guarantor are expressly qualified in their entirety by such cautionary statements.

DOCUMENTS INCORPORATED BY REFERENCE

This Offering Circular should be read and construed in conjunction with:

(i) each relevant Pricing Supplement;

(ii) all amendments and supplements from time to time to this Offering Circular; and

(iii) any annual or interim financial statements (whether audited or unaudited) of the Guarantors that are appended to or circulated with this Offering Circular and are dated as at a date, or for a period ending, subsequent to those financial statements appearing elsewhere in this Offering Circular, which shall be deemed to be incorporated in, and to form part of, this Offering Circular and which shall be deemed to modify or supersede the contents of this Offering Circular to the extent that a statement contained in any such document is inconsistent with such contents.

Any unaudited financial statements should not be relied upon to provide the same quality of information associated with information that has been subject to an audit nor taken as an indication of the expected financial condition and results of operations of the Guarantors for the relevant full financial year. Potential investors must exercise caution when using such data to evaluate the Guarantor's financial condition, results of operations and results.

Copies of all such documents which are so deemed to be incorporated in, and to form part of, this Offering Circular will be available free of charge between 9:00 a.m. to 3:00 p.m. Hong Kong time on any weekday (Saturdays, Sundays and public holidays excepted) from the specified office of the Trustee set out at the end of this Offering Circular.

TABLE OF CONTENTS

SUMMARY OF THE PROGRAMME

The following overview is qualified in its entirety by the remainder of this Offering Circular.

Issuer	HKT Capital Limited.
Guarantors	HKT Group Holdings Limited. Hong Kong Telecommunications (HKT) Limited.
Description	Guaranteed Medium Term Note Programme.
Size	Up to U.S.$3,000,000,000 (or the equivalent in other currencies at the date of issue) aggregate nominal amount of Notes outstanding at any one time. The Issuer and the Guarantors may increase the aggregate nominal amount of the Programme in accordance with the terms of the Dealer Agreement.
Arranger	The Hongkong and Shanghai Banking Corporation Limited.
Dealer	The Hongkong and Shanghai Banking Corporation Limited. The Issuer may from time to time terminate the appointment of any dealer under the Programme or appoint additional dealers either in respect of one or more Tranches or in respect of the whole Programme. References in this Offering Circular to "**Permanent Dealers**" are to the persons listed above as Dealer and to such additional persons that are appointed as dealers in respect of the whole Programme (and whose appointment has not been terminated) and references to "**Dealers**" are to all Permanent Dealers and all persons appointed as dealers in respect of one or more Tranches.
Trustee	The Hongkong and Shanghai Banking Corporation Limited.
Issuing and Paying Agent, CMU Lodging and Paying Agent, Registrar, Transfer Agent and Calculation Agent	The Hongkong and Shanghai Banking Corporation Limited.

Method of Issue	The Notes will be issued on a syndicated or non-syndicated basis. The Notes will be issued in series (each, a "**Series**") having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches (each, a "**Tranche**") on the same or different issue dates. The specific terms of each Tranche (which will be completed, where necessary, with the relevant terms and conditions and, save in respect of the issue date, issue price, first payment of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be completed in the pricing supplement (the "**Pricing Supplement**").
Issue Price	Notes may be issued at their nominal amount or at a discount or premium to their nominal amount.
Form of Notes	The Notes may be issued in bearer form ("**Bearer Notes**") or in registered form ("**Registered Notes**"). Registered Notes will not be exchangeable for Bearer Notes and vice versa. Each Tranche of Bearer Notes will be represented on issue by a temporary Global Note if: (i) definitive Notes are to be made available to Noteholders following the expiry of 40 days after their issue date; or (ii) such Notes have an initial maturity of more than one year and are being issued in compliance with the D Rules (as defined in "– *Selling Restrictions*" below), otherwise such Tranche will be represented by a permanent Global Note. Registered Notes will be represented by Certificates, one Certificate being issued in respect of each Noteholder's entire holding of Registered Notes of one Series. Certificates representing Registered Notes that are registered in the name of, or in the name of a nominee for, one or more clearing systems are referred to as "**Global Certificates**".
Clearing Systems	The CMU, Clearstream, Euroclear and, in relation to any Tranche, such other clearing system as may be agreed between the Issuer, the Trustee, the Issuing and Paying Agent and the relevant Dealer.
Initial Delivery of Notes	On or before the issue date for each Tranche, the Global Note representing Bearer Notes or the Global Certificate representing Registered Notes may be deposited with a common depositary for Euroclear and Clearstream or deposited with a sub-custodian for the CMU or any other clearing system or may be delivered outside any clearing system provided that the method of such delivery has been agreed in advance by the Issuer, the Trustee, the Issuing and Paying Agent and the relevant Dealer. Registered Notes that are to be credited to one or more clearing systems on issue will be registered in the name of, or in the name of nominees or a common nominee for, such clearing systems.
Currencies	Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in any currency agreed between the Issuer and the relevant Dealer.

Maturities	Subject to compliance with all relevant laws, regulations and directives, any maturity to be agreed between the Issuer, the Guarantors and the relevant Dealer(s).
Specified Denomination	Definitive Notes will be in such denominations as may be specified in the relevant Pricing Supplement save that unless otherwise permitted by then current laws and regulations, Notes (including Notes denominated in sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the UK or whose issue otherwise constitutes a contravention of Section 19 of the Financial Services and Markets Act 2000 (the "**FSMA**") will have a minimum denomination of £100,000 (or its equivalent in other currencies).
Fixed Rate Notes	Fixed interest will be payable in arrear on the date or dates in each year specified in the relevant Pricing Supplement.
Floating Rate Notes	Floating Rate Notes will bear interest determined separately for each Series by reference to EURIBOR, HIBOR or SOFR (or such other benchmark as may be specified in the relevant Pricing Supplement) as adjusted for any applicable margin. Interest periods will be specified in the relevant Pricing Supplement.
Zero Coupon Notes	Zero Coupon Notes may be issued at their nominal amount or at a discount to it and will not bear interest.
Dual Currency Notes	Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange as may be specified in the relevant Pricing Supplement.
Interest Periods and Interest Rates	The length of the interest periods for the Notes and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. Notes may have a maximum interest rate, a minimum interest rate, or both. The use of interest accrual periods permits the Notes to bear interest at different rates in the same interest period. All such information will be set out in the relevant Pricing Supplement.

Redemption	The relevant Pricing Supplement will specify whether the Notes will be redeemable at the option of the Issuer and/or the Noteholders upon giving notice to the Noteholders or the Issuer, as the case may be, on a date specified prior to such stated maturity and at a redemption amount set out in the Terms and Conditions of the Notes and, where applicable, on such other terms as may be agreed between the Issuer, the Guarantors and the relevant Dealer(s). Unless permitted by then current laws and regulations, Notes (including Notes denominated in sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the UK or whose issue otherwise constitutes a contravention of section 19 of the FSMA must have a minimum redemption amount of £100,000 (or its equivalent in other currencies).
Redemption for Taxation Reasons	The Notes will be redeemable at the option of the Issuer in whole, but not in part, prior to the stated maturity for taxation reasons as described in "*Terms and Conditions of the Notes – Redemption, Purchase and Options – Redemption for Taxation Reasons*".
Redemption at the Option of the Issuer	If Call Option is specified in the relevant Pricing Supplement, the Issuer may, on giving not less than 30 nor more than 60 days' irrevocable notice to the Noteholders (or such other notice period as may be specified in the relevant Pricing Supplement) redeem all or, if so provided, some, of the Notes on any Optional Redemption Date. Any such redemption of Notes shall be at their Optional Redemption Amount together with interest accrued to (but excluding) the relevant Optional Redemption Date. If Make-Whole Amount is specified in the relevant Pricing Supplement as the Optional Redemption Amount, the Optional Redemption Amount per Note shall be calculated in the manner as described in "*Terms and Conditions of the Notes – Redemption, Purchase and Options – Redemption at the Option of the Issuer (Call Option)*".
Status of Notes	The Notes will be direct, general, unconditional, unsubordinated and, subject to the provisions of Condition 4, unsecured obligations of the Issuer and will at all times rank (save for such exceptions as may be provided by applicable legislation) *pari passu* and without any preference among themselves and at least equally with all other unsecured and unsubordinated obligations of the Issuer, present and future.

Guarantee and Status of Guarantee	The Notes will be jointly and severally, unconditionally and irrevocably guaranteed, by the Guarantors in the Trust Deed (as defined in the Conditions). The obligations of the Guarantors under the Guarantee will at all times be direct, general, unconditional, unsubordinated and, subject to the provisions of Condition 4, unsecured obligations of the Guarantors and will rank (save for such exceptions as may be provided by applicable legislation) at least equally with all other unsecured and unsubordinated obligations of the Guarantors, present and future.
Negative Pledge	See "*Terms and Conditions of the Notes – Covenants – Negative Pledge*".
Cross-acceleration	See "*Terms and Conditions of the Notes – Events of Default*".
Ratings	The Programme has been rated "(P)Baa2" by Moody's and "BBB" by S&P. Tranches of Notes will be rated or unrated. Where a Tranche of Notes is to be rated, such rating will be specified in the relevant Pricing Supplement. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, revision, reduction or withdrawal at any time by the assigning rating agency.
Withholding Tax	All payments of principal and interest in respect of the Notes will be made free and clear of withholding taxes of the British Virgin Islands, the Cayman Islands or Hong Kong, as the case may be, subject to customary exceptions, all as described in "*Terms and Conditions of the Notes – Taxation*".
Governing Law	English law.
Legal Entity Identifier ("LEI") . .	2549007XNC8D96FI5H60.
Listing and Admission to Trading	Application has been made to the SGX-ST for permission to deal in, and quotation of any Notes that may be issued pursuant to the Programme and which are agreed at the time of issue thereof to be so listed on the SGX-ST. Such permission will be granted when such Notes have been admitted to the Official List of the SGX-ST. For so long as any Notes are listed on the SGX-ST and the rules of the SGX-ST so require, such Notes if traded, will be traded on the SGX-ST in a minimum board lot size of at least S$200,000 (or its equivalent in other currencies).

	For so long as any Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Issuer shall appoint and maintain a paying agent in Singapore, where such Notes may be presented or surrendered for payment or redemption, in the event that the Global Note(s) or Global Certificate(s) representing such Notes is exchanged for definitive Notes. In addition, in the event that the Global Note(s) or Global Certificate(s) is exchanged for definitive Notes, an announcement of such exchange will be made by the Issuer through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive Notes, including details of the paying agent in Singapore. Unlisted Notes may also be issued. The applicable Pricing Supplement will state whether or not the relevant Notes are to be listed and, if so, on which stock exchange(s).
Redenomination, Renominalisation and/or Consolidation	Notes denominated in a currency of a country that subsequently participates in the third stage of European Economic and Monetary Union may be subject to redenomination, renominalisation and/or consolidation with other Notes then denominated in euro. The provisions applicable to any such redenomination, renominalisation and/or consolidation will be as specified in the relevant Pricing Supplement.
Selling Restrictions	The United States, the European Economic Area, the United Kingdom, Hong Kong, Singapore, the British Virgin Islands, the Cayman Islands and Japan. See "*Subscription and Sale*". Category 2 selling restrictions will apply for the purposes of Regulation S under the Securities Act.

SELECTED FINANCIAL INFORMATION

The following tables set forth the summary of consolidated financial information of HKTGH as at the end of and for the years indicated. The selected financial information presented below as at 31 December 2022 and 31 December 2023 and for the two years ended 31 December 2022 and 31 December 2023 has been extracted from HKTGH's audited consolidated financial statements for the year ended 31 December 2023. The information set out below should be read in conjunction with the audited consolidated financial statements of HKTGH, including the notes thereto, reproduced elsewhere in this Offering Circular.

The audited consolidated financial statements of HKTGH for the year ended 31 December 2023 have been prepared in accordance with HKFRS and were audited by PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, the auditors of HKTGH.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF HKTGH

	As at 31 December	
	2022 (Audited)	**2023 (Audited)**
	(HK$ million)	
Assets and Liabilities		
Non-current assets		
Property, plant and equipment	26,286	27,278
Right-of-use assets	1,897	1,988
Interests in leasehold land	177	165
Goodwill	49,803	49,806
Intangible assets	16,415	17,675
Fulfilment costs	1,658	1,925
Customer acquisition costs	864	912
Contract assets	285	324
Interests in associates	410	484
Interests in joint ventures	327	301
Financial assets at fair value through other comprehensive income	147	130
Financial assets at fair value through profit or loss	75	59
Derivative financial instruments	27	29
Deferred income tax assets	968	895
Other non-current assets	571	558
	99,910	102,529
Current assets		
Inventories	1,607	959
Prepayments, deposits and other current assets	3,070	3,163
Contract assets	637	511
Trade receivables, net	3,254	2,838
Amounts due from related companies	25	22
Financial assets at fair value through profit or loss	26	28
Derivative financial instruments	58	–
Tax recoverable	–	2
Restricted cash	375	211
Short-term deposits	116	79
Cash and cash equivalents	1,996	1,630
	11,164	9,443

	As at 31 December	
	2022 (Audited)	2023 (Audited)
	(HK$ million)	
Current liabilities		
Short-term borrowings	(3,950)	(1,049)
Trade payables	(5,500)	(5,781)
Accruals and other payables	(5,980)	(6,008)
Derivative financial instrument	(98)	(151)
Carrier licence fee liabilities	(331)	(338)
Amounts due to fellow subsidiaries and the immediate holding company	(6,498)	(6,667)
Amount due to related companies	(54)	(84)
Advances from customers	(286)	(279)
Contract liabilities	(1,410)	(1,450)
Lease liabilities	(1,049)	(1,070)
Current income tax liabilities	(1,766)	(1,415)
	(26,922)	(24,292)
Non-current liabilities		
Long-term borrowings	(39,888)	(43,518)
Derivative financial instruments	(223)	(602)
Deferred income tax liabilities	(5,048)	(5,498)
Carrier licence fee liabilities	(3,340)	(3,086)
Contract liabilities	(1,031)	(980)
Lease liabilities	(925)	(979)
Other long-term liabilities	(1,705)	(1,946)
	(52,160)	(56,609)
Net assets	31,992	31,071
Capital and Reserves		
Share capital	4,961	4,961
Reserves	26,971	26,040
Equity attributable to equity holder of HKTGH	31,932	31,001
Non-controlling interests	60	70
Total equity	31,992	31,071

CONSOLIDATED INCOME STATEMENT OF HKTGH

	For the year ended 31 December	
	2022 (Audited)	**2023 (Audited)**
	(HK$ million)	
Revenue	34,125	34,330
Cost of sales	(17,094)	(17,454)
General and administrative expenses	(9,743)	(9,120)
Other (losses)/gains, net	(9)	14
Finance costs, net	(1,660)	(2,328)
Share of results of associates	(106)	(108)
Share of results of joint ventures	(19)	(16)
Profit before income tax	5,494	5,318
Income tax	(634)	(467)
Profit for the year	4,860	4,851
Profit attributable to:		
Equity holder of HKTGH	4,842	4,830
Non-controlling interests	18	21
Profit for the year	4,860	4,851

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF HKTGH

	For the year ended 31 December	
	2022 (Audited)	**2023 (Audited)**
	(HK$ million)	
Profit for the year	4,860	4,851
Other comprehensive (loss)/income		
Item that will not be reclassified subsequently to consolidated income statement:		
Change in fair value of a financial asset at fair value through other comprehensive income	–	(17)
Items that have been reclassified or may be reclassified subsequently to consolidated income statement:		
Translation exchange differences:		
– Exchange differences on translating foreign operations of subsidiaries	(76)	26
– Exchange differences on translating foreign operations of joint ventures	(5)	(1)
Cash flow hedges:		
– effective portion of changes in fair value	(46)	(179)
– transfer from equity to consolidated income statement	101	(147)
Costs of hedging	(114)	(41)
Other comprehensive loss for the year	(140)	(359)
Total comprehensive income for the year	4,720	4,492
Attributable to:		
Equity holder of HKTGH	4,702	4,471
Non-controlling interests	18	21
Total comprehensive income for the year	4,720	4,492

RISK FACTORS

Any investment in the Notes is subject to a number of risks. Prior to investing in the Notes, prospective investors should carefully consider risk factors associated with any investment in the Notes, the business of the Issuer, the Guarantors and the Group and the industry in which the Group operates together with all other information contained in this Offering Circular, including, in particular the risk factors described below. Words and expressions defined in the "Terms and Conditions of the Notes" below or elsewhere in this Offering Circular have the same meanings in this section.

The following is not an exhaustive list or explanation of all risks which investors may face when making an investment in the Notes and should be used as guidance only. Additional risks and uncertainties relating to the Issuer, the Guarantors or the Group that are not currently known to the Issuer, the Guarantors or the Group or that the Issuer, the Guarantors or the Group currently deems immaterial, may individually or cumulatively also have a material adverse effect on the business, prospects, results of operations and/or financial position of the Issuer, the Guarantors or the Group and, if any such risk should occur, the price of the Notes may decline and investors could lose all or part of their investment. Investors should consider carefully whether an investment in the Notes is suitable for them in light of the information in this Offering Circular and their personal circumstances.

RISKS RELATING TO THE GROUP'S BUSINESS

Increased competition has adversely affected and may continue to affect the Group's businesses

The Hong Kong Government's policies relating to liberalisation of the telecommunications industry have led to increased competition for the Group in the markets for local and international telecommunications services. New licences and new types of licences have been granted to other service providers and the industry has had to adapt to significantly more competitors in the market. The Group has operated in this competitive landscape for over twenty years and has adapted its business strategies in light of the changed marketplace. Increased competition has resulted in pricing pressure, loss of market share, additional promotional, marketing and customer acquisition expenses and reduced gross margins for the Group, and such effects may be repeated in the future. The continuing development of 5G mobile technology together with other emerging technologies, the introduction of new types of licences and the potential entry of new competitors may further intensify competition in the market.

More generally, companies in the Hong Kong telecommunications industry operate under licences granted by the CA. The Group's operations could be adversely affected if any of its existing licenses are amended, not renewed or revoked. The viability or competitiveness of the Group's businesses could also be affected by any future regulatory changes. These factors may continue to adversely affect the Group's results of operations, cash flows and financial position.

HKT, through its subsidiary, PCCW Media, holds a domestic pay TV programme services licence. The content market in Hong Kong is highly competitive and PCCW Media faces considerable competition from conventional television (including free-to-air broadcasters) as well as accelerating competition from online and digital content providers, both of which may materially and adversely affect the Group's business, prospects and results of operations. The prevalence of pirated content may also adversely affect the Group's results of operations.

Regulatory decisions could adversely affect the Group

Under the Telecommunications Ordinance, the CA, on the basis of the powers originally conferred on the Telecommunications Authority, has certain discretionary powers to direct the Group and its other licensees to undertake and provide certain interconnection services and facilities and to impose the terms and conditions of interconnection. It may also direct its licensees to co-operate and share any facilities owned by them in the public interest. In the event the CA exercises such powers and the Group is required to undertake and provide interconnection services and facilities or co-operate and share facilities with other operators, the Group may be required to do so on terms which force it to incur costs that may not be fully recoverable.

Since 1995, most interconnection and facility sharing issues have been resolved either by industry agreement or OFTA (now OFCA) intervention. Fixed to fixed interconnection arrangements have not been the subject of significant regulatory dispute or OFTA (now OFCA) intervention for many years. A 2013 CA decision deregulated such arrangements and HKT has commercially negotiated follow on arrangements. Mobile to mobile interconnection has always been carried out pursuant to carrier agreements employing a "Bill and Keep" methodology. Unbundled local loop requirements have been phased out and arrangements are now deregulated and governed by carrier-to-carrier contracts. In April 2007, subject to a two-year transition period, the Telecommunications Authority withdrew its guidance for interconnection terms between fixed network and mobile telecommunications operators, leaving carriers to negotiate their own terms of interconnection. The Group has agreed fixed-mobile interconnection terms with the other Hong Kong carriers employing the "Bill and Keep" methodology.

In 2011, OFTA (now OFCA) completed its review of its Local Access Charge regime which relates to the interconnection charges applied to international voice minutes which originate or terminate on the fixed networks in Hong Kong. It decided to extend the Local Access Charge regime to the mobile network operators and to deregulate the payment levels subject to an 18-month transition period which has now ended. Commercial arrangements have now been negotiated among the carriers.

Should the Group be unable to agree interconnection terms with other licensees, including future renewal terms, the CA could intervene and invoke its power to determine these terms. The Group (with both fixed and mobile businesses) can give no assurance that the results of any regulatory intervention will be favourable to the Group.

Spectrum releases have primarily been done by auction in Hong Kong, although the earliest releases were by beauty contests. As a condition of the acquisition of CSL Holdings by HKT in May 2014, the Group did not participate in the auction held in December 2014 to re-assign the 3G spectrum bands upon expiry of their initial assignment period in October 2016. Instead, HKT exercised its "right of first refusal" to retain half of its 3G spectrum holding. Renewal of the 900 MHz and 1,800 MHz spectrum bands (whose assignment period expired in January 2021 and September 2021, respectively) was completed in March 2019, with HKT retaining 60 MHz of its original holding by exercising its "right of first refusal" and participating in a spectrum auction.

In December 2018, the CA announced plans to release spectrum for 5G mobile services. Spectrum in the 26/28 GHz band was administratively assigned to licensees in April 2019 based on the merits of their applications. HKT has been assigned 400 MHz of spectrum in this band in April 2019. Spectrum in the 3.3 GHz, 3.5 GHz and 4.9 GHz bands was auctioned in October/November 2019, with HKT successfully bidding for 30MHz, 50MHz and 40MHz of the respective bands.

Following conclusion of the consultations conducted jointly by the Secretary for Commerce and Economic Development and the CA in 2020 regarding the assignment of new spectrum in the 600/700 MHz band and the 4.9 GHz band for the provision of public mobile services, and the re-assignment arrangements for certain spectrum in the 850 MHz band and the 2.5/2.6 GHz band upon expiry of their existing assignment periods in November 2023 and March 2024 respectively, a single spectrum auction was held in October 2021 and on 26 November 2021, the CA announced that Hong Kong Telecommunications (HKT) Limited was the successful bidder for 20 MHz of spectrum in the 700 MHz band and 50 MHz of spectrum in the 2.5/2.6 GHz band. Assignment of the 700 MHz band (for 15 years) took place in June 2022 while the new assignment term for the 2.5/2.6 GHz band (also for 15 years) commenced on 31 March 2024.

Following public consultations from 2022 to 2023, 20MHz of spectrum in the 850/900 MHz band and 90 MHz of spectrum in the 2.3 GHz band is expected to be reassigned by auction in late 2024. 415 MHz of new spectrum for the provision of mobile services in the 6 GHz band is also expected to be auctioned in late 2024 following a separate public consultation. In February 2024, the CA invited applications for a second-round administrative assignment of a maximum total of 2,500 MHz of spectrum in the 26/28 GHz band for the provisions of mobile services. On 11 June 2024, the CA announced that a further 200 MHz of spectrum in this band will be assigned to HKT. The assignment is expected to take effect on 1 August 2024.

There can be no assurance that the Group will continue to be assigned with the desired amount of spectrum in future auctions at a reasonable price or without being subject to unfavourable conditions, which may hinder or prevent the Group from deploying new products and services and may adversely affect the results of the Group.

The Group's substantial debt could impair its ability to implement its business plan

The Group has incurred significant indebtedness and, subject to limitations imposed by lenders, may incur additional debt in the future.

As at 31 December 2023, the Group had an adjusted combined outstanding total debts of approximately HK$48,025 million, as adjusted to give effect to the net drawdown of bank loans and other borrowings of HK$1,663 million during the period from 1 January 2024 to 28 June 2024. See "*Business of the Group – Financing*".

As long as the Group has a substantial amount of debt, the consequences of this debt to the Group's business, among other things, could be to:

- require the Group to dedicate a substantial portion of its cash flow from operations to servicing of its debt, reducing the availability of its cash flow to fund working capital, capital expenditure, acquisitions, research, development and other general corporate requirements;
- limit the Group's ability to take advantage of significant new business opportunities;
- make it more difficult for the Group to satisfy its payment obligations, particularly in the event that market or operational conditions deteriorate;
- increase the Group's vulnerability to general adverse economic and industry conditions;
- limit the Group's flexibility in planning for, or reacting to, changes in its business in which the Group operates;
- limit the Group's ability to obtain refinancing where necessary;
- increase the Group's cost of financing; and
- place the Group at a competitive disadvantage compared to its competitors that have less debt.

The Group is exposed to interest rate risk

The Group has a substantial portion of debt with a floating interest rate. The Group seeks to achieve a balance between fixed and floating interest rates for its borrowings by managing the proportion of its borrowings in fixed interest rates and floating interest rates. However, its interest rate management policy may not adequately cover the Group's exposure to interest rate fluctuations and this may result in a large interest expense and have an adverse effect on the Group's financial condition and results of operations. If interest rates rise or remain elevated, this may result in high interest costs and adversely affect the Group's financial condition. This could also make it more difficult or expensive for the Group to obtain funding in the future.

The Group may not be able to obtain additional capital

The Group expects to continue to make investments to maintain, integrate and upgrade its telecommunications networks and market its new and existing services.

The Group may have to obtain additional financing for new investments, if its business plans are accelerated or are affected by changes in the telecommunications industry, or if its revenue and cash flow are significantly reduced.

Financing may not be available to the Group when needed or may only be available on terms that are unfavourable to the Group. Any financing, if available, may involve restrictive covenants. If the Group is unable to raise the amounts required on favourable terms, it may be unable to pursue its planned business strategy, and there can be no assurance that future conditions in the financial markets will not adversely affect its ability to finance its operations. If the Group cannot raise sufficient funds on commercially acceptable terms, it may need to delay or abandon some of its developments and expansion plans or otherwise forgo market opportunities. In addition, if the Group cannot raise new debt or refinance its debt, its ability to service its debt may be affected.

The Group faces challenges in executing its growth strategy

The Group's business strategy may require it to develop its business both organically and through new business combinations, strategic investments, acquisitions and disposals. However, the Group may not be able to enter into new business combinations, strategic investments, acquisitions and disposals due to regulatory or other constraints and this could have a material adverse effect on the Group's results of operations.

In addition, acquisitions typically involve a number of risks, including:

- the difficulty of integrating the operations and personnel of the acquired companies;
- the potential disruption to the Group's on-going business and the distraction of its management;
- the difficulty of incorporating acquired technology and rights into the Group's products and services;
- the impairment of relationships with employees and customers as a result of integration of new management and personnel;
- potential unknown liabilities associated with acquired businesses;
- higher than planned requirements to preserve and grow the value of acquired companies or, if the Group is unable to obtain access to such funds, possible loss of value of the acquired companies; and

- adverse effects on the Group's reported operating results due to the amortisation of and potential impairment provision for goodwill and other intangible assets associated with acquisitions and losses sustained by acquired companies after the date of acquisitions.

Disposals typically involve a number of risks, including:

- the potential disruption to the Group's on-going business and distraction of its management;

- proprietary and confidential information about the Group's operations may be disclosed in the due diligence process which may have an adverse effect on the Group's competitive position;

- the impairment of relationships with employees and customers as a result of separation of businesses, management and product and/or service offerings; and

- in the case of partial disposals which result in the formation of joint venture or strategic partnership, potential disputes with joint venture or strategic partners which may have an adverse effect on the business of joint venture vehicle and/or the business reputation of the Group as a whole.

The Group may also face challenges in growing its business organically, including:

- competition in its markets and challenges in maintaining customers and enhancing its services;

- the existence of regulatory requirements and barriers to entry into new areas of business;

- the failure to retain existing customers by the loyalty programme;

- the continuing development and improvement to the Group's 5G network within a desired time frame and at desirable costs; and

- the new initiatives may not be able to generate sufficient revenues to justify the initial or ongoing cost of investment.

There is no assurance that the Group will be able to implement its growth strategies successfully or that it will be able to expand the Group's activities or portfolio at any specified rate or to any specified size. The Group may not be able to complete its plans on schedule or without incurring additional expenditures or at all.

If market conditions change, if operations do not generate sufficient funds or for any other reason, the Group may decide to delay, modify or forgo some aspects of its growth strategies. The Group's future results of operations may be adversely affected if it is unable to implement growth strategies successfully.

The Group may be susceptible to risks associated with expanding its operations overseas, which could harm its operating results

The Group plans to offer the network, operations and management experience and expertise that it has acquired in Hong Kong to clients and business partners in overseas markets. The Group expects to commit substantial time and development resources to customising and developing its products and services for overseas markets and to developing relevant sales and support channels. The Group's ability to expand into these overseas markets may be constrained by the pace of deregulation in individual markets, including the timing of the removal of restrictions on foreign participation. In addition, operations outside of Hong Kong will be subject to certain risks, including:

- lack of familiarity with the overseas market, such as customer preferences and competitors' practices;
- multiple and conflicting regulations relating to communications, use of data and control of Internet access;
- changes in regulatory requirements, tariffs and import and export restrictions;
- increased costs associated with complying with the laws of numerous jurisdictions;
- fluctuations in currency exchange rates;
- lack of clarity in the interpretation of laws and regulations;
- insufficient protection of intellectual property rights;
- changes in political and economic stability; and
- potentially adverse tax consequences.

Any of these factors could have a material and adverse effect on the Group's business, results of operations and financial condition.

Any asset impairment could adversely affect the Group's financial results

The Group has non-current assets such as property, plant and equipment, right-of-use assets, interests in leasehold land, fulfilment costs, customer acquisition costs, intangible assets, goodwill and investments in associates and joint ventures, and it is required to review these assets for impairment at the end of each reporting period. This review is made with reference to the recoverable amounts in respect of those assets. Impairment of any of these assets could adversely affect the Group's financial condition and results of operations. The recoverable amount of an asset is the greater of its fair value less costs of disposal and its value-in-use. If the carrying value of an asset as reflected in the Group's consolidated statement of financial position is higher than its recoverable amount, it must make an asset impairment charge to its consolidated income statement.

The recoverable amount of an asset depends on the prevailing market conditions at the time of the review, the nature of the asset, its fair value and estimated future cash flows that are expected to be derived from the asset. The discount rate used in this review reflects the Group's current market assessment of the time value of money and the risks specific to the asset. Any reduction in the recoverable amount of an asset below its carrying value, whether due to a weak economic environment, challenging market conditions, asset or portfolio sale decisions by management or any other condition or occurrence, could be charged to the income statement and could thus materially and adversely affect the Group's results of operations and shareholders' equity in the period in which the impairment occurs.

The Group is exposed to risks relating to certain critical accounting estimates

Note 3 to the consolidated financial statements of HKTGH for the year ended 31 December 2023 sets out certain critical accounting estimates, including certain subjective estimates and judgments made by the Group's management team. The underlying assumptions on which these critical accounting estimates were based may not turn out to be correct, the result of which may have a material adverse effect on the Group's results of operations and financial position. In addition, accounting estimates used in the preparation of HKTGH's consolidated financial statements in relation to taxes may not be recognised or agreed by the relevant tax authorities in their ultimate assessments. Investors should refer to Note 3 to the consolidated financial statements of HKTGH for the year ended 31 December 2023, which are reproduced in this Offering Circular for further information.

The Group's ability to introduce new technologies to successfully respond to technological developments and to adapt to existing technologies may be limited

The Group's operations depend on the successful deployment of continuously evolving technologies, its response to technological and industry developments and its ability to adapt to the emergence of disruptive technologies.

The Group cannot be certain that technologies will be developed in time to meet changing market conditions and will perform according to expectations or that they will achieve commercial acceptance. The failure of vendor performance or technology performance to meet the Group's expectations or the failure of technology to achieve commercial acceptance could mean that the Group has to make additional unexpected capital expenditures or the Group is left with obsolete and outdated technologies. In addition, the Group may not be able to adapt its services to changing market conditions or establish and maintain effective distribution channels for its services. Competitors may adapt more successfully to changing market conditions, establish more effective distribution channels or introduce technologies that make the Group's products and services less competitive.

With respect to any current or future technological developments and/or changes, the Group may be required to incur significant future capital expenditure spending for the expansion of its network capacity and infrastructure. The rapid advancement in technology may require the Group to replace and/or upgrade its network infrastructure and as a result, incur additional capital expenditure, which may be significant, in order to maintain the latest technological standards and remain competitive against newer products and services. As any future expansion or upgrade to the Group's network infrastructure will be dependent in part on the future demand for its services, it is difficult for the Group to predict with certainty its future capital expenditure costs. Future capital expenditure costs may be beyond the control of the Group. There is no assurance that sufficient incremental revenue can be generated by the Group to cover such capital expenditure. In addition, there is no assurance that the capital expenditure costs associated with the future expansion of the Group's network may not increase due to any impact resulting from circumstances outside of the Group's control such as the change of interest rates and/or the global political landscape. In the event that the Group's actual capital expenditure costs exceed the budget, the Group may require additional financing in order to meet its projected capital and other expenditure requirements. There is also a risk that the Group may not have invested sufficiently in its network infrastructure and may in the future require further capital expenditure to maintain or expand its network.

In respect of the mobile technology, while 5G technology is in the process of wider commercialisation and application, 5G-Advanced technology is already in a preparatory and inception stage and more resources are expected to be invested by telecommunication-related industry players in its study and development in the coming years. If the Group fails to develop any upgraded solutions and offer services and software with advanced capabilities and technologies, such as in relation to 5G and 5G-Advanced, the Group's competitive position, profitability and business prospects may be adversely affected.

Global trade and geopolitical activities, such as the evolving trade monitoring and restrictions placed by the U.S. Government on certain enterprises based in mainland China may also have a negative impact on the Group's ability to choose its vendors or business partners to provide the necessary services or equipment in support of its businesses or to develop new technologies. Such form of limitations, restrictions or prohibitions would require the Group to deploy additional resources to adapt its services to alternative vendors or business partners or to re-align its development plans, which may negatively affect the Group's financial conditions and results of operations.

The Group is exposed to risks relating to cyber-attacks and/or other data security breaches

The Group handles significant amounts of customer data, personal information and other sensitive commercial data which are susceptible to cyber threats and/or other data security breaches. The Group's operations, reputation and financial performance could be adversely impacted if the Group sustains cyber-attacks and/or other data security breaches that disrupt its operations, which may result in litigation action from customers and/or regulatory fines and penalties and have an adverse impact on the reputation of the Group. The Group makes extensive use of multiple channels to keep informed of emerging cyber security threats and to identify and implement measures intended to mitigate the occurrence and/or consequences of such risks being realised. However, hacking and data theft techniques are continuously evolving, and the Group's anti-virus systems and security measures may not be able to adjust to these changes in a timely manner. Accordingly, there can be no assurance that these initiatives are sufficient or effective or the Group's business would not be adversely affected by such attacks or breaches.

A recurrence of natural disasters, acts of God, occurrence of epidemics and pandemics, acts of war and other disasters in mainland China, Hong Kong or other countries may adversely affect the Group's businesses, results of operations and financial condition

Natural disasters, epidemics and pandemics, such as the coronavirus ("**COVID-19**") pandemic, and other acts of God which are beyond the Group's control may adversely affect the economy, infrastructure and livelihood of the people in the cities the Group operates. Some regions where the Group operates have been under the threat of flood, earthquake, sandstorm, snowstorm, fire, drought or epidemics and pandemics such as COVID-19. The occurrence or reoccurrence of such disasters or outbreaks in mainland China, Hong Kong or other countries, such as the COVID-19 pandemic, may adversely affect the Group's customers and its ability to develop its business.

The COVID-19 pandemic has been generally under control since 2022. However, the extent to which the COVID-19 pandemic continues to impact the Group's financial condition will depend on future developments that are highly uncertain and cannot be predicted, including any resurgences of COVID-19, new government actions or restrictions or new information that may emerge concerning the severity of COVID-19. Although travel restrictions and quarantine requirements have been lifted since the fourth quarter of 2022, any sporadic outbreaks and resurgences of COVID-19 may negate recovery efforts of the economy of Hong Kong and negatively impact the Group's businesses. Accordingly, there can be no assurance that demand for international travel, and in turn, the Group's roaming and prepaid and mobile virtual network operator services, will continue to surpass pre-COVID-19 levels, which may materially adversely affect the Group's roaming, prepaid and mobile virtual network operator revenues and overall business, results of operations and financial condition.

The occurrence of any disasters or outbreaks may also cause a general slowdown or prolonged recovery of the economy, and hence, the demand for the Group's products and services. Acts of war and terrorist attacks may cause damage or disruption to the Group, its employees and its markets, any of which could materially impact the Group's sales, cost of sales, overall results of operations and financial condition. The potential for war or terrorist attacks may also cause uncertainty and cause a material adverse effect on the Group's business. The prolonged effects of any disasters, epidemics and pandemics or acts of war may have a material adverse impact on the Group's business, results of operations and financial condition.

An economic downturn could adversely affect the Group's results of operations

Economic developments outside Hong Kong could adversely affect the telecommunications sector in Hong Kong. The global credit markets have experienced, and may continue to experience, significant dislocations and liquidity disruptions. Slowdown in the global economies has led, and may continue to lead, to significant declines in corporate earnings, employment, household wealth, consumer demand and as a result may adversely affect economic growth in Hong Kong. The global economy has experienced, and continues to experience, uncertainty brought on by geopolitical events such as trade negotiations between mainland China and the United States, geopolitical instability in the Middle East, Europe and various parts of the Asia Pacific region, the ongoing conflict in Ukraine and the ongoing conflict in Israel-Palestine. For instance, the ongoing conflict between Russia and Ukraine has resulted in the imposition by the United States and other nations of sanctions and other restrictive actions against certain banks, companies and individuals in Russia, and has led to significant volatility in the global credit and equity markets. The long lasting effect of the COVID-19 pandemic on business enterprises, inflationary pressure triggered by resumption of economic activities, challenges of supply chain shortages, volatility in energy prices and amplified geopolitical tensions over trade and technology have caused, and may continue to cause, volatility in the financial markets, which as a result may adversely affect economic growth in Hong Kong and other markets globally, and could significantly undermine the stability of the global economies.

There can be no assurance that the global economic downturn will not lead to a significant reduction in corporate investment and consumer spending relevant to the Group's business. For example, while the Hong Kong Government has made tremendous efforts to stimulate economic recovery, such as the "Night Vibes Hong Kong" campaign, which the Group supported through the launch of thematic programmes, retail activities, exclusive offers and district festivities, there can be no assurance that such economic stimulation measures will have the intended effects or market volatilities will not persist. In the absence of a comprehensive solution for economic revival, the pace of economic recovery remains highly uncertain and a prolonged recovery of the domestic or global economies could adversely affect the Group's financial conditions and results of operations.

Adverse changes in the global credit and financial markets may diminish the availability of credit significantly and lead to an increase in the cost of financing. The post pandemic economic recovery has triggered other social and economic issues including inflation. Some central banks have reacted to the threat of inflation by raising their policy interest rates. Since early 2022, the Federal Open Market Committee of the United States has made multiple upward adjustments to the target federal funds rate to tackle inflation. The outlook on interest rates remains uncertain and the possibility of a rate cut by the Federal Reserve would depend on various factors such as upcoming employment and inflation data. The tight financial condition may continue to impact the global economy, leading to a reduction in credit supply and higher volatility of interest rates. The Group may have difficulty in accessing the financial markets, which could make it more difficult or expensive to obtain funding in the future. There can be no assurance that the Group will be able to raise finance at a reasonable cost, or at all, which could in turn materially and adversely affect the Group's prospects, results of operations and financial condition.

Currency fluctuations could adversely affect the Group's results of operations

Although a significant part of the Group's outstanding debt and guarantee obligations are denominated in foreign currencies including U.S. dollars and Euros, the Group has entered into a series of cross-currency swap and forward contracts with reputable financial institutions to convert these liabilities denominated in foreign currencies back into the Hong Kong dollar. Whilst such transactions hedge the Group's foreign currency risk, they do expose the Group to counterparty risk. The Hong Kong dollar has been pegged to the U.S. dollar since 1983. However, there is no assurance that such a peg will be maintained in the future. Therefore the Group's results of operations and ability to discharge its obligations could be adversely affected by the discontinuation or revaluation of the peg between the Hong Kong dollar and U.S. dollar or the insolvency of its counterparties. In addition, even if the peg continues, the Group's operating costs could be adversely affected by substantial fluctuations in the U.S. dollar.

Although the Group has an insignificant portion of revenues and costs denominated in Renminbi, substantial fluctuations in Renminbi may also have an adverse impact on the Group's results of operations and financial condition.

The Group is exposed to risks relating to complex transactions and contractual arrangements

The Group has entered into a number of complex transactions and contractual arrangements. These include, among other things, financing and other contracts and instruments, investments, acquisitions, sales agreements, intra group transfer pricing arrangements and other contractual arrangements. These transactions and contractual arrangements could give rise to differences in interpretation, disputes, claims or other developments with the applicable counterparties or regulators, which could have a material adverse effect on the Group's business, financial conditions or results of operations.

Loss of key management and other qualified personnel could weaken the Group's businesses

A small group of key executive officers manages the Group and the loss of services of one or more of these key individuals could affect the Group's ability to make successful strategic decisions.

The service contracts with these executive management are terminable with notice periods ranging from three to twelve months. The Group cannot guarantee that these contracts will allow it to retain key employees. Additionally, the Group does not presently maintain any "key person" insurance.

The Group's management believes that its growth and success will depend largely upon its ability to attract, train, retain and motivate highly skilled and qualified managerial, sales, marketing, administrative, operating and technical personnel. The loss of key personnel, or the inability to find additional qualified personnel, could materially and adversely affect the Group's business, prospects and results of operations.

Economic, social and political environment in the industry and markets in which the Group operates may materially and adversely affect the Group's business

The Group's overall success depends, in part, upon its ability to operate and succeed in different economic, social and political conditions. Political unrest such as protests or demonstrations in the countries in which the Group operates could disrupt economic activities and adversely affect the Group's business. For example, in recent years there has been an increase in emigration rate in Hong Kong, a decrease in inbound tourism to Hong Kong, decreased consumer spending and an overall negative impact on the domestic economy. There can be no assurance that protests or demonstrations and other changes in the future to economic, social or political environment in the industry and markets in which the Group operates will not have a material adverse effect on the Group's business, financial conditions and results of operations.

The continuity of the Group's services is highly dependent on the proper functioning of its networks, facilities and infrastructure, and any loss or damage to or failure in the networks or such facilities or infrastructure could materially adversely affect the Group's business

The Group's networks, facilities and infrastructure are vulnerable to loss or damage or cessation of operations from fire, earthquakes, severe storms, heavy rainfall, power loss, telecommunications failures, network software flaws, vandalism, transmission cable cuts, political unrest and other catastrophic events. The Group may experience equipment failures or shutdowns relating to individual points of presence or even catastrophic failure of its entire networks, facilities and infrastructure. The provision of the Group's services depends on the quality, stability, resilience and robustness of its integrated networks, facilities and infrastructure.

For example, the operation of the Group's business requires a large amount of power. The Group cannot be certain that there will be adequate power in all of the locations in which it operates. In case of a power loss, the Group may incur a loss or damage to its equipment. The Group's customers may also seek damages from it for any loss or damage they may suffer as a result.

Any loss or sustained failure of the Group's network, its servers, facilities, infrastructure or any link in the delivery chain, whether from operational disruption, natural disaster or otherwise or any failure by the Group's discovery recovery plans or insurance policies to mitigate these risks, could have a material adverse effect on the Group's business, financial condition and results of operations.

Exposure to perceived risks associated with electromagnetic energy could adversely affect the Group's results of operations

Various reports have alleged that there may be possible adverse health consequences associated with the operations of communications or transmission devices due to potential exposure to electromagnetic energy.

While the Group is not aware of any substantiated evidence of public health effects from exposure to the levels of electromagnetic energy typically emitted from communicating or transmitting devices, there is a risk that an actual or perceived health risk associated with communications or transmission devices could result in litigation, reduced demand for the Group's services and new government-imposed restrictions. Any of the above could have a material adverse effect on the Group's financial performance and results of operations.

Any downgrading of the corporate ratings and/or outlook assigned to Hong Kong Telecommunications (HKT) Limited by rating agencies could adversely affect the Group's business and financial condition

As at the date of this Offering Circular, Hong Kong Telecommunications (HKT) Limited has a rating of "Baa2" with Moody's and "BBB" with S&P. S&P took a consolidated view from PCCW in analysing the rating of Hong Kong Telecommunications (HKT) Limited. There can be no assurance that the ratings and/or outlook assigned will remain in effect or that such ratings and/or outlook will not be revised in the future. Any adverse revision to Hong Kong Telecommunications (HKT) Limited's corporate and debt ratings by any rating agency may adversely affect the Group's business, its financial performance and the trading price of the Notes. Further, the Group's ability to obtain financing or access to capital markets may become limited, thereby reducing its financial flexibility to refinance existing indebtedness or fund investments in the future. The cost of financing may also increase as a result of the rating changes. Any of the above could adversely affect the Group's business, results of operations and financial condition.

RISKS RELATING TO THE NOTES

The Notes may not be a suitable investment for all investors

Each potential investor in any Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the relevant Notes and the information contained or incorporated by reference in this Offering Circular or any applicable supplement;

- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Notes and the impact such investment will have on its overall investment portfolio;

- have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Notes, including where principal or interest is payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;

- understand thoroughly the terms of the relevant Notes and be familiar with the behaviour of any relevant indices and financial markets; and

- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes may be complex financial instruments and such instruments may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the relevant Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor's overall investment portfolio.

Additionally, the investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) the relevant Notes are legal investments for it, (2) the relevant Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the relevant Notes under any applicable risk-based capital or similar rules.

A trading market for the Notes may not develop

Notes issued under the Programme will be new securities which may not be widely distributed and for which there is currently no active trading market (unless in the case of a particular Tranche, such Tranche is to be consolidated with and form a single series with a Tranche of Notes which is already issued). The Issuer may or may not list the Notes on any exchange or arrange any over-the-counter facilities to facilitate trading of the Notes. Notes may have no established trading market when issued or listed, and one may never develop. If a market does not develop, it may not be liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Notes.

The Notes may be sold to a limited number of investors and liquidity of the Notes may be adversely affected if a significant portion of the Notes are bought by limited investors.

Insolvency laws of the British Virgin Islands and the Cayman Islands may differ from the bankruptcy laws of other jurisdictions with which Noteholders are familiar

The insolvency laws of the British Virgin Islands and Cayman Islands and other local insolvency laws may differ from the bankruptcy laws of other jurisdictions with which the Noteholders are familiar. Since the Issuer is incorporated under the laws of the British Virgin Islands, any insolvency proceedings relating to the Issuer, regardless of where they were brought, would likely involve British Virgin Islands insolvency laws, the procedural and substantive provisions of which may differ from comparable provisions of bankruptcy laws in other jurisdictions. In addition, HKTGH is incorporated in the Cayman Islands and the insolvency laws of Cayman Islands may also differ from the laws of other jurisdictions with which the Noteholders are familiar.

Investors in the Notes may be subject to foreign exchange risk

The Issuer will pay principal and interest on the Notes in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency due to, among other things, economic, political, social and other factors over which none of the Issuer or the Guarantors has any control) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the investor's effective yield on the Notes, (2) the investor's equivalent value of the principal payable on the Notes and (3) the investor's equivalent market value of the Notes. Conversely, there may be tax consequences for investors as a result of any foreign currency gains resulting from any investment in the Notes in the event of a depreciation in the value of the Investor's Currency relative to the Specified Currency.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

The liquidity and price of the Notes following the offering may be volatile

The price and trading volume of the Notes may be highly volatile. Factors such as variations in the Guarantors' and the Group's revenues, earnings and cash flows and proposals of new investments, strategic alliances, acquisitions and/or divestments, interest rates and fluctuations in prices for other companies could cause the price of the Notes to change. Any such developments may result in large and sudden changes in the volume and price at which the Notes will trade. There is no assurance that these developments will not occur in the future.

Claims by Noteholders are structurally subordinated to the Guarantors' subsidiaries

The Issuer is a special purpose vehicle and its ability to make payments in respect of the Notes depends largely upon the repayment of principal and interest by other members of the Group; the ability of the Guarantors to make payments under the Guarantee depends largely upon the receipt of dividends and distributions, interest payments or advances from their respective subsidiaries and associates. The ability of the members of the Group to make such repayments to the Issuer or to pay such amounts to the Guarantors may be subject to the profitability of the Group and applicable laws. Payments by other members of the Group to the Issuer are structurally subordinated to all existing and future liabilities and obligations of the Guarantors' subsidiaries. Claims of creditors of such subsidiaries will have priority as to the assets of such subsidiaries over the Guarantors and their creditors, including the Issuer.

The Conditions contain provisions which may permit their modification without the consent of all investors

The Conditions contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders, including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority. Furthermore, there is a risk that the decision of the majority of Noteholders may be adverse to the interests of individual Noteholders.

The Conditions also provide that the Trustee may, without the consent of Noteholders, agree to any modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach (other than a breach or proposed breach relating to the subject of a Reserved Matter), of any of the provisions of the Trust Deed that in the opinion of the Trustee will not be materially prejudicial to the interests of the Noteholders and to any modification of the Trust Deed is of a formal, minor or technical nature or is made to correct a manifest error.

In addition, the Trustee may, without the consent of the Noteholders, waive or authorise any breach or proposed breach of the Trust Deed (other than a breach or proposed breach relating to the subject of a reserved matters) that in the opinion of the Trustee will not be materially prejudicial to the interests of Noteholders.

The Trustee may request that the Noteholders provide an indemnity and/or security and/or prefunding to its satisfaction

In certain circumstances, the Trustee may (at its sole discretion) request the Noteholders to provide an indemnity and/or security and/or pre-funding to its satisfaction before it takes any step and/or action and/or institutes any proceeding on behalf of Noteholders. The Trustee shall not be obligated to take any such steps and/or actions and/or institutes any such proceeding if not indemnified and/or secured and/or pre-funded to its satisfaction. Negotiating and agreeing to any indemnity and/or security and/or pre-funding can be a lengthy process and may impact on when such steps and/or actions can be taken and/or when such proceedings can be instituted. The Trustee may not be able to take steps and/or actions and/or to institute proceedings, notwithstanding the provision of an indemnity or security or pre-funding to it, in breach of the terms of the Trust Deed and in such circumstances, or where there is uncertainty or dispute as to the applicable laws or regulations, to the extent permitted by the agreements and the applicable law, it will be for the Noteholders to take such steps and/or actions and/or to institute such proceedings directly.

Risks relating to the structure of a particular issue of Notes

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of certain such features:

Notes subject to optional redemption by the Issuer may have a lower market value than Notes that cannot be redeemed

An optional redemption feature is likely to limit the market value of Notes. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor may not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Dual Currency Notes have features which are different from single currency issues.

The Issuer may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

(i) the market price of such Notes may be volatile;

(ii) they may receive no interest;

(iii) payment of principal or interest may occur at a different time or in a different currency than expected; and

(iv) the amount of principal payable at redemption may be less than the nominal amount of such Notes or even zero.

Fixed/Floating Rate Notes

Fixed/Floating Rate Notes may bear interest at a rate that the Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The Issuer's ability to convert the interest rate will affect the secondary market and the market value of such Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on its Notes.

Notes issued at a substantial discount or premium

The market values of securities issued at a substantial discount or premium to their nominal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest bearing securities with comparable maturities.

The regulation and reform of "benchmark" rates of interest and indices may adversely affect the value of Notes linked to or referencing such "benchmarks"

Interest rates and indices which are deemed to be or used as "benchmarks", have, in recent years, been the subject of international regulatory guidance and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past or to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Note linked to or referencing such a benchmark. Furthermore, even prior to the implementation of any changes, uncertainty as to the nature of alternative reference rates and as to potential changes to such benchmark may adversely affect such benchmark during the term of the relevant Notes, the return on the relevant Notes and the trading market for securities (including the Notes) based on the same benchmark.

Regulation (EU) 2016/1011 (the "**EU Benchmarks Regulation**") applies, subject to certain transitional provisions, to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the EU. Among other things, it: (i) requires benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed); and (ii) prevents certain uses by European Union supervised entities of benchmarks of administrators that are not authorised or registered (or, if non-European Union based, not deemed equivalent or recognised or endorsed). Regulation (EU) 2016/1011 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "**UK Benchmarks Regulation**") among other things, applies to the provision of benchmarks and the use of a benchmark in the UK.

The EU Benchmarks Regulation and/or the UK Benchmarks Regulation, as applicable, could have a material impact on any Notes linked to or referencing a benchmark, in particular, if the methodology or other terms of the benchmark are changed in order to comply with the requirements of the EU Benchmarks Regulation and/or the UK Benchmarks Regulation, as applicable. Such changes could, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the relevant benchmark.

More broadly, any of the international reforms or the general increased regulatory scrutiny of benchmarks could increase the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations or requirements.

The potential elimination of any benchmark, or changes in the manner of administration of any benchmark, could require an adjustment to the terms and conditions, or result in other consequences, in respect of any Notes linked to such benchmark. Such factors may have the following effects on certain benchmarks: (i) discourage market participants from continuing to administer or contribute to the benchmark; (ii) trigger changes in the rules or methodologies used in the benchmark; or (iii) lead to the disappearance of the "benchmark". Any of the above changes or any other consequential changes as a result of international reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on any Notes linked to or referencing a benchmark.

The Conditions of the Notes provide for certain fallback arrangements in the event that a published benchmark, such as EURIBOR, (including any page on which such benchmark may be published (or any other successor service)) becomes unavailable or a Benchmark Event (as defined in the Conditions), as applicable, otherwise occurs. Such an event may be deemed to have occurred prior to the issue date for a Series of Notes. Such fallback arrangements include the possibility that the rate of interest could be set by reference to a Successor Rate (as defined in the Conditions) or an Alternative Rate (as defined in the Conditions) and that such Successor Rate or Alternative Rate may be adjusted (if required) in accordance with the recommendation of a relevant governmental body or in order to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as applicable) to investors arising out of the replacement of the relevant benchmark, although the application of such adjustments to the Notes may not achieve this objective. Any such changes may result in the Notes performing differently (which may include payment of a lower interest rate) than if the original benchmark continued to apply. In certain circumstances the ultimate fallback of interest for a particular Interest Period may result in the rate of interest for the last preceding Interest Period being used. This may result in the effective application of a fixed rate for Floating Rate Notes based on the rate which was last observed on the Relevant Screen Page. In addition, due to the uncertainty concerning the availability of any Successor Rate and Alternative Rate and the involvement of an Independent Adviser (as defined in the Conditions) in certain circumstances, the relevant fallback provisions may not operate as intended at the relevant time. Any such consequences could have a material adverse effect on the value of and return on any such Notes.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by any international reforms in making any investment decision with respect to any Notes linked to or referencing a benchmark.

The market continues to develop in relation to risk-free rates (including overnight rates) as reference rates for Floating Rate Notes

Investors should be aware that the market continues to develop in relation to risk-free rates, such as the Secured Overnight Financing Rate ("**SOFR**"), as reference rates in the capital markets for U.S. dollar bonds, as applicable, and their adoption as alternatives to the relevant interbank offered rates.

For example, the Federal Reserve began to publish SOFR in April 2018 and although the New York Federal Reserve has been publishing historical indicative SOFR since 2014, such historical indicative data inherently involves assumptions, estimates and approximations. Therefore, such risk-free rates have a limited performance history and it is impossible to predict the future performance of such risk-free rates. No future performance of the relevant risk-free rate or Notes referencing such risk-free rate may be inferred from any of the hypothetical or actual historical performance data. In addition, investors should be aware that risk-free rates may behave materially differently from interbank offered rates as interest reference rates. For example, since the publication of SOFR, daily changes in SOFR have, on occasion, been more volatile than daily changes in comparable benchmarks or other market rates.

As SOFR is an overnight funding rate, interest on SOFR-based Notes with interest periods longer than overnight will be calculated on the basis of either the arithmetic mean of SOFR over the relevant interest period or compounding SOFR during the relevant interest period. As a consequence of this calculation method, the amount of interest payable on each interest payment date and the amount of distribution payable on each distribution payment date will only be known a short period of time prior to the relevant interest payment date and the relevant distribution payment date, respectively. Noteholders therefore will not know in advance the interest amount and the distribution amount which will be payable on such Notes.

Although the Federal Reserve Bank of New York has published historical indicative SOFR information going back to 2014, such prepublication of historical data inherently involves assumptions, estimates and approximations. Noteholders should not rely on any historical changes or trends in the SOFR as an indicator of future changes in the SOFR.

The Federal Reserve Bank of New York notes on its publication page for SOFR that use of the SOFR is subject to important limitations and disclaimers, including that the Federal Reserve Bank of New York may alter the methods of calculation, publication schedule, rate revision practices or availability of the SOFR at any time without notice. In addition, SOFR is published by the Federal Reserve Bank of New York based on data received from other sources. There can be no guarantee that the SOFR will not be discontinued or fundamentally altered in a manner that is materially adverse to the interests of the Noteholders. If the manner in which the SOFR is calculated is changed or if SOFR is discontinued, that change or discontinuance may result in a reduction or elimination of the amount of interest payable on the Notes and a reduction in trading prices of the Notes, which would negatively impact the holders of the Notes who could lose part of their investment.

Risks relating to Renminbi-denominated Notes

Notes denominated in RMB (the "**RMB Notes**") may be issued under the Programme. RMB Notes contain particular risks for potential investors.

Renminbi is not freely convertible. There are restrictions on remittance of Renminbi into and outside mainland China which may adversely affect the liquidity of RMB Notes

Renminbi is not freely convertible at present. The mainland China government continues to regulate conversion between Renminbi and foreign currencies, including the U.S. dollar, despite the significant reduction over the years by the mainland China government of control over routine foreign exchange transactions under current accounts. However, remittance of Renminbi into and out of mainland China for the purposes of capital account items, such as capital contributions, is generally only permitted upon obtaining specific approvals from, or completing specific registrations or filings with, the relevant authorities and is subject to a strict monitoring system. Regulations in mainland China on the remittance of Renminbi into mainland China for settlement of capital account items are developing gradually.

In respect of Renminbi foreign direct investments ("**FDI**"), the People's Bank of China ("**PBOC**") promulgated the Administrative Measures on Renminbi Settlement of Foreign Direct Investment (the "**PBOC FDI Measures**") on 13 October 2011 as part of the PBOC's detailed Renminbi FDI accounts administration system. The system covers almost all aspects in relation to FDI, including capital injections, payments for the acquisition of PRC domestic enterprises, repatriation of dividends and other distributions, as well as Renminbi denominated cross-border loans. On 14 June 2012, the PBOC issued a circular setting out the operational guidelines for FDI. Under the PBOC FDI Measures, special approval for FDI and shareholder loans from the PBOC, which was previously required, is no longer necessary. In some cases however, post-event filing with the PBOC is still necessary. On 5 June 2015, the PBOC further issued the amendment rules for the PBOC FDI Measures as well as its implementing rules, under which the registered capital verification requirement and the precondition of full contribution of the registered capital in respect of the borrowing of foreign debt denominated in Renminbi are cancelled.

On 3 December 2013, the Ministry of Commerce of the PRC ("**MOFCOM**") promulgated the Circular on Issues in relation to Cross-border Renminbi Foreign Direct Investment (the "**MOFCOM Circular**"), which became effective on 1 January 2014, to further facilitate FDI by simplifying and streamlining the applicable regulatory framework. Pursuant to the MOFCOM Circular, the appropriate office of MOFCOM and/or its local counterparts will grant written approval for each FDI and specify "Renminbi Foreign Direct Investment" and the amount of capital contribution in the approval. Unlike previous MOFCOM regulations on FDI, the MOFCOM Circular removes the approval requirement for foreign investors who intend to change the currency of its existing capital contribution from a foreign currency to Renminbi. In addition, the MOFCOM Circular also clearly prohibits the FDI funds from being used for any investment in securities and financial derivatives (except for investment in the PRC listed companies as strategic investors) or for entrustment loans in the PRC. Effective 30 July 2017, pursuant to the Decision on Revision of the Provisional Measures on Administration of Filing for Establishment and Change of Foreign Investment Enterprises, the establishment and change of foreign invested enterprises, other than those subject to special administration measures, only needs to be filed with the local arm of MOFCOM. As such, the aforesaid written approval requirement regarding "Renminbi Foreign Direct Investment" set forth in the MOFCOM Circular has been replaced with a simplified record filing requirement.

The PBOC FDI Measures, the MOFCOM Circular and other PRC laws, regulations and policies in relation to the general administration of Renminbi will be subject to interpretation and application by the relevant authorities in the PRC.

Although Renminbi was added to the Special Drawing Rights basket created by the International Monetary Fund in 2016 and policies further improving accessibility to Renminbi to settle cross-border transactions in foreign currencies were implemented by PBOC in 2018 and despite a movement towards liberalisation of cross-border RMB remittances, notably in the current account activity, and the permission for certain participating banks in Hong Kong to engage in the settlement of current account trade transactions in Renminbi under certain pilot schemes, there is no assurance that the mainland China government will continue to gradually liberalise control over cross-border remittance of Renminbi in the future, that any schemes for Renminbi cross-border utilisation will not be discontinued or that new regulations in mainland China will not be promulgated in the future which have the effect of restricting or eliminating the remittance of Renminbi into or outside mainland China. In the event that Renminbi funds cannot be repatriated out of mainland China, this may affect the overall availability of Renminbi outside mainland China and the Issuer's ability to source Renminbi to finance its obligations under the RMB Notes.

There is only limited availability of Renminbi outside Mainland China, which may affect the liquidity of RMB Notes and the Issuer's ability to source Renminbi outside Mainland China to service such RMB Notes

As a result of the restrictions by the mainland China government on cross-border Renminbi fund flows, the availability of Renminbi outside of mainland China is limited. While PBOC has entered into agreements on the clearing of Renminbi business with financial institutions in a number of financial centres and cities (the "**Renminbi Clearing Banks**"), including but not limited to Hong Kong, London, Frankfurt and Singapore, and is in the process of establishing Renminbi clearing and settlement mechanisms in several other jurisdictions in various other markets, the current size of Renminbi-denominated financial assets outside mainland China is limited.

There are restrictions imposed by PBOC on Renminbi business participating banks in respect of cross-border Renminbi settlement, such as those relating to direct transactions with mainland China enterprises. Furthermore, Renminbi business participating banks do not have direct Renminbi liquidity support from PBOC. The Renminbi Clearing Banks only have access to onshore liquidity support from PBOC for the purpose of squaring open positions of participating banks for limited types of transactions and are not obliged to square for participating banks any open positions resulting from other foreign exchange transactions or conversion services. In such cases, the participating banks will need to source Renminbi from outside mainland China to square such open positions.

Although it is expected that the offshore Renminbi market will continue to grow in depth and size, its growth is subject to many constraints as a result of mainland China laws and regulations on foreign exchange. See "Mainland China Currency Controls". There is no assurance that new mainland China regulations will not be promulgated or the Settlement Agreement will not be terminated or amended in the future which will have the effect of restricting availability of Renminbi offshore. The limited availability of Renminbi outside mainland China may affect the liquidity of its RMB Notes. To the extent the Issuer is required to source Renminbi in the offshore market to service its RMB Notes, there is no assurance that the Issuer will be able to source such Renminbi on satisfactory terms, if at all.

Investment in RMB Notes is subject to exchange rate risks

The value of Renminbi against the U.S. dollar and other foreign currencies fluctuates and is affected by changes in mainland China and international political and economic conditions and by many other factors. All payments of interest and principal will be made with respect to RMB Notes in Renminbi. As a result, the value of these Renminbi payments in U.S. dollar terms may vary with the prevailing exchange rates in the marketplace. If the value of Renminbi depreciates against the U.S. dollar or other foreign currencies, the value of investment in U.S. dollar or other applicable foreign currency terms will decline. In August 2015, PBOC changed the way it calculates the mid-point price of Renminbi against the U.S. dollar, requiring the market-makers who submit rates for PBOC's reference to consider the previous day's closing spot rate, foreign-exchange demand and supply as well as changes in major currency rates. This change, and other changes such as widening the trading band that may be implemented, may increase volatility in the value of the Renminbi against foreign currencies. In addition, there may be tax consequences for investors as a result of any foreign currency gains resulting from any investment in RMB Notes.

Payments in respect of RMB Notes will only be made to investors in the manner specified in such RMB Notes

All payments to investors in respect of RMB Notes will be made solely by (i) when RMB Notes are represented by global certificates, transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing CMU rules and procedures; or (ii) when RMB Notes are in definitive form, transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing rules and regulations. None of the Issuer or the Guarantors can be required to make payment by any other means (including in any other currency or in bank notes, by cheque or draft or by transfer to a bank account in mainland China).

Gains on the transfer of the RMB Notes may become subject to income taxes under mainland China tax laws

In considering whether to invest in the RMB Notes, investors should consult their individual tax advisers with regard to the application of PRC tax laws to their particular situation as well as any tax consequences arising under the laws of any other tax jurisdictions. The value of the holder's investment in the RMB Notes may be materially and adversely affected if the holder is required to pay PRC tax with respect to acquiring, holding or disposing of and receiving payments under those RMB Notes.

Credit ratings assigned to the Notes may not reflect the potential impact of all risks that may affect the value of the Notes

One or more independent credit rating agencies may assign credit ratings to an issue of Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

TERMS AND CONDITIONS OF THE NOTES

*The following is the text of the terms and conditions that, subject to completion and amendment and as supplemented or varied in accordance with the provisions of Part A of the relevant Pricing Supplement, shall be applicable to the Notes in definitive form (if any) issued in exchange for the Global Note(s) representing each Series. Either (i) the full text of these terms and conditions together with the relevant provisions of the Pricing Supplement or (ii) these terms and conditions as so completed, amended, supplemented or varied (and subject to simplification by the deletion of non-applicable provisions), shall be endorsed on such Bearer Notes or on the Certificates relating to such Registered Notes. All capitalised terms that are not defined in these Conditions will have the meanings given to them in the relevant Pricing Supplement. Those definitions will be endorsed on the definitive Notes or Certificates, as the case may be. References in the Conditions to "**Notes**" are to the Notes of one Series only, not to all Notes that may be issued under the Programme.*

The Notes are constituted by a trust deed (as amended or supplemented as at the date of issue of the Notes (the "**Issue Date**"), the "**Trust Deed**") dated 4 July 2024 between the Issuer, the Guarantors, and The Hongkong and Shanghai Banking Corporation Limited (the "**Trustee**", which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the Noteholders (as defined below). These terms and conditions (these "**Conditions**") include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Bearer Notes, Certificates, Coupons and Talons referred to below. An agency agreement (as amended or supplemented as at the Issue Date, the "**Agency Agreement**") dated 4 July 2024 has been entered into in relation to the Notes between the Issuer, the Guarantors, the Trustee, The Hongkong and Shanghai Banking Corporation Limited as initial issuing and paying agent, The Hongkong and Shanghai Banking Corporation Limited as CMU lodging and paying agent for Notes to be held in the Central Moneymarkets Unit Service operated by the Hong Kong Monetary Authority (the "**CMU**") and the other agents named in it. The issuing and paying agent, the CMU lodging and paying agent, the other paying agents, the registrar, the transfer agents and the calculation agent(s) for the time being (if any) are referred to below respectively as the "**Issuing and Paying Agent**", the "**CMU Lodging and Paying Agent**", the "**Paying Agents**" (which expression shall include the Issuing and Paying Agent and the CMU Lodging and Paying Agent), the "**Registrar**", the "**Transfer Agents**" (which expression shall include the Registrar) and the "**Calculation Agent(s)**". For the purposes of these Conditions, all references to the Issuing and Paying Agent shall, with respect to a Series of Notes to be held in the CMU, be deemed to be a reference to the CMU Lodging and Paying Agent and all such references shall be construed accordingly. Copies of the Trust Deed and the Agency Agreement are available for inspection, or electronically by written request to hkcorporate.trust.queries@hsbc.com.hk, at all reasonable times during usual business hours (being between 9:00 a.m. and 3:00 p.m.) (i) at the principal office of the Trustee (being at the date of the Trust Deed at Level 26, HSBC Main Building, 1 Queen's Road Central, Hong Kong) and at the specified office of the Issuing and Paying Agent or (ii) electronically via email from the Trustee or, as the case may be, the Issuing and Paying Agent, following prior written request and proof of holding and identity satisfactory to the Trustee or, as the case may be, the Issuing and Paying Agent.

The Noteholders (as defined below) and the holders of the interest coupons (the "**Coupons**") relating to interest bearing Notes in bearer form and, where applicable in the case of such Notes, talons for further Coupons (the "**Talons**") (the "**Couponholders**") are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of those provisions applicable to them of the Agency Agreement.

As used in these Conditions, "**Tranche**" means Notes which are identical in all respects, including as to Issue Date.

1 FORM, DENOMINATION AND TITLE

The Notes are issued in bearer form ("**Bearer Notes**") or in registered form ("**Registered Notes**") in each case in the Specified Denomination(s) specified in the applicable Pricing Supplement.

This Note is a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, a Dual Currency Note or a combination of any of the foregoing or any other kind of Note, depending upon the Interest and Redemption/Payment Basis as specified in the applicable Pricing Supplement.

Bearer Notes are serially numbered and are issued with Coupons (and, where appropriate, a Talon) attached, save in the case of Zero Coupon Notes in which case references to interest (other than in relation to interest due after the Maturity Date), Coupons and Talons in these Conditions are not applicable.

Registered Notes are represented by registered certificates ("**Certificates**") and, save as provided in Condition 2(c), each Certificate shall represent the entire holding of Registered Notes by the same holder.

Title to the Bearer Notes and the Coupons and Talons shall pass by delivery. Title to the Registered Notes shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar outside of the United Kingdom in accordance with the provisions of the Agency Agreement (the "**Register**"). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Note, Coupon or Talon shall be deemed to be and may be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on it (or on the Certificate representing it) or its theft or loss (or that of the related Certificate) and no person shall be liable for so treating the holder.

In these Conditions, "**Noteholder**" means the bearer of any Bearer Note relating to it or the person in whose name a Registered Note is registered (as the case may be), "**holder**" (in relation to a Note, Coupon or Talon) means the bearer of any Bearer Note, Coupon or Talon or the person in whose name a Registered Note is registered (as the case may be) and capitalised terms have the meanings given to them in these Conditions, the absence of any such meaning indicating that such term is not applicable to the Notes.

2 NO EXCHANGE OF NOTES AND TRANSFERS OF REGISTERED NOTES

(a) **No Exchange of Notes:** Registered Notes may not be exchanged for Bearer Notes. Bearer Notes of one Specified Denomination may not be exchanged for Bearer Notes of another Specified Denomination. Bearer Notes may not be exchanged for Registered Notes.

(b) **Transfer of Registered Notes:** Subject to Condition 2(f), one or more Registered Notes may be transferred upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate representing such Registered Notes to be transferred, together with the form of transfer endorsed on such Certificate, (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or Transfer Agent may reasonably require. In the case of a transfer of part only of a holding of Registered Notes represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. All transfers of Notes and entries on the Register will be made subject to the detailed regulations concerning transfers of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Trustee. A copy of the current regulations will be made available by the Registrar to any Noteholder upon prior written request and satisfactory proof of holding.

(c) **Exercise of Options or Partial Redemption in Respect of Registered Notes:** In the case of an exercise of an Issuer's or Noteholders' option in respect of, or a partial redemption of, a holding of Registered Notes represented by a single Certificate, a new Certificate shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed. In the case of a partial exercise of an option resulting in Registered Notes of the same holding having different terms, separate Certificates shall be issued in respect of those Notes of that holding that have the same terms. New Certificates shall only be issued against surrender of the existing Certificates to the Registrar or any Transfer Agent. In the case of a transfer of Registered Notes to a person who is already a holder of Registered Notes, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding.

(d) **Delivery of New Certificates:** Each new Certificate to be issued pursuant to Conditions 2(b) or (c) shall be available for delivery within three business days of receipt of the form of transfer or Exercise Notice (as defined in Condition 6(e)) and surrender of the Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer, Exercise Notice or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer, Exercise Notice or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Transfer Agent the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(d), "**business day**" means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

(e) **Transfers Free of Charge:** Transfers of Notes and Certificates on registration, transfer, exercise of an option or partial redemption shall be effected without charge by or on behalf of the Issuer, the Registrar or the Transfer Agents, but (i) upon payment by the relevant Noteholders of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity and/or security and/or prefunding as the Registrar or the relevant Transfer Agent may require), (ii) upon the Registrar or the relevant Transfer Agent being satisfied in its absolute discretion with the documents of title or identity of the person making the application, and (iii) subject to Condition 2(f).

(f) **Closed Periods:** No Noteholder may require the transfer of a Registered Note to be registered (i) during the period of 15 days prior to any date on which Notes may be called for redemption by the Issuer at its option pursuant to Condition 6(d)(i), (ii) after any such Note has been called for redemption or (iii) during the period of seven days ending on (and including) any Record Date.

3 GUARANTEE AND STATUS

(a) **Guarantee:** The Guarantors have, jointly and severally, unconditionally and irrevocably guaranteed the due payment of all sums expressed to be payable by the Issuer under the Notes and the Coupons. Each Guarantor's obligations in that respect (collectively, the "**Guarantee**") are contained in the Trust Deed.

(b) **Status of Notes and Guarantee:** The Notes and the Coupons relating to them constitute direct, general, unconditional, unsubordinated and (subject to Condition 4) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Notes and the Coupons relating to them and of the Guarantors under the Guarantee shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4, at all times rank at least equally with all other unsecured and unsubordinated obligations of the Issuer and the relevant Guarantor respectively, present and future.

4 NEGATIVE PLEDGE

So long as any Note or Coupon remains outstanding (as defined in the Trust Deed), neither Guarantor will, or will permit any of its Principal Subsidiaries (other than the Listed Principal Subsidiaries) to, create, incur, assume or permit to subsist any Lien upon any of its property or assets, now owned or hereafter acquired, to secure any Indebtedness of the Guarantors or any of their respective Principal Subsidiaries (or any guarantee or indemnity in respect thereof) without, in any such case, making effective provision whereby the Notes and the Coupons relating to them will be secured either at least equally and rateably with such Indebtedness or by such other Lien as shall have been approved by the Noteholders of not less than a Majority in nominal amount of the Notes at the time outstanding, for so long as such Indebtedness will be so secured, unless, after giving effect thereto, the aggregate outstanding principal amount of all such secured Indebtedness (excluding that of the Listed Principal Subsidiaries and their respective Subsidiaries) entered into after the applicable Issue Date would not exceed 50 per cent. of either Guarantor's Adjusted Consolidated Net Worth, save for:

(a) Liens existing on or prior to the relevant Issue Date;

(b) Liens for taxes or assessments or other applicable governmental charges or levies;

(c) Liens created or arising by operation of law or created in the ordinary course of business, including, but not limited to, landlords' liens and statutory liens of carriers, warehousemen, mechanics, materialmen, vendors and other liens securing amounts which are not more than 60 days overdue or which are being contested in good faith;

(d) Liens incurred on deposits made in the ordinary course of business in connection with workers' compensation, unemployment insurance and other types of social security or to secure the performance of tenders, statutory obligations, surety and appeal bonds, bids, leases, government contracts or undertakings, performance and return of money bonds, interconnection, access or resale agreements with other telecommunications companies or organisations and similar obligations;

(e) easements, rights-of-way, zoning and similar restrictions and other similar charges or encumbrances not interfering with the ordinary conduct of the business of either Guarantor or any of their Principal Subsidiaries;

(f) Liens created on any property or assets acquired, leased or developed (including improved, constructed, altered or repaired) after the relevant Issue Date; provided, however, that (i) any such Lien shall be confined to the property or assets acquired, leased or developed (including improved, constructed, altered or repaired); (ii) the principal amount of the debt encumbered by such Lien shall not exceed the cost of the acquisition or development of such property or assets or any improvements thereto (including any construction, repair or alteration) or thereon;

and (iii) any such Lien shall be created concurrently with or within three years following the acquisition, lease or development (including construction, improvement, repair or alteration) of such property or assets;

(g) rights of set-off of a financial institution with respect to deposits or other accounts of either Guarantor or any of their Principal Subsidiaries held by such financial institution in an amount not to exceed the aggregate amount owed to such financial institution by the relevant Guarantor or the relevant Principal Subsidiary, as the case may be;

(h) Liens on documents and the goods they represent in connection with letters of credit, trade finance and similar transactions entered into in the ordinary course of business;

(i) Liens arising in connection with industrial revenue, development or similar bonds or other indebtedness or means of project financing (not to exceed the value of the project financed and limited to the project financed);

(j) Liens in favour of either Guarantor or any of their Principal Subsidiaries;

(k) leases, subleases, licenses and sublicenses granted to third parties in the ordinary course of business;

(l) attachment, judgment and other similar Liens arising in connection with court proceedings which are effectively stayed while the underlying claims are being contested in good faith by appropriate proceedings;

(m) any Lien against any property or assets of a Person existing at the time such Person becomes a Principal Subsidiary or arising after such acquisition pursuant to contractual commitments entered into prior to and not in contemplation of such acquisition;

(n) any Lien existing on any property or assets prior to the acquisition thereof, which Lien was not created in connection with the acquisition thereof, except for Liens permitted pursuant to clause (f) above;

(o) Liens on any property or assets of either Guarantor and any of their Principal Subsidiaries in favour of any government or any subdivision thereof, securing the obligations of the relevant Guarantor or the relevant Principal Subsidiary under any contract or payment owed to such governmental entity pursuant to applicable laws, rules, regulations or statutes;

(p) Liens created in connection with any sale and leaseback transaction;

(q) any renewal or extension of any of the Liens described in the foregoing clauses which is limited to the original property or assets covered hereby; or

(r) Liens in respect of Indebtedness with respect to which either Guarantor or any of their Principal Subsidiaries has paid money or deposited money or securities with a fiscal agent, trustee or depository to pay or discharge in full the obligations of the relevant Guarantor and its subsidiaries in respect thereof (other than the obligations that such money or securities so paid or deposited, and the proceeds therefrom, be sufficient to pay or discharge such obligations in full).

In these Conditions:

"**Adjusted Consolidated Net Worth**" means in respect of a Guarantor, the sum of (a) all amounts paid up (or credited as paid up) on all classes of the relevant Guarantor's issued share capital, revenue or capital reserves, capital contribution, or any other accounts that are included as shareholders' funds under Hong Kong GAAP and (b) the aggregate outstanding principal amount of Subordinated Indebtedness of the relevant Guarantor;

"**Capital Stock**" means any and all shares, interests (including joint venture interests), participations or other equivalents (howsoever designated) of capital stock of a corporation or any and all equivalent ownership interests in a Person (other than a corporation);

"**guarantee**" means, with respect to any Person, any obligation, contingent or otherwise, of such Person directly or indirectly guaranteeing any Indebtedness or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person:

(i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation (whether arising by virtue of partnership arrangements, by agreement to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise); or

(ii) entered into for the purpose of assuring in any other manner the obligee of such Indebtedness or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); provided that the term "**guarantee**" shall not include endorsements for collection or deposit in the ordinary course of business;

"**Hong Kong GAAP**" means, at the time of any determination required hereunder, generally accepted accounting principles in Hong Kong;

"**Indebtedness**" of any Person means any indebtedness for or in respect of money borrowed that has a final maturity of one year or more from its date of incurrence or issuance and that is evidenced by any agreement or other instrument, excluding trade payables; provided, however, that for the purposes of determining the amount of Indebtedness of each Guarantor outstanding at any relevant time the amount included as Indebtedness of the relevant Guarantor in respect of finance leases shall be the net amount from time to time properly characterised as "**obligations under finance leases**" in accordance with Hong Kong GAAP;

"**Lien**" means any mortgage, charge, pledge, lien, encumbrance, hypothecation, title retention, security interest or security arrangement of any kind;

"**Listed Principal Subsidiary**" means any Principal Subsidiary, the shares of which are at the relevant time listed on The Stock Exchange of Hong Kong Limited or any other recognised stock exchange;

"**Majority**" means greater than 50 per cent. of those Noteholders attending and voting at a meeting;

"**Person**" means any individual, corporation, limited liability company, partnership, joint venture, association, joint stock company, trust, unincorporated organisation, government or any agency or political subdivision thereof or any other entity;

"**Principal Subsidiary**" means a Subsidiary of either Guarantor:

(i) as to which one or more of the following conditions is satisfied:

(A) its net profit or (in the case of a Subsidiary of the relevant Guarantor which has Subsidiaries) consolidated net profit attributable to the Guarantor (in each case before taxation and exceptional items) is at least 5 per cent. of the consolidated net profit of the relevant Guarantor and its Subsidiaries (before taxation and exceptional items), but in each case after deducting minority interests in Subsidiaries; or

(B) its net assets or (in the case of a Subsidiary of the relevant Guarantor which has Subsidiaries) consolidated net assets attributable to the relevant Guarantor (in each case after deducting minority interests in Subsidiaries) are at least 5 per cent. of the consolidated net assets (after deducting minority interests in Subsidiaries) of the relevant Guarantor and its Subsidiaries;

all as calculated by reference to the then latest audited financial statements (consolidated or, as the case may be, unconsolidated) of the Subsidiary of the relevant Guarantor and the then latest audited financial statements of the relevant Guarantor provided that: (I) in the case of a Subsidiary of the relevant Guarantor acquired after the end of the financial period to which the then latest relevant audited accounts relate, the reference to the then latest audited accounts for the purposes of the calculation above shall, until audited accounts for the financial period in which the acquisition is made are published, be deemed to be a reference to the accounts adjusted to consolidate the latest audited accounts of the Subsidiary in the accounts; (II) if, in the case of a Subsidiary of the relevant Guarantor which itself has one or more Subsidiaries, no consolidated accounts are prepared and audited, its consolidated net assets and consolidated net profits shall be determined on the basis of pro forma consolidated accounts of the relevant Subsidiary and its Subsidiaries prepared for this purpose by the relevant Guarantor; (III) if the accounts of a Subsidiary of the relevant Guarantor (not being a Subsidiary referred to in (I) above) are not consolidated with those of the relevant Guarantor then the determination of whether or not the Subsidiary of the relevant Guarantor is a Principal Subsidiary shall, if the relevant Guarantor requires, be based on a pro forma consolidation of its accounts (consolidated, if appropriate) with the consolidated accounts of the relevant Guarantor and its Subsidiaries; or

(ii) to which is transferred all or substantially all of the assets of a Subsidiary of the relevant Guarantor which immediately prior to the transfer was a Principal Subsidiary, provided that, with effect from such transfer, the Subsidiary which so transfers its assets and undertakings shall cease to be a Principal Subsidiary (but without prejudice to paragraph (i) above) and the Subsidiary of the relevant Guarantor to which the assets are so transferred shall become a Principal Subsidiary.

A certificate of the relevant Guarantor as to whether or not a Subsidiary is a Principal Subsidiary shall be conclusive and binding on all parties in the absence of manifest error;

"**Subordinated Indebtedness**" means the principal amount of Indebtedness of either Guarantor (including perpetual debt, which either Guarantor is not required to repay) which:

(i) has a final maturity and a weighted average life to maturity longer than the Maturity Date; and

(ii) is issued or assumed pursuant to, or evidenced by, an indenture or other instrument containing provisions for the subordination of such Indebtedness to the Notes including:

(A) a provision that in the event of any bankruptcy, insolvency or other similar proceeding in respect of the Guarantor, the holders of the Notes shall be entitled to receive payment in full in cash of all principal, Additional Amounts and interest on the Notes (including all interest arising after the commencement of such proceeding whether or not an allowed claim in such proceeding) before the holder or holders of any such Subordinated Indebtedness shall be entitled to receive any payment of principal, interest or premium thereon;

(B) a provision that if an event of default has occurred and is continuing hereunder, the holder or holders of any such Subordinated Indebtedness shall not be entitled to payment of any principal, interest or premium in respect thereof unless or until such event of default shall have been cured or waived or shall have ceased to exist; and

(C) a provision that the holder or holders of such Subordinated Indebtedness may not accelerate the maturity thereof as a result of any default relating thereto so long as any Note is outstanding;

"**Subsidiary**" means, as applied to any Person, any corporation or other entity of which a majority of the outstanding Voting Shares is, at the time, directly or indirectly, owned by such Person; and

"**Voting Shares**" means, with respect to any Person, the Capital Stock having the general voting power under ordinary circumstances to vote on the election of the members of the board of directors or other governing body of such Person (irrespective of whether or not at the time stock of any other class or classes shall have or might have voting power by reason of the happening of any contingency).

5 INTEREST AND OTHER CALCULATIONS

(a) **Interest on Fixed Rate Notes:** Each Fixed Rate Note bears interest on its outstanding nominal amount from, and including, the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 5(g).

(b) **Interest on Floating Rate Notes:**

(i) *Interest Payment Dates:* Each Floating Rate Note bears interest on its outstanding nominal amount from, and including, the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 5(g). Such Interest Payment Date(s) is/are either as specified in the applicable Pricing Supplement as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are specified in the applicable Pricing Supplement, Interest Payment Date shall mean each date which falls the number of months or other period specified in the applicable Pricing Supplement as the Interest Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

(ii) *Business Day Convention:* If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last

Business Day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.

(iii) *Rate of Interest:* The Rate of Interest in respect of Floating Rate Notes for each Interest Accrual Period shall be determined in the manner specified in the applicable Pricing Supplement and the provisions below relating to Screen Rate Determination shall apply, unless otherwise specified in the applicable Pricing Supplement.

(A) *Screen Rate Determination (other than Floating Rate Notes where the Reference Rate is specified as being SOFR Benchmark)*

(x) Subject to Condition 5(j), where Screen Rate Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period will, subject as provided below, be either:

(1) the offered quotation; or

(2) the arithmetic mean of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 a.m. (Brussels time in the case of the Euro-zone inter-bank offered rate ("**EURIBOR**") or Hong Kong time in the case of the Hong Kong inter-bank offered rate ("**HIBOR**")) on the Interest Determination Date in question as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified in the applicable Pricing Supplement as being other than EURIBOR or HIBOR, the Rate of Interest in respect of such Notes will be determined as provided in the applicable Pricing Supplement.

(y) If the Rate of Interest cannot be determined in accordance with the foregoing provisions of paragraph (x) above, the Rate of Interest shall be (i) that determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the Margin or Maximum or Minimum

Rate of Interest relating to that last preceding Interest Accrual Period) or (ii) if there is no such preceding Interest Determination Date, the initial Rate of Interest applicable to such Notes on the Interest Commencement Date (though substituting, where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period).

(B) *Screen Rate Determination for Floating Rate Notes where the Reference Rate is specified as being SOFR Benchmark*

Where Screen Rate Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined where the Reference Rate is SOFR Benchmark, the Rate of Interest for each Interest Accrual Period will, subject as provided below, be equal to the relevant SOFR Benchmark plus or minus the Margin (if any) in accordance with Condition 5(f), all as determined by the Calculation Agent on the relevant Interest Determination Date.

The "**SOFR Benchmark**" will be determined based on Compounded Daily SOFR or Compounded SOFR Index, as follows (subject in each case to Condition 5(k) as further specified in the applicable Pricing Supplement):

(x) If Compounded Daily SOFR ("**Compounded Daily SOFR**") is specified in the applicable Pricing Supplement as the manner in which the SOFR Benchmark will be determined, the SOFR Benchmark for each Interest Accrual Period shall be calculated by the Calculation Agent in accordance with one of the formulas referenced below depending upon which is specified as applicable in the applicable Pricing Supplement:

(1) SOFR Lag:

$$\left(\prod_{i=1}^{d_o} (1 + \frac{SOFR_{i-\times USBD} \times n_i}{360}) - 1\right) \times \frac{360}{d}$$

with the resulting percentage being rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, with 0.000005 per cent. being rounded upwards (e.g., 9.876541 per cent. (or 0.09876541) being rounded down to 9.87654 per cent. (or 0.0987654) and 9.876545 per cent. (or 0.09876545) being rounded up to 9.87655 per cent. (or 0.0987655)) and where:

"**$SOFR_{i\text{-}xUSBD}$**" for any U.S. Government Securities Business Day(i) in the relevant Interest Accrual Period, is equal to the SOFR reference rate for the U.S. Government Securities Business Day falling the number of Lookback Days prior to that U.S. Government Securities Business Day(i);

"**Lookback Days**" means such number of U.S. Government Securities Business Days as specified in the applicable Pricing Supplement;

"**d**" means the number of calendar days in the relevant Interest Accrual Period;

"$\mathbf{d_o}$" means the number of U.S. Government Securities Business Days in the relevant Interest Accrual Period;

"**i**" means a series of whole numbers ascending from one to d_o, representing each relevant U.S. Government Securities Business Day from (and including) the first U.S. Government Securities Business Day in the relevant Interest Accrual Period (each a "**U.S. Government Securities Business Day(i)**"); and

"$\mathbf{n_i}$", for any U.S. Government Securities Business Day(i), means the number of calendar days from (and including) such U.S. Government Securities Business Day(i) up to (but excluding) the following U.S. Government Securities Business Day.

(2) SOFR Observation Shift:

$$\left(\prod_{i=1}^{d_o}\left(1+\frac{SOFR_i \times n_i}{360}\right)-1\right)\times\frac{360}{d}$$

with the resulting percentage being rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, with 0.000005 per cent. being rounded upwards (e.g., 9.876541 per cent. (or 0.09876541) being rounded down to 9.87654 per cent. (or 0.0987654) and 9.876545 per cent. (or 0.09876545) being rounded up to 9.87655 per cent. (or 0.0987655)) and where:

"$\mathbf{SOFR_i}$" for any U.S. Government Securities Business Day(i) in the relevant SOFR Observation Period, is equal to the SOFR reference rate for that U.S. Government Securities Business Day(i);

"**SOFR Observation Period**" means, in respect of an Interest Accrual Period, the period from (and including) the date falling the number of SOFR Observation Shift Days prior to the first day of such Interest Accrual Period to (but excluding) the date falling the number of SOFR Observation Shift Days prior to the Interest Accrual Period Date for such Interest Accrual Period;

"**SOFR Observation Shift Days**" means the number of U.S. Government Securities Business Days as specified in the applicable Pricing Supplement;

"**d**" means the number of calendar days in the relevant SOFR Observation Period;

"**d_o**" means the number of U.S. Government Securities Business Days in the relevant SOFR Observation Period;

"**i**" means a series of whole numbers ascending from one to do, representing each U.S. Government Securities Business Day from (and including) the first U.S. Government Securities Business Day in the relevant SOFR Observation Period (each a "**U.S. Government Securities Business Day(i)**"); and

"**n_i**", for any U.S. Government Securities Business Day(i), means the number of calendar days from (and including) such U.S. Government Securities Business Day(i) up to (but excluding) the following U.S. Government Securities Business Day.

The following defined terms shall have the meanings set out below for purpose of Condition 5(b)(iii)(B)(x):

"**SOFR**" means, in respect of a U.S. Government Securities Business Day, the reference rate determined by the Calculation Agent in accordance with the following provision:

(i) the Secured Overnight Financing Rate published for such U.S. Government Securities Business Day at the SOFR Determination Time on the SOFR Administrator's Website;

(ii) if the reference rate specified in (i) above does not appear and a SOFR Benchmark Transition Event and its related SOFR Benchmark Replacement Date have not occurred, the Secured Overnight Financing Rate published on the SOFR Administrator's Website for the first preceding U.S. Government Securities Business Day for which the Secured Overnight Financing Rate was published on the SOFR Administrator's Website; or

(iii) if the reference rate specified in (i) above does not appear and a SOFR Benchmark Transition Event and its related SOFR Benchmark Replacement Date have occurred, the provisions set forth in Condition 5(k) shall apply as specified in the applicable Pricing Supplement; and

"**SOFR Determination Time**" means approximately 3:00 p.m. (New York City time) on the immediately following U.S. Government Securities Business Day.

(y) If Compounded SOFR Index ("**Compounded SOFR Index**") is specified as applicable in the applicable Pricing Supplement, the SOFR Benchmark for each Interest Accrual Period shall be equal to the compounded average of daily SOFR reference rates for each day during the relevant SOFR Observation Period as calculated by the Calculation Agent as follows:

$$\left(\frac{SOFR\ Index_{End}}{SOFR\ Index_{Start}} - 1\right) \times \left(\frac{360}{d_c}\right)$$

with the resulting percentage being rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, with 0.000005 per cent. being rounded upwards (e.g., 9.876541 per cent. (or 0.09876541) being rounded down to 9.87654 per cent. (or 0.0987654) and 9.876545 per cent. (or 0.09876545) being rounded up to 9.87655 per cent. (or 0.0987655)) and where:

"**SOFR Index**" means, in respect of a U.S. Government Securities Business Day, the SOFR Index value as published on the SOFR Administrator's Website at the SOFR Index Determination Time on such U.S. Government Securities Business Day, *provided that*:

(a) if the value specified above does not appear and a SOFR Benchmark Transition Event and its related SOFR Benchmark Replacement Date have not occurred, the "SOFR Index" shall be calculated on any Interest Determination Date with respect to an Interest Accrual Period, in accordance with the Compounded Daily SOFR formula described above in Condition 5(b)(iii)(B)(x)(2) "SOFR Observation Shift", and the term "SOFR Observation Shift Days" shall mean two U.S. Government Securities Business Days; or

(b) if the value specified above does not appear and a SOFR Benchmark Transition Event and its related SOFR Benchmark Replacement Date have occurred, the provisions set forth in Condition 5(k) shall apply as specified in the applicable Pricing Supplement;

"**SOFR Index$_{\mathbf{End}}$**" means, in respect of an Interest Accrual Period, the SOFR Index value on the date that is the number of U.S. Government Securities Business Days specified in the applicable Pricing Supplement prior to the Interest Period Date for such Interest Accrual Period (or in the final Interest Accrual Period, the Maturity Date);

"**SOFR Index$_{\mathbf{Start}}$**" means, in respect of an Interest Accrual Period, the SOFR Index value on the date that is the number of U.S. Government Securities Business Days specified in the applicable Pricing Supplement prior to the first day of such Interest Accrual Period;

"**SOFR Index Determination Time**" means, in respect of a U.S. Government Securities Business Day, approximately 3:00 p.m. (New York City time) on such U.S. Government Securities Business Day;

"**SOFR Observation Period**" means, in respect of an Interest Accrual Period, the period from (and including) the date falling the number of SOFR Observation Shift Days prior to the first day of such Interest Accrual Period to (but excluding) the date falling the number of SOFR Observation Shift Days prior to the Interest Accrual Period Date for such Interest Accrual Period;

"**SOFR Observation Shift Days**" means the number of U.S. Government Securities Business Days as specified in the applicable Pricing Supplement; and

"$\mathbf{d_c}$" means the number of calendar days in the applicable SOFR Observation Period;.

(z) If the Rate of Interest cannot be determined in accordance with the foregoing provisions of paragraphs (x) and (y) above, the Rate of Interest shall be (i) that determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period) or (ii) if there is no such preceding Interest Determination Date, the initial Rate of Interest applicable to such Notes on the Interest Commencement Date (though substituting, where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period).

The following defined terms shall have the meanings set out below for purpose of this Condition 5(b)(iii)(B):

"**SOFR Administrator's Website**" means the website of the Federal Reserve Bank of New York, or any successor source;

"**SOFR Benchmark Replacement Date**" means the Benchmark Replacement Date with respect to the then-current Benchmark;

"**SOFR Benchmark Transition Event**" means the occurrence of a Benchmark Event with respect to the then-current Benchmark; and

"**U.S. Government Securities Business Day**" means any day except for a Saturday, a Sunday or a day on which the Securities Industry and Financial Markets Association recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in U.S. government securities.

(C) *Linear Interpolation*

Where Linear Interpolation is specified in the applicable Pricing Supplement in respect of an Interest Accrual Period, the Rate of Interest for such Interest Accrual Period shall be calculated by the Calculation Agent by straight line linear interpolation by reference to two rates based on the relevant Reference Rate, one of which shall be determined as if the Applicable Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Accrual Period and the other of which shall be determined as if the Applicable Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Accrual Period provided however that if there is no rate available for the period of time next shorter or, as the case may be, next longer, then the Issuer (acting in good faith and in a commercially reasonable manner, and in consultation with an independent financial institution of international repute or an independent financial adviser with appropriate expertise appointed by the Issuer) shall determine such rate at such time and by reference to such sources as it determines appropriate

"**Applicable Maturity**" means the period of time designated in the Reference Rate.

(c) **Zero Coupon Notes:** Where a Note the Interest Basis of which is specified to be Zero Coupon is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount of such Note. As from the Maturity Date, the Rate of Interest for any overdue principal of such a Note shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as described in Condition 6(b)(i)).

(d) **Dual Currency Notes:** In the case of Dual Currency Notes, if the rate or amount of interest falls to be determined by reference to a Rate of Exchange or a method of calculating Rate of Exchange, the rate or amount of interest payable shall be determined in the manner specified in the applicable Pricing Supplement.

(e) **Accrual of Interest:** Interest shall cease to accrue on each Note (or in the case of the redemption of part only of a Note, that part only of such Note) on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue (both before and after judgment) at the Rate of Interest in the manner provided in this Condition 5 to the Relevant Date (as defined in Condition 8).

(f) **Margin, Maximum/Minimum Rates of Interest and Redemption Amounts and Rounding:**

(i) If any Margin is specified in the applicable Pricing Supplement (either (x) generally, or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest

Accrual Periods, in the case of (y), calculated in accordance with Condition 5(b) above by adding (if a positive number) or subtracting the absolute value (if a negative number) of such Margin, subject always to the next paragraph.

(ii) If any Maximum or Minimum Rate of Interest or Redemption Amount is specified in the applicable Pricing Supplement, then any Rate of Interest or Redemption Amount shall be subject to such maximum or minimum, as the case may be.

(iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 of a percentage point being rounded up), (y) all figures shall be rounded to seven significant figures (provided that if the eighth significant figure is a 5 or greater, the seventh significant shall be rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with half a unit being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes "unit" means the lowest amount of such currency that is available as legal tender in the countries of such currency.

(g) **Calculations:** The amount of interest payable per Calculation Amount in respect of any Note for any Interest Accrual Period shall be equal to the product of the Rate of Interest, the Calculation Amount specified in the applicable Pricing Supplement, and the Day Count Fraction for such Interest Accrual Period, unless an Interest Amount (or a formula for its calculation) is applicable to such Interest Accrual Period, in which case the amount of interest payable per Calculation Amount in respect of such Note for such Interest Accrual Period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable per Calculation Amount in respect of such Interest Period shall be the sum of the Interest Amounts payable in respect of each of those Interest Accrual Periods. In respect of any other period for which interest is required to be calculated, the provisions above shall apply save that the Day Count Fraction shall be for the period for which interest is required to be calculated.

(h) **Determination and Publication of Rates of Interest, Interest Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts:** The Calculation Agent shall, as soon as practicable on each Interest Determination Date, or such other time on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, determine such rate and calculate the Interest Amounts for the relevant Interest Accrual Period, calculate the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Accrual Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount to be notified to the Trustee, the Issuer, each of the Paying Agents, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information and, if the Notes are listed and/ or admitted to trading on a stock exchange and the rules of such exchange or other relevant authority so require, such exchange or other relevant authority as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 5(b)(ii), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If the Notes become due and payable under Condition 10, the accrued interest and the Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition 5 but no publication of the Rate of Interest or the Interest Amount so calculated need be made. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.

(i) **Definitions:** In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

"**Business Day**" means:

(i) in the case of a currency other than euro or Renminbi, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency and/or

(ii) in the case of euro, any day on which T2 is open for the settlement of payments in euro (a "**TARGET Business Day**") and/or

(iii) in the case of Renminbi, a day (other than a Saturday, Sunday or public holiday) on which commercial banks in Hong Kong are generally open for business and settlement of Renminbi payments in Hong Kong; and/or

(iv) in the case of a currency and/or one or more Business Centres a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in the Business Centre(s) or, if no currency is indicated, generally in each of the Business Centres.

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest on any Note for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period or an Interest Accrual Period, the "**Calculation Period**"):

(i) if "**Actual/Actual**" or "**Actual/Actual – ISDA**" is specified in the applicable Pricing Supplement, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365)

(ii) if "**Actual/365 (Fixed)**" is specified in the applicable Pricing Supplement, the actual number of days in the Calculation Period divided by 365

(iii) if "**Actual/365 (Sterling)**" is specified in the applicable Pricing Supplement, the actual number of days in the Calculation Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366

(iv) if "**Actual/360**" is specified in the applicable Pricing Supplement, the actual number of days in the Calculation Period divided by 360

(v) if "**30/360**", "**360/360**" or "**Bond Basis**" is specified in the applicable Pricing Supplement, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{D_1}$" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

"$\mathbf{D_2}$" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D_1 is greater than 29, in which case D_2 will be 30

(vi) if "**30E/360**" or "**Eurobond Basis**" is specified in the applicable Pricing Supplement, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{D_1}$" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D_2 will be 30

(vii) if "**30E/360 (ISDA)**" is specified in the applicable Pricing Supplement, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y_1" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D_1" is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D_2 will be 30

(viii) if "**Actual/Actual-ICMA**" is specified in the applicable Pricing Supplement,

(a) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and

(b) if the Calculation Period is longer than one Determination Period, the sum of:

(x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and

(y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year where:

"**Determination Period**" means the period from and including a Determination Date in any year to but excluding the next Determination Date and

"**Determination Date**" means the date(s) specified as such in the applicable Pricing Supplement or, if none is so specified, the Interest Payment Date(s)

"**Euro-zone**" means the region comprised of member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended.

"**Interest Accrual Period**" means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Period Date and each successive period beginning on (and including) an Interest Period Date and ending on (but excluding) the next succeeding Interest Period Date.

"**Interest Amount**" means:

(i) in respect of an Interest Accrual Period, the amount of interest payable per Calculation Amount for that Interest Accrual Period and which, in the case of Fixed Rate Notes, and unless otherwise specified in the applicable Pricing Supplement, shall mean the Fixed Coupon Amount or Broken Amount specified in the applicable Pricing Supplement as being payable on the Interest Payment Date ending the Interest Period of which such Interest Accrual Period forms part; and

(ii) in respect of any other period, the amount of interest payable per Calculation Amount for that period.

"**Interest Commencement Date**" means the Issue Date or such other date as may be specified in the applicable Pricing Supplement.

"**Interest Determination Date**" means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such in the applicable Pricing Supplement or, if none is so specified:

(i) the first day of such Interest Accrual Period if the Specified Currency is Hong Kong dollars or Renminbi; or

(ii) the day falling two Business Days in London for the Specified Currency prior to the first day of such Interest Accrual Period if the Specified Currency is none of euro, Hong Kong dollars or Renminbi; or

(iii) the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is euro; or

(iv) (where SOFR Benchmark is specified hereon as the Reference Rate and where SOFR Lag or SOFR Observation Shift is specified as applicable in the applicable Pricing Supplement to determine Compounded Daily SOFR or where Compounded SOFR Index is specified as applicable in the applicable Pricing Supplement) the second U.S. Government Securities Business Day prior to the last day of each Interest Accrual Period.

If the Notes become due and payable in accordance with Condition 10, the final Interest Determination Date shall, notwithstanding any Interest Determination Date specified in the applicable Pricing Supplement, be deemed to be the date on which the Notes became due and payable and the Rate of Interest on the Notes shall, for so long as the Notes remain outstanding, be that determined on such date.

"**Interest Period**" means the period beginning on and including the Interest Commencement Date and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date unless otherwise specified in the applicable Pricing Supplement.

"**Interest Period Date**" means each Interest Payment Date unless otherwise specified in the applicable Pricing Supplement.

"**Rate of Interest**" means the rate of interest payable from time to time in respect of this Note and that is either specified or calculated in accordance with the provisions in the applicable Pricing Supplement.

"**Reference Rate**" means the rate specified as such in the applicable Pricing Supplement.

"**Relevant Screen Page**" means such page, section, caption, column or other part of a particular information service as may be specified in the applicable Pricing Supplement (or any successor or replacement page, section, caption, column or other part of a particular information service).

"**Specified Currency**" means the currency specified as such in the applicable Pricing Supplement or, if none is specified, the currency in which the Notes are denominated.

"**T2**" means the real time gross settlement system operated by the Eurosystem, or any successor system.

(j) **Calculation Agent:** The Issuer shall procure that there shall at all times be one or more Calculation Agents if provision is made for them in the applicable Pricing Supplement and for so long as any Note is outstanding. Where more than one Calculation Agent is appointed in respect of the Notes, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Accrual Period or to calculate any Interest Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, or to comply with any other requirement, the Issuer shall appoint a leading bank or financial institution engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal

London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

(k) **Benchmark Discontinuation (general):**

Where the Original Reference Rate is not SOFR Benchmark, in addition and notwithstanding the terms set forth elsewhere in these Conditions, this Condition 5(j) shall apply.

(i) *Independent Adviser*

If a Benchmark Event occurs in relation to an Original Reference Rate when any Rate of Interest (or any component part thereof) remains to be determined by reference to such Original Reference Rate the Issuer shall use its reasonable endeavours to appoint an Independent Adviser, as soon as reasonably practicable, to advise the Issuer in determining a Successor Rate, failing which an Alternative Rate (in accordance with Condition 5(j)(ii)) and, in either case, an Adjustment Spread and any Benchmark Amendments (in accordance with Condition 5(j)(iv)). The Independent Adviser appointed pursuant to this Condition 5(j) shall act in good faith as an expert. In the absence of bad faith or fraud, the Issuer and such Independent Adviser shall have no liability whatsoever to the Trustee, the Paying Agents, the Noteholders or the Couponholders for any determination made by it and, as the case may be, for any advice given to the Issuer in connection with any determination made by the Issuer, pursuant to this Condition 5(j).

If (i) the Issuer is unable to appoint an Independent Adviser; or (ii) the Issuer fails to determine a Successor Rate or, failing which, an Alternative Rate in accordance with this Condition 5(j)(i) prior to the relevant Interest Determination Date, the Rate of Interest applicable to the next succeeding Interest Accrual Period shall be equal to the Rate of Interest last determined in relation to the Notes in respect of the immediately preceding Interest Accrual Period. If there has not been a first Interest Payment Date, the Rate of Interest shall be the initial Rate of Interest. Where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Accrual Period shall be substituted in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period. For the avoidance of doubt, this paragraph shall apply to the relevant next succeeding Interest Accrual Period only and any subsequent Interest Accrual Periods are subject to the subsequent operation of, and to adjustment as provided in, the first paragraph of this Condition 5(j)(i).

(ii) *Successor Rate or Alternative Rate*

If the Issuer, following consultation with the Independent Adviser, determines in its sole discretion that:

(A) there is a Successor Rate, then such Successor Rate and the applicable Adjustment Spread shall subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof) for all future payments of interest on the Notes (subject to the operation of this Condition 5(j)); or

(B) there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate and the applicable Adjustment Spread shall subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof) for all future payments of interest on the Notes (subject to the operation of this Condition 5(j)).

(iii) *Adjustment Spread*

The Adjustment Spread (or the formula or methodology for determining the Adjustment Spread) shall be applied to the Successor Rate or the Alternative Rate (as the case may be). If the Issuer, following consultation with the Independent Adviser is unable to determine the quantum of, or a formula or methodology for determining, such Adjustment Spread, then the Successor Rate or Alternative Rate (as applicable) will apply without an Adjustment Spread.

(iv) *Benchmark Amendments*

If any Successor Rate or Alternative Rate and, in either case, the applicable Adjustment Spread is determined in accordance with this Condition 5(j) and the Issuer, following consultation with the Independent Adviser, determines (i) that amendments to these Conditions and/or the Trust Deed and/or the Agency Agreement are necessary to ensure the proper operation of such Successor Rate or Alternative Rate and/or (in either case) the applicable Adjustment Spread (such amendments, the "**Benchmark Amendments**") and (ii) the terms of the Benchmark Amendments, then the Issuer shall, subject to giving notice thereof in accordance with Condition 5(j)(v), without any requirement for the consent or approval of Noteholders, vary these Conditions and/or the Trust Deed and/or the Agency Agreement to give effect to such Benchmark Amendments with effect from the date specified in such notice.

At the request of the Issuer, but subject to receipt by the Trustee of a certificate signed by an Authorised Signatory (as defined in the Trust Deed) of the Issuer pursuant to Condition 5(j)(v), the Trustee shall (at the expense of the Issuer), without any requirement for the consent or approval of the Noteholders, be obliged to concur with the Issuer in effecting any Benchmark Amendments (including, *inter alia*, by the execution of a deed supplemental to or amending the Trust Deed).

In connection with any such variation in accordance with this Condition 5(j)(iv), the Issuer shall comply with the rules of any stock exchange on which the Notes are for the time being listed or admitted to trading.

(v) *Notices, etc.*

Any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any Benchmark Amendments determined under this Condition 5(j) will be notified at least five business days prior to the relevant Interest Determination Date by the Issuer to the Trustee, the Calculation Agent and the Paying Agents. In accordance with Condition 16, notice shall be provided to the Noteholders promptly thereafter. Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any.

No later than notifying the Noteholders of the same, the Issuer shall deliver to the Trustee, the Calculation Agent and the Paying Agents a certificate signed by an Authorised Signatory of the Issuer:

(A) confirming (i) that a Benchmark Event has occurred, (ii) the Successor Rate or, as the case may be, the Alternative Rate, (iii) the applicable Adjustment Spread and (iv) the specific terms of the Benchmark Amendments (if any), in each case as determined in accordance with the provisions of this Condition 5(j); and

(B) certifying that the Benchmark Amendments (if any) are necessary to ensure the proper operation of such Successor Rate or Alternative Rate and (in either case) the applicable Adjustment Spread.

Each of the Trustee, the Calculation Agent and the Paying Agents shall be entitled to rely on such certificate (without liability to any person) as sufficient evidence thereof. The Successor Rate or Alternative Rate and the Adjustment Spread and the Benchmark Amendments (if any) specified in such certificate will (in the absence of manifest error or bad faith in the determination of the Successor Rate or Alternative Rate and the Adjustment Spread and the Benchmark Amendments (if any) and without prejudice to the Trustee's or the Calculation Agent's or the Paying Agents' ability to rely on such certificate as aforesaid) be binding on the Issuer, the Trustee, the Calculation Agent, the Paying Agents and the Noteholders.

Notwithstanding any other provision of this Condition 5(j), if following the determination of any Successor Rate, Alternative Rate, Adjustment Spread or Benchmark Amendments (if any), in the Calculation Agent's opinion there is any uncertainty between two or more alternative courses of action in making any determination or calculation under this Condition 5(j), the Calculation Agent shall promptly notify the Issuer thereof and the Issuer shall direct the Calculation Agent in writing as to which alternative course of action to adopt.

(vi) *Survival of Original Reference Rate*

Without prejudice to the obligations of the Issuer under Condition 5(j)(i), (ii), (iii) and (iv), the Original Reference Rate and the fallback provisions provided for in Condition 5(b)(B) will continue to apply unless and until a Benchmark Event has occurred.

(vii) *Definitions:*

As used in this Condition 5(j):

"**Adjustment Spread**" means either (a) a spread (which may be positive, negative or zero) or (b) a formula or methodology for calculating a spread, in each case to be applied to the Successor Rate or the Alternative Rate (as the case may be) and is the spread, formula or methodology which:

(A) in the case of a Successor Rate, is formally recommended in relation to the replacement of the Original Reference Rate with the Successor Rate by any Relevant Nominating Body; or (if no such recommendation has been made, or in the case of an Alternative Rate)

(B) the Issuer, following consultation with the Independent Adviser determines, is customarily applied to the relevant Successor Rate or the Alternative Rate (as the case may be) in international debt capital markets transactions to produce an industry-accepted replacement rate for the Original Reference Rate; or (if the Issuer determines that no such spread is customarily applied)

(C) the Issuer, following consultation with the Independent Adviser determines is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Original Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be).

"**Alternative Rate**" means an alternative benchmark or screen rate which the Issuer following consultation with the Independent Adviser determines in accordance with Condition 5(j)(ii) is customarily applied in international debt capital markets transactions for the purposes of determining rates of interest (or the relevant component part thereof) in the same Specified Currency as the Notes.

"**Benchmark Amendments**" has the meaning given to it in Condition 5(j)(iv).

"**Benchmark Event**" means:

(A) the Original Reference Rate ceasing to be published for a period of at least five Business Days or ceasing to exist; or

(B) a public statement by the administrator of the Original Reference Rate that it has ceased or that it will cease publishing the Original Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the Original Reference Rate); or

(C) a public statement by the supervisor of the administrator of the Original Reference Rate, that the Original Reference Rate has been or will be permanently or indefinitely discontinued; or

(D) a public statement by the supervisor of the administrator of the Original Reference Rate as a consequence of which the Original Reference Rate will be prohibited from being used either generally, or in respect of the Notes; or

(E) the making of a public statement by the supervisor of the administrator of the Original Reference Rate that the Original Reference Rate is or will be (or is or will be deemed by such supervisor to be) no longer representative of its relevant underlying market; or

(F) it has become unlawful for any Paying Agent, the Calculation Agent, the Issuer to calculate any payments due to be made to any Noteholder using the Original Reference Rate;

provided that the Benchmark Event shall be deemed to occur (i) in the case of sub-paragraphs (B) and (C) above, on the date of the cessation of publication of the Original Reference Rate or the discontinuation of the Original Reference Rate, as the case may be, (ii) in the case of sub-paragraph (D) above, on the date of the prohibition of use of the Original Reference Rate and (iii) in the case of sub-paragraph (E) above, on the date with effect from which the Original Reference Rate will no longer be (or will be deemed by the relevant supervisor to no longer be) representative of its relevant underlying market and which is specified in the relevant public statement, and, in each case, not the date of the relevant public statement.

The occurrence of a Benchmark Event shall be determined by the Issuer and promptly notified to the Trustee, the Calculation Agent and the Paying Agents. For the avoidance of doubt, neither the Trustee, the Calculation Agent nor the Paying Agents shall have any responsibility for making such determination.

"**business day**" means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the Calculation Agent.

"**Independent Adviser**" means an independent financial institution of international repute or an independent financial adviser with appropriate expertise appointed by the Issuer under Condition 5(j)(i).

"**Original Reference Rate**" means the originally-specified benchmark or screen rate (as applicable) used to determine the Rate of Interest (or any component part thereof) on the Notes.

"**Relevant Nominating Body**" means, in respect of a benchmark or screen rate (as applicable):

(A) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable); or

(B) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (i) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, (ii) any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable), (iii) a group of the aforementioned central banks or other supervisory authorities or (iv) the Financial Stability Board or any part thereof.

"**Successor Rate**" means a successor to or replacement of the Original Reference Rate which is formally recommended by any Relevant Nominating Body.

(l) **Benchmark Discontinuation (SOFR):**

This Condition 5(l) shall only apply to U.S. dollar-denominated Notes where so specified in the applicable Pricing Supplement.

The following provisions shall apply if Benchmark Discontinuation (SOFR) is specified as applicable in the applicable Pricing Supplement:

(i) *Benchmark Replacement*

If the Issuer or its designee determines on or prior to the relevant Reference Time that a Benchmark Event and its related Benchmark Replacement Date have occurred with respect to the then-current Benchmark, the Benchmark Replacement will replace the then-current Benchmark for all purposes relating to the Notes in respect of all determinations on such date and for all determinations on all subsequent dates.

(ii) *Benchmark Replacement Conforming Changes*

In connection with the implementation of a Benchmark Replacement, the Issuer or its designee will have the right to make Benchmark Replacement Conforming Changes from time to time. For the avoidance of doubt, the Trustee shall, at the direction and expense of the Issuer, effect such consequential amendments to the Trust Deed, the Agency Agreement and these Conditions as may be required to give effect to this Condition 5(k). Noteholders' consent shall not be required in connection with effecting any such changes, including the execution of any documents or any steps to be taken by the Trustee (if required). Further, none of the Trustee, the Calculation Agent, the Paying Agents, the Registrar or the Transfer Agents shall be responsible or liable for any determinations, decisions or elections made by the Issuer or its designee with respect to any Benchmark Replacement or any other changes and shall be entitled to rely conclusively on any certifications provided to each of them in this regard.

(iii) *Decisions and Determinations*

Any determination, decision or election that may be made by the Issuer or its designee pursuant to this Condition 5(k), including any determination with respect to a tenor, rate or adjustment or of the occurrence or non-occurrence of an event, circumstance or date and any decision to take or refrain from taking any action or any selection (i) will be conclusive and binding absent manifest error, (ii) will be made in the sole discretion of the Issuer or its designee, as applicable, and (iii) notwithstanding anything to the contrary in the documentation relating to the Notes, shall become effective without consent from the Noteholders or any other party.

(iv) *The following defined terms shall have the meanings set out below for purpose of this Condition 5(k):*

"**Benchmark**" means, initially, the relevant SOFR Benchmark specified in the applicable Pricing Supplement; provided that if the Issuer or its designee determines on or prior to the Reference Time that a Benchmark Event and its related Benchmark Replacement Date have occurred with respect to the relevant Benchmark (including any daily published component used in the calculation thereof) or the then-current Benchmark, then "**Benchmark**" means the applicable Benchmark Replacement;

"**Benchmark Event**" means the occurrence of one or more of the following events with respect to the then-current Benchmark (including any daily published component used in the calculation thereof):

(A) a public statement or publication of information by or on behalf of the administrator of the Benchmark (or such component) announcing that such administrator has ceased or will cease to provide the Benchmark (or such component), permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark (or such component); or

(B) a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark (or such component), the central bank for the currency of the Benchmark (or such component), an insolvency official with jurisdiction over the administrator for the Benchmark (or such component), a resolution authority with jurisdiction over the administrator for the Benchmark (or such component) or a court or an entity with similar insolvency or resolution authority over the administrator for the Benchmark, which states that the administrator of the Benchmark (or such component) has ceased or will cease to provide the Benchmark (or such component) permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark (or such component); or

(C) a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark announcing that the Benchmark is no longer representative;

"**Benchmark Replacement**" means the first alternative set forth in the order below that can be determined by the Issuer or its designee as of the Benchmark Replacement Date:

(A) the sum of:

(x) the alternate reference rate that has been selected or recommended by the Relevant Governmental Body as the replacement for the then-current Benchmark (including any daily published component used in the calculation thereof); and

(y) the Benchmark Replacement Adjustment;

(B) the sum of:

(x) the ISDA Fallback Rate; and

(y) the Benchmark Replacement Adjustment; or

(C) the sum of:

(x) the alternate reference rate that has been selected by the Issuer or its designee as the replacement for the then-current Benchmark (including any daily published component used in the calculation thereof) giving due consideration to any industry-accepted reference rate as a replacement for the then-current Benchmark (including any daily published component used in the calculation thereof) for U.S. dollar-denominated Floating Rate Notes at such time; and

(y) the Benchmark Replacement Adjustment;

"**Benchmark Replacement Adjustment**" means the first alternative set forth in the order below that can be determined by the Issuer or its designee as of the Benchmark Replacement Date:

(A) the spread adjustment, or method for calculating or determining such spread adjustment, (which may be a positive or negative value or zero) that has been selected or recommended by the Relevant Governmental Body for the applicable Unadjusted Benchmark Replacement;

(B) if the applicable Unadjusted Benchmark Replacement is equivalent to the ISDA Fallback Rate, the ISDA Fallback Adjustment; or

(C) the spread adjustment (which may be a positive or negative value or zero) that has been selected by the Issuer or its designee giving due consideration to any industry-accepted spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of the then-current Benchmark (including any daily published component used in the calculation thereof) with the applicable Unadjusted Benchmark Replacement for U.S. dollar-denominated Floating Rate Notes at such time;

"**Benchmark Replacement Conforming Changes**" means, with respect to any Benchmark Replacement, any technical, administrative or operational changes (including changes to the timing and frequency of determining rates and making payments of interest, rounding of amounts or tenors, and other administrative matters) the Issuer or its designee decides may be appropriate to reflect the adoption of such Benchmark Replacement in a manner substantially consistent with market practice (or, if the Issuer or its designee decides that adoption of any portion of such market practice is not administratively feasible or if the Issuer or its designee determine that no market practice for use of the Benchmark Replacement exists, in such other manner as the Issuer or its designee determines is reasonably necessary);

"**Benchmark Replacement Date**" means the earliest to occur of the following events with respect to the then-current Benchmark (including any daily published component used in the calculation thereof):

(A) in the case of sub-paragraph (A) or (B) of the definition of "**Benchmark Event**", the later of:

(x) the date of the public statement or publication of information referenced therein; and

(y) the date on which the administrator of the Benchmark permanently or indefinitely ceases to provide the Benchmark (or such component); or

(B) in the case of sub-paragraph (C) of the definition of "**Benchmark Event**", the date of the public statement or publication of information referenced therein.

For the avoidance of doubt, if the event giving rise to the Benchmark Replacement Date occurs on the same day as, but earlier than, the Reference Time in respect of any determination, the Benchmark Replacement Date will be deemed to have occurred prior to the Reference Time for such determination;

"**designee**" means a designee as selected and separately appointed by the Issuer in writing;

"**ISDA Definitions**" means, unless otherwise specified in the applicable Pricing Supplement, the 2006 ISDA Definitions published by the International Swaps and Derivatives Association, Inc., as amended or supplemented from time to time;

"**ISDA Fallback Adjustment**" means the spread adjustment (which may be a positive or negative value or zero) that would apply for derivatives transactions referencing the ISDA Definitions to be determined upon the occurrence of an index cessation event with respect to the Benchmark;

"**ISDA Fallback Rate**" means the rate that would apply for derivatives transactions referencing the ISDA Definitions to be effective upon the occurrence of an index cessation date with respect to the Benchmark (including any daily published component used in the calculation thereof) for the applicable tenor excluding the applicable ISDA Fallback Adjustment;

"**Reference Time**" with respect to any determination of the Benchmark means (1) if the Benchmark is the SOFR Benchmark, the SOFR Determination Time (where Compounded Daily SOFR is specified as applicable in the applicable Pricing Supplement) or SOFR Index Determination Time (where Compounded SOFR Index is specified as applicable in the applicable Pricing Supplement), or (2) if the Benchmark is not the SOFR Benchmark, the time determined by the Issuer or its designee after giving effect to the Benchmark Replacement Conforming Changes;

"**Relevant Governmental Body**" means the Federal Reserve Board and/or the Federal Reserve Bank of New York, or a committee officially endorsed or convened by the Federal Reserve Board and/or the Federal Reserve Bank of New York or any successor thereto; and

"**Unadjusted Benchmark Replacement**" means the Benchmark Replacement excluding the Benchmark Replacement Adjustment.

6 REDEMPTION, PURCHASE AND OPTIONS

(a) **Final Redemption:**

Unless previously redeemed, purchased and cancelled as provided below, each Note shall be finally redeemed on the Maturity Date specified in the applicable Pricing Supplement at its Final Redemption Amount (which, unless otherwise provided in the applicable Pricing Supplement, is its nominal amount).

(b) **Early Redemption:**

(i) *Zero Coupon Notes:*

(A) The Early Redemption Amount payable in respect of any Zero Coupon Note, upon redemption of such Note pursuant to Condition 6(c), Condition 6(d) or Condition 6(e) or upon it becoming due and payable as provided in Condition 10 shall be the Amortised Face Amount (calculated as provided below) of such Note unless otherwise specified in the applicable Pricing Supplement.

(B) Subject to the provisions of sub-paragraph (C) below, the Amortised Face Amount of any such Note shall be the scheduled Final Redemption Amount of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is specified in the applicable Pricing Supplement, shall be such rate as would produce an Amortised Face Amount equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date) compounded annually.

(C) If the Early Redemption Amount payable in respect of any such Note upon its redemption pursuant to Condition 6(c), Condition 6(d) or Condition 6(e) or upon it becoming due and payable as provided in Condition 10 is not paid when due, the Early Redemption Amount due and payable in respect of such Note shall be the Amortised Face Amount of such Note as defined in sub-paragraph (B) above, except that such sub-paragraph shall have effect as though the date on which the Note becomes due and payable were the Relevant Date. The calculation of the Amortised Face Amount in accordance with this sub-paragraph shall continue to be made (both before and after judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount of such Note on the Maturity Date together with any interest that may accrue in accordance with Condition 5(c).

Where such calculation is to be made for a period of less than one year, it shall be made on the basis of the Day Count Fraction specified in the applicable Pricing Supplement.

(ii) *Other Notes:* The Early Redemption Amount payable in respect of any Note (other than Notes described in (i) above), upon redemption of such Note pursuant to Condition 6(c), Condition 6(d) or Condition 6(e) or upon it becoming due and payable as provided in Condition 10, shall be the Final Redemption Amount unless otherwise specified in the applicable Pricing Supplement.

(c) **Redemption for Taxation Reasons:** The Notes may be redeemed at the option of the Issuer in whole, but not in part, on any Interest Payment Date (if this Note is a Floating Rate Note) or at any time (if this Note is not a Floating Rate Note), on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable) at their Early Redemption Amount (as described in Condition 6(b)(ii) above) (together with interest accrued to the date fixed for redemption), if the Issuer satisfies the Trustee immediately before the giving of such notice that:

(i) (A) the Issuer has or will become obliged to pay Additional Amounts as described under Condition 8 as a result of any change in, or amendment to, the laws or regulations of the British Virgin Islands or any political subdivision, any authority or agency thereof or therein having power to tax, or any change in the official application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes, and (B) such obligation cannot be avoided by the Issuer taking reasonable measures available to it; or

(ii) (A) either Guarantor has or (if a demand was made under the Guarantee) will become obliged to pay Additional Amounts as described under Condition 8 or the Guarantee, as the case may be, or either Guarantor has or will become obliged to make any such withholding or deduction as is referred to in Condition 8 or the Guarantee, as the case may be, from any amount paid by it to the Issuer in order to enable the Issuer to make a payment of principal or interest in respect of the Notes, in either case as a result of any change in, or amendment to, the laws or regulations of the Cayman Islands or Hong Kong (as applicable) or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes; and (B) such obligation cannot be avoided by the relevant Guarantor in each case, taking reasonable measures available to it, provided, however, that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer (or the relevant Guarantor, as the case may be) would be obliged to pay such Additional Amounts were a payment in respect of the Notes then due or (as the case may be) a demand under the Guarantee were then made.

Prior to the publication of any notice of redemption pursuant to this Condition 6(c), the Issuer shall deliver to the Trustee:

(i) a certificate signed by two Authorised Signatories of the Issuer stating that the circumstances referred to in (i)(A) and (i)(B) above prevail and setting out the details of such circumstances or (as the case may be) a certificate signed by two Authorised Signatories of the relevant Guarantor stating that the circumstances referred to in (ii)(A) and (ii)(B) above prevail and setting out details of such circumstances (each, a "**Certificate**"); and

(ii) an opinion in form and substance satisfactory to the Trustee of independent legal, tax or other professional advisers of recognised standing to the effect that the Issuer or (as the case may be) the relevant Guarantor has or will become obliged to pay Additional Amounts as a result of such change or amendment (an "**Opinion**")

The Trustee shall be entitled to accept and rely upon such Certificate and Opinion as sufficient evidence of the satisfaction of the circumstances set out in (i)(A) and (i)(B) or (as the case may be) (ii)(A) and (ii)(B) above, in which event it shall be conclusive and binding on the Noteholders.

Upon the expiry of any such notice as is referred to in this Condition 6(c), the Issuer (failing which, the Guarantors jointly and severally) shall be bound to redeem the Notes in accordance with this Condition 6(c).

(d) **Redemption at the Option of the Issuer (Call Option):**

(i) If Call Option is specified in the applicable Pricing Supplement, the Issuer may, on giving not less than 30 nor more than 60 days' irrevocable notice to the Noteholders (or such other notice period as may be specified in the applicable Pricing Supplement) redeem all or, if so provided, some of the Notes on any Optional Redemption Date. Any such redemption of Notes shall be at their Optional Redemption Amount specified in the applicable Pricing Supplement (which may be the Early Redemption Amount (as described in Condition 6(b) above)), together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date.

(ii) If Make-Whole Amount is specified in the applicable Pricing Supplement as the Optional Redemption Amount, the Optional Redemption Amount per Note shall be equal to:

(A) the higher of (x) the nominal amount of the Note and (y) the sum of the (i) then present values of the remaining scheduled payments of principal and (ii) then present values of the aggregate amount of scheduled payment(s) of interest on such Note for the remaining term to the Maturity Date (but not including any portion of such payments of interest accrued to the relevant Optional Redemption Date) determined on the basis of the rate of interest applicable to such Note from and including the relevant Optional Redemption Date, in each case discounted to the relevant Optional Redemption Date on either an annual or a semi-annual basis as specified in the applicable Pricing Supplement (based on the Day Count Fraction specified in the applicable Pricing Supplement) at the Make-Whole Reference Rate plus any applicable Redemption Margin specified in the applicable Pricing Supplement, all as determined by the Determination Agent; or

(B) the amount specified in, or determined in the manner specified in, the applicable Pricing Supplement.

Any such redemption must relate to Notes of a nominal amount at least equal to the Minimum Redemption Amount to be redeemed specified in the applicable Pricing Supplement and no greater than the Maximum Redemption Amount to be redeemed specified in the applicable Pricing Supplement. Any notice of redemption given under Condition 6(c) will override any notice of redemption given (whether previously, on the same date or subsequently) under this Condition 6(d).

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition 6(d).

In the case of a partial redemption the notice to Noteholders shall also contain the certificate numbers of the Bearer Notes, or in the case of Registered Notes shall specify the nominal amount of Registered Notes drawn and the holder(s) of such Registered Notes, to be redeemed, which shall have been drawn in such place and manner as may be fair and reasonable in the circumstances, taking account of prevailing market practices, subject to compliance with any applicable laws and stock exchange or other relevant authority requirements.

In this Condition 6(d):

"**Determination Agent**" means an investment bank or financial institution of international standing selected by the Issuer;

"**Make-Whole Reference Rate**" means:

(i) the Reference Dealer Rate; or

(ii) the rate specified in, or determined in the manner specified in, the applicable Pricing Supplement;

"**Reference Bond**" shall be as specified in the applicable Pricing Supplement, or (if such security is no longer in issue), such other reference security with a maturity comparable with the remaining term of the Notes, as the Determination Agent shall determine to be appropriate by way of substitution for the original Reference Bond and notified to the Issuer in writing no later than the fifth Business Day preceding the relevant Optional Redemption Date, or on such other date as specified in the applicable Pricing Supplement;

"**Reference Dealers**" means each of five banks selected by the Issuer, or such banks' affiliates, which are (A) primary government securities dealers and their respective successors, or (B) market makers in pricing corporate bond issues, or such other banks or method of selection of such banks as specified in the applicable Pricing Supplement; and

"**Reference Dealer Rate**" means, with respect to the Reference Dealers and any Optional Redemption Date, the average of the three out of the five quotations (after excluding the highest and the lowest of such five quotations) of the mid-market annual yield to maturity of the Reference Bond specified in the applicable Pricing Supplement at the Quotation Time specified in the applicable Pricing Supplement on the Determination Date specified in the applicable Pricing Supplement and quoted in writing to the Determination Agent by the Reference Dealers.

(e) **Redemption at the Option of Noteholders (Put Option):** If Put Option is specified in the applicable Pricing Supplement, (unless prior to the giving of the relevant Exercise Notice (as defined below) the Issuer has given notice of redemption under Condition 6(c) or Condition 6(d)), the Issuer shall, at the option of the holder of any such Note, upon the holder of such Note giving not less than 30 nor more than 60 days' notice to the Issuer (or such other notice period as may be specified in the applicable Pricing Supplement) redeem such Note on the Optional Redemption Date(s) at its Optional Redemption Amount specified in the applicable Pricing Supplement (which may be the Early Redemption Amount (as described in Condition 6(b) above)), together with interest accrued to (but excluding) the date fixed for redemption.

To exercise such option the holder must deposit (in the case of Bearer Notes) such Note (together with all unmatured Coupons and unexchanged Talons) with any Paying Agent or (in the case of Registered Notes) the Certificate representing such Note(s) with the Registrar or any Transfer Agent at its specified office, together with a duly completed option exercise notice ("**Exercise Notice**") in the form obtainable from any Paying Agent, the Registrar or any Transfer Agent (as applicable) within the notice period. No Note or Certificate so deposited and option exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer.

(f) **Purchases:** Each of the Issuer, the Guarantors and their respective Subsidiaries may at any time purchase Notes (provided that all unmatured Coupons and unexchanged Talons relating thereto are attached thereto or surrendered therewith) in the open market or otherwise at any price.

(g) **Cancellation:** All Notes purchased by or on behalf of the Issuer, either Guarantor or any of their Subsidiaries may be surrendered for cancellation, in the case of Bearer Notes, by surrendering each such Note together with all unmatured Coupons and all unexchanged Talons to the Issuing and Paying Agent and, in the case of Registered Notes, by surrendering the Certificate representing such Notes to the Registrar and, in each case, if so surrendered, shall, together with all Notes redeemed by the Issuer, be cancelled forthwith (together with all unmatured Coupons and unexchanged Talons attached thereto or surrendered therewith). Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer and the Guarantors in respect of any such Notes shall be discharged.

(h) **No Relationship of Agency or Trust:** Notwithstanding the deposit of any Notes with the Paying Agent, the Registrar or the Transfer Agent, the Paying Agent, the Registrar or the Transfer Agent acts solely as an agent of the Issuer and the Guarantors, or as the case may be, the Trustee, and will not assume any obligation or responsibility towards or relationship of agency or trust for or with any of the owners or holders of the Notes, Coupons or Talons or any other third party.

7 PAYMENTS AND TALONS

(a) **Bearer Notes:** Payments of principal and interest in respect of Bearer Notes shall, subject as mentioned below, be made against presentation and surrender of the relevant Notes (in the case of all other payments of principal and, in the case of interest, as specified in Condition 7(f)(v)) or Coupons (in the case of interest, save as specified in Condition 7(f)(ii)), as the case may be:

(i) in the case of a currency other than Renminbi, at the specified office of any Paying Agent outside the United States by a cheque payable in the relevant currency drawn on, or, at the option of the holder, by transfer to an account denominated in such currency with, a Bank; or

(ii) in the case of Renminbi, by transfer from the Paying Agent's office outside the United States to a Renminbi account maintained by or on behalf of the Noteholder with a Bank in Hong Kong.

In this Condition 7, "**Bank**" means a bank in the principal financial centre for such currency or, in the case of euro, in a city in which banks have access to T2.

Payments of principal and interest in respect of Bearer Notes held in the CMU will be made to the person(s) for whose account(s) interests in the relevant Bearer Note are credited as being held with the CMU in accordance with the CMU Rules (as defined in the Agency Agreement) at the relevant time as notified to the CMU Lodging and Paying Agent by the CMU in a relevant CMU Issue Position Report (as defined in the Agency Agreement) or any other relevant notification by the CMU, which notification shall be conclusive evidence of the records of the CMU (save in the case of manifest or proven error) and payment made in accordance thereof shall discharge the obligations of the Issuer, or as the case may be, the Guarantors, in respect of that payment.

(b) **Registered Notes:**

(i) Payments of principal in respect of Registered Notes shall be made against presentation and surrender of the relevant Certificates at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided in Condition 7(b)(ii).

(ii) Interest on Registered Notes shall be paid to the person shown on the Register at the close of business on the fifteenth day before the due date for payment thereof or in the case of Renminbi or otherwise specified, on the fifth day before the due date for payment thereof (the "**Record Date**"). Payments of interest on each Registered Note shall be made:

(A) in the case of a currency other than Renminbi, by transfer to an account in the relevant currency maintained by the payee with a Bank; and

(B) in the case of Renminbi, by transfer to the registered account of the Noteholder.

In this Condition 7(b), "**registered account**" means the Renminbi account maintained by or on behalf of the Noteholder with a bank in Hong Kong, details of which appear on the Register at the close of business on the fifth business day before the due date for payment.

Payments of principal and interest in respect of Registered Notes held in the CMU will be made to the person(s) for whose account(s) interests in the relevant Registered Notes are credited as being held with the CMU in accordance with the CMU Rules at the relevant time as notified to the CMU Lodging and Paying Agent by the CMU in a relevant CMU Issue Position Report or any other relevant notification by the CMU, which notification shall be conclusive evidence of the records of the CMU (save in the case of manifest or proven error) and payment made in accordance thereof shall discharge the obligations of the Issuer or, as the case may be, the Guarantors, in respect of that payment.

*So long as the Global Note or, as the case may be, the Global Certificate is held on behalf of Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream**") or any other clearing system, each payment in respect of the Global Certificate will be made to the person shown as the holder in the Register at the close of business of the relevant clearing system on the Clearing System Business Day before the due date for such payments, where "**Clearing System Business Day**" means a weekday (Monday to Friday, inclusive) except 25 December and 1 January.*

(c) **Payments in the United States:** Notwithstanding the foregoing, if any Bearer Notes are denominated in U.S. dollars, payments in respect thereof may be made at the specified office of any Paying Agent in New York City in the same manner as aforesaid if (i) the Issuer shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Notes in the manner provided above when due, (ii) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts and (iii) such payment is then permitted by United States law, without involving, in the opinion of the Issuer, any adverse tax consequence to the Issuer.

(d) **Payments subject to Laws:** Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 8 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 8) any law implementing an intergovernmental approach thereto.

(e) **Appointment of Agents:** The Issuing and Paying Agent, the CMU Lodging and Paying Agent, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent initially appointed by the Issuer and the Guarantors and their respective specified offices are listed below. The Issuing and Paying Agent, the CMU Lodging and Paying Agent, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent act solely as agents of the Issuer and the Guarantors, or as the case may be, the Trustee, and do not assume any obligation or relationship of agency or trust for or with any Noteholder or Couponholder. The Issuer and the Guarantors reserve the right at any time (having notified the Trustee in writing) at any time to vary or terminate the appointment of the Issuing and Paying Agent, the CMU Lodging and Paying Agent, any other Paying Agent, the Registrar, any Transfer Agent or the Calculation Agent(s) and to appoint additional or other Paying Agents or Transfer Agents, provided that the Issuer shall at all times maintain (i) an Issuing and Paying Agent, (ii) a Registrar in relation to Registered Notes, (iii) a Transfer Agent in relation to Registered Notes, (iv) a CMU Lodging and Paying Agent in relation to Notes accepted for clearance through the CMU, (v) one or more Calculation Agent(s) where the Conditions so require and (vi) such other agents as may be required by any other stock exchange on which the Notes may be listed and/or admitted to trading in each case, as approved by the Trustee.

In addition, the Issuer and the Guarantors shall forthwith appoint a Paying Agent in New York City in respect of any Bearer Notes denominated in U.S. dollars in the circumstances described in paragraph (c) above.

Notice of any such change or any change of any specified office shall promptly be given to the Noteholders.

(f) **Unmatured Coupons and unexchanged Talons:**

(i) Upon the due date for redemption of Bearer Notes which comprise Fixed Rate Notes (other than Dual Currency Notes), such Notes should be surrendered for payment together with all unmatured Coupons (if any) relating thereto, failing which an amount equal to the face value of each missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmatured Coupon that the sum of principal so paid bears to the total principal due) shall be deducted from the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, due for payment. Any amount so deducted shall be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 9).

(ii) Upon the due date for redemption of any Bearer Note comprising a Floating Rate Note or Dual Currency Note, unmatured Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them.

(iii) Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.

(iv) Where any Bearer Note that provides that the relative unmatured Coupons are to become void upon the due date for redemption of those Notes is presented for redemption without all unmatured Coupons, and where any Bearer Note is presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.

(v) If the due date for redemption of any Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Bearer Note or Certificate representing it, as the case may be. Interest accrued on a Note that only bears interest after its Maturity Date shall be payable on redemption of such Note against presentation of the relevant Note or Certificate representing it, as the case may be.

(g) **Talons:** On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Bearer Note, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Issuing and Paying Agent in exchange for a further Coupon sheet (and if necessary another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 9).

(h) **Non-Business Days:** If any date for payment in respect of any Note or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this paragraph, "**business day**" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the relevant place of presentation, in such jurisdictions as shall be specified as "**Financial Centres**" in the applicable Pricing Supplement and:

(i) (in the case of a payment in a currency other than euro and Renminbi) where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency;

(ii) (in the case of a payment in euro) which is a TARGET Business Day; or

(iii) (in the case of a payment in Renminbi) on which banks and foreign exchange markets are open for business and settlement of Renminbi payments in Hong Kong.

8 TAXATION

All payments of principal and interest by or on behalf of the Issuer or either Guarantor in respect of the Notes and the Coupons shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the British Virgin Islands, the Cayman Islands and Hong Kong or any political subdivision or any authority or agency thereof or therein having power to tax ("**Taxes**"), unless such withholding or deduction is required by law. In that event, the Issuer or, as the case may be, either Guarantor shall pay such additional amounts ("**Additional Amounts**") as shall result in receipt by the Noteholders and Couponholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable:

(a) in respect of any such Taxes that would not have been imposed, deducted or withheld but for the existence of any connection between the holder or beneficial owner of any Note or Coupon, as the case may be, and the Cayman Islands, the British Virgin Islands or Hong Kong or any political subdivision or any authority thereof or therein or any territory or possession thereof or area subject to its jurisdiction, as the case may be, otherwise than merely holding such Note or receiving amounts in respect thereof; or

(b) in respect of any Note or Coupon presented (or in respect of which the Certificate representing it is presented) for payment (where presentation is required) more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such Additional Amounts on presenting the same for payment on the last day of such 30-day period;

(c) in respect of any such Taxes payable otherwise than by deduction or withholding from payments under or with respect to any Note or Coupon;

(d) in respect of any such Taxes that would not have been so imposed, deducted or withheld if the holder or beneficial owner of any Note or Coupon or the beneficial owner of any payment on such Note or Coupon had:

    (i) made a declaration of non-residence or any other claim or filing for exemption to which it is entitled; or

    (ii) complied with any certification, identification, information, documentation or other reporting requirement concerning the nationality, residence, identity or connection with the Cayman Islands, the British Virgin Islands or Hong Kong of such holder or beneficial owner of such Note or Coupon, provided that such declaration of non-residence or other claim or filing for exemption or such compliance is required by the applicable law of the Cayman Islands, the British Virgin Islands or Hong Kong as a precondition to exemption from, or reduction in the rate of the imposition, deduction or withholding of, such Taxes; and at least 30 days prior to the first payment date with respect to which such declaration of non-residence or other claim or filing for exemption or such compliance is required under the applicable law of the Cayman Islands, the British Virgin Islands or Hong Kong, the holder of such Note at that time has been notified by the Issuer, the relevant Guarantor or any other person through whom payment may be made that a declaration of non-residence or other claim or filing for exemption or such compliance is required to be made;

(e) in respect of any payment under or with respect to any Note or Coupon to any holder that is a fiduciary or partnership or any person other than the sole beneficial owner of such Note or Coupon, to the extent that a beneficiary or settlor with respect to such fiduciary, a member of such a partnership or the beneficial owner of such Note or Coupon would not have been entitled to such Additional Amounts had such beneficiary, settlor, member or beneficial owner been the actual holder of such Note or Coupon;

(f) in respect of any estate, inheritance, gift, sales, excise, transfer or personal property tax or similar tax, assessment or governmental charge; or

(g) any combination of paragraphs (a) through (f) above.

Notwithstanding any other provision contained herein, any amounts to be paid by the Issuer or any Guarantor on the Notes will be paid net of any deduction or withholding imposed or required pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), any current or future regulations or official interpretations thereof, any agreement entered into pursuant to Section 1471(b) of the Code, or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such Sections of the Code (or any law implementing such an intergovernmental agreement) (a "**FATCA Withholding Tax**"), and neither the Issuer nor any Guarantor nor any other person will be required to pay additional amounts on account of any FATCA Withholding Tax.

As used in these Conditions, "**Relevant Date**" in respect of any Note or Coupon means the date on which payment in respect of it first becomes due or (if the full amount of the money payable has not been duly paid on or prior to such due date) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders that, upon further presentation of the Note (or relative Certificate) or Coupon being made in accordance with the Conditions, such payment in full will be made, provided that payment is in fact made upon such presentation.

References in these Conditions to (i) "**principal**" shall be deemed to include any premium payable in respect of the Notes, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts, Amortised Face Amounts and all other amounts in the nature of principal payable pursuant to Condition 6 or any amendment or supplement to it, (ii) "**interest**" shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 5 or any amendment or supplement to it and (iii) "**principa**l" and/or "**interest**" shall be deemed to include any Additional Amounts that may be payable under this Condition 8 or any similar undertaking given in addition to or in substitution for it under the Trust Deed.

The foregoing provisions in this Condition 8 shall apply in the same manner with respect to the jurisdiction in which any successor Person to the Issuer (including any entity substituted in place of the Issuer, or of any previous substituted company, pursuant to Condition 11(c)) or either Guarantor is organised or any authority therein or thereof having the power to tax (a "**Successor Jurisdiction**"), substituting such Successor Jurisdiction for the Cayman Islands, the British Virgin Islands or Hong Kong, as the case may be.

Neither the Trustee nor the Agents shall be responsible for paying any tax, duty, charges, withholding or other payment referred to in this Condition 8 or for determining whether such amounts are payable or the amount thereof, and shall not be responsible or liable for any failure by the Issuer, Guarantors, Noteholders or any other person to pay such tax, duty, charges, withholding or other payment.

9 PRESCRIPTION

Claims against the Issuer and/or any of the Guarantors for payment in respect of the Notes and Coupons (which, for this purpose, shall not include Talons) shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

10 EVENTS OF DEFAULT

If any of the following events ("**Events of Default**") occurs and is continuing, the Trustee at its discretion may, and if so requested by holders of at least one-quarter in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall, subject in each case to being indemnified and/or provided with security and/or pre-funded to its satisfaction, give written notice to the Issuer declaring the Notes to be immediately due and payable, whereupon the Notes shall immediately become due and payable at their Early Redemption Amount together (if applicable) with accrued interest without further action or formality:

(a) **Non-Payment of principal:** the Issuer fails to pay principal of any of the Notes within five business days after the due date for such payment; or

(b) **Non-Payment of interest:** the Issuer fails to pay interest on any of the Notes within 30 days after the due date for such payment; or

(c) **Breach of Other Obligations:** the Issuer or either Guarantor defaults in the performance or observance of any of its other obligations under or in respect of the Notes or the Trust Deed and such default continues for 60 days after there has been given, to the Issuer and the Guarantors, by the Trustee a written notice specifying such default and requiring it to be remedied; or

(d) **Guarantee not in force:** the Guarantee is not (or is claimed by either Guarantor not to be) in full force and effect; or

(e) **Cross-acceleration:**

(i) the Issuer or either Guarantor fails to pay upon final maturity (after giving effect to the expiration of any applicable grace period therefor) the principal of any Indebtedness of the Issuer, either Guarantor or any Principal Subsidiary;

(ii) acceleration of the maturity of any Indebtedness of the Issuer, either Guarantor or any Principal Subsidiary following a default by the Issuer, either Guarantor or such Principal Subsidiary, if such Indebtedness is not discharged, or such acceleration is not annulled, within 10 days after receipt of the written notice as provided herein;

(iii) the Issuer, either Guarantor or any Principal Subsidiary fails to pay any amount under any guarantee or indemnity in respect of any Indebtedness of any other Person if such obligation is not discharged or otherwise satisfied within 10 days after receipt of written notice from the Trustee;

provided, however, that no such event set forth in paragraphs (i), (ii) or (iii) above shall constitute an event of default unless the aggregate outstanding Indebtedness to which all such events relate exceeds U.S.$30,000,000 (or its equivalent in any other currency); or

(f) **Insolvency etc.:** a decree or order by a court having jurisdiction is entered under any applicable bankruptcy, insolvency, reorganisation or other similar law:

(i) for relief in respect of the Issuer, either Guarantor or any Principal Subsidiary in an involuntary case of winding up or bankruptcy proceeding under applicable law; or

(ii) adjudging the Issuer, either Guarantor or any Principal Subsidiary bankrupt or insolvent, or seeking reorganisation, winding up, arrangement, adjustment or composition of or in respect of the Issuer, either Guarantor or any Principal Subsidiary under applicable law; or

(iii) appointing a custodian, receiver, liquidator, assignee, trustee, sequestrator (or other similar official) of the Issuer, either Guarantor or any Principal Subsidiary or of any substantial part of any of their properties, or ordering the winding up or liquidation of any of their affairs,

and any such decree or order remains unstayed and in effect for a period of 60 consecutive days; or

(g) **Voluntary arrangements:** the Issuer, either Guarantor or any Principal Subsidiary institutes a voluntary case or proceeding under applicable bankruptcy, insolvency, reorganisation or similar law, or any other case or proceedings to be adjudicated bankrupt or insolvent, or the Issuer, either Guarantor or any Principal Subsidiary files a petition or answer or consent seeking reorganisation or relief under applicable bankruptcy, insolvency, reorganisation or similar law, or consents to the filing of any such petition or to the appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee, sequestrator (or other similar official) of any of the Issuer, either Guarantor or any Principal Subsidiary or of any substantial part of its property, or makes an assignment for the benefit of creditors, or admits in writing its inability to pay its debts generally as they become due or takes corporate action in furtherance of any such action.

In this Condition 10:

"**business day**" means a day in New York City and Hong Kong other than Saturday, Sunday or a day on which banking institutions in New York City or Hong Kong are authorised or obligated by law or executive order to remain closed.

The Trustee shall not be obliged to take any steps to ascertain whether an event of default has occurred or to monitor the occurrence and continuance of any event of default under this Condition 10, and shall not be liable to the holders or any other person for not doing so.

11 MEETINGS OF NOTEHOLDERS, MODIFICATION, WAIVER AND SUBSTITUTION

(a) **Meetings of Noteholders:** The Trust Deed contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Trust Deed) of a modification of any of these Conditions or any provisions of the Trust Deed. Such a meeting may be convened by the Issuer and the Guarantors (acting together) or by the Trustee and shall be convened by the Trustee upon the request in writing of Noteholders holding not less than one-tenth in nominal amount of the Notes for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution shall be two or more persons holding or representing more than half of the nominal amount of the Notes for the time being outstanding, or at any adjourned meeting two or more persons being or representing Noteholders whatever the nominal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to amend the dates of maturity or redemption of the Notes or any date for payment of interest or Interest Amounts on the Notes, (ii) to reduce or cancel the nominal amount of, or any premium payable on redemption of, the Notes, (iii) to reduce the rate or rates of interest in respect of the Notes or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any Interest Amount in respect of the Notes, (iv) if a Minimum and/or a Maximum Rate of Interest or Redemption Amount is specified in the applicable Pricing Supplement, to reduce any such Minimum and/or Maximum, (v) to vary any method of, or basis for, calculating the Final Redemption Amount, the Early Redemption Amount or the Optional Redemption Amount, including the method of calculating the Amortised Face Amount, (vi) to vary the currency or currencies of payment or denomination of the Notes, (vii) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass the Extraordinary Resolution, or (viii) to modify or cancel the Guarantee or any terms thereof (each, a "**Reserved Matter**"), in which case the necessary quorum shall be two or more persons holding or representing not less than three-quarters, or at any adjourned meeting not less than one-quarter, in nominal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders.

The Trust Deed provides that a resolution (i) in writing signed by or on behalf of the holders of not less than 90 per cent. in nominal amount of the Notes outstanding or (ii) passed by Electronic Consent (as defined in the Trust Deed) shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

(b) **Modification of the Trust Deed:** The Trustee may agree but shall not be obliged, without the consent of the Noteholders or Couponholders, to (i) any modification of any of the provisions of the Trust Deed that is of a formal, minor or technical nature or is made to correct a manifest error, and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach (other than a breach of proposed breach relating to the subject of a Reserved Matter), of any of the provisions of the Trust Deed that is in the opinion of the Trustee not materially prejudicial to the interests of the Noteholders (other than in respect of a Reserved Matter). Any such modification, authorisation or waiver shall be binding on the Noteholders and the Couponholders and, if the Trustee so requires, such modification shall be notified to the Noteholders and the Couponholders as soon as practicable thereafter.

In addition, the Trustee shall be obliged to concur with the Issuer in effecting any Benchmark Amendments in the circumstances set out in Condition 5(j) without the consent of the Noteholders or Couponholders.

(c) **Substitution:** The Trust Deed contains provisions under which either Guarantor may, without the consent of the Noteholders, assume the obligations of the Issuer as principal debtor under the Trust Deed and the Notes provided that certain conditions specified in the Trust Deed are fulfilled, including, a requirement that the Guarantee by the remaining Guarantor is fully effective in relation to the obligations of the new principal debtor under the Trust Deed and the Notes.

No Noteholder shall, in connection with any substitution, be entitled to claim any indemnification or payment in respect of any tax consequence thereof for such Noteholder, except to the extent provided for in Condition 8 (or any undertaking given in addition to or substitution for it pursuant to the provisions of the Trust Deed).

(d) **Entitlement of the Trustee:** In connection with the exercise of its functions (including but not limited to those referred to in this Condition 11) the Trustee shall have regard to the interests of the Noteholders as a class and shall not have regard to the consequences of such exercise for individual Noteholders or Couponholders and the Trustee shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from the Issuer or either Guarantor any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders or Couponholders.

12 ENFORCEMENT

At any time after the Notes become due and payable, the Trustee may, at its discretion and without further notice, institute such proceedings against the Issuer and/or the Guarantors as it may think fit to enforce the terms of the Trust Deed, the Notes and the Coupons, but it need not take any such proceedings unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Noteholders holding at least one-quarter in nominal amount of the Notes outstanding, and (b) it shall have been indemnified and/or provided with security and/or prefunded to its satisfaction. No Noteholder or Couponholder may proceed directly against the Issuer or either Guarantor unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

13 INDEMNIFICATION OF THE TRUSTEE

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including, without limitation, provisions relieving it from taking such steps and/or actions and/or instituting such proceedings to enforce payment unless first indemnified and/or secured and/or pre-funded to its satisfaction. The Trustee is entitled to enter into business transactions with the Issuer, the Guarantors and any entity related to the Issuer or the Guarantors without accounting for any profit.

The Trustee may rely without liability to Noteholders or Couponholders on a report, confirmation or certificate or any advice of any accountants, financial advisers, financial institution or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely on any such report, confirmation or certificate or advice and such report, confirmation or certificate or advice shall be binding on the Issuer, the Trustee, the Noteholders and the Couponholders.

14 REPLACEMENT OF NOTES, CERTIFICATES, COUPONS AND TALONS

If a Note, Certificate, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Issuing and Paying Agent (in the case of Bearer Notes, Coupons or Talons) and of the Registrar (in the case of Certificates) or such other Paying Agent or Transfer Agent, as the case may be, as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Noteholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Note, Certificate, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Notes, Certificates, Coupons or further Coupons) and otherwise as the Issuer may require. Mutilated or defaced Notes, Certificates, Coupons or Talons must be surrendered before replacements will be issued.

15 FURTHER ISSUES

The Issuer may from time to time without the consent of the Noteholders or Couponholders and in accordance with the Trust Deed, create and issue further securities having the same terms and conditions as the Notes in all respects (or in all respects except for the issue date and issue price, the first payment of interest on them and, to the extent necessary, certain temporary securities law transfer restrictions) and so that such further issue shall be consolidated and form a single series with any outstanding Series. References in these Conditions to the Notes include (unless the context requires otherwise) any other securities issued pursuant to this Condition 15 and forming a single series with the Notes.

16 NOTICES

Notices required to be given to the holders of Registered Notes pursuant to the Conditions shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing. Notices required to be given to the holders of Bearer Notes pursuant to the Conditions shall be valid if published in a daily newspaper of general circulation in Asia (which is expected to be the Asian Wall Street Journal). If in the opinion of the Trustee any such publication is not practicable, notice required to be given pursuant to the Conditions shall be validly given if published in another leading daily English language newspaper with general circulation in Asia. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made, as provided above.

Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the holders of Bearer Notes in accordance with this Condition 16.

So long as the Notes are represented by a Global Note or a Global Certificate and such Global Note or Global Certificate is held on behalf of (i) Euroclear or Clearstream or any other clearing system (except as provided in (ii) below), notices to the holders of Notes of that Series may be given by *delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions or by delivery of the relevant notice to the holder of the Global Note or (ii) the CMU, notices to the holders of Notes of that Series may be given by delivery of the relevant notice to the persons shown in a CMU Issue Position Report issued by the CMU on the second business day preceding the date of despatch of such notice as holding interests in the relevant Global Note or Global Certificate.*

17 CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

18 GOVERNING LAW AND JURISDICTION

(a) **Governing Law:** The Trust Deed, the Notes, the Coupons and the Talons and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.

(b) **Jurisdiction:** Each of the Issuer and the Guarantors has in the Trust Deed (i) agreed for the benefit of the Trustee and the Noteholders and Couponholders that the courts of England shall have non-exclusive jurisdiction to settle any dispute (a "**Dispute**") arising out of or in connection with the Notes, the Coupons and the Talons (including any non-contractual obligation arising out of or in connection with the Notes, the Coupons and the Talons); (ii) agreed that those courts are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue that any other courts are more appropriate or convenient; (iii) designated a person in England to accept service of any process on its behalf; (iv) consented to the enforcement of any judgment; and (v) to the extent that it may in any jurisdiction claim for itself or its assets immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process, and to the extent that in any such jurisdiction there may be attributed to itself or its assets or revenues such immunity (whether or not claimed), agreed not to claim and irrevocably waived such immunity to the full extent permitted by the laws of such jurisdiction. The Trust Deed also states that nothing contained in the Trust Deed prevents the Trustee or any of the Noteholders or Couponholders from taking proceedings related to a Dispute ("**Proceedings**") in any other courts with jurisdiction and that, to the extent allowed by law, the Trustee or any of the Noteholders or Couponholders may take concurrent Proceedings in any number of jurisdictions.

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

Initial Issue of Notes

Global Notes and Certificates may be delivered on or prior to the original issue date of the Tranche to a common depositary for Euroclear and Clearstream (the "**Common Depositary**") or a sub-custodian for the HKMA as operator of the CMU.

Upon the initial deposit of a Global Note with the Common Depositary or with a sub-custodian for the HKMA as operator of the CMU or registration of Registered Notes in the name of (i) any nominee for Euroclear and Clearstream; or (ii) the HKMA and delivery of the relevant Global Certificate to the Common Depositary or the sub-custodian for the HKMA as operator of the CMU (as the case may be), Euroclear or Clearstream or the CMU (as the case may be) will credit each subscriber with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed and paid.

Notes that are initially deposited with the Common Depositary may also be credited to the accounts of subscribers with (if indicated in the relevant Pricing Supplement) other clearing systems through direct or indirect accounts with Euroclear and Clearstream held by such other clearing systems. Conversely, Notes that are initially deposited with any other clearing system may similarly be credited to the accounts of subscribers with Euroclear, Clearstream or other clearing systems.

Relationship of Accountholders with Clearing Systems

In relation to any Tranche of Notes represented by a Global Note, references in the Conditions of the Notes to "Noteholder" are references to the bearer of the relevant Global Note which, for so long as the Global Note is held by a depositary or a common depositary for Euroclear and/or Clearstream and/or any other relevant clearing system, and/or a sub-custodian for the CMU, will be that depositary, common depositary or sub-custodian, as the case may be.

In relation to any Tranche of Notes represented by a Global Certificate, references in the Conditions of the Notes to "Noteholder" are references to the person in whose name such Global Certificate is for the time being registered in the Register which, for so long as the Global Certificate is held by or on behalf of a depositary or a common depositary for Euroclear and/or Clearstream and/or any other relevant clearing system, and/or a sub-custodian for the CMU, will be such sub-custodian, such depositary or common depositary, or a nominee for such depositary or common depositary, as the case may be.

Save as provided in the following paragraph, each of the persons shown in the records of Euroclear, Clearstream or any other clearing system as the holder of a Note represented by a Global Note or a Global Certificate must look solely to Euroclear, Clearstream or such clearing system (as the case may be) for his share of each payment made by the Issuer to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, and in relation to all other rights arising under the Global Notes or Global Certificates, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, or such clearing system (as the case may be). Such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are represented by such Global Note or Global Certificate and such obligations of the Issuer will be discharged by payment to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, in respect of each amount so paid.

If a Global Note or a Global Certificate is lodged with a sub-custodian for or registered with the CMU, the person(s) for whose account(s) interests in such Global Note or Global Certificate are credited as being held in the CMU in accordance with the CMU Rules shall be the only person(s) entitled (or, in the case of Registered Notes, directed or deemed by the CMU as entitled) to receive payments in respect of Notes represented by such Global Note or Global Certificate and the Issuer will be discharged by payment to, or to the order of, such person(s) for whose account(s) interests in such Global Note or Global Certificate are credited as being held in the CMU in respect of each amount so paid. Each of the persons shown in the records of the CMU, as the beneficial holder of a particular nominal amount of Notes represented by such Global Note or Global Certificate, must look solely to the CMU for his share of each payment so made by the Issuer in respect of such Global Note or Global Certificate.

Exchange

Temporary Global Notes

If the relevant Pricing Supplement specifies the form of Notes as being a "Temporary Global Note exchangeable for a Permanent Global Note", then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole or in part, for interests in a Permanent Global Note, without interest coupons, not earlier than 40 days after the issue date of the relevant Tranche of the Notes upon certification as to non-U.S. beneficial ownership. No payments will be made under the Temporary Global Note unless exchange for interests in the Permanent Global Note is improperly withheld or refused. In addition, interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever any interest in the Temporary Global Note is to be exchanged for an interest in a Permanent Global Note, the Issuer shall procure (in the case of first exchange) the delivery of a Permanent Global Note to the bearer of the Temporary Global Note or (in the case of any subsequent exchange) an increase in the principal amount of the Permanent Global Note in accordance with its terms against:

(a) presentation and (in the case of final exchange) presentation and surrender of the Temporary Global Note to or to the order of the Principal Paying Agent or CMU Lodging and Paying Agent, as the case may be; and

(b) receipt by the Principal Paying Agent or CMU Lodging and Paying Agent, as the case may be of a certificate or certificates of non-U.S. beneficial ownership.

The principal amount of Notes represented by the Permanent Global Note shall be equal to the aggregate of the principal amounts specified in the certificates of non-U.S. beneficial ownership provided, however, that in no circumstances shall the principal amount of Notes represented by the Permanent Global Note exceed the initial principal amount of Notes represented by the Temporary Global Note.

Each temporary Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date:

(i) if the relevant Pricing Supplement indicates that such Global Note is issued in compliance with the C Rules or in a transaction to which TEFRA is not applicable (as to which, see "*Summary of the Programme – Selling Restrictions*"), in whole, but not in part, for interests in a permanent Global Note or, if so provided in the relevant Pricing Supplement, for Definitive Notes; and

(ii) otherwise, in whole or in part upon certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement for interests in a permanent Global Note or, if so provided in the relevant Pricing Supplement, for Definitive Notes.

The CMU may require that any such exchange for a permanent Global Note is made in whole and not in part and in such event, no such exchange will be effected until all relevant account holders (as set out in the CMU Issue Position Report) or any other relevant notification supplied to the CMU Lodging and Paying Agent by the CMU) have so certified.

Permanent Global Notes

The Permanent Global Note will become exchangeable, in whole but not in part only and at the request of the bearer of the Permanent Global Note, for Bearer Notes in definitive form ("**Definitive Notes**"):

(i) on the expiry of such period of notice as may be specified in the Pricing Supplement; or

(ii) at any time, if so specified in the Pricing Supplement; or

(iii) if the Pricing Supplement specifies "in the limited circumstances described in the Permanent Global Note", then if either of the following events occurs:

a. Euroclear or Clearstream or the CMU or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business; or

b. an Event of Default as defined in Condition 10 (*Events of Default*) occurs and the Notes become due and payable.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the Pricing Supplement), in an aggregate principal amount equal to the principal amount of Notes represented by the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note to or to the order of the Principal Paying Agent or the CMU Lodging and Paying Agent, as the case may be, within 30 days of the bearer requesting such exchange.

Global Certificates

Each Tranche of Registered Notes will be in the form of either individual Note Certificates in registered form ("**Individual Note Certificates**") or a global Note in registered form (a "**Global Certificate**"), in each case as specified in the relevant Pricing Supplement.

Each Global Certificate will be deposited on or around the relevant issue date with a depositary or a common depositary for Euroclear and/or Clearstream and/or the CMU and/or any other relevant clearing system and registered in the name of a nominee for such depositary and will be exchangeable for Individual Note Certificates in accordance with its terms.

If the relevant Pricing Supplement specifies the form of the Notes as being "Individual Note Certificates", then the Notes will at all times be represented by Individual Note Certificates issued to each Noteholder in respect of their respective holdings.

If the relevant Pricing Supplement specifies the form of Notes as being "Global Certificate exchangeable for Individual Note Certificates", then the Notes will initially be in the form of a Global Certificate which will be exchangeable in whole, but not in part, for Individual Note Certificates:

(a) on the expiry of such period of notice as may be specified in the relevant Pricing Supplement; or

(b) at any time, if so specified in the relevant Pricing Supplement; or

(c) if the relevant Pricing Supplement specifies "in the limited circumstances described in the Global Certificate", then if either of the following events occurs:

    (i) Euroclear or Clearstream or the CMU or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business; or

    (ii) any of the circumstances described in Condition 10 (*Events of Default*) occurs.

Whenever the Global Certificate is to be exchanged for Individual Note Certificates, the Issuer shall procure that Individual Note Certificates will be issued in an aggregate principal amount equal to the principal amount of the Global Certificate within five business days of the delivery, by or on behalf of the registered holder of the Global Certificate to the Registrar of such information as is required to complete and deliver such Individual Note Certificates (including, without limitation, the names and addresses of the persons in whose names the Individual Note Certificates are to be registered and the principal amount of each such person's holding) against the surrender of the Global Certificate at the specified office of the Registrar. Such exchange will be effected in accordance with the provisions of the Agency Agreement and the regulations concerning the transfer and registration of Notes scheduled thereto and, in particular, shall be effected without charge to any holder, but against such indemnity as the Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

Amendment to Conditions

The temporary Global Notes, permanent Global Notes and Global Certificates contain provisions that apply to the Notes that they represent, some of which modify the effect of the terms and conditions of the Notes set out in this Offering Circular. The following is a summary of certain of those provisions:

Payments

Payments on any temporary Global Note issued in compliance with the D Rules before the Exchange Date will only be made against presentation of certification as to non-U.S. beneficial ownership in the form set out in the Trust Deed. All payments in respect of Notes represented by a Global Note (except with respect to Global Note held through the CMU) will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Notes, surrender of that Global Note to or to the order of the Issuing and Paying Agent as shall have been notified to the Noteholders for such purpose. A record of each payment so made will be endorsed on each Global Note, which endorsement will be prima facie evidence that such payment has been made in respect of the Notes. For the purposes of any payments made in respect of a Global Note, the relevant place of presentation shall be disregarded in the definition of "business day" set out in Condition 7(h) (*Non-Business Days*).

In the case of a Global Note, or a Global Certificate, the applicable Payment Business Day shall be, if the currency of payment is euro, any day which is a TARGET Business Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or, if the currency of payment is not euro, any day which is a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre.

Each payment in respect of a Global Certificate will be made to the person shown as the Holder in the Register at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment (the "**Record Date**") where "**Clearing System Business Day**" means a day on which each clearing system for which this Global Certificate is being held is open for business.

For so long as a Global Note or Global Certificate is held by or on behalf of the CMU, all payments in respect of the Global Note or Global Certificate shall be made to the person(s) for whose account(s) interests in this Global Certificate are credited with being held in accordance with the agreements, rules and regulations governing the CMU (the "**CMU Rules**") as notified to the CMU Lodging and Paying Agent by the CMU in a relevant CMU Issue Position Report or any other relevant notification by the CMU and, save in the case of final payment thereunder, no presentation of such Global Certificate shall be required. For these purposes, a notification from the CMU shall be conclusive evidence of the records of the CMU (save in the case of manifest error) or shall be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Notes.

Exercise of Put Option

In order to exercise the option contained in Condition 6(e) (*Redemption, Purchase and Options – Redemption at the Option of Noteholders (Put Option)*), the bearer of a Permanent Global Note or the Holder of a Global Certificate must, within the period specified in the Conditions for the deposit of the relevant Note and Exercise Notice (as such expression in defined in the Agency Agreement), give notice of such exercise to the Principal Paying Agent or CMU Lodging and Paying Agent, as the case may be, in accordance with the rules and procedures of Euroclear, Clearstream, the CMU and/or any other relevant clearing system, specifying the principal amount of the Notes in respect of which such Put Option is being exercised. Any such notice will be irrevocable and may not be withdrawn.

Partial exercise of call option

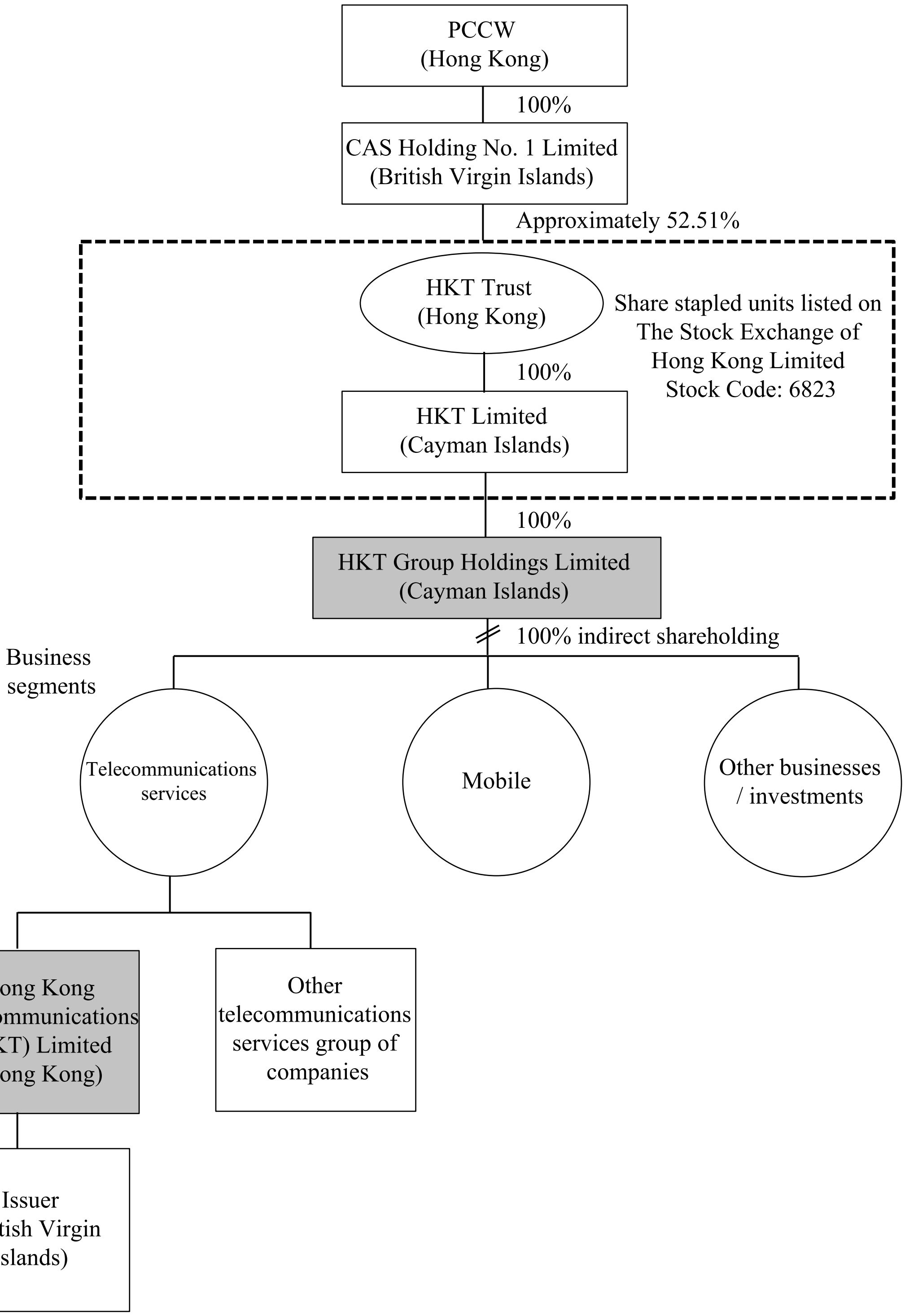
In connection with an exercise of the option contained in Condition 6(d) (*Redemption, Purchase and Options – Redemption at the Option of the Issuer (Call Option)*) in relation to some only of the Notes, the Permanent Global Note or Global Certificate may be redeemed in part in the principal amount specified by the Issuer in accordance with the Conditions and the Notes to be redeemed will not be selected as provided in the Conditions but in accordance with the rules and procedures of Euroclear and/or Clearstream and/or CMU (to be reflected in the records of Euroclear and/or Clearstream and/or CMU as either a pool factor or a reduction in principal amount, at their discretion).

Notices

Notwithstanding Condition 16 (*Notices*), while all the Notes are represented by a Permanent Global Note (or by a Permanent Global Note and/or a temporary Global Note) or a Global Certificate and the Permanent Global Note is (or the Permanent Global Note and/or the temporary Global Note are), or the Global Certificate is, deposited with: (i) a depositary or a common depositary for Euroclear and/or Clearstream and/or any other relevant clearing system, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream and/or any other relevant clearing system and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with Condition 16 (*Notices*) on the date of delivery to Euroclear and/or Clearstream and/or any other relevant clearing system; or (ii) a sub-custodian for the CMU, notices to Noteholders may be given by delivery of the relevant notice to the persons shown in a CMU Issue Position Report (as defined in the Trust Deed) issued by the CMU on the business day preceding the date of dispatch of such notice as holding interests in the Global Note or Global Certificate. Any such notices shall be deemed to have been given to the Noteholders in accordance with the Condition 16 (*Notices*) on the second business day after the day on which such notice is delivered to the persons shown in the CMU Issue Position Report.

DESCRIPTION OF THE ISSUER AND THE GUARANTORS

The chart below illustrates, in simplified form, the corporate structure of the Group:



Note:

Place of incorporation is mentioned in brackets.

THE ISSUER

The Issuer, an indirect wholly-owned subsidiary of HKTGH and a direct wholly-owned subsidiary of Hong Kong Telecommunications (HKT) Limited, was incorporated as a company with limited liability under the laws of the British Virgin Islands on 30 April 2024. Its registered office is located at Commerce House, Wickhams Cay 1, P.O. Box 3140, Road Town, Tortola, British Virgin Islands VG1110. The Issuer, whose primary purpose is to act as a financing subsidiary of the Group, will remain an indirect wholly-owned subsidiary of HKTGH and a direct wholly-owned subsidiary of Hong Kong Telecommunications (HKT) Limited as long as the Notes are outstanding and will advance the net proceeds of the Notes to other members of the Group. The Issuer has no material assets, and since its incorporation has not conducted and will not conduct any business, except relating to the offering, sale and issuance of indebtedness and the lending of the proceeds thereof to members of the Group and any other activities in connection therewith.

The directors of the Issuer are Hui Hon Hing, Susanna and Poon Chi Ho. The Issuer does not have any executive officers.

The Issuer is authorised to issue 50,000 ordinary shares of U.S.$1 par value each. No part of the equity securities of the Issuer is listed or dealt on any stock exchange and no listing or permission to deal in such securities is being or is proposed to be sought.

The Issuer does not have any debt outstanding. The Issuer has no subsidiaries.

The Issuer has not audited or published, and does not propose to audit or publish, any of its accounts since it is not required to do so under the laws of the British Virgin Islands. However, the Issuer is required to keep such accounts and records as the directors consider necessary or desirable in order to reflect the financial position of the Issuer.

THE GUARANTORS

HKTGH

HKTGH, a direct wholly-owned subsidiary of HKT, was incorporated as a company with limited liability under the laws of the Cayman Islands on 18 January 2008. Its registered office is located at PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The directors of HKTGH are Hui Hon Hing, Susanna and Poon Chi Ho.

The authorised share capital of HKTGH is U.S.$650,000,000 divided into 650,000,000 ordinary shares of U.S.$1 par value each, of which 636,000,031 shares are issued and outstanding. No part of the equity securities of HKTGH is listed or dealt on any stock exchange and no listing or permission to deal in such securities is being or is proposed to be sought.

Hong Kong Telecommunications (HKT) Limited

Hong Kong Telecommunications (HKT) Limited, an indirect wholly-owned subsidiary of HKTGH, was incorporated as a company with limited liability under the laws of Hong Kong on 21 January 2008. Its registered office is located at 39th Floor, PCCW Tower, Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong.

The directors of Hong Kong Telecommunications (HKT) Limited are Hui Hon Hing, Susanna and Poon Chi Ho.

The total number of shares of Hong Kong Telecommunications (HKT) Limited in issue is 2,488,200,001 ordinary shares. No part of the equity securities of Hong Kong Telecommunications (HKT) Limited is listed or dealt on any stock exchange and no listing or permission to deal in such securities is being or is proposed to be sought.

CAPITALISATION AND EXTERNAL INDEBTEDNESS

CAPITALISATION AND EXTERNAL INDEBTEDNESS OF THE GUARANTORS

The following table sets forth the consolidated capitalisation and external indebtedness of HKTGH as at 31 December 2023, which have been extracted from the audited consolidated financial statements of HKTGH.

	As at 31 December 2023	
	(HK$ million) *(Audited)*	*(U.S.$ million)*[(1)] *(Unaudited)*
Short-term debt:		
Bank loans[(2)]	1,049	134
	1,049	134
Long-term debt:		
Bank loans[(2)]	20,877	2,673
The Zero Coupon Guaranteed Notes due 2030	2,335	299
3.625% Guaranteed Notes due 2025	3,895	499
1.65% Guaranteed Notes due 2027	1,718	220
3.00% Guaranteed Notes due 2026	5,845	748
3.25% Guaranteed Notes due 2029	3,832	491
3.00% Guaranteed Notes due 2032	5,016	642
Other borrowings[(2)]	1,795	230
	45,313	5,802
Total debts	46,362	5,936
Capital and reserves:		
Share capital	4,961	635
Reserves[(3)]	26,040	3,334
Shareholder's equity	31,001	3,969
Total capitalisation and external indebtedness[(4)]	77,363	9,905

Notes:

(1) A rate of HK$7.8109 to U.S.$1 (as at 29 December 2023) was adopted for the conversion of H.K. dollar to U.S. dollar.

(2) During the period from 1 January 2024 to 28 June 2024, there was a net drawdown of bank loans and other borrowings of HK$1,663 million.

(3) During the period from 1 January 2024 to 28 June 2024, there was an increase in reserves of HK$53 million to include impact of the issue of shares at premium.

(4) Total capitalisation and external indebtedness represents shareholder's equity plus total debts.

Save for the disclosure in notes (2) and (3) above, there has been no material change in the total capitalisation and external indebtedness of HKTGH since 31 December 2023.

The following table sets forth the consolidated capitalisation and external indebtedness of Hong Kong Telecommunications (HKT) Limited as at 31 December 2023, which have been extracted from the audited consolidated financial statements of Hong Kong Telecommunications (HKT) Limited.

	As at 31 December 2023	
	(HK$ million) *(Audited)*	*(U.S.$ million)*[(1)] *(Unaudited)*
Short-term debt:		
Bank loan[(2)]	994	127
	994	127
Long-term debt:		
Bank loans[(2)]	20,877	2,673
The Zero Coupon Guaranteed Notes due 2030	2,335	299
3.625% Guaranteed Notes due 2025	3,895	499
1.65% Guaranteed Notes due 2027	1,718	220
3.00% Guaranteed Notes due 2026	5,845	748
3.25% Guaranteed Notes due 2029	3,832	491
3.00% Guaranteed Notes due 2032	5,016	642
Other borrowings[(2)]	1,795	230
	45,313	5,802
Total debts	46,307	5,929
Capital and reserves:		
Share capital	9,945	1,273
Reserves	1,630	209
Shareholder's equity	11,575	1,482
Total capitalisation and external indebtedness[(3)]	57,882	7,411

Notes:

(1) A rate of HK$7.8109 to U.S.$1 (as at 29 December 2023) was adopted for the conversion of H.K. dollar to U.S. dollar.

(2) During the period from 1 January 2024 to 28 June 2024, there was a net drawdown of bank loans and other borrowings of HK$1,663 million.

(3) Total capitalisation and external indebtedness represents shareholder's equity plus total debts.

Save for the disclosure in note (2) above, there has been no material change in the total capitalisation and external indebtedness of Hong Kong Telecommunications (HKT) Limited since 31 December 2023.

CAPITALISATION AND EXTERNAL INDEBTEDNESS OF THE ISSUER

As at the date of this Offering Circular, the Issuer had no outstanding debt and is authorised to issue 50,000 ordinary shares of U.S.$1 par value each, and has in issue one fully paid up share of U.S.$1.

BUSINESS OF THE GROUP

OVERVIEW

The share stapled units of the HKT Trust and HKT are listed on The Stock Exchange of Hong Kong Limited (stock code: 6823). HKT is the holding company of each of the Guarantors.

The Group is a technology, media, and telecommunication leader with more than 150 years of history in Hong Kong. As Hong Kong's unparalleled quadruple-play service provider (i.e. fixed-line, broadband, mobile communication and media entertainment services), the Group delivers a diverse spectrum of telecommunications and smart living services. The Group offers high-quality broadband for gaming and streaming, a broad suite of world-class entertainment, live sporting events, e-learning activities and smart communication services encompassing video and voice calls through NETVIGATOR, Now TV, HKT education and HKT Home Phone.

The Group is the first local mobile operator to launch a true 5G network in Hong Kong with differentiated value-added services. CSL Mobile provides comprehensive mobile voice and data services via the csl and 1O1O brands. With a substantial amount of 5G spectrum and a robust and extensive fibre-backed network infrastructure, CSL Mobile is uniquely positioned to offer a differentiated 5G experience. 1O1O Home brand taps the Group's distinct edge and comprehensive services to seamlessly integrate value-added services across its mobile, broadband, fixed-line and entertainment portfolio to provide all-round privileges for its premium customers.

In addition to connectivity services, the Group provides solutions leveraging emerging technologies such as 5G, AI, IoT, cloud computing, data analytics and robotics for different industry verticals to empower enterprise digital transformation. With its extensive and loyal customer base, the Group has also built a digital ecosystem integrating its loyalty programme, digital eCommerce, travel, insurance, healthcare, big data analytics and fintech services. The ecosystem deepens the Group's relationship with its customers thereby enhancing customer retention and engagement.

The Group had over 13,600 employees as at 31 December 2023, located in 22 countries and cities. Approximately 64% of these employees work in Hong Kong and the others are based mainly in mainland China, the Philippines, the United Kingdom and the United States.

RECENT DEVELOPMENTS

Adoption of 50G PON Technology

As Hong Kong's only quadruple-play solutions provider, the Group launched 1O1O HOME in early 2024 to integrate its service offering in mobile with broadband, entertainment and voice services to deliver a one-stop Smart Living solution for a premium customer experience. To consolidate the Group's market position, it began offering symmetric 2.5/5/10Gbps services in May 2023. Deploying the latest 10G Symmetric Passive Optical Network technology ("**XGSPON**"), the Group's fibre-to-the-home ("**FTTH**") service enables upgrades from 2.5Gbps onwards without the need for further on-site visits, thus enhancing customer experience as well as improving operational efficiency and can support multiple home users via the latest Wi-Fi 7 routers. This upgraded service currently covers over 50,000 buildings and 2.4 million households in Hong Kong, representing 80% coverage of the Group's entire FTTH network. In March 2024, the Group announced the adoption of the latest 50G PON technology, making it the first telecommunication service provider in Hong Kong to support 50G applications through the use of 50G PON technology. This prepares the Group for the delivery of an ultra-high-speed, multi-device and ultra-low-latency network experience for both consumers and commercial customers.

Strategic Partnership for Console Connect Business

In response to the growing demand for cloud connectivity services and investment opportunities in new subsea cable builds, the Group's international business is establishing a strategic partnership with Infratil Limited, a New Zealand infrastructure investment fund, to accelerate the growth of the Console Connect business. Closing of the transaction is subject to relevant regulatory approvals.

Development of Passive Network Business

On 26 June 2024, an indirect wholly-owned subsidiary of HKTGH (the "**Seller**") and an investor managed and controlled by China Merchants Capital Holdings Co., Limited (招商局資本控股有限責任公司) (the "**Investor**") entered into a sale and purchase agreement for 40% of the issued share capital of Regional Link Telecom Services Holdings Limited ("**Regional Link**") and a receivable, for a total consideration of U.S.$870 million. On 26 June 2024, the Seller, the Investor and Regional Link also entered into a shareholders' agreement, conditional upon the completion of the transaction under the aforementioned sale and purchase agreement ("**Completion**"), with a master services agreement to also be entered into at Completion between a subsidiary of Regional Link and Hong Kong Telecommunications (HKT) Limited for the provision of network access services. The proceeds from the said transaction will be used for general corporate purposes including the repayment of debt.

With new residential development areas in Hong Kong planned, the increasing digital transformation of enterprises and ever closer integration within the Greater Bay Area, the partnership to be established between the Group and the Investor will seek to expand its passive infrastructure business to support new service offerings and reach new geographic areas. Furthermore, establishment of the partnership will enable the Group to strengthen resources in enhancing and broadening its service offerings to consumers particularly in complementary digital lifestyle applications as well as providing innovative and advanced technology solutions to its enterprise customers. Completion is pending subject to relevant regulatory approvals.

BUSINESS OF THE GROUP

Telecommunications business

The telecommunications business of the Group comprises three business segments: telecommunications services, mobile and other businesses, as further described below.

Telecommunications services

The telecommunications services segment provides four core areas of telecommunications products and services, being local data services, pay TV services, local telephony services and international telecommunications services.

- ***Local data services***

  The Group's local data and broadband services consist primarily of data transmission services such as private or virtual private IP network services for private and public sector organisations, and business and residential broadband Internet services. The broadband services provide users with a choice of Internet access speeds up to 10 Gbps and additional value-added services such as Home Wi-Fi and Smart Living to meet the Group's customers' smart lifestyle needs. As at 31 December 2023, there were approximately 1.647 million broadband access lines, of which FTTH connections reached over

1 million, which represented a net increase of 38,000 or 4% growth from a year earlier and represented 68% of the Group's consumer broadband base of 1.471 million as at the end of December 2023.

Smart Living is an innovative service offered by the Group based on its customised home broadband network and automation systems enabling users to control home settings such as lighting, curtains, home entertainment products and home surveillance systems. through the Group's eye Smart Communications Service ("eye") device at home or via a Smartphone or a tablet when users are on the move. The Group provides one-stop service including on-site professional advice on layout and recommendations on equipment, overall set up and after-sales service, and partners with property developers to embed Smart Living solutions in new residential properties.

HKT education offers stable and advanced one-stop eLearning solutions facilitated by reliable provision of high-speed broadband to schools, as well as cloud storage and Wi-Fi technology, covering all needs before, during and after class. HKT education focuses on pedagogy and content, as well as the development of technology platforms, providing learning and teaching materials in accordance with curriculum guidelines from the Education Bureau of Hong Kong for primary and junior secondary schools.

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

- ***Pay TV services***

  The Group operates the Now TV business, which is the leading pay TV service provider in Hong Kong, offering a wide range of local and international content through linear TV channels, on-demand streaming platforms and applications. To compete with the wide range of video streaming services now available, Now TV has focused its content proposition and reinforced its status as the Home of Sports by securing major sports programmes such as the UEFA European Football Championship™ 2024, the return of NBA games for three seasons, the English Premier League, La Liga, Formula 1® and Wimbledon. Now TV also broadcast several "M" Mark sporting events including the ATP and WTA tennis tournaments. To tailor to the taste of all family members, Now TV has recently introduced the Now Signature Pack, encompassing the latest Chinese, Asian and Hollywood blockbuster movies, hit drama series, award-winning variety entertainment as well as live sports and kids' content with 16,000 hours of on-demand programmes available. Moreover, Now TV's video-streaming service now offers an OTT service option, enabling simultaneous multi-device access to both live channels and video on demand without a set-top box. This strategic addition stimulates acquisition, retention and penetration, allowing the Group to broaden its user base, increase its appeal to advertisers and encourage stronger intra-group collaborations. As at 31 December 2023, Now TV had an installed base of 1.429 million users.

- ***Local telephony services***

  The Group's local telephony services consist of fixed-line local telecommunications services, multimedia services and wholesale interconnection services provided to other telecommunications carriers and service providers. The Group's fixed-line service provides local and international call services for its residential and business users. The eye is a comprehensive service including audio and video call functionality and access to educational and infotainment applications which are suitable for all family members. The Group has a leadership position in the fixed-line telecommunications market in Hong Kong. The Group's local telephony services had approximately 2.227 million fixed lines in service as at 31 December 2023.

- ***International telecommunications services***

  PCCW Global, a business unit of the Group, is a leading international communications service provider, offering the latest mobility, voice and data solutions to multinational enterprises, telecommunications partners, cloud and application service providers. It operates a Tier-1 global Internet backbone and the Console Connect Software Defined interconnection platform. Console Connect can be accessed from over 900 data centres worldwide in more than 50 countries.

Mobile

The Group currently offers 2G, 3G, 4G and 5G mobile services marketed under the "1O1O", "csl" and "SUN Mobile" brands and Wi-Fi services marketed under the "csl Wi-Fi" brand. The Group launched 1O1O HOME in early 2024 to integrate its service offering in mobile with broadband, entertainment and voice services to deliver a one-stop Smart Living solution for a premium customer experience. As at 31 December 2023, the Group had approximately 3.428 million post-paid customers. The Group provides support for a broad spectrum of Smartphones and has implemented tariff plans to drive continued growth of its mobile service customer base and hence mobile data revenue. The Group also provides fixed-to-mobile integration technology for its commercial customers to serve their communications needs.

On 1 April 2020, the Group became the first local mobile operator to launch a true 5G network in Hong Kong with differentiated value-added services. The Group's 5G network is backed by its substantial holding of 5G spectrum across all bands and a robust and extensive fibre backhaul infrastructure. The Group has introduced a variety of content and applications that bring out the best in 5G for consumers. These include 4K live streaming, VR content, AR experience with virtual content, 24-bit music and 5G mobile gaming, as well as an AR lens application through which customers may spot and obtain special offers from participating shops and restaurants. There were approximately 1.399 million 5G customers as at 31 December 2023, representing 41% of the entire post-paid customer base and over half of the Group's 1O1O and csl customer base.

Other businesses

The other businesses of the Group primarily comprise other new business areas such as The Club's loyalty platform and HKT Financial Services, and corporate support functions. Tap & Go is an innovative and secure mobile payment service that is available to mobile users. It is Hong Kong's first mobile wallet to incorporate both MasterCard® and UnionPay card schemes to enable secure, reliable and instant mobile payment anywhere in the world and online. Tap & Go had approximately 3.77 million accounts in service as at 31 December 2023. The Club is a loyalty and rewards programme which offers members numerous benefits and privileges on its online platform, including merchandise items and events. Club Travel has been offering airline and hotel booking services since August 2018. In the fourth quarter of 2023, The Club launched an online insurance platform, Club Care, enriching its product offering and extending the health protection for the Group's customers. As at 31 December 2023, The Club had approximately 3.85 million members.

Further, the Group launched DrGo in July 2020 – an innovative HealthTech platform in Hong Kong which provides one-stop telemedicine services and diversified healthcare services through partnering with over 140 healthcare professionals in Hong Kong. DrGo is an app-based platform connecting users in Hong Kong with doctors who provide medical consultation and advice via video consultation. Prescribed medicine will be delivered to the patient's designated address. In addition, the online shopping platform DrGo Health Store offers an array of health-related products and services from different organisations. As at 31 December 2023, DrGo had approximately 386,000 registered users.

Other investments in associates and joint ventures

Smart Charge is a joint venture between the Group and the CLP Holdings Limited group, and offers total solution for the charging of electric vehicles in Hong Kong. The one-stop service includes advice on site layout, equipment and installation recommendations, as well as after-sales service, to save customers time and hassle.

HKT, PCCW, Standard Chartered Bank (Hong Kong) Limited and Ctrip Financial Management (Hong Kong) Co., Limited formed Mox Bank Limited (formerly known as SC Digital Solutions Limited), a joint venture which was granted a virtual bank licence by the Hong Kong Monetary Authority in March 2019 and launched in September 2020. The joint venture provides retail banking services entirely digitally over its application, integrating banking into service offerings to customer bases of the Group and the Group's partners.

COMPETITIVE STRENGTHS

The Group believes that its competitive strengths are as follows:

The leading telecommunications service provider in Hong Kong with a stable business that generates strong recurring cash flow

The Group is a leading integrated telecommunications service provider in Hong Kong with extensive network coverage. The Group's telecommunications network is the most extensive fibre-based digital network in Hong Kong by the total number of exchange lines. As at 31 December 2023, the Group had in service approximately 2.227 million exchange lines and approximately 1.647 million broadband access lines, including over 1 million FTTH connections.

This leading position is attributed to the Group's long and established track record for high-quality customer service, extensive coverage and advanced technology offerings to customers in Hong Kong. Deploying the latest XGSPON technology, the Group's FTTH service enables upgrades from 2.5Gbps onwards without the need for further on-site visits. This upgraded service currently covers over 50,000 buildings and 2.4 million households in Hong Kong, representing 80% coverage of the Group's entire FTTH network. Such services continue to attract new customers and existing customers for service upgrades. The growing fibre customer base of the Group continues to create future upgrade opportunities to higher speed, higher price service plans and digital services.

In addition, the existing businesses with an extensive network of approximately 2.227 million exchange lines and approximately 1.647 million broadband access lines generate a very stable cash flow stream for the Group, which is reflected in its stable revenue and EBITDA margins.

With its leading position in Hong Kong, the Group believes that it is well-positioned to leverage its scale and deploy new services across Hong Kong quickly, giving customers access to a wide selection of telecommunications and broadband service offerings.

Attractive growth prospects for the Group's mobile and broadband services and growth potential driven by HKT Enterprise Solutions and complementary new business lines

The Group believes that it has long-term growth prospects, given the strong growth and the continuous development expected of the mobile telecommunications and broadband market. Consumers today are not only seeking basic connectivity at home or the office for e-mail and Internet browsing but also faster Internet access speeds and uninterrupted mobile data connectivity. The shift in Internet usage is brought about by the increased data usage requirements of Internet based services such as music or video streaming as well as websites and online applications that deliver rich high-definition content. Increasing affordability and availability of handheld portable devices such as Smartphones and tablets and growing consumer confidence in accessing online services via mobile devices have also led to an increase in mobile subscribers and data usage, and increased data traffic being carried over the Group's network.

The Group believes that it is well positioned to capture the strong growth in the mobile and broadband data markets by providing increasingly high-speed and stable mobile connectivity to meet customer needs. The Group currently offers an extensive selection of speeds and mobility options to its customers. The Group is one of the largest broadband service provider in Hong Kong with territory-wide fibre network covering over 90% of homes as at 31 December 2023 and is able to offer network wide 2.5/5/10Gbps to residential users in Hong Kong. The Group's fixed broadband service, NETVIGATOR, offers the most extensive FTTH coverage and a broad spectrum of services with different functionalities and speeds up to 10 Gbps to meet the varying needs in a home. As at 31 December 2023, the Group's FTTH connections reached over 1 million, which represented a net increase of 38,000 or 4% growth from a year earlier. As smart networking and smart home features become increasingly popular, the Group is continuously elevating its service level to meet customers' evolving needs at home for entertainment, gaming, security, health and wellness and other smart living installations. 1O1O HOME integrates its service offering in mobile with broadband, entertainment and voice services to deliver a one-stop Smart Living solution for a premium customer experience.

The Group's mobile service operates through three brands – 1O1O, csl and SUN Mobile – to cater for different customer segments from premium, business, travellers, gamers to families. 1O1O provides a mobile lifestyle experience to meet the needs of discerning customers requiring service excellence. csl provides mobile service that enables customers to enjoy unlimited voice calls, value-added services and Smartphone workshops. SUN Mobile offers mobile voice and data services at affordable prices. In early 2024, the Group launched 1O1O HOME to integrate its service offering in mobile with broadband, entertainment and voice services to deliver a one-stop Smart Living solution for a premium customer experience.

Emerging technologies like AI, IoT, big data analytics, AR, cloud computing and robotics are bringing dramatic changes to the market. Commercial enterprises and public organisations are cognisant of the need to accelerate digital transformation to achieve cost savings, improve productivity and understand customers better. Given the Group's long-standing relationship with corporate customers, as well as its leading fixed and mobile networks, carrier-grade cloud platform and solid solution ecosystem including partners, the Group is ideally positioned to serve customers' needs with versatility and increased speed-to-market. Continued improvements to the Group's 5G network have enabled its quality and outstanding speeds at the city's prime locations to meet users' digital lifestyle needs. The adoption of these technologies, particularly in sectors such as medical, property, construction, transport, logistics and retail, will generate additional growth momentum in the 5G arena.

Going beyond connectivity services, the Group is deploying the latest technologies and digital solutions to assist enterprises in transforming their businesses. Powered by its fixed and mobile networks, the Group's end-to-end integrated Enterprise Solutions enable companies to gain business insights and enhance operational efficiency. In 2023, HKT Enterprise Solutions further contributed to Hong Kong's smart city transformation by delivering vertical-centric support to industries in both private and public sectors to improve their digital resilience. In 2023, the Group secured 16 contracts with public and private hospitals, underscoring its commitment to enhancing medical services. These include its implementation of the city's first 5G hospital private network at Kwong Wah Hospital, which has helped strengthen their medical diagnostic productivity with exceptional reliability, performance, security and accessibility. The complementary mobile app also helps improve patient care by enabling real-time collaboration, secure data transfer, 4K live-streamed remote surgery consultation and workflow optimisation. For outpatient clinics, the Group carried out the first clinical management system integration of a public hospital management organisation under its eSmartHealth initiative. The cross-system incorporation of terabytes of data has allowed clinicians to gain a more comprehensive view of health records on millions of patients, leading to improved outcomes. The system has also facilitated engagement with the community, encouraging patients to be more proactive in managing their care while promoting digital inclusion.

As pioneers of the implementation of Microsoft 365 Copilot, the Group spearheaded the early adoption of AI among corporations, providing user training for portfolio rationalisation and accelerating their speed to market. Combining 5G applications and Enterprise Managed Services with blockchain, machine learning and cloud computing, the Group has optimised efficiency and sustainability to drive the evolution of smart city solutions. In recent years, the Group has been actively contributing to Hong Kong's deepening integration with the Greater Bay Area by assisting with the development of the Lok Ma Chau Loop. For the Batch 1A Development of the Hong Kong-Shenzhen Innovation and Technology Parks, the Group has implemented smart building features and cutting-edge ICT. This includes a smart campus solution with smart apps for visitors and facility management as well as talent accommodation. The Group expedited the ICT expansion of Chinese enterprises overseas by harnessing its geographical advantages and extensive international network coverage. The Group's strong strategic partnerships also enabled it to accelerate the entry of global enterprises into the mainland market.

In a landmark development supporting digital transformation in the healthcare sector, the Group launched DrGo in July 2020. Telemedicine serves a growing need in the community as it offers ease and convenience, and was particularly helpful during the COVID-19 pandemic. With increased telemedicine adoption since the COVID-19 pandemic, DrGo, saw a 50% increase in the number of video consultations made in 2023. The platform also introduced DrGo Me+ personalised supplements through a subscription option that sustains engagement.

In recent years, the Group has sown seeds in a number of new businesses to broaden its revenue streams. The Club is the Group's loyalty programme, and one of the largest of its kind in Hong Kong with approximately 3.85 million members as at 31 December 2023. It offers members numerous benefits and privileges on its online platform, including merchandise items and events. Not only does it help retain customers, but it also provides the Group with insights to centralise offerings to its members. This unique asset of the Group is evolving to become an ecosystem of its own and has continuously amalgamated merchant partners to enrich its offerings. As a service extension to members, The Club commenced an airline and hotel booking and tour service for consumer and corporate customers under the brand Club Travel. An online shopping platform, Club Shopping, was launched in October 2020, unifying the e-businesses of Club Like, 1O1O, csl, NETVIGATOR and HKT Smart Living. This unified online shopping platform enhances customer experience by centralising all products offered by the Group onto one platform. In the fourth quarter of 2023, The Club launched an online insurance platform, Club Care, enriching its product offering and extending the health protection for the Group's customers.

As to the Group's mobile payment service, Tap & Go is Hong Kong's first mobile wallet to incorporate both MasterCard® and UnionPay card schemes to enable secure, reliable and instant mobile payment anywhere in the world and online. In April 2023, Tap & Go continued to participate in the Consumption Voucher Scheme ("**CVS**") for the third year. The Tap & Go mobile wallet was also among the first to offer Hong Kong-Thailand cross-border retail payment services under the HKMA's FPS x PromptPay QR Payment scheme. This has allowed Hongkongers to make hassle-free retail payments at over 8 million merchants when visiting Thailand, while Hong Kong merchants can accept PromptPay payments from Thai tourists via the FPS service. As at 31 December 2023, there were approximately 3.77 million Tap & Go accounts in service.

In addition, the Group offers local merchants a variety of mobile payment solutions under the HKT Merchant Services brand. HKT Merchant Services provides merchants with one-stop retail and payment solutions which currently comprise in-app, online and QR code payment options, as well as a Smart POS facility. All these payment solutions help merchants streamline operations and facilitate digital transformation.

Comprehensive delivery platforms

The Group offers services that can be delivered and accessed through four complementary delivery platforms: fixed-line, broadband, mobile and IPTV. The Group believes that its quadruple-play delivery platforms help increase customer stickiness and effectively enable the Group to retain its subscriber base and be highly resilient to competition. The Group believes that it is also less susceptible to pricing pressures across its businesses due to its quadruple-play delivery platforms.

Strong brand recognition and a reputation for quality and reliability

The Group believes that its products and services have a reputation for high-quality and reliability and a high level of brand recognition among its customers. The Group's extensive set of high-quality services, its strong brands and customer affinity across its telecommunications business allow the Group to achieve continued growth. The Group's investment in advanced network services and products have supported Hong Kong's development as one of the leading telecommunications centres in Asia. Quality and reliability are especially important to multinational corporations, banks and other corporate customers needing the Group's services to support their critical operations. By harnessing the power of 5G and emerging technologies, the Group has been helping enterprises across industries manage their transformation.

Extensive telecommunications network and infrastructure

The Group's extensive telecommunications network and associated infrastructure provide a robust platform from which the Group delivers its comprehensive portfolio of products and services to customers. Based on the demands of its customers, the Group also continually invests in new or emerging technologies and in upgrading its existing technologies to differentiate its services and product offerings from those of its competitors. This allows the Group to provide high-quality and extensive network coverage as well as introduce innovative products in its core markets in Hong Kong.

The Group is one of the largest broadband service providers in Hong Kong with territory-wide fibre network covering over 90% of homes as at 31 December 2023 and is able to offer network wide 2.5/5/10Gbps to residential users in Hong Kong. All premises that are within the Group's FTTH coverage will have the opportunity to enjoy the ultra-speed 10 Gbps passive optical network because of the investments that the Group has made in the past in building a dense, fibre-rich network to handle both technological evolutions and high levels of market demands. High-speed fibre connection and technology advancement are reshaping the lifestyle of Hong Kong people. Services such as the Smart Living service of the Group use the latest technologies to enhance the quality of daily life by providing home automation and networking services as well as end-to-end smart home creation solutions tailor-made by technical consultants and interior designers.

The Group's superior mobile network is premised currently on its wide network coverage, abundant spectrum and extensive fibre backhaul. The unparalleled fibre asset in Hong Kong enables the Group to provide high-quality and super-fast fixed and mobile broadband services to customers of the Group. With the acquisition of CSL Holdings in May 2014 and the integration of the Group's two mobile networks to release the synergy of the acquisition, customers' mobile experience is enhanced. Integration of the radio cell sites was completed in December 2015, while the integration of the core mobile network was completed in 2016, enabling the Group to offer even more advanced services and roaming coverage. As at 31 December 2023, the Group's 5G network coverage was optimised to approximately 99% in Hong Kong.

The Group's telecommunications network currently includes 2G, 3G, 4G and 5G mobile networks. After the acquisition of CSL Holdings, the Group has combined its existing network with that of the CSL Group and now operates a wide range of mobile spectrum in Hong Kong to meet the data needs of its customers. The combined networks of the Group and the CSL Group enable customers to enjoy the best possible coverage both indoors and outdoors, allowing customers to access the Internet at any time and to enjoy attractive content on their mobile devices made available through the Group's quadruple-play delivery platforms. The Group has also complemented its broadband services by utilising 5G wireless-to-the-home technology, raising the integrated high-speed broadband access to over 99% of the population in Hong Kong as at 31 December 2023.

In 2018, the Group was contracted to build Hong Kong's first 5G all-fibre shared digital indoor system on a new Mass Transit Railway ("**MTR**") line (Shatin to Central Link).

In 2019, the Government of Hong Kong allocated to the Group 400 MHz of spectrum on the 28 GHz frequency band for 5G use and the Group became the first Hong Kong mobile operator to conduct 5G application demo on the 28 GHz band. In late 2019, spectrum in the 3.3 GHz, 3.5 GHz and 4.9 GHz bands were auctioned with the Group successfully bidding for 30 MHz, 50 MHz and 40 MHz of the respective bands. On 1 April 2020, the Group became the first local mobile operator in Hong Kong to launch a true 5G network in Hong Kong with differentiated value-added services. In 2022, the Group became the first mobile operator to extend 5G service to the MTR East Rail Line Cross-Harbour Extension, and the first to provide full 5G coverage along all MTR lines. Currently, the Group's 5G network provides comprehensive outdoor coverage and extensive indoor coverage in Hong Kong. The Group has also extended the coverage to some of the most popular hiking trails and remote scenic spots to cater to the increased need for connectivity. As at 31 December 2023, the Group has deployed over 1,500 5G base stations in various indoor locations. These cover locations including shopping malls, subways and restaurants, to enhance the overall 5G coverage and experience. The indoor base stations are equipped with standard 2100 MHz frequency, and 3.3 GHz and 3.5 GHz in some high traffic hotspots. Since 2022, the Group has also started to deploy 28 GHz in some selected indoor locations such as "harbour city" to realise the 5G-Advanced experience.

Following a single spectrum auction held in October 2021, the CA announced on 26 November 2021 that Hong Kong Telecommunications (HKT) Limited was the successful bidder for 20 MHz of spectrum in the 700 MHz band and 50 MHz of spectrum in the 2.5/2.6 GHz band. Assignment of the 700 MHz band (for 15 years) took place in June 2022 while the new assignment term for the 2.5/2.6 GHz band (also for 15 years) commenced on 31 March 2024. In February 2024, the CA invited applications for a second-round administrative assignment of a maximum total of 2,500 MHz of spectrum in the 26/28 GHz band for the provisions of mobile services. On 11 June 2024, the CA announced that a further 200 MHz of spectrum in this band will be assigned to HKT. The assignment is expected to take effect on 1 August 2024.

The Group's local network is extended by PCCW Global, which connects more than 3,000 cities and 160 countries. PCCW Global has considerable experience in designing, building and maintaining submarine cables around the world. The Group maintains extensive coverage in the Intra-Asia region with systems such as Reach North Asia loop (connecting Hong Kong, Korea, Japan and Taiwan) and the Intra Asia Cable System (connecting Hong Kong, Singapore and Japan with additional connections to the Philippines and Vietnam). PCCW Global has also added inventory for key routes such as JUPITER (connecting Japan with the U.S., which became operational in 2020), in addition to Faster (connecting Taiwan, Japan and West Coast of the U.S., which is currently in operation). Along the Europe-Asia route, PCCW Global is a founding member of AAE-1, which connects Southeast Asia to Europe through the Middle East and Africa.

Another system, PEACE (Pakistan & East Africa Connecting Europe) cable was completed in 2022, which offers the shortest routes from China to Europe and Africa to address growing data demands in the "Belt and Road" countries.

The Group's network enables it to continually deliver the highest-quality digital experience for both its consumer and enterprise customers, locally and globally, and positions it for consolidating its leadership in innovation in the 5G era, which requires a dense capillary network infrastructure.

Experienced management team

The Group's management team has a track record in both the development and delivery of telecommunications services, as well as in the execution of its business strategies. The management team has successfully maintained the Group's market share and expanded its offering of products and services in one of Asia's most deregulated telecommunications markets. The Group believes that the synergies created by the management experience and technical expertise of the management team and the Group's advanced technology should enable the Group to move quickly to identify, adopt, acquire, develop and exploit emerging technologies. The Group also believes that the management and operational expertise of the management team will make the Group a preferred partner for other telecommunications companies in Asia and elsewhere.

KEY STRATEGIES

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

The Group believes that the outlook of the telecommunications and media entertainment industries in Hong Kong is positive and therefore will provide the Group with the opportunity to increase the profitability of its business through a combination of the following strategies:

Increase revenue for the Group's services

The Group intends to capitalise on its leading telecommunications network infrastructure and unique combination of "quadruple-play" delivery platforms to provide customers with a wide, appealing and innovative range of services, to increase its ARPU and market shares for broadband, fixed-line, mobile and media services as well as to increase efficiencies in its overall field and operations workforce. The Group intends to enhance sales and marketing efforts to retain its subscriber base, promote service plan upgrades and sign-up new customers. The Group also intends to provide customers with attractive, high-quality, customisable packages and offerings to increase overall demand.

The Group has successfully transformed from a pure telecommunications service provider to one which provides many forms of content, applications and digital services.

NETVIGATOR offers customers a broad spectrum of services with different functionalities and speeds, with which multiple home users can enjoy the latest technologies and applications with the Group's 2.5/5/10Gbps broadband plans and Wi-Fi 7 routers. Consumers today not only seek basic Internet connectivity, but also higher access speeds and uninterrupted mobile data connectivity to enjoy a wide range of Internet-based services. The proliferation of the use of Internet-based services through handheld portable devices has also led to an increase in mobile subscribers and data usage, and increased data traffic carried over the Group's network.

The growing need for online study and remote working underscores the importance of a resilient, high-quality fibre network. The Group recorded a surge in connectivity and bandwidth demand from both households and business customers in 2023, reflecting the Group's leading position in the market. In particular, the need for high-speed broadband and Home Wi-Fi solutions helped drive NETVIGATOR residential customer acquisitions and upgrades. The breadth and quality of the Group's home connectivity solutions have manifested in the continued growth of its consumer broadband subscribers, which registered a net gain of about 6,000 to reach 1.471 million in 2023, despite competition and emigration headwinds. The Group's fixed-broadband traffic continued to rise in 2023, reflecting customers' reliance on the Group's dependable network and appreciation of the Group's quality and technical services. These factors supported net gains in access lines across the Group's services, which target different customer segments.

As such, the Group will seek to continue to capture the strong growth in the mobile and broadband data markets by providing increasingly high-speed and stable mobile connectivity to meet customer needs.

For enterprises, the Group is a trusted partner in terms of not only connectivity services, but also the deployment of technologies and digital solutions to enhance operational efficiency, gain business insights and enhance product delivery and customer service. With the deployment of the latest technologies such as 5G, AI, IoT, big data analytics, robotics and cloud computing, the Group will continue to assist customers in their digital transformation journey.

The Group has been working to expand its cooperation with overseas operators to enhance its connectivity capability and actively expanded its MPLS and Ethernet networks with interconnection agreements and other forms of cooperation with partners in other parts of the world including the rapidly growing Middle East market. The Group is implementing the next generation of software-defined network capabilities, enabling customers to have a web and application programme interface ("**API**") based self-service window for addressing their data transport, process and storage needs through a much more automated process. PCCW Global's Console Connect, introduced in May 2018, is the industry's first software defined interconnect platform powered by a leading Tier 1 global IP network available in more than 3,000 cities and 160 countries, providing enterprises and service providers with easy on-demand access to cloud-based, business critical applications. New collaborations were forged with services and solutions providers and the Console Connect platform now provides direct access to more than 900 data centres in over 50 countries to provide on-demand local, regional and global connectivity among these locations as well as direct connections to leading cloud and SaaS (Software as a service) providers globally. In response to the growing demand for cloud connectivity services and investment opportunities in new subsea cable builds, the Group's international business is establishing a strategic partnership with Infratil Limited, a New Zealand infrastructure investment fund, to accelerate the growth of the Console Connect business. Closing of the transaction is pending subject to various regulatory approvals.

Broaden the range of products and services offered

The Group plans to continue to innovate and broaden its existing high-quality product offering by focusing on data-related products and value-added services with the objective of increasing customer loyalty and stickiness and increasing ARPU. This includes:

- expanding the coverage of its FTTH service supporting speeds up to 10 Gbps across Hong Kong, thus providing customers with multiple technologies and speeds to meet their broadband access needs as well as to facilitate the migration of standard and high-definition television to 4K/8K definition, 3D and VR/AR immersive experience;

- cross-selling to the Group's large-scale and high quality customer base a growing portfolio of services ranging from connectivity, entertainment to online financial services and healthcare;

- partnering with enterprise customers with the Group's industry focused digital solutions to support their expansion beyond Hong Kong into the mainland China and the broader Asian markets;

- rapidly embracing AI applications to enhance the Group's business operations, customer experience and support as well as incorporating AI features into the digital solutions deployed for the Group's enterprise and government customers;

- delivering content to various devices such as tablets and Smartphones, continuing to develop client applications for user interface which provide enhanced navigation, search and recommendation functionality, enhancing functionality of devices such as tablets to be more useful and complementary to the television viewing experience, developing systems to streamline the provisioning, delivery and management of the multimedia services to better serve customers with multi-devices as well as to enhance the operations and management of the services provided by the Group;

- continuing to embrace new innovations in the Group's unique quadruple-play propositions, which are achieving synergy through cross-selling;

- expanding home networking and digital lifestyle for its customers and continue to strengthen applications available via Smart Living;

- enriching FinTech offerings by expanding the range of financial services of the Group, such as participating in the Hong Kong Monetary Authority's e-HKD Pilot Programme and FPS x PromptPay service for Hong Kong-Thailand cross-border retail payments;

- continuing to enhance mobile payment experience for customers and merchants, such as HKT Flexi, in addition to Tap & Go mobile payment and Smart POS merchant solutions. The Group is also a joint venture partner in Mox Bank Limited, one of the first virtual banks licensed to operate in Hong Kong. Mox Bank Limited represents the next generation of banking, a cloud-based bank with secure and resilient infrastructure and services, as well as rapid and cost-efficient development cycles;

- continuing to boost audience reach and advertising sales of Now TV with new content in the genres of Asian and Western drama series, local, Asian and international blockbuster movies, award-winning documentaries, STEM learning content for kids and infotainment, in addition to sports content;

- continuing to expand the service scope of the Group's first major venture in HealthTech, the telemedicine platform DrGo which integrates different aspects of healthcare services including hospitals, doctors, patients and insurance companies. The Group is capable of enabling the technologies of 5G, IoT and AI for big data analytics, which will enhance medical research, disease prevention and diagnosis, and will therefore be of significant benefit to the community. For instance, the high bandwidth and low latency of 5G enables an immersive experience with 4K camera video and radiology imaging for real-time diagnostics at remote locations. The scope of services of DrGo also encompasses an innovative hybrid hypertension care programme for the management of chronic diseases and specialist consultations for mental health issues, both of which require ongoing professional follow-up and support. An online DrGo Health Store and DrGo Me+ personalised supplements were launched in 2021 and 2023, respectively, offering products and services that range from allergy tests to zoster vaccinations and a personalised supplements subscription option that sustains engagement; and

- enhancing customer retention and engagement through the offering of benefits and privileges of The Club, and gaining insights to personalise offerings to its members. This unique asset of the Group is evolving to become an ecosystem of its own and has continuously amalgamated merchant partners to enrich the Group's offerings. As a service extension to members, The Club commenced an airline and hotel booking and tour service for consumer and corporate customers under the brand Club Travel. An online shopping platform, Club Shopping, was also launched, such that members and non-members can make purchases with Clubpoints and in cash. In June 2021, The Club made a move in the digital economy with the launch of Club Insurance – a direct-to-consumer online insurance platform – in partnership with a leading insurance provider. Customers will find a range of protection products under categories such as gadgets and appliances, health and travel. In support of this, a new Club Wellbeing app has also been launched to reward members for leading a more active lifestyle. In 2022, The Club further diversified its offering with the launch of Citi The Club Credit Card with Citibank. In the fourth quarter of 2023, The Club launched Club Care, an online insurance platform, to enrich its product offering and extend the health protection for the Group's customers.

Maintain the Group's leading network infrastructure

The Group will continue to invest and to add value to its broad array of connectivity services, to improve the delivery of its own content and applications and those of its partners, and to maintain its leading network infrastructure to provide customers with extensive coverage and a broad range of high-quality telecommunications services. The Group will also continue to adopt a demand-generated investment strategy to develop its networks and systems so as to maintain its premium brand positioning and pricing. The Group intends to continue to:

- fully utilise its state-of-the-art IP-based network infrastructure;

- expand higher-speed broadband services to more homes and businesses through the rollout of the Group's optical network and existing global backbone;

- provide multiple access technologies to meet the lifestyle of users;

- strengthen the Group's digital channels and deploy data analytics to enhance the offering of personalised products and services to customers as consumer behaviours continue to evolve;

- leverage on its large amount of radio spectrums to build a technically superior network and derive a competitive edge in the market – particularly with support from the Group's extensive optical-fibre backhaul and Wi-Fi network;

- invest in security, performance monitoring and preventative maintenance management network with an aim to achieve world class key performance indicators;

- support the continued growth of 5G mobile technology in Hong Kong as an enabler of smart city initiatives, in anticipation of which the Group has already embarked on a number of related projects on smart energy, smart parking meters, smart kiosks, smart recycling and smart mobility;

- support the adoption of 5G by consumers and enterprises as the 5G handset ecosystem continues to evolve; and

- drive digital transformation with emerging technologies for different industries, with the Group's track record of implementing large-scale government and commercial ICT projects.

Focus on cost control and efficiency measures

The Group has benefited from significant cost savings and improved operational efficiency following the integration of the network of the CSL Group. The Group will continue to focus on reducing costs, optimising efficiency and increasing productivity across its businesses through automation and digitalisation of business processes. For example, the Group will continue to look for areas where cost efficiencies can be gained, such as stringent cost control measures on publicity and promotion as well as travel and entertainment expenses.

BUSINESS SEGMENTS

The segment revenue and EBITDA for each of the Group's business segments for the years ended 31 December 2022 and 2023 were as follows:

Segments Revenue and EBITDA

	For the year ended 31 December		
	2022	**2023**	**Better/(Worse) y-o-y**
	(HK$ million)		
Revenue			
Telecommunications Services ("**TSS**")	23,972	24,170	1%
Mobile	11,566	11,308	(2)%
Other Businesses	881	882	–
Eliminations	(2,294)	(2,030)	12%
Total	34,125	34,330	1%
Add/less: if any	–	–	–
HKTGH Consolidated	34,125	34,330	1%
EBITDA			
TSS	9,140	9,371	3%
Mobile	4,888	5,060	4%
Other Businesses	(964)	(1,031)	(7)%
	13,064	13,400	3%
Add: Administration costs for HKT	34	10	71%
HKTGH Consolidated	13,098	13,410	2%

Telecommunications Services

	For the year ended 31 December		
	2022	2023	Better/(Worse) y-o-y
	(HK$ million)		
TSS Revenue			
Local TSS Services	16,503	16,873	2%
International Telecommunications Services	7,469	7,297	(2)%
Total TSS Revenue	23,972	24,170	1%
Cost of sales	(12,658)	(12,822)	(1)%
Operating costs before depreciation and amortisation	(2,174)	(1,977)	9%
Total TSS EBITDA	9,140	9,371	3%
TSS EBITDA margin	38%	39%	

Local TSS Services revenue grew by 2% to HK$16,873 million for the year ended 31 December 2023, underpinned by an increase of 6% in Local Data Services revenue to HK$12,822 million. Local Data Services represented the largest component of the Local TSS Services segment comprising 76% of revenue. Pay TV Services generated a revenue of HK$2,365 million while Local Telephony Services revenue was HK$2,229 million. During the year, the International Telecommunications Services business generated a lower revenue of HK$7,297 million. As a result, total TSS revenue rose by 1% to HK$24,170 million.

Local Data Services. Comprising broadband revenue and local data revenue, Local Data Services revenue rose by 6% to HK$12,822 million for the year ended 31 December 2023.

The broadband business recorded revenue growth for the 16th consecutive year, with revenue increasing by 2% as demand for the Group's high-speed, reliable fibre services from individuals, households and enterprises continued during the year. The Group's FTTH connections reached over 1 million, which represented a net increase of 38,000 or 4% growth from a year earlier and now represents 68% of its consumer broadband base of 1.471 million as at the end of December 2023.

To further consolidate the Group's market leadership, it began offering symmetric 2.5/5/10 Gbps services in May 2023. The response from consumers has been positive with the 2.5 Gbps service registering an encouraging growth in the number of connections with a plan fee uplift of HK$98. Deploying the latest XGSPON technology, the Group's FTTH service enables upgrades from 2.5 Gbps onwards without the need for further on-site visits and can support multiple home users via the latest Wi-Fi 7 routers, thus enhancing customer experience as well as improving operational efficiency. This upgraded service currently covers over 50,000 buildings and 2.4 million households in Hong Kong, representing 80% coverage of the Group's entire FTTH network.

On the enterprise side, local data revenue achieved an impressive growth of 10%, reflecting the accelerating demand for the Group's unique integrated fixed-mobile solutions that include smart city and digital transformation solutions incorporating generative AI, IoT and cybersecurity applications.

A key differentiator for the Group's HKT Enterprise Solutions is the deep industry expertise of the team which enables the Group to deliver highly customised solutions for enterprise customers across different verticals. For example, the Group has developed a portfolio of solutions for the healthcare sector in Hong Kong and successfully won contracts from 16 public and private hospitals across the city to upgrade their communications and IT infrastructure as well as deploy healthcare related applications. With its extensive experience, the Group has also driven various smart city development projects with digital solutions to enhance overall productivity and operations, including smart building and campus solutions for the construction sector and connected audio-visual solutions for the exhibition, aviation and hospitality sectors.

In mainland China, the Group's enterprise business registered significant growth with revenue expanding by 32%. Leveraging the Group's know-how, reputation for high quality services and international network coverage, HKT Enterprise Solutions partners with Hong Kong and global enterprises entering the mainland market and Chinese companies branching out regionally by offering a comprehensive digital solution to support their expansion needs.

Pay TV Services. Pay TV Services revenue was HK$2,365 million for the year ended 31 December 2023 versus HK$2,499 million a year earlier. The softer revenue was primarily due to the impact from the exclusive broadcast of the FIFA World Cup in 2022 and lower advertising revenue in 2023 as advertising spending, particularly for TV, was impacted by the weaker than expected economic recovery. Nevertheless, the installed base of the Now TV business continued to grow to 1.429 million, an increase of 2% from 1.398 million a year earlier.

To compete with the wide range of video streaming services now available, Now TV has focused its content proposition and reinforced its status as the Home of Sports by securing major sports programmes such as the UEFA European Football Championship™ 2024 as well as the return of NBA games for three seasons, on top of fan favourites including the English Premier League, La Liga, Formula 1® and Wimbledon. Now TV also broadcast several "M" Mark sporting events including the ATP and WTA tennis tournaments in Hong Kong. To tailor to the taste of all family members, Now TV has recently introduced the Now Signature Pack, encompassing the latest Chinese, Asian and Hollywood blockbuster movies, hit drama series, award-winning variety entertainment as well as live sports and kids' content with 16,000 hours of on-demand programmes available.

To further enhance the user experience and better tap the Group's mobile customer base, Now TV recently began offering a video streaming service to facilitate instant access to its top class and comprehensive linear channels and ever-expanding video-on-demand content. The new video streaming service is compatible with all smart devices including handsets, tablets and TVs allowing customers to subscribe immediately with instant activation. This will enhance the upsell to the Group's 1O1O and csl mobile customers leading to increased customer spending and stickiness.

Local Telephony Services. Local Telephony Services revenue registered a decline of 11% to HK$2,229 million for the year ended 31 December 2023 versus HK$2,518 million a year earlier. This reflected the continued trend of mobile and broadband substitution, the lingering effect of emigration and the weakness in the SME segment. As such, the total number of fixed lines in service at the end of December 2023 dropped to 2.227 million from 2.343 million a year earlier.

International Telecommunications Services. International Telecommunications Services revenue was HK$7,297 million for the year ended 31 December 2023 versus HK$7,469 million a year earlier. The lower revenue primarily stemmed from the wholesale voice business which carries a thin margin as well as the one-off cable revenues recorded in the prior year. In response to the growing demand for cloud connectivity services and investment opportunities in new subsea cable builds, the Group's international business is establishing a strategic partnership with Infratil Limited, a New Zealand infrastructure investment fund, to accelerate the growth of the Console Connect business. Closing of the transaction is pending subject to various regulatory approvals.

The TSS business registered an increase of 3% in EBITDA to HK$9,371 million, which was fuelled by further operating efficiencies and an ongoing focus on cost initiatives during the year, resulting in an improved EBITDA margin of 39%.

Mobile

	For the year ended 31 December		
	2022	**2023**	**Better/(Worse) y-o-y**
	(HK$ million)		
Mobile Revenue			
Mobile Services	7,942	8,348	5%
Mobile Product Sales	3,624	2,960	(18)%
Total Mobile Revenue	11,566	11,308	(2)%
Mobile EBITDA			
Mobile Services	4,812	5,057	5%
Mobile Product Sales	76	3	(96)%
Total Mobile EBITDA	4,888	5,060	4%
Mobile EBITDA margin	42%	45%	
Mobile Services EBITDA margin	61%	61%	

The Mobile business recorded accelerated growth in services revenue of 5% to HK$8,348 million for the year ended 31 December 2023. The expansion in services revenue was spurred by the rapid recovery in roaming revenue, further momentum in 5G adoption and strong growth in the Group's post-paid customer base, despite intense market competition in the price-sensitive segment. As international travel fully resumed in 2023, the Mobile business experienced a surge in demand for data roaming services. This drove a rebound in consumer outbound roaming revenue in the second half of the year to 95% of pre-COVID-19 levels in 2019, although business related travel witnessed a slower recovery. As such, the total roaming revenue in 2023 soared by 176% year-on-year. Notably, the consumer outbound roaming revenue in December 2023 surpassed pre-COVID-19 levels, while the number of roamers almost doubled, boding well for the continued recovery in 2024.

Despite market competition, the Mobile business reported a record net gain of 105,000 or 3% growth in the post-paid customer base to reach 3.428 million. Of note, the Group's premium 1O1O customer base expanded by 5% year-on-year. The 5G customer base further increased to 1.399 million at the end of December 2023, representing 41% of the Group's total post-paid base and over half of the Group's 1O1O and csl customer base.

The post-paid exit ARPU as at December 2023 rose by 2% to HK$191 versus HK$188 as at December 2022, benefitting from the roaming recovery and broader adoption of 5G services. The churn rate for post-paid customers remained steady at 0.8% during the year due to vigorous customer retention efforts, for example, through The Club which helped deepen customer engagement and loyalty.

To further enhance the customer experience, the Group recently launched 1O1O HOME to integrate its service offering in mobile with broadband, entertainment and voice services to deliver a one-stop Smart Living solution for a premium customer experience.

Mobile product sales of HK$2,960 million for the year ended 31 December 2023 was comparatively softer as consumers delayed the replacement of handsets due to weak overall sentiment and lack of new features to entice upgrades.

Mobile services EBITDA for the year rose by 5% to HK$5,057 million with a margin of 61%, reflecting sustained efficiency gains from mobile network operations including improved cell site architecture enabling network design optimisation and the enhancement of O2O sales channels. Total Mobile EBITDA for the year increased by 4% to HK$5,060 million from HK$4,888 million a year earlier. The overall EBITDA margin improved to 45% from 42% a year earlier.

Other Businesses

Other Businesses primarily comprise other new businesses such as The Club's loyalty platform, HKT Financial Services, and corporate support functions. With a return to normal e-commerce spending post COVID-19, revenue from Other Businesses was steady at HK$882 million for the year ended 31 December 2023 versus HK$881 million a year earlier.

The Club's membership base further expanded by 4% to 3.85 million in 2023 from 3.71 million a year earlier. During the year, The Club has deepened its market penetration and enhanced customer experience by strengthening its ecosystem with a variety of new lifestyle products and services. In addition to shopping and travel services, The Club launched an online insurance platform, Club Care, in the fourth quarter of 2023, enriching its product offering and extending the health protection for our customers.

With the increased utilisation of mobile payment as well as its popularity amongst the youth market segment who are digital natives, Tap & Go's number of accounts rose to 3.77 million, an increase of 4% from 3.63 million a year earlier. Committed to harnessing fintech to expand payment possibilities, Tap & Go became one of the first FPS acquirers to offer Hong Kong-Thailand cross-border retail payment services in support of the Hong Kong Monetary Authority's FPS x PromptPay QR Payment scheme, enabling a hassle-free retail payment experience for Tap & Go users at over 8 million merchants in Thailand, while Hong Kong merchants can accept PromptPay payments from Thai tourists via the FPS service.

Eliminations

Eliminations were HK$2,030 million for the year ended 31 December 2023 versus HK$2,294 million a year earlier, reflecting the collaboration across the Group's business segments.

Cost of Sales

Cost of sales for the year ended 31 December 2023 increased by 2% to HK$17,454 million, which was in line with the revenue growth during the year.

General and Administrative Expenses

For the year ended 31 December 2023, operating costs before depreciation, amortisation, and losses on disposal of property, plant and equipment and right-of-use assets, net ("**operating costs**") improved by 12% to HK$3,466 million, reflecting the Group's continued focus on operating efficiency and cost optimisation initiatives across each of the business lines, including workforce optimisation and digitalising business processes via the adoption of generative AI, consolidation of business operations and rationalisation of IT platforms. As such, the overall operating costs-to-revenue ratio for the year further improved to 10.1% versus 11.5% a year earlier.

Depreciation and amortisation expenses decreased by 3% to HK$5,652 million for the year ended 31 December 2023, as certain intangible assets in relation to the customer base were fully amortised in 2022.

As a result of the above, general and administrative expenses decreased by 6% to HK$9,120 million for the year ended 31 December 2023 versus HK$9,743 million a year earlier.

EBITDA

With the steady growth in the TSS and Mobile businesses and further operating efficiencies, total EBITDA increased by 2% to HK$13,410 million for the year ended 31 December 2023 versus HK$13,098 million a year earlier. The overall EBITDA margin improved to 39% in 2023 versus 38% a year earlier. Excluding Mobile product sales, the EBITDA margin was 43%.

SALES AND MARKETING

The Group's sales and marketing function is carried out by a Hong Kong consumer sales and marketing group, a Hong Kong commercial sales and marketing group, and a global sales and marketing group. The three groups are respectively dedicated to the local consumer, commercial and global customer groups.

Various customer relationship management systems and databases are employed by the Group's sales and marketing function to market the telecommunications business services across its different customer groups, and to market new products and services to different customer groups.

The Group considers customer service a key to success. By improving overall customer service standards, the Group strives to deliver first-class service quality to provide a positive customer experience. The Group believes that excellent customer service is a foundation on which it can further grow its business.

To capture higher-end customers, the Group has a team of relationship specialists and customer support and service staff to serve their most exacting requirements – not only for broadband service, but also other quadruple-play offerings of the Group. The team is tasked with accommodating service requests from customers who expect only the highest service standards. This segmentation is common in many successful corporations in various industries such as airline and banking.

The Club continues to provide its members with a variety of exclusive services and benefits. As at 31 December 2023, The Club had approximately 3.85 million members.

COMPETITION

The implementation of the Hong Kong Government's policy to liberalise the telecommunications industry has resulted in intense competition in the markets for local and international services. The arrival and development of 5G mobile technology together with other emerging technologies, the introduction of new types of licences and the potential entry of new competitors may further intensify competition in the market.

The markets for local telecommunications services and IDD services originating in Hong Kong are expected to remain extremely competitive. In addition, mobile telecommunications prices have declined sufficiently so that customers are now more likely to substitute residential local exchange services for mobile telecommunications services. This has affected and continues to affect the Group's market position in the telecommunications market in Hong Kong.

The Group is required in certain situations to provide telecommunications services (including interconnection) to service providers that compete directly with its operations. In Hong Kong, the main competitors of the Group are Hong Kong Cable Television Limited, China Mobile Hong Kong Company Limited, Hong Kong Broadband Network Limited, HKBN Enterprise Solutions HK Limited and group companies, SmarTone Mobile Communications Limited, HGC Holdings Limited and Hutchison Telephone Company Limited.

The Group competes effectively in all of its lines of business by providing:

- a unique combination of "quadruple-play" delivery platforms through its established telecommunications infrastructure;
- an innovative and broad range of smart home and smart business solutions focused on data related products and value-added services for its individual and enterprise customers;
- dedicated sales units to address the needs of its global business, Hong Kong corporate and consumer customer market segments;
- leadership in overall service quality within the telecommunications market;
- new businesses such as Tap & Go mobile payment services;
- customer retention through offering of benefits and privileges of The Club and using The Club platform to explore different verticals including travel, insurance and virtual banking; and
- adoption of AI tools in the Group's operations aiming to drive more extensive digital transformation in pursuit of a sustainable future.

The Group's established telecommunications infrastructure enables it to be price competitive across all of its lines of business. The Group continues to strive to provide customers with the best quality and price competitive offerings and services.

REGULATION

The Telecommunications Ordinance and the Broadcasting Ordinance provide the legislative framework for the provision of telecommunications services and facilities and regulation of the broadcasting industry in Hong Kong.

The telecommunications and broadcasting industries in Hong Kong were previously regulated by the Telecommunications Authority and the Broadcasting Authority, which were merged into a single entity, the CA as from 1 April 2012. The CA continues to regulate the industries under the existing laws, licences, regulations and policies. The Broadcasting Ordinance and certain provisions of the Telecommunications Ordinance have recently undergone a review. The resulting changes to the Broadcasting Ordinance came into force on 5 February 2021. The changes to the Telecommunications Ordinance were passed by the Legislative Council on 21 February 2024 and are expected to come into force shortly. The changes to the Broadcasting Ordinance and the Telecommunications Ordinance are beneficial but not substantial for the Group's business. Telecommunications and broadcasting service providers will continue to operate under their existing licences granted pursuant to the Telecommunications Ordinance and the Broadcasting Ordinance.

FINANCING

The Group's outstanding external debt as at 31 December 2023 was HK$44,567 million (including short-term debt of HK$1,049 million), and its net debt, which is calculated as outstanding external debt net of short-term deposits and cash and cash equivalents, was HK$42,858 million.

Set forth below are the aggregate amounts, as at 31 December 2022 and 2023, of the Group's future debt service obligations under its borrowings (including total estimated interest payable under the remaining term of the borrowings).

	As at 31 December 2022	As at 31 December 2023
	(HK$ million)	*(HK$ million)*
Long-term borrowings repayable after one year		
Over one year, but not exceeding two years	3,377	6,969
Over two years, but not exceeding five years	25,325	25,366
Over five years	11,186	11,183
	39,888	43,518
Sum of estimated future interest as at 31 December 2022 and 2023[1]	9,253	9,864

Notes:

(1) For floating rate debt, this represents the estimated total future interest payable based on the outstanding principal amounts and their respective interest rate as at 31 December 2022 and 2023.

For fixed rate debt, this represents the estimated total future interest payable based on the outstanding principal amounts and their respective committed interest rate as at 31 December 2022 and 2023.

The major borrowings are summarised as follows:

(i) Existing loan facilities of the Group

Hong Kong Telecommunications (HKT) Limited entered into various bank loan facilities with a group of banks for general corporate purposes. These facilities are unsecured and are guaranteed by HKTGH.

As at 31 December 2023, the aggregate amount of bank loan facilities was HK$34,812 million of which HK$12,733 million remained undrawn.

(ii) U.S.$300 million zero coupon guaranteed notes due 2030

On 15 January 2015, HKT Capital No. 1 Limited, an indirect wholly-owned subsidiary of HKTGH and a direct wholly-owned subsidiary of Hong Kong Telecommunications (HKT) Limited, issued U.S.$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 Hong Kong Telecommunications (HKT) Limited and rank pari passu with all other outstanding unsecured and unsubordinated obligations of HKTGH and Hong Kong Telecommunications (HKT) Limited.

(iii) U.S.$500 million 3.625% guaranteed notes due 2025

On 2 April 2015, HKT Capital No. 2 Limited, an indirect wholly-owned subsidiary of HKTGH and a direct wholly-owned subsidiary of Hong Kong Telecommunications (HKT) Limited, issued U.S.$500 million 3.625% guaranteed notes due 2025, which are listed on the SGX-ST. The notes are irrevocably and unconditionally guaranteed by HKTGH and Hong Kong Telecommunications (HKT) Limited and rank pari passu with all other outstanding unsecured and unsubordinated obligations of HKTGH and Hong Kong Telecommunications (HKT) Limited.

(iv) *€200 million 1.65% guaranteed notes due 2027*

On 10 April 2015, HKT Capital No. 3 Limited, an indirect wholly-owned subsidiary of HKTGH and a direct wholly-owned subsidiary of Hong Kong Telecommunications (HKT) Limited, issued €200 million 1.65% guaranteed notes due 2027, which are listed on the SGX-ST. The notes are irrevocably and unconditionally guaranteed by HKTGH and Hong Kong Telecommunications (HKT) Limited and rank pari passu with all other outstanding unsecured and unsubordinated obligations of HKTGH and Hong Kong Telecommunications (HKT) Limited.

(v) *U.S.$750 million 3.00% guaranteed notes due 2026*

On 14 July 2016, HKT Capital No. 4 Limited, an indirect wholly-owned subsidiary of HKTGH and a direct wholly-owned subsidiary of Hong Kong Telecommunications (HKT) Limited, issued U.S.$750 million 3.00% guaranteed notes due 2026, which are listed on the SGX-ST. The notes are irrevocably and unconditionally guaranteed by HKTGH and Hong Kong Telecommunications (HKT) Limited and rank pari passu with all other outstanding unsecured and unsubordinated obligations of HKTGH and Hong Kong Telecommunications (HKT) Limited.

(vi) *U.S.$500 million 3.25% guaranteed notes due 2029*

On 30 September 2019, HKT Capital No. 5 Limited, an indirect wholly-owned subsidiary of HKTGH and a direct wholly-owned subsidiary of Hong Kong Telecommunications (HKT) Limited, issued U.S.$500 million 3.25% guaranteed notes due 2029, which are listed on the SGX-ST. The notes are irrevocably and unconditionally guaranteed by HKTGH and Hong Kong Telecommunications (HKT) Limited and rank pari passu with all other outstanding unsecured and unsubordinated obligations of HKTGH and Hong Kong Telecommunications (HKT) Limited.

(vii) *U.S.$650 million 3.00% guaranteed notes due 2032*

On 18 January 2022, HKT Capital No. 6 Limited, an indirect wholly-owned subsidiary of HKTGH and a direct wholly-owned subsidiary of Hong Kong Telecommunications (HKT) Limited, issued U.S.$650 million 3.00% guaranteed notes due 2032, which are listed on the SGX-ST. The notes are irrevocably and unconditionally guaranteed by HKTGH and Hong Kong Telecommunications (HKT) Limited and rank pari passu with all other outstanding unsecured and unsubordinated obligations of HKTGH and Hong Kong Telecommunications (HKT) Limited.

Capital Expenditure

Capital expenditure including capitalised interest for the year ended 31 December 2023 was HK$2,273 million (2022: HK$2,346 million). Capital expenditure relative to revenue was 6.6% for the year ended 31 December 2023 (2022: 6.9%).

Capital expenditure for the Group's Mobile business declined during the year reflecting the completion of its territory-wide 5G coverage rollout in 2022, with investments focused on capacity upgrades and indoor coverage enhancements. TSS capital expenditure dropped slightly during the year, with the investments largely to support the growing demand for the Group's unique integrated fixed-mobile solutions including smart city solutions for enterprises.

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

Property, Plant and Equipment

The Group's property, plant and equipment primarily consist of transmission plants and exchange equipment (including switches, computer hardware, back-up power and plant) and connecting lines (including cable ducting, copper and fibre optic cabling and poles). Hong Kong Telecommunications (HKT) Limited has been granted limited licences relating to the storage and access of network equipment in certain leasehold land and buildings owned by another member of the PCCW Group, which are principally permitted to be used as telephone exchanges, and in certain cases include engineering facilities, ancillary offices and technical centres. Nearly all such leases are private treaty grants from the Hong Kong Government, which contain restrictions on their use for specific purposes and on their transfer. The vast majority of these leases do not expire before 2025.

The net book values of the Group's property, plant and equipment as at 31 December 2022 and 2023 were as follows:

	Net Book Value	
	As at 31 December 2022	**As at 31 December 2023**
	(HK$ million)	*(HK$ million)*
Buildings	544	517
Exchange equipment	6,054	6,025
Transmission plant	12,132	12,517
Other plant and equipment	5,235	5,536
Projects under construction	2,321	2,683
Total	26,286	27,278

INSURANCE

The Group has insurance policies providing coverage for its assets and operations including loss of or damage to its properties and assets, loss of profit and additional costs of working arising from loss or damage to its properties or assets, public liability, contractual liability, employment liability, errors and omissions, amongst others.

The Group believes that its properties are covered with adequate insurance provided through a combination of its own captive insurance company and direct insurance or reinsurance policies with reputable insurance companies and with commercially prudent deductibles and limits on coverage. Notwithstanding the Group's insurance provisions, the Group could nevertheless experience a material loss as a result of an unforeseeable series of catastrophic events, systemic adverse circumstances, or other adverse occurrences not currently foreseeable and/or not commercially insurable.

EMPLOYEES

The Group's future success will depend, in large part, on its ability to continue to attract, train, retain and motivate highly qualified technical and management personnel.

The Group had over 13,600 employees as at 31 December 2023 (2022: 14,900 employees) located in 22 countries and cities. Approximately 64% of these employees work in Hong Kong and the others are based mainly in mainland China, the Philippines, the United Kingdom and the United States. The Group has established performance-based bonus and incentive schemes designed to motivate and reward employees at all levels to achieve business performance targets. Payment of performance bonuses is generally based on achievement of revenue, EBITDA and free cash flow targets for the Group as a whole and for each of the individual business units and performance ratings of employees.

INTELLECTUAL PROPERTY

The Group relies on a combination of trademarks, service marks, domain name registrations, copyright protection and contractual restrictions to establish and protect its brand name and logos, marketing designs and Internet domain names. Over 600 registered trademarks are used and owned by the Group. The Group is not critically dependent upon any third-party patents or licences.

LITIGATION

Neither the Issuer nor the Group is involved in any litigation or arbitration proceedings which are material in the context of the Notes nor is the Issuer or either Guarantor aware that any such proceedings are pending or threatened.

DIRECTORS AND SENIOR MANAGEMENT

The following individuals have been appointed to serve as the directors and senior management of the Group:

Name	Position
Directors	
Hui Hon Hing, Susanna	Group Managing Director and Executive Director of HKT; Director of HKTGH and Hong Kong Telecommunications (HKT) Limited
Poon Chi Ho, Patrick	Chief Financial Officer of HKT; Director of HKTGH and Hong Kong Telecommunications (HKT) Limited
Senior Management	
Ng Ka Lung, Steve	Managing Director, Commercial Group
C Marc Halbfinger	Co-Chief Executive Officer, PCCW Global
Chui Ka Fai, Frederick	Co-Chief Executive Officer, PCCW Global
Lam Kwok Shing, Bruce	Chief Executive Officer, Consumer
Choi Wai Kin, Derek	Managing Director, Consumer Marketing & Pay TV
Leung Hoi Yi, Monita	Chief Executive Officer, Digital Ventures
Chow, Marcos Gee Liang	Group Chief Information Officer
Shum Wai Ling, Hester	Group Chief Human Resources Officer
Cheung Hok Chee, Vanessa	Group General Counsel and Company Secretary
Veronica Lockyer	Head of Group Regulatory Affairs

DIRECTORS

Hui Hon Hing, Susanna

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

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

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

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

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

Poon Chi Ho, Patrick

Mr Patrick Poon has been Chief Financial Officer of HKT since 1 June 2022, overseeing all financial matters of HKT and its subsidiaries. Prior to this, he was Director of Group Finance & Procurement of PCCW Group, in charge of strategic functions including Group capital expenditure control, Group procurement, Group insurance and portfolio management.

Having been with the Company since 1989, Mr Poon had held various management and executive positions within PCCW and HKT in the areas of finance and treasury. He was also Chief Financial Officer of PCCW Solutions from 2011 to 2014. He is a qualified accountant, and possesses more than 30 years of experience in the telecommunications industry.

Mr Poon graduated from Hong Kong Polytechnic University in 1989 with a Bachelor of Arts (Hons) degree in business studies majoring in financial management. He is a member of Hong Kong Institute of Certified Public Accountants (HKICPA).

SENIOR MANAGEMENT

Ng Ka Lung, Steve

Mr Steve Ng is the Managing Director of Commercial Group and oversees the business-to-business (B2B) operations serving enterprises in Hong Kong, Macau and mainland China. Leveraging integrated ICT and digital solutions which combine fixed and 5G network connectivities, system integration and emerging technology solutions, Commercial Group empowers digital transformation of enterprises and SMEs and smart-city development in Hong Kong.

Mr Ng has over 25 years of extensive experience in a variety of leadership and operation capacities within the organisation, spanning sales and marketing, product and partnership development, solutions advisory, IT and contact centre. Mr Ng also has a track record in successfully leading the development of advanced technologies for enterprises to achieve record performance, including 5G industry applications, cloud computing, cybersecurity, IoT, etc.

Mr Ng holds an MBA (Financial Services Concentration) from The Hong Kong University of Science and Technology and a bachelor's degree in Electronic Engineering from The Chinese University of Hong Kong.

C Marc Halbfinger

Mr Marc Halbfinger has been the Chief Executive Officer of PCCW Global since July 2007, primarily responsible for the integrated global communication solutions business. He has extensive experience in media and telecommunications services including cable TV, directories, cellular, and international voice, video, data and Internet. Mr Halbfinger joined PCCW in May 2000 as the Senior Vice President, Business Development of Pacific Convergence Corporation, Ltd. covering Europe and North America markets where he was involved in early commercial development of "now TV". In 2001, he helped found Beyond-The-Network, which later became part of PCCW Global, and was initially appointed as the President for Europe, Middle East, and Africa.

Prior to joining PCCW, Mr Halbfinger was a Vice President at Teleglobe, serving the Mediterranean and South Europe. Previously, he was a senior manager at Global One, Sprint International, and a subsidiary of Southwestern Bell Corporation. Among other academic achievements, Mr Halbfinger earned a Master of Science (Econ.) in international relations from the London School of Economics and Political Science in August 1988.

Chui Ka Fai, Frederick

Mr Frederick Chui was appointed as Co-Chief Executive Officer of PCCW Global in 2023, taking on the role to drive the integrated global communication solutions business.

Mr Chui joined HKT in 1991 and has held various key positions in solutions design, product management, product development and marketing. He was the Senior Vice President of PCCW Global's International Products and Solutions division, overseeing PCCW Global's product management and development activities, as well as marketing and presales support activities around the world. In 2008, he was appointed head of Eastern Europe, Mediterranean, the Middle East, Africa and Oceania sales and business development operations. He also served as the Senior Vice President, Global Marketing and Sales and Senior Vice President, Global Data Sales and Presales in 2011 to 2018, and was the Chief Commercial Officer of PCCW Global from 2019.

Before joining HKT, Mr Chui engaged in product and solutions development for a number of telecoms operators serving the Asia-Pacific region. He holds a Bachelor of Engineering from The University of Nottingham and an Executive MBA from The Chinese University of Hong Kong.

In addition, his industry influence has extended to board memberships, notably on the MEF (Metro Ethernet Forum) Board since 2018 and as a Board member of Bridge Alliance from October 2022. Locally, he served as a member of the Hong Kong Trade Development Council Information & Communications Technology (ICT) Services Advisory Committee from 2019 to 2023.

Lam Kwok Shing, Bruce

Mr Bruce Lam joined HKT in 2011 and was appointed as Chief Executive Officer, Consumer of HKT in July 2023. He is responsible for the overall strategy and business development of HKT's Consumer Business Group, covering a wide range of individual products and service, including mobile, broadband, pay TV, education, smart living and Smart Charge. Prior to his current role, Bruce was Managing Director, Consumer Mobile. Under his leadership, the consumer mobile arm of HKT has maintained its leading position in Hong Kong's wireless market. Driving the application of technical advancements to enhance the public's everyday life in the digital era, Mr Lam helps sustain HKT's lead in contributing towards Hong Kong's smart city development.

Mr Lam is a seasoned leader in the telecommunications industry with more than 30 years' experience, with a focus in sales and marketing. He has a bachelor's degree in economics from the University of Windsor.

Choi Wai Kin, Derek

As Managing Director of Consumer Marketing & Pay TV, Mr Derek Choi oversees the strategic marketing of all brands under the Consumer Business Group, including csl, 1O1O, Netvigator and Now TV, with full business responsibility for Pay TV, Smart Charge and HKT Smart Living, elevating the customer experience across the businesses.

Mr Choi also leads the Digital Transformation Team to deliver next-generation processes, systems and tools with HKT's IT department to facilitate the Group's smart evolution.

Before his present appointment, Mr Choi was responsible for the overall development and performance of HKT Home. He has been with HKT for over 20 years, during which he held various key positions in marketing, operation and sales. He has a proven track record in driving the successful growth of multiple HKT businesses.

Prior to joining HKT, Mr Choi had accumulated vast experience in the banking sector as well as multiple agencies. He graduated from the University of Hong Kong with a bachelor's degree in economics.

Leung Hoi Yi, Monita

Ms Monita Leung was appointed as Chief Executive Officer, Digital Ventures of HKT in 2022, taking a leadership role to drive the company's digital ventures business. She has over 15 years' experience with the Group and has played an integral part in the success of high-speed broadband modernisation in Hong Kong. With her diverse experience across different business areas, including marketing, product development, operations and customer service, she is committed to driving continuous innovation by actively participating in a range of new initiatives such as digital wallet, virtual bank, ecommerce, merchant O2O solutions and other fintech services. She was involved in the planning and development of Hong Kong's first mobile payment service and is currently the Chief Executive of HKT Payment Limited, a HKMA licensed Stored Value Facility provider.

Before joining HKT, Ms Leung acquired well-rounded experience in the consumer credit and payment card business in Hong Kong. She holds a Master of Science in City Transformation and Master Planning from the London School of Economics and Political Science.

Chow, Marcos Gee Liang

Mr Marcos Chow was appointed Group Chief Information Officer in July 2022. He leads HKT to execute customer-focused technology strategy across multiple industries and ensures the Group has access to strong technology capabilities on demand.

Mr Chow has over 20 years of technology management experience across Australia, ASEAN, Greater China and the USA. He has taken up various leadership roles in Fortune 500 companies in financial services and technology consulting, a tech start-up, and was a management consulting partner of a big four professional service firm before joining the Group.

Mr Chow holds a bachelor's degree in Civil Engineering from The University of Adelaide and a Master of Commerce in Advanced Information Systems and Management from The University of New South Wales.

Shum Wai Ling, Hester

Ms Hester Shum was appointed as the Group Chief Human Resources Officer in July 2019. She is responsible for all the talent agendas including talent management and acquisition, total reward as well as organisation and employee development of all the businesses under the Group in Hong Kong and all overseas markets.

Ms Shum has over 30 years of experience in strategic human resources management gained in multiple industries across airline, trading and telecommunications. Her IT human resources leadership career spanned over numerous Fortune 500 companies including Intel, Cisco Systems and most recently Equinix. She also served at a Hong Kong listed trading company progressing as their Executive Vice President of Human Resource heading their global human resources organisations in more than 40 economies.

Ms Shum holds a Bachelor's degree in Arts from Chinese University of Hong Kong, a Master of Management specialised in Human Resources Management from Macquarie Graduate School of Management, and attended progressive executive leadership programme with Massachusetts Institute of Technology.

Cheung Hok Chee, Vanessa

Ms Vanessa Cheung was appointed the Group General Counsel and Company Secretary of HKT and HKT Management Limited, the trustee-manager of the HKT Trust in October 2021. She is also the Group General Counsel and Company Secretary of PCCW. Ms Cheung is qualified to practice law in Hong Kong and England and Wales. She has extensive experience in general corporate matters including joint ventures, mergers and acquisitions, private equity and venture capital transactions, charitable organisations and equity capital market transactions. She had previously been a corporate partner of a leading law firm in the Greater China region.

Veronica Lockyer

Ms Veronica Lockyer was appointed as the Head of Group Regulatory Affairs in January 2018. She is responsible for facilitating the group companies to meet their business goals by interacting with relevant government entities, engaging with the Government on policy matters and ensuring compliance with applicable policies, regulations and laws. Prior to joining HKT in 2013 as Vice President, Regulatory Compliance, she spent 15 years working in international law firms in London, Brussels and Shanghai, where she focused on competition, commercial, consumer and market regulatory issues. Ms Lockyer graduated with a degree in Modern and Classical Chinese from the School of Oriental and African Studies, University of London and qualified as a lawyer in 2000.

USE OF PROCEEDS

The net proceeds of any Notes issued under the Programme, after deducting fees, commissions and expenses, will be used by the Group for its general corporate purposes, including the repayment of existing indebtedness.

TAXATION

The following is a general description of certain tax considerations relating to the Notes and is based on law and relevant interpretations thereof in effect as at the date of this Offering Circular, all of which are subject to change, and does not constitute legal or taxation advice. It does not purport to be a complete analysis of all tax considerations relating to the Notes. Prospective holders of Notes who are in any doubt as to their tax position or who may be subject to tax in any jurisdiction are advised to consult their own professional advisers.

Hong Kong

Withholding Tax

No withholding tax is payable in Hong Kong in respect of payments of principal or interest on the Notes or in respect of any capital gains arising from the sale of the Notes.

Profits Tax

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

Interest on the Notes may be deemed to be profits arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong in the following circumstances:

(i) interest on the Notes is derived from Hong Kong and is received by or accrues to a corporation carrying on a trade, profession or business in Hong Kong;

(ii) interest on the Notes is derived from Hong Kong and is received by or accrues to a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and is in respect of the funds of that trade, profession or business;

(iii) interest on the Notes is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance (Cap. 112) of Hong Kong (the "**IRO**")) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or

(iv) interest on the Notes is received by or accrues to a corporation, other than a financial institution, and arises through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO).

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal or redemption of Notes will be subject to Hong Kong profits tax. Sums received by or accrued to a corporation, other than a financial institution, by way of gains or profits arising through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO) from the sale, disposal or other redemption of Notes will be subject to Hong Kong profits tax.

Sums derived from the sale, disposal or redemption of Notes will be subject to Hong Kong profits tax where received by or accrued to a person, other than a financial institution, who carries on a trade, profession or business in Hong Kong and the sum has a Hong Kong source unless otherwise exempted. The source of such sums will generally be determined by having regard to the manner in which the Notes are acquired and disposed of.

In addition, the Inland Revenue (Amendment) (Taxation on Specified Foreign-sourced Income) Ordinance 2022 (Cap.112) of Hong Kong (the "**Amendment Ordinance**") came into effect on 1 January 2023. Under the Amendment Ordinance, certain foreign-sourced interest on the Notes and gains from the sale, disposal or redemption of Notes accrued to an MNE entity (as defined in the Amendment Ordinance) carrying on a trade, profession or business in Hong Kong is regarded as arising in or derived from Hong Kong and subject to Hong Kong profits tax when they are received in Hong Kong, unless the MNE entity meets the exception requirements specifically for the particular types of foreign-sourced incomes. The Amendment Ordinance also provides for relief against double taxation in respect of certain foreign-sourced income and transitional matters.

In certain circumstances, Hong Kong profits tax exemptions (such as concessionary tax rates) may be available. Investors are advised to consult their own tax advisors to ascertain the applicability of any exemptions to their individual position.

Stamp Duty

Stamp duty will not be payable on the issue of Bearer Notes provided that either:

(i) such Bearer Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or

(ii) such Bearer Notes constitute loan capital (as defined in the Stamp Duty Ordinance (Cap. 117) of Hong Kong (the "**SDO**")).

If stamp duty is payable, it is payable by the Issuer on the issue of Bearer Notes at a rate of 3 per cent. of the market value of the Bearer Notes at the time of issue. No stamp duty will be payable on any subsequent transfer of Bearer Notes.

No stamp duty is payable on the issue of Registered Notes. Stamp duty may be payable on any transfer of Registered Notes if the relevant transfer is required to be registered in Hong Kong. Stamp duty will, however, not be payable on any transfer of Registered Notes provided that either:

(i) such Registered Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or

(ii) such Registered Notes constitute loan capital (as defined in the SDO).

With effect from 17 November 2023, if stamp duty applies to the transfer of Registered Notes required to be registered in Hong Kong and which are not otherwise exempt, it will be payable at the rate of 0.2 per cent. (of which 0.1 per cent. is payable by the seller and 0.1 per cent. is payable by the purchaser) normally by reference to the consideration or its value, whichever is higher. In addition, stamp duty is payable at the fixed rate of HK$5 on each instrument of transfer executed in relation to any transfer of the Registered Notes if the relevant transfer is required to be registered in Hong Kong.

British Virgin Islands

As a company incorporated under the BVI Business Companies Act, 2004, the Issuer is exempt from all provisions of the Income Tax Act of the British Virgin Islands (including with respect to all dividends, interests, rents, royalties, compensation and other amounts payable by the company to persons who are not persons resident in the British Virgin Islands).

Capital gains realised with respect to any shares, debt obligations or other securities of a company by persons who are not persons resident in the British Virgin Islands are also exempt from all provisions of the Income Tax Act of the British Virgin Islands.

No estate, inheritance, succession or gift tax, rate, duty, levy or other charge is payable by persons who are not persons resident in the British Virgin Islands with respect to any shares, debt obligations or other securities of the company, save for interest payable to or for the benefit of an individual resident in the European Union.

The Issuer is required to pay an annual government fee which is determined by reference to the amount of shares the Issuer is authorised to issue.

Cayman Islands

Under existing Cayman Islands laws:

(1) payments of interest and principal on the Notes will not be subject to taxation in the Cayman Islands and no withholding will be required on the payment of interest and principal or a dividend or capital to any holder of the Notes, as the case may be, nor will gains derived from the disposal of the Notes be subject to Cayman Islands income or corporation tax. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance tax or gift tax;

(2) no stamp duties or similar taxes or charges are payable under the laws of the Cayman Islands in respect of the execution, issue or transfer of the Notes unless they are executed in or brought within (for example, for the purposes of enforcement) the jurisdiction of the Cayman Islands;

(3) certificates evidencing the Notes, in registered form, to which title is not transferable by delivery, should not attract Cayman Islands stamp duty. However, an instrument transferring title to a Note, if brought to or executed in the Cayman Islands, would be subject to Cayman Islands stamp duty; and

(4) no stamp duty is payable in the Cayman Islands on transfers of shares of companies in Cayman Islands companies except those which hold interests in land in the Cayman Islands.

FATCA WITHHOLDING

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting, or related requirements. The Issuer may be a foreign financial institution for these purposes. A number of jurisdictions (including the Cayman Islands) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register, and Notes characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining "*foreign passthru payments*" are filed with the U.S. Federal Register generally would be "grandfathered" for purposes of FATCA withholding unless materially modified after such date (including by reason of a substitution of the Issuer). However, if additional notes (as described under "*Terms and Conditions of the Notes – Further Issues*") that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

FATCA IS PARTICULARLY COMPLEX AND ITS APPLICATION TO THE ISSUER, THE NOTES AND THE NOTEHOLDERS, IS UNCERTAIN AT THIS TIME. EACH NOTEHOLDER SHOULD CONSULT ITS OWN TAX ADVISER TO OBTAIN A MORE DETAILED EXPLANATION OF FATCA AND TO LEARN HOW FATCA MIGHT AFFECT EACH NOTEHOLDER IN ITS PARTICULAR CIRCUMSTANCE.

MAINLAND CHINA CURRENCY CONTROLS

The following is a general description of certain currency controls in mainland China and is based on the law and relevant interpretations thereof in effect as at the date of this Offering Circular, all of which are subject to change, and does not constitute legal advice. It does not purport to be a complete analysis of all applicable currency controls in mainland China relating to the Notes. Prospective holders of Notes who are in any doubt as to mainland China currency controls are advised to consult their own professional advisers.

Remittance of Renminbi into and outside mainland China

The Renminbi is not a freely convertible currency. The remittance of Renminbi into and outside mainland China is subject to controls imposed under mainland China law.

Current Account Items

Under mainland China foreign exchange control regulations, current account items refer to any transactions involving goods, services, earnings and other frequent transfers that cause international payments and receipts.

Prior to July 2009, all current account items were required to be settled in foreign currencies with limited exceptions. Following progressive reforms, Renminbi settlement of imports and exports of goods and of services and other current account items became permissible nationwide in 2012.

Since July 2013, the procedures for cross-border Renminbi trade settlement under current account items have been simplified and trades through e-commerce can also be settled in Renminbi under the current regulatory regime. A cash pooling arrangement for qualified multinational enterprise group companies was introduced in late 2014, under which a multinational enterprise group can process cross-border Renminbi payments and receipts for current account items on a collective basis for eligible member companies in the group. In addition, the eligibility requirements for multinational enterprise groups have been lowered and the cap for net cash inflow has been increased in September 2015.

The regulations referred to above are subject to interpretation and application by the relevant mainland China authorities. Local authorities may adopt different practices in applying these regulations and impose conditions for settlement of current account items. Further, if any new regulations are promulgated in the future which have the effect of permitting or restricting (as the case may be) the use of Renminbi for payment of transactions categorised as current account items, then such settlement will need to be made subject to the specific requirements or restrictions set out in such rules.

Capital Account Items

Under mainland China foreign exchange control regulations, capital account items include cross-border transfers of capital, direct investments, securities investments, derivative products and loans that cause international payments and receipts. Capital account payments are generally subject to approval of, and/or registration or filing with, the relevant mainland China authorities.

Until recently, settlement for capital account items was generally required to be made in foreign currencies. For instance, foreign investors (including any Hong Kong investors) are required to make any capital contribution to foreign-invested enterprises in a foreign currency in accordance with the terms set out in the relevant joint venture contracts and/or articles of association as approved by the relevant authorities. Under progressive reforms, foreign enterprises are now permitted to use Renminbi to settle all capital account items that can be settled in foreign currencies. Cross-border Renminbi payment infrastructure and trading facilities are being improved. Approvals, registration and filing requirements specifically for capital account payments in Renminbi are being removed gradually.

Mainland China entities are also permitted to borrow Renminbi loans from foreign lenders (which are referred to as "**foreign debt**") and lend Renminbi loans to foreign borrowers (which are referred to as "**outbound loans**"), as long as such mainland China entities have the necessary quota, approval or registration. Onshore entities may also denominate security or guarantee arrangements in Renminbi and make Renminbi payments thereunder to parties in mainland China as well as other jurisdictions (which is referred to as "**cross-border security**"). Under current rules promulgated by SAFE and PBOC, foreign debts borrowed, outbound loans extended, and the cross-border security provided by an onshore entity (including a financial institution) in Renminbi shall, in principle, be regulated under the current foreign debt, outbound loan and cross-border security regimes applicable to foreign currencies. After piloting in the free trade zones, PBOC and SAFE launched a nation-wide system of macro-prudential management on cross-border financing in 2016, which provides for a unified regime for financings denominated in both foreign currencies and Renminbi.

Since September 2015, qualified multinational enterprise groups can extend Renminbi-denominated loans to, or borrow Renminbi-denominated loans from, eligible offshore member entities within the same group by leveraging the cash pooling arrangements. The Renminbi funds will be placed in a special deposit account and may not be used to invest in stocks, financial derivatives, or non-self-use real estate assets, or purchase wealth management products or extend loans to enterprises outside the group.

The securities markets, specifically the Renminbi Qualified Foreign Institutional Investor ("**RQFII**") regime and the China Interbank Bond Market ("**CIBM**"), have been further liberalised for foreign investors. PBOC has relaxed the quota control for RQFII, initiated a bond market mutual access scheme between mainland China and Hong Kong to allow eligible investors to invest in CIBM and has also expanded the list of foreign investors eligible to directly invest in CIBM, removed quota restriction, and granted more flexibility for the settlement agents to provide the relevant institutions with more trading facilities (for example, in relation to derivatives for hedging foreign exchange risk).

Interbank foreign exchange market is also opening-up. In 2018, CFETS further relaxed qualifications, application materials and the procedures for foreign participating banks (which needs to have a relatively large scale of Renminbi purchase and sale business and international influence) to access the inter-bank foreign exchange market. Such reforms were aimed at controlling the remittance of Renminbi for payment of transactions categorised as capital account items, and will be subject to interpretation and application by the relevant mainland China authorities. There is no assurance that the mainland China Government will continue to gradually liberalise the control over Renminbi payments of capital account items in the future. Such regulations will be subject to interpretation and application by the relevant Mainland China authorities. Further, if any new mainland China regulations are promulgated in the future which have the effect of permitting or restricting (as the case may be) the remittance of Renminbi for payment of transactions categorised as capital account items, then such remittances will need to be made subject to the specific requirements or restrictions set out in such rules.

CLEARANCE AND SETTLEMENT

*The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of Euroclear, Clearstream or the CMU (together, the "**Clearing Systems**") currently in effect. The information in this section concerning the Clearing Systems has been obtained from sources that the Issuer and the Guarantors believe to be reliable, but neither the Issuer, the Guarantors nor the Arranger or any Dealer takes any responsibility for the accuracy thereof. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. Neither the Issuer, the Guarantors nor any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to, or payments made on account of, such beneficial ownership interests.*

The relevant Pricing Supplement will specify the Clearing System(s) applicable for each Series.

The Clearing Systems

Euroclear and Clearstream

Euroclear and Clearstream each holds securities for participating organisations and facilitates the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream provide to their respective participants, among other things, services for safekeeping, administration, clearance and settlement of internationally-traded securities and securities lending and borrowing. Euroclear and Clearstream participants are financial institutions throughout the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Indirect access to Euroclear or Clearstream is also available to others, such as banks, brokers, dealers and trust companies which clear through or maintain a custodial relationship with a Euroclear or Clearstream participant, either directly or indirectly.

Distributions of principal and interest with respect to book-entry interests in the Notes held through Euroclear or Clearstream will be credited, to the extent received by the Paying Agent, to the cash accounts of Euroclear or Clearstream participants in accordance with the relevant clearing system's rules and procedures.

CMU

The CMU is a central depositary service provided by the Central Moneymarkets Unit of the HKMA for the safe custody and electronic trading between the members of this service ("**CMU Members**") of Exchange Fund Bills and Notes Clearing and Settlement Service securities and capital markets instruments (together, "**CMU Instruments**") which are specified in the reference manual relating to the operation of the CMU issued by the HKMA to CMU Members, as amended from time to time (the "**CMU Reference Manual**") as capable of being held within the CMU.

The CMU is only available to CMU Instruments issued by a CMU Member or by a person for whom a CMU Member acts as agent for the purposes of lodging instruments issued by such persons. Membership of the CMU is open to all financial institutions regulated by the HKMA, SFC, Insurance Authority or Mandatory Provident Fund Schemes Authority. For further details of the full range of CMU's custodial services, please refer to the CMU Reference Manual.

The CMU has an income distribution service which is a service offered by the CMU to facilitate the distribution of interest, coupon or redemption proceeds (collectively, the "**income proceeds**") by CMU Members who are paying agents to the legal title holders of CMU Instruments via the CMU system. Furthermore, the CMU has a corporate action platform which allows an issuer (or its agent) to make an announcement/notification of a corporate action and noteholders to submit the relevant certification. For further details, please refer to the CMU Reference Manual. An investor holding an interest through an account with either Euroclear or Clearstream in any Notes held in the CMU will hold that interest through the respective accounts which Euroclear and Clearstream each have with the CMU.

Book-Entry Ownership

Bearer Notes

The Issuer may make applications to Euroclear and Clearstream for acceptance in their respective book-entry systems in respect of any Series of Bearer Notes. The Issuer may also apply to have Bearer Notes accepted for clearance through the CMU. In respect of Bearer Notes, a temporary Global Note and/or a permanent Global Note will be deposited with a common depositary for Euroclear and Clearstream or a sub-custodian for the CMU. Transfers of interests in a temporary Global Note or a permanent Global Note will be made in accordance with the normal market debt securities operating procedures of the CMU, Euroclear and Clearstream. Each Global Note will have an International Securities Identification Number ("**ISIN**") and a Common Code or a CMU Instrument Number, as the case may be. Investors in Notes of such Series may hold their interests in a Global Note only through Euroclear, Clearstream or the CMU, as the case may be.

Registered Notes

The Issuer may make applications to Euroclear and Clearstream for acceptance in their respective book-entry systems in respect of the Notes to be represented by a Global Certificate. The Issuer may also apply to have Registered Notes represented by a Global Certificate accepted for clearance through the CMU. Each Global Certificate will have an ISIN and a Common Code or a CMU Instrument Number, as the case may be. Investors in Notes of such Series may hold their interests in a Global Certificate only through Euroclear, Clearstream or the CMU, as the case may be.

Individual Certificates

Registration of title to Registered Notes in a name other than a depositary or its nominee for Euroclear and Clearstream or the CMU will be permitted only in the circumstances set forth in "*Summary of Provisions Relating to the Notes while in Global Form – Exchange – Global Certificates*". In such circumstances, the Issuer will cause sufficient Individual Note Certificates to be executed and delivered to the Registrar or the CMU Lodging and Paying Agent, as the case may be, for completion, authentication and despatch to the relevant Noteholder(s).

SUBSCRIPTION AND SALE

Summary of Dealer Agreement

Subject to the terms and on the conditions contained in the dealer agreement dated 4 July 2024, as amended, restated and/or supplemented from time to time (the "**Dealer Agreement**"), between the Issuer, the Guarantors, the Arranger and the Permanent Dealers, the Notes will be offered on a continuous basis by the Issuer to the Permanent Dealers. However, the Issuer has reserved the right to sell Notes directly on its own behalf to Dealers that are not Permanent Dealers. The Notes may be resold at prevailing market prices, or at prices related thereto, at the time of such resale, as determined by the relevant Dealer. The Notes may also be sold by the Issuer through the Dealers, acting as agents of the Issuer. The Dealer Agreement also provides for Notes to be issued in syndicated Tranches that are underwritten by two or more Dealers.

The Issuer (failing which, the Guarantors) will pay each Dealer a commission as agreed between them in respect of Notes subscribed by it. The Issuer (failing which, the Guarantors) has agreed to reimburse the Arranger for certain of its expenses incurred in connection with the establishment of the Programme and the Dealers for certain of their activities in connection with the Programme. The Issuer may agree to pay through the Dealers, a commission to certain private banks on certain tranches of Notes based on the principal amount of Notes purchased by the clients of such private banks. Any such commissions will be described in the relevant pricing supplement.

The Issuer (failing which, the Guarantors) has agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Notes. The Dealer Agreement entitles the Dealers to terminate any agreement that they make to subscribe Notes in certain circumstances prior to payment for such Notes being made to the Issuer.

The Dealers and certain of their affiliates may have performed certain investment banking and advisory services for the Issuer, the Guarantors, and/or their respective affiliates from time to time for which they have received customary fees and expenses and may, from time to time, engage in transactions with and perform services for the Issuer, the Guarantors, and/or their respective affiliates in the ordinary course of their business. The Dealers or certain of their affiliates may purchase Notes and be allocated Notes for asset management and/or proprietary purposes but not with a view to distribution.

The Dealers or their respective affiliates, may offer and sell Notes to or through any of its affiliates and that any such affiliate may offer and sell Notes purchased by it to or through any Dealer and may purchase Notes and be allocated the Notes for asset management and/or proprietary purposes and not with a view to distribution.

Notice to capital market intermediaries and prospective investors pursuant to paragraph 21 of the Hong Kong SFC Code of Conduct – Important Notice to CMIs (including private banks): This notice to CMIs (including private banks) is a summary of certain obligations the SFC Code imposes on CMIs, which require the attention and cooperation of other CMIs (including private banks). Certain CMIs may also be acting as OCs for the relevant CMI Offering and are subject to additional requirements under the SFC Code. The application of these obligations will depend on the role(s) undertaken by the relevant Dealer(s) in respect of each CMI Offering.

Prospective investors who are the directors, employees or major shareholders of the Issuer, the Guarantors, a CMI or its group companies would be considered under the SFC Code as having an Association with the Issuer, the Guarantors, the CMI or the relevant group company. CMIs should specifically disclose whether their investor clients have any Association when submitting orders for the relevant Notes. In addition, private banks should take all reasonable steps to identify whether their investor clients may have any Associations with the Issuer, the Guarantors or any CMI (including its group companies) and inform the relevant Dealers accordingly.

CMIs are informed that, unless otherwise notified, the marketing and investor targeting strategy for the relevant CMI Offering includes institutional investors, sovereign wealth funds, pension funds, hedge funds, family offices and high net worth individuals, in each case, subject to the selling restrictions and any MiFID II product governance language or any UK MiFIR product governance language set out elsewhere in this Offering Circular and/or the applicable Pricing Supplement.

CMIs should ensure that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). CMIs should enquire with their investor clients regarding any orders which appear unusual or irregular. CMIs should disclose the identities of all investors when submitting orders for the relevant Notes (except for omnibus orders where underlying investor information may need to be provided to any OCs when submitting orders). Failure to provide underlying investor information for omnibus orders, where required to do so, may result in that order being rejected. CMIs should not place "X-orders" into the order book.

CMIs should segregate and clearly identify their own proprietary orders (and those of their group companies, including private banks, as the case may be) in the order book and book messages.

CMIs (including private banks) should not offer any rebates to prospective investors or pass on any rebates provided by the Issuer and the Guarantors. In addition, CMIs (including private banks) should not enter into arrangements which may result in prospective investors paying different prices for the relevant Notes. CMIs are informed that a private bank rebate may be payable as stated above and in the applicable Pricing Supplement, or otherwise notified to prospective investors.

The SFC Code requires that a CMI disclose complete and accurate information in a timely manner on the status of the order book and other relevant information it receives to targeted investors for them to make an informed decision. In order to do this, those Dealers in control of the order book should consider disclosing order book updates to all CMIs.

When placing an order for the relevant Notes, private banks should disclose, at the same time, if such order is placed other than on a "principal" basis (whereby it is deploying its own balance sheet for onward selling to investors). Private banks who do not provide such disclosure are hereby deemed to be placing their order on such a "principal" basis. Otherwise, such order may be considered to be an omnibus order pursuant to the SFC Code. Private banks should be aware that placing an order on a "principal" basis may require the relevant affiliated Manager(s) (if any) to categorise it as a proprietary order and apply the "proprietary orders" requirements of the SFC Code to such order and will result in that private bank not being entitled to, and not being paid, any rebate.

In relation to omnibus orders, when submitting such orders, CMIs (including private banks) that are subject to the SFC Code should disclose underlying investor information in respect of each order constituting the relevant omnibus order (failure to provide such information may result in that order being rejected). Underlying investor information in relation to omnibus orders should consist of:

- The name of each underlying investor;
- A unique identification number for each investor;
- Whether an underlying investor has any "Associations" (as used in the SFC Code);

- Whether any underlying investor order is a "Proprietary Order" (as used in the SFC Code);
- Whether any underlying investor order is a duplicate order.

Underlying investor information in relation to omnibus orders should be sent to the Managers named in the relevant Pricing Supplement.

To the extent information being disclosed by CMIs and investors is personal and/or confidential in nature, CMIs (including private banks) agree and warrant: (A) to take appropriate steps to safeguard the transmission of such information to any OCs; and (B) that they have obtained the necessary consents from the underlying investors to disclose such information to any OCs. By submitting an order and providing such information to any OCs, each CMI (including private banks) further warrants that they and the underlying investors have understood and consented to the collection, disclosure, use and transfer of such information by any OCs and/or any other third parties as may be required by the SFC Code, including to the Issuer, the Guarantors, relevant regulators and/or any other third parties as may be required by the SFC Code, for the purpose of complying with the SFC Code, during the bookbuilding process for the relevant CMI Offering. CMIs that receive such underlying investor information are reminded that such information should be used only for submitting orders in the relevant CMI Offering. The relevant Dealers may be asked to demonstrate compliance with their obligations under the SFC Code, and may request other CMIs (including private banks) to provide evidence showing compliance with the obligations above (in particular, that the necessary consents have been obtained). In such event, other CMIs (including private banks) are required to provide the relevant Dealer with such evidence within the timeline requested.

By placing an order, prospective investors (including any underlying investors in relation to omnibus orders) are deemed to represent to the Managers that it is not a Sanctions Restricted Person. A "Sanctions Restricted Person" means an individual or entity (a "**Person**"): (a) that is, or is directly or indirectly owned or controlled by a Person that is, described or designated in (i) the most current "Specially Designated Nationals and Blocked Persons" list (which as of the date hereof can be found at: http://www.treasury.gov/ofac/downloads/sdnlist.pdf) or (ii) the Foreign Sanctions Evaders List (which as of the date hereof can be found at: http://www.treasury.gov/ofac/downloads/fse/fselist.pdf) or (iii) the most current "Consolidated list of persons, groups and entities subject to EU financial sanctions" (which as of the date hereof can be found at: https://data.europa.eu/data/datasets/consolidated-list-of-persons-groups-and-entities-subject-to-eu-financial-sanctions?locale=en); or (b) that is otherwise the subject of any sanctions administered or enforced by any Sanctions Authority, other than solely by virtue of the following (i) – (vi) to the extent that it will not result in violation of any sanctions by the CMIs: (i) their inclusion in the most current "Sectoral Sanctions Identifications" list (which as of the date hereof can be found at: https://www.treasury.gov/ofac/downloads/ssi/ssilist.pdf) (the "**SSI List**"), (ii) their inclusion in Annexes 3, 4, 5 and 6 of Council Regulation No. 833/2014, as amended by Council Regulation No. 960/2014 (the "**EU Annexes**"), (iii) their inclusion in any other list maintained by a Sanctions Authority, with similar effect to the SSI List or the EU Annexes, (iv) them being the subject of restrictions imposed by the U.S. Department of Commerce's Bureau of Industry and Security ("**BIS**") under which BIS has restricted exports, re-exports or transfers of certain controlled goods, technology or software to such individuals or entities; (v) them being an entity listed in the Annex to the new Executive Order of 3 June 2021 entitled "Addressing the Threat from Securities Investments that Finance Certain Companies of the People's Republic of China" (known as the Non-SDN Chinese Military-Industrial Complex Companies List), which amends the Executive Order 13959 of 12 November 2020 entitled "Addressing the threat from Securities Investments that Finance Chinese Military Companies"; or (vi) them being subject to restrictions imposed on the operation of an online service, Internet application or other information or communication services in the United States directed at preventing a foreign government from accessing the data of U.S. persons; or (c) that is located, organised or a resident in a comprehensively sanctioned country or territory, including Cuba, Iran, North Korea, Syria, the Crimea region of Ukraine, the Donetsk's People's Republic or Luhansk People's Republic. "Sanctions Authority" means: (a) the United Nations; (b) the United States; (c) the European Union (or any of its member states); (d) the United Kingdom; (e) the People's Republic of China; (f) any other equivalent governmental or regulatory authority, institution or agency which administers economic, financial or trade sanctions; and (g) the respective governmental institutions and agencies of any of the foregoing including, without limitation, the Office of Foreign Assets Control of the U.S. Department of the Treasury, the United States Department of State, the United States Department of Commerce and His Majesty's Treasury.

Selling Restrictions

Each Dealer has agreed that it shall, to the best of its knowledge and belief in all material respects, comply with all relevant laws, regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes this Offering Circular, any other offering material or any Pricing Supplement, in all cases at its own expense.

United States

The Notes and the Guarantee have not been and will not be registered under the Securities Act, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons, except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meaning given to them by Regulation S.

Notes in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a U.S. person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986, as amended, and regulations thereunder.

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that, except as permitted by the Dealer Agreement, it will not offer or sell or, in the case of Notes in bearer form, deliver the Notes of any identifiable Tranche, (i) as part of their distribution at any time; or (ii) otherwise until 40 days after completion of the distribution of such Tranche as determined, and certified to the Issuer and the Issuing and Paying Agent by each Dealer, or in the case of Notes issued on a syndicated basis, the Lead Manager, within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in the preceding sentence have the meanings given to them by Regulation S.

The Notes are being offered and sold outside the United States to non-U.S. persons in reliance on Regulation S.

In addition, until 40 days after the commencement of the offering of any identifiable Tranche of Notes, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering of such Tranche of Notes) may violate the registration requirements of the Securities Act.

This Offering Circular has been prepared by the Issuer for use in connection with the offer and sale of the Notes outside the United States. The Issuer and the Dealers reserve the right to reject any offer to purchase the Notes, in whole or in part, for any reason. This Offering Circular does not constitute an offer to any person in the United States or to any U.S. person. Distribution of this Offering Circular by any non-U.S. person outside the United States or to any U.S. person or to any other person within the United States, is unauthorised and any disclosure without the prior written consent of the Issuer of any of its contents to any such U.S. person or other person within the United States, is prohibited.

Prohibition of Sales to EEA Retail Investors

Unless the Pricing Supplement in respect of any Notes specifies the "**Prohibition of Sales to EEA Retail Investors**" as "Not Applicable", each Dealer has represented, undertaken and agreed, and each further Dealer appointed under the Programme will be required to represent, undertake and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

(a) the expression "**retail investor**" means a person who is one (or more) of the following:

  (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or

  (ii) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

  (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the "**Prospectus Regulation**"); and

(b) the expression "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

Public Offer Selling Restriction Under the Prospectus Regulation

If the Pricing Supplement in respect of any Notes specifies the "**Prohibition of Sales to EEA Retail Investors**" as "Not Applicable", in relation to each Member State of the European Economic Area (each a "**Relevant State**"), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to the public in that Relevant State except that it may make an offer of such Notes to the public in that Relevant State:

(a) if the Pricing Supplement in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 1(4) of the Prospectus Regulation in that Relevant State (a "**Non-exempt Offer**"), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant State or, where appropriate, approved in another Relevant State and notified to the competent authority in that Relevant State, provided that any such offering circular has subsequently been completed by the Pricing Supplement contemplating such Non-exempt Offer, in accordance with the Prospectus Regulation, in the period beginning and ending on the dates specified in such offering circular or Pricing Supplement, as applicable and the Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;

(b) at any time to any legal entity which is a qualified investor as defined in the Prospectus Regulation;

(c) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(d) at any time in any other circumstances falling within Article 1(4) of the Prospectus Regulation, provided that no such offer of Notes referred to in (b) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression an "**offer of Notes to the public**" in relation to any Notes in any Relevant State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes and the expression "**Prospectus Regulation**" means Regulation (EU) 2017/1129.

Prohibition of Sales to UK Retail Investors

Unless the Pricing Supplement in respect of any Notes specifies the "**Prohibition of Sales to UK Retail Investors**" as "Not Applicable", each Dealer has represented, undertaken and agreed, and each further Dealer appointed under the Programme will be required to represent, undertake and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to any retail investor in the United Kingdom. For the purposes of this provision:

(a) the expression "**retail investor**" means a person who is one (or more) of the following:

  (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA;

  (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or

  (iii) not a qualified investor as defined in Article 2 of the Prospectus Regulation as it forms part of domestic law by virtue of the EUWA; and

(b) the expression "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

Public Offer Selling Restriction Under the UK Prospectus Regulation

If the Pricing Supplement in respect of any Notes specifies the "Prohibition of Sales to UK Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to the public in the United Kingdom except that it may make an offer of such Notes to the public in the United Kingdom:

(a) if the Pricing Supplement in relation to the Notes specify that an offer of those Notes may be made other than pursuant to section 86 of the FSMA (a "**Public Offer**"), following the date of publication of an offering circular in relation to such Notes which has been approved by the Financial Conduct Authority provided that any such offering circular has subsequently been completed by the Pricing Supplement contemplating such Public Offer, in the period beginning and ending on the dates specified in such offering circular or Pricing Supplement, as applicable, and the Issuer has consented in writing to its use for the purpose of that Public Offer;

(b) at any time to any legal entity which is a qualified investor as defined in Article 2 of the UK Prospectus Regulation;

(c) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in Article 2 of the UK Prospectus Regulation) in the United Kingdom subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(d) at any time in any other circumstances falling within Section 86 of the FSMA, provided that no such offer of Notes referred to in (b) to (d) shall require the Issuer or any Dealer to publish a prospectus pursuant to Section 85 of the FSMA or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation.

For the purposes of this provision, the expression an "**offer of Notes to the public**" in relation to any Notes means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes and the expression "**UK Prospectus Regulation**" means the Prospectus Regulation as it forms part of domestic law by virtue of the EUWA.

Selling Restrictions Addressing Additional UK Securities Laws

Each Dealer has represented, warranted and agreed and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that:

(i) in relation to any Notes which have a maturity of less than one year, (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (b) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or as agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000 (the "**FSMA**") by the Issuer;

(ii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantors; and

(iii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to such Notes in, from or otherwise involving the UK.

Hong Kong

In relation to each Tranche of Notes issued by the Issuer, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than,

a. (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**") and any rules made under the SFO; or

b. (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "**C(WUMP)O**") or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and

(ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

Singapore

Unless the Pricing Supplement in respect of any Notes specifies "Singapore Sales to Institutional Investors and Accredited Investors only" as "Not Applicable", each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA or (ii) to an accredited investor (as defined in Section 4A of the SFA) pursuant to and in accordance with the conditions specified in Section 275 of the SFA.

If the Pricing Supplement in respect of any Notes specifies "Singapore Sales to Institutional Investors and Accredited Investors only" as "Not Applicable", each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Singapore SFA Product Classification: In connection with Section 309B of the Securities and Futures Act 2001 of Singapore (as modified or amended from time to time, the "**SFA**") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), unless otherwise specified before an offer of Notes, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

British Virgin Islands

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that no Notes will be offered or sold to the public in the British Virgin Islands.

The Cayman Islands

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that no offer of the Notes will be made directly or indirectly to the public in the Cayman Islands.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No.25 of 1948, as amended, the "**Financial Instruments and Exchange Act**"). Accordingly, each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

General

These selling restrictions may be modified by the agreement of the Issuer, the Guarantors and the relevant Dealers following a change in a relevant law, regulation or directive. Any such modification will be set out in the Pricing Supplement issued in respect of the issue of Notes to which it relates or in a supplement to this Offering Circular.

No representation is made that any action has been taken in any jurisdiction that would permit a public offering of any of the Notes, or possession or distribution of this Offering Circular or any other offering material or any Pricing Supplement, in any country or jurisdiction where action for that purpose is required.

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree, that it will, to the best of its knowledge, comply with all relevant laws, regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes this Offering Circular, any other offering material or any Pricing Supplement and none of the Issuer, the Guarantors nor any other Dealer shall have responsibility therefor.

If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Dealers or any affiliate of the Dealers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by that Dealer or its affiliate on behalf of the Issuer and the Guarantors in such jurisdiction.

FORM OF PRICING SUPPLEMENT

The form of Pricing Supplement that will be issued in respect of each Tranche, subject only to the deletion of non-applicable provisions, is set out below:

[**PRIIPs Regulation – Prohibition of Sales to EEA Retail Investors** – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); [or] (ii) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II[•••]/[; or] [(iii) not a qualified investor as defined in Regulation (EU) 2017/1129 ([, the "**Prospectus Regulation**"]).][1] Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]

[**UK PRIIPs REGULATION – Prohibition of Sales to UK Retail Investors** – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "**EUWA**"); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the "**FSMA**") and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA[•••]/[; or] [(iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA.][2] Consequently no key information document required by the PRIIPs Regulation as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.]

[**MiFID II product governance/Professional investors and ECPs only target market** – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in [Directive 2014/65/EU (as amended, "**MiFID II**")] [MiFID II]; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. [*Consider any negative target market.*] Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

[**UK MiFIR product governance/Professional investors and ECPs only target market** – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook ("**COBS**"), and professional clients, as

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1 Paragraph (iii) is not required where the Notes have a denomination of at least €100,000 or equivalent.

2 Paragraph (iii) is not required where the Notes have a denomination of at least €100,000 or equivalent.

defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the [European Union (Withdrawal) Act 2018]/[EUWA] ("**UK MiFIR**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. [*Consider any negative target market.*] Any [person subsequently offering, selling or recommending the Notes (a "**distributor**")] [distributor] should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

[In connection with Section 309B of the Securities and Futures Act 2001 of Singapore (as modified or amended from time to time, the "**SFA**") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes [are]/[are not] prescribed capital markets products (as defined in the CMP Regulations 2018) and [are] [Excluded]/[Specified] Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendation on Investment Products.][3]

Pricing Supplement dated [•••]

HKT Capital Limited
Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
Guaranteed by
HKT Group Holdings Limited
and
Hong Kong Telecommunications (HKT) Limited
under the U.S.$3,000,000,000 Guaranteed Medium Term Note Programme

The document constitutes the Pricing Supplement relating to the issue of Notes described herein.

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Offering Circular dated 4 July 2024 [and the Supplemental Offering Circular dated [*date*]]. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with such Offering Circular [as so supplemented]. Full information on the Issuer, the Guarantors and the offer of the Notes is only available on the basis of the combination of this Pricing Supplement [,/and the Offering Circular [and the Supplemental Offering Circular].

[The following alternative language applies if the first tranche of an issue which is being increased was issued under an Offering Circular with an earlier date.]

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Offering Circular dated [•••]. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with such Offering Circular dated [•••] [and the supplemental Offering Circular dated [date]], save in respect of the Conditions which are extracted from the Offering Circular dated [•••] and are attached hereto.

[3] For Notes which are only offered to institutional investors and accredited investors in Singapore, this paragraph can be removed. In any other case, the Issuer to consider whether it needs to re-classify the Notes pursuant to Section 309B of the SFA prior to the launch of the offer.

[Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote guidance for completing the Pricing Supplement.]

1.	(i)	Issuer:	HKT Capital Limited (a company incorporated in the British Virgin Islands)
	(ii)	Guarantors:	HKT Group Holdings Limited (a company incorporated under the laws of the Cayman Islands) and Hong Kong Telecommunications (HKT) Limited (a company incorporated under the laws of Hong Kong) (together, the "**Guarantors**")
2.	[(i)	Series Number:	[•••]
	(ii)	Tranche Number:	[•••] (*If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible*).]
3.	Specified Currency or Currencies:		[•••]
4.	Aggregate Nominal Amount:		[•••]
	(i)	Series:	[•••]
	(ii)	Tranche:	[•••]
5.	[(i)]	Issue Price:	[•••] per cent. of the Aggregate Nominal Amount [plus accrued interest from [*insert date*] (*in the case of fungible issues only, if applicable*)]
	[(ii)	Net Proceeds:	[•••] (*Required only for listed issues*)]
6.	(i)	Specified Denominations: [4] [5] [6]	[•••]
	(ii)	Calculation Amount:	[•••]
7.	(i)	Issue Date:	[•••]
	(ii)	Interest Commencement Date:	[*Specify*/Issue Date/Not Applicable]

4 Notes (including Notes denominated in pounds sterling) in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of Section 19 of the FSMA and which have a maturity of less than one year must have a minimum redemption value of £100,000 (or its equivalent in other currencies).

5 If the specified denomination is expressed to be €100,000 or its equivalent and multiples of a lower principal amount (for example €1,000), insert the additional wording as follows: €100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000. No notes in definitive form will be issued with a denomination above €199,000.

6 Notes to be listed on the Hong Kong Stock Exchange are required to be traded with a board lot size of at least HK$500,000 (or its equivalent in other currencies).

8.	Maturity Date:	*[Specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year]*[7]
9.	Interest Basis:	[[•••] per cent. Fixed Rate] [[*Specify* reference rate] +/– [•••] per cent. Floating Rate] [Zero Coupon] [Dual Currency Interest] [Other (*Specify*)] (further particulars specified below)
10.	Redemption/Payment Basis:	[Redemption at par] [Dual Currency Redemption] [Other (*Specify*)]
11.	Change of Interest or Redemption/Payment Basis:	[*Specify details of any provision for convertibility of Notes into another interest or redemption/payment basis*]
12.	Put/Call Options:	[Call Option] [Investor Put] [(further particulars specified below)]
13.	Date of [*Board*] approval for issuance of Notes and Guarantee obtained:	[•••] and [•••], respectively
14.	Listing:	[Singapore Exchange Securities Trading Limited/ Other (*specify*)/None]
15.	Method of distribution:	[Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

16.	Fixed Rate Note Provisions	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*

[7] Note that for Renminbi or Hong Kong dollar denominated Fixed Rate Notes where Interest Payment Dates are subject to modification it will be necessary to use the second option here.

(i)	Rate[(s)] of Interest:	[•••] per cent. per annum [payable [annually/semi annually/quarterly/monthly/other (*specify*)] in arrear]
(ii)	Interest Payment Date(s):	[•••] in each year [adjusted in accordance with [*specify Business Day Convention and any applicable Business Centre(s) for the definition of "Business Day"*]/not adjusted]
(iii)	Fixed Coupon Amount[(s)]:	[•••] per Calculation Amount[8]
(iv)	Broken Amount(s):	[•••] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [•••]
(v)	Day Count Fraction:	[30/360/Actual/Actual (ICMA/ISDA) or Actual/365 (Fixed)[9]/other]
(vi)	[Determination Dates:	[•••] in each year *(insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon. N.B. only relevant where Day Count Fraction is Actual/Actual (ICMA))*]
(vii)	Other terms relating to the method of calculating interest for Fixed Rate Notes:	[Not Applicable/*give details*]

17.	Floating Rate Note Provisions	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
(i)	Interest Period(s):	[•••]
(ii)	Specified Interest Payment Dates:	[•••]
(iii)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/ other (*give details*)]
(iv)	Business Centre(s):	[•••]
(v)	Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/other (*give details*)]

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8 For Renminbi or Hong Kong dollar denominated Fixed Rate Notes where the Interest Payment Dates are subject to modification the following alternative wording is appropriate: "Each Fixed Coupon Amount shall be calculated by multiplying the product of the Rate of Interest and the Calculation Amount by the Day Count Fraction and rounding the resultant figure to the nearest CNY0.01, CNY0.005 for the case of Renminbi denominated Fixed Rate Notes to the nearest HK$0.01, HK$0.005 for the case of Hong Kong dollar denominated Fixed Rate Notes, being rounded upwards.

9 Applicable to Hong Kong dollar denominated Fixed Rate Notes and Renminbi-denominated Fixed Rate Notes.

(vi)	Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Calculation Agent):	[•••]
(vii)	Screen Rate Determination:	
•	Reference Rate:	[EURIBOR/HIBOR/SOFR Benchmark/Other (*give details*)]
•	Interest Determination Date(s):	[•••]
•	Relevant Screen Page:	[•••]
•	Party responsible for calculation of Rate of Interest:	[•••] (*Specify where this is not the Calculation Agent*)
•	SOFR:	[Applicable/Not Applicable]
–	SOFR Benchmark:	[Compounded Daily SOFR/SOFR Index]
–	Compounded Daily SOFR:	[Not Applicable/SOFR Lag/SOFR Observation Shift] (*Only applicable in the case of Compounded Daily SOFR*)
–	Lookback Days:	[Not Applicable/[•••] U.S. Government Securities Business Day(s)] (*Only applicable in the case of SOFR Lag*)
–	SOFR Observation Shift Days:	[Not Applicable/[•••] U.S. Government Securities Business Day(s)] (*Only applicable in the case of SOFR Observation Shift or SOFR Index*)
–	SOFR $Index_{Start}$:	[Not Applicable/[•••] U.S. Government Securities Business Day(s)] (*Only applicable in the case of SOFR Index*)
–	SOFR $Index_{End}$:	[Not Applicable/[•••] U.S. Government Securities Business Day(s)] (*Only applicable in the case of SOFR Index*)

(viii)	Linear Interpolation:	[Not Applicable/Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (*specify for each short or long interest period*)]
(ix)	Margin(s):	[+/-][•••] per cent. per annum
(x)	Minimum Rate of Interest:	[•••] per cent. per annum
(xi)	Maximum Rate of Interest:	[•••] per cent. per annum
(xii)	Day Count Fraction:	[•••]
(xiii)	Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:	[Benchmark Discontinuation (General) (Condition 5(k))/Benchmark Discontinuation (SOFR) (Condition 5(l))/*specify other if different from those set out in the Conditions*]
18.	Zero Coupon Note Provisions	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
(i)	Amortisation Yield:	[•••] per cent. per annum
(ii)	Day Count Fraction in relation to Early Redemption Amounts:	[•••]
(iii)	Any other formula/basis of determining amount payable:	[•••]
19.	Dual Currency Note Provisions	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
(i)	Rate of Exchange/method of calculating Rate of Exchange:	[•••]
(ii)	Calculation Agent, if any, responsible for calculating the principal and/or interest due:	[•••]
(iii)	Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable:	[*To include a description of market disruption or settlement disruption events and adjustment provisions*]
(iv)	Person at whose option Specified Currency(ies) is/are payable:	[•••]

PROVISIONS RELATING TO REDEMPTION

20.	Call Option	[Applicable/Not Applicable]
		(If not applicable, delete the remaining sub-paragraphs of this paragraph)
(i)	Optional Redemption Date(s):	[•••]
(ii)	Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):	[[•••] per Calculation Amount]/ [Make-Whole Amount – [Condition 6(d)(ii) applies, and: Determination Date: [•••] Discount Basis: [•••] Make-Whole Reference Rate: [Reference Dealer Rate/ [•••]] Quotation Time: [•••] Redemption Margin: [•••] Reference Bond: [•••] Reference Dealers: [•••]]/ [Make-Whole Amount – see Appendix for calculation]
(iii)	If redeemable in part:	
(a)	Minimum Redemption Amount:	[•••] per Calculation Amount
(b)	Maximum Redemption Amount	[•••] per Calculation Amount
(iv)	Notice period:	[•••][10]
21.	Put Option	[Applicable/Not Applicable]
		(If not applicable, delete the remaining sub-paragraphs of this paragraph)
(i)	Optional Redemption Date(s):	[•••]

	(ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):	[•••] per Calculation Amount
	(iii) Notice period:	[•••][10]
22.	Final Redemption Amount of each Note	[•••] per Calculation Amount
23.	Early Redemption Amount	[Not Applicable/[•••]]
	Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default or other early redemption and/or the method of calculating the same (if required or if different from that set out in the Conditions):	

GENERAL PROVISIONS APPLICABLE TO THE NOTES

24.	Form of Notes	**Bearer Notes:**
		[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes on [•••] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note]
		[Temporary Global Note exchangeable for Definitive Notes on [•••] days' notice][11]
		[Permanent Global Note exchangeable for Definitive Notes on [•••] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note]
		[**Registered Notes:**
		Global Certificate exchangeable for Individual Note Certificates in the limited circumstances described in the Global Certificate

10 If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Issuing and Paying Agent.

11 If the Specified Denominations of the Notes in paragraph 6 includes language substantially to the following effect: "€100,000 and integral multiples of [€1,000] in excess thereof up to and including [€199,000]", the Temporary Global Note shall not be exchangeable on [●] days' notice.

25.	Additional Financial Centre(s) or other special provisions relating to payment dates:	[Not Applicable/*give details*. *Note that this paragraph relates to the date and place of payment, and not interest period end dates, to which sub paragraph 17(iv) relates*]
26.	Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):	[Yes/No. *If yes, give details*]
27.	Redenomination, renominalisation and reconventioning provisions:	[Not Applicable/The provisions annexed to this Pricing Supplement apply]
28.	Consolidation provisions:	[Not Applicable/The provisions annexed to this Pricing Supplement apply]
29.	Other terms or special conditions:	[Not Applicable/*give details*]

DISTRIBUTION

30.	(i)	If syndicated, names of Managers:	[Not Applicable/*give names*]
	(ii)	Stabilisation Manager(s) (if any):	[Not Applicable/*give names*]
31.		If non-syndicated, name and address of Dealer:	[Not Applicable/give name and address]
32.		Private bank rebate/commission:	[Applicable/Not Applicable] (*For any issuance where paragraph 21 of the Hong Kong SFC Code of Conduct is applicable, also refer to paragraph 46 below*)
33.		Whether TEFRA D/C Rules applicable or TEFRA Rules not applicable:	[TEFRA C/TEFRA D/TEFRA not applicable]
34.		Singapore Sales to Institutional Investors and Accredited Investors only:	[Applicable/Not Applicable]
35.		Additional selling restrictions:	[Not Applicable/give details]
36.	(i)	Prohibition of Sales to EEA Retail Investors:	[[Applicable/Not Applicable] (*If the Notes clearly do not constitute "packaged" products, "Not Applicable" should be specified. If the Notes may constitute "packaged" products and no KID will be prepared, "Applicable" should be specified.*)]

(ii)	Prohibition of Sales to UK Retail Investors:	[[Applicable/Not Applicable] (*If the Notes clearly do not constitute "packaged" products, "Not Applicable" should be specified. If the Notes may constitute "packaged" products and no KID will be prepared, "Applicable" should be specified.*)]

OPERATIONAL INFORMATION

37.	ISIN Code:	[•••]
38.	Common Code:	[•••]
39.	Legal Entity Identifier (LEI):	2549007XNC8D96FI5H60
40.	CMU Instrument Number:	[•••]
41.	Any clearing system(s) other than Euroclear, Clearstream and the CMU and the relevant identification number(s):	[Not Applicable/*give name(s) and number(s)*]
42.	Delivery:	Delivery [against/free of] payment
43.	Additional Paying Agent(s) (if any):	[•••]

GENERAL

44.	The aggregate principal amount of Notes issued has been translated into U.S. dollars at the rate of [•••], producing a sum of (for Notes not denominated in U.S. dollars):	[Not Applicable/U.S.$[•••]]
45.	Use of proceeds	[•••]

HONG KONG SFC CODE OF CONDUCT

46.	Rebates:	[A rebate of [•••] bps is being offered by the Issuer to all private banks for orders they place (other than in relation to Notes subscribed by such private banks as principal whereby it is deploying its own balance sheet for onward selling to investors), payable upon closing of this offering based on the principal amount of the Notes distributed by such private banks to investors. Private banks are deemed to be placing an order on a principal basis unless they inform the capital market intermediaries otherwise. As a result, private banks placing an order on a principal basis (including those deemed as placing an order as principal) will not be entitled to, and will not be paid, the rebate.]/[Not Applicable]

47.	Contact email addresses of the Overall Coordinators where underlying investor information in relation to omnibus orders should be sent:	[*Include relevant contact email addresses of the Overall Coordinators where the underlying investor information should be sent – Overall Coordinators to provide*]/[Not Applicable]
48.	Marketing and Investor Targeting Strategy:	[As indicated in the programme offering circular]/[*if different from the programme offering circular*]

[STABILISATION

In connection with this issue, [*insert name of Stabilisation Manager*] (the "**Stabilisation Manager**") (or persons acting on behalf of any Stabilisation Manager) may over-allot the Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes. Any stabilisation action or over-allotment must be conducted by the Stabilisation Manager (or person(s) acting on behalf of any Stabilisation Manager) in accordance with all applicable laws and rules.]

RESPONSIBILITY

The Issuer and the Guarantors accept responsibility for the information contained in this Pricing Supplement.

Signed on behalf of HKT Capital Limited:

By: ________________________________

Duly authorised

Signed on behalf of HKT Group Holdings Limited

By: ________________________________

Duly authorised

Signed on behalf of Hong Kong Telecommunications (HKT) Limited

By: ________________________________

Duly authorised

GENERAL INFORMATION

(1) **Listing of Notes**: Application has been made to the SGX-ST for permission to deal in, and quotation of any Notes that may be issued pursuant to the Programme and which are agreed at the time of issue thereof to be so listed on the SGX-ST. Such permission will be granted when such Notes have been admitted to the Official List of the SGX-ST. Admission to the Official List of the SGX-ST and quotation of any Notes on the SGX-ST is not to be taken as an indication of the merits of the Programme, the Notes, the Issuer, the Guarantors, the Group, their respective subsidiaries or their respective associated companies. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained herein.

For so long as any Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Notes if traded, will be traded on the SGX-ST in a minimum board lot size of S$200,000 (or its equivalent in other currencies).

For so long as any Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Issuer shall appoint and maintain a paying agent in Singapore, where such Notes may be presented or surrendered for payment or redemption, in the event that the Global Note(s) or Global Certificate(s) representing such Notes is exchanged for definitive Notes. In addition, in the event that the Global Note(s) or Global Certificate(s) is exchanged for definitive Notes, an announcement of such exchange will be made by the Issuer through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive Notes, including details of the paying agent in Singapore.

(2) **Authorisations**: Each of the Issuer and the Guarantors has obtained all necessary consents, approvals and authorisations in connection with the establishment of the Programme and the Guarantee relating to the Programme. The establishment of the Programme was authorised by resolutions of the Board of Directors of the Issuer passed on 3 July 2024. The provision of the Guarantee relating to the Programme was authorised by resolution of the respective Board of Directors of each Guarantor on 3 July 2024.

(3) **No Material Adverse Change:** Except as disclosed in this Offering Circular, there has been no material adverse change in the trading position or prospect of the Issuer since its date of incorporation nor of the Group since 31 December 2023.

(4) **Litigation:** Neither the Issuer nor the Group is involved in any litigation or arbitration proceedings which are material in the context of the Notes nor is the Issuer or either Guarantor aware that any such proceedings are pending or threatened.

(5) **Bearer Note Legend**: Each Bearer Note having a maturity of more than one year, Receipt, Coupon and Talon will bear the following legend: "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code".

(6) **Clearing of the Notes**: The Legal Entity Identifier ("**LEI**") of the Issuer is 2549007XNC8D96FI5H60. The Notes have been accepted for clearance through the Euroclear and Clearstream systems. The Issuer may also apply to have Notes accepted for clearance through the CMU. The relevant CMU instrument number will be set out in the relevant Pricing Supplement. The relevant ISIN, the Common Code and (where applicable) the identification number for any other relevant clearing system for each series of Notes will be

specified in the applicable Pricing Supplement. If the Notes are to clear through an additional or alternative clearing system the appropriate information will be set out in the relevant Pricing Supplement.

(7) **Available Documents**: For so long as Notes may be issued pursuant to this Offering Circular, copies of the following documents will, when published, be available, during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted), for inspection at the specified office of the Issuer at 39th Floor, PCCW Tower, Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong. Copies of documents in paragraphs (i) and (ii) will be made available for inspection at all reasonable times during normal business hours (being between 9:00 a.m. and 3:00 p.m. from Monday to Friday (other than public holidays)) (i) at the principal office of the Trustee and at the specified office of the Issuing and Paying Agent or (ii) electronically via email from the Trustee or, as the case may be, the Issuing and Paying Agent following prior written request and proof of holding and identity to the satisfaction of the Trustee, or, as the case may be, the Issuing and Paying Agent:

(i) the Trust Deed (which includes the form of the Global Notes, the definitive Bearer Notes, the Certificates, the Coupons, the Receipts and the Talons);

(ii) the Agency Agreement;

(iii) the Memorandum and Articles of Association of each of the Issuer and HKTGH and the Articles of Association of Hong Kong Telecommunications (HKT) Limited;

(iv) the audited consolidated financial statements of HKTGH for the financial year ended 31 December 2023;

(v) the most recently published audited annual consolidated financial statements of HKTGH;

(vi) a copy of this Offering Circular together with any supplement (including any Pricing Supplement save that a Pricing Supplement relating to an unlisted Series of Notes will only be available for inspection by a holder of any such Notes and such holder must produce evidence satisfactory to the Issuer and the relevant Paying Agent as to its holding of such Notes and identity) to this Offering Circular or further Offering Circular; and

(vii) all reports, letters and other documents, statements of financial position, valuations and statements by any expert any part of which is extracted or referred to in this Offering Circular.

(8) **Auditor**: The audited consolidated financial statements of HKTGH for the year ended 31 December 2023 included in this Offering Circular have been audited by PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, as stated in their report reproduced herein.

INDEX TO FINANCIAL STATEMENTS

Note:

References to page numbers in the consolidated financial statements refer to the original page numbers of the audited consolidated financial statements and cross-references to page numbers are to such original page numbering. The audited consolidated financial statements have not been specifically prepared for the inclusion in this Offering Circular.

Financial Information extracted from the Audited Consolidated Financial Statements of Hong Kong Telecommunications (HKT) Limited for the year ended 31 December 2023

The selected financial information of Hong Kong Telecommunications (HKT) Limited presented below as at and for the two years ended 31 December 2022 and 31 December 2023 has been extracted from the audited consolidated financial statements of Hong Kong Telecommunications (HKT) Limited for the year ended 31 December 2023. The audited consolidated financial statements have not been specifically prepared for the inclusion in this Offering Circular.

The consolidated financial information for the year ended 31 December 2023 has been prepared for refinancing purpose. Hong Kong Telecommunications (HKT) Limited, as a wholly-owned subsidiary of HKT (Hong Kong) Limited, has applied section 379(3) of the Companies Ordinance (Cap. 622) of Hong Kong to prepare company level financial statements as its statutory financial statements. Consequently, this consolidated financial information and the comparatives do not constitute Hong Kong Telecommunications (HKT) Limited's statutory financial statements for either of the years ended 31 December 2022 or 2023. Information relating to Hong Kong Telecommunications (HKT) Limited's statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance (Cap. 622) of Hong Kong is as follows:

As Hong Kong Telecommunications (HKT) Limited is a private company, it is not required to deliver its financial statements to the Registrar of Companies, and has not done so.

Hong Kong Telecommunications (HKT) Limited's auditor has reported on Hong Kong Telecommunications (HKT) Limited's consolidated financial statements for the years ended 31 December 2022 and 2023. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis; and did not contain a statement under either sections 406(2), 407(2) or (3) of the Companies Ordinance (Cap. 622) of Hong Kong.

The following is the reproduction of the audited consolidated financial statements of HKTGH for the year ended 31 December 2023 together with the independent auditor's report.

References to page numbers in the following consolidated financial statements refer to the original page numbers of the audited consolidated financial statements and cross-references to page numbers are to such original page numbering.

INDEPENDENT AUDITOR'S REPORT

TO THE BOARD OF DIRECTORS OF HKT GROUP HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

Opinion

What we have audited
The consolidated financial statements of HKT Group Holdings Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 4 to 96, comprise:

- the consolidated statement of financial position as at 31 December 2023;
- 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 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Basis for Opinion

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

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

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

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 HKFRSs issued by the HKICPA, and for such internal control as the directors determine is necessary to enable the preparation of the 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.

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

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 12 April 2024

HKT GROUP HOLDINGS LIMITED

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2023

In HK$ million	Note(s)	2022	**2023**
Revenue	5, 6	34,125	**34,330**
Cost of sales	7(b)	(17,094)	**(17,454)**
General and administrative expenses	7(c)	(9,743)	**(9,120)**
Other (losses)/gains, net		(9)	**14**
Finance costs, net	8	(1,660)	**(2,328)**
Share of results of associates		(106)	**(108)**
Share of results of joint ventures		(19)	**(16)**
Profit before income tax	5, 7	5,494	**5,318**
Income tax	10	(634)	**(467)**
Profit for the year		4,860	**4,851**
Profit attributable to:			
Equity holder of the Company		4,842	**4,830**
Non-controlling interests		18	**21**
Profit for the year		4,860	**4,851**

HKT GROUP HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023

In HK$ million	2022	**2023**
Profit for the year	4,860	**4,851**
Other comprehensive (loss)/income		
Item that will not be reclassified subsequently to consolidated income statement:		
Change in fair value of a financial asset at fair value through other comprehensive income	-	**(17)**
Items that have been reclassified or may be reclassified subsequently to consolidated income statement:		
Translation exchange differences:		
- exchange differences on translating foreign operations of subsidiaries	(76)	**26**
- exchange differences on translating foreign operations of joint ventures	(5)	**(1)**
Cash flow hedges:		
- effective portion of changes in fair value	(46)	**(179)**
- transfer from equity to consolidated income statement	101	**(147)**
Costs of hedging	(114)	**(41)**
Other comprehensive loss for the year	(140)	**(359)**
Total comprehensive income for the year	4,720	**4,492**
Attributable to:		
Equity holder of the Company	4,702	**4,471**
Non-controlling interests	18	**21**
Total comprehensive income for the year	4,720	**4,492**

HKT GROUP HOLDINGS LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023**

		2022		
In HK$ million	Note	Attributable to equity holder of the Company	Non-controlling interests	Total equity
As at 1 January 2022		32,659	56	32,715
Total comprehensive income for the year				
Profit for the year		4,842	18	4,860
Other comprehensive (loss)/income				
Items that have been reclassified or may be reclassified subsequently to consolidated income statement:				
Translation exchange differences:				
- exchange differences on translating foreign operations of subsidiaries		(76)	-	(76)
- exchange differences on translating foreign operations of joint ventures		(5)	-	(5)
Cash flow hedges:				
- effective portion of changes in fair value	25(c)	(46)	-	(46)
- transfer from equity to consolidated income statement	25(c)	101	-	101
Costs of hedging	25(c)	(114)	-	(114)
Other comprehensive loss		(140)	-	(140)
Total comprehensive income for the year		4,702	18	4,720
Transactions with equity holder				
Issue of ordinary share	27(a)	99	-	99
Receipt of shares of PCCW Limited (“PCCW Shares”) under the PCCW Subscription Scheme		36	-	36
Dividend paid in respect of the previous year	11	(3,187)	-	(3,187)
Interim dividend declared and paid in respect of the current year	11	(2,377)	-	(2,377)
Dividends declared and paid to non-controlling shareholders of subsidiaries		-	(14)	(14)
Total transactions with equity holder		(5,429)	(14)	(5,443)
As at 31 December 2022		31,932	60	31,992

HKT GROUP HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(CONTINUED)*
FOR THE YEAR ENDED 31 DECEMBER 2023

			2023	
In HK$ million	Note	**Attributable to equity holder of the Company**	**Non-controlling interests**	**Total equity**
As at 1 January 2023		**31,932**	**60**	**31,992**
Total comprehensive income for the year				
Profit for the year		**4,830**	**21**	**4,851**
Other comprehensive (loss)/income				
Item that will not be reclassified subsequently to consolidated income statement:				
Change in fair value of a financial asset at fair value through other comprehensive income		**(17)**	**-**	**(17)**
Items that have been reclassified or may be reclassified subsequently to consolidated income statement:				
Translation exchange differences:				
- exchange differences on translating foreign operations of subsidiaries		**26**	**-**	**26**
- exchange differences on translating foreign operations of joint ventures		**(1)**	**-**	**(1)**
Cash flow hedges:				
- effective portion of changes in fair value	25(c)	**(179)**	**-**	**(179)**
- transfer from equity to consolidated income statement	25(c)	**(147)**	**-**	**(147)**
Costs of hedging	25(c)	**(41)**	**-**	**(41)**
Other comprehensive loss		**(359)**	**-**	**(359)**
Total comprehensive income for the year		**4,471**	**21**	**4,492**
Transactions with equity holder				
Issue of ordinary shares	27(a)	**206**	**-**	**206**
Dividend paid in respect of the previous year	11	**(3,271)**	**-**	**(3,271)**
Interim dividend declared and paid in respect of the current year	11	**(2,337)**	**-**	**(2,337)**
Dividends declared and paid to the non-controlling shareholder of a subsidiary		**-**	**(11)**	**(11)**
Total transactions with equity holder		**(5,402)**	**(11)**	**(5,413)**
As at 31 December 2023		**31,001**	**70**	**31,071**

HKT GROUP HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023

In HK$ million	Note(s)	2022	**2023**
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	12	26,286	**27,278**
Right-of-use assets	13	1,897	**1,988**
Interests in leasehold land	14	177	**165**
Goodwill	15	49,803	**49,806**
Intangible assets	16	16,415	**17,675**
Fulfilment costs		1,658	**1,925**
Customer acquisition costs		864	**912**
Contract assets		285	**324**
Interests in associates	17	410	**484**
Interests in joint ventures	18	327	**301**
Financial assets at fair value through other comprehensive income	19	147	**130**
Financial assets at fair value through profit or loss	20	75	**59**
Derivative financial instruments	25	27	**29**
Deferred income tax assets	29	968	**895**
Other non-current assets	22	571	**558**
		99,910	**102,529**
Current assets			
Inventories	23(a)	1,607	**959**
Prepayments, deposits and other current assets	23(b)	3,070	**3,163**
Contract assets		637	**511**
Trade receivables, net	23(c)	3,254	**2,838**
Amounts due from related companies	4(c)	25	**22**
Financial assets at fair value through profit or loss	20	26	**28**
Derivative financial instruments	25	58	**-**
Tax recoverable		-	**2**
Restricted cash	23(d)	375	**211**
Short-term deposits		116	**79**
Cash and cash equivalents	31(c)	1,996	**1,630**
		11,164	**9,443**
Current liabilities			
Short-term borrowings	23(e)	(3,950)	**(1,049)**
Trade payables	23(f)	(5,500)	**(5,781)**
Accruals and other payables		(5,980)	**(6,008)**
Derivative financial instrument	25	(98)	**(151)**
Carrier licence fee liabilities	30	(331)	**(338)**
Amounts due to fellow subsidiaries and the immediate holding company	4(c), 4(d)	(6,498)	**(6,667)**
Amounts due to related companies	4(c)	(54)	**(84)**
Advances from customers		(286)	**(279)**
Contract liabilities		(1,410)	**(1,450)**
Lease liabilities		(1,049)	**(1,070)**
Current income tax liabilities		(1,766)	**(1,415)**
		(26,922)	**(24,292)**

HKT GROUP HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(CONTINUED)*
AS AT 31 DECEMBER 2023

In HK$ million	Note	2022	**2023**
Non-current liabilities			
Long-term borrowings	24	(39,888)	**(43,518)**
Derivative financial instruments	25	(223)	**(602)**
Deferred income tax liabilities	29	(5,048)	**(5,498)**
Carrier licence fee liabilities	30	(3,340)	**(3,086)**
Contract liabilities		(1,031)	**(980)**
Lease liabilities		(925)	**(979)**
Other long-term liabilities		(1,705)	**(1,946)**
		(52,160)	**(56,609)**
Net assets		31,992	**31,071**
CAPITAL AND RESERVES			
Share capital	27	4,961	**4,961**
Reserves	28	26,971	**26,040**
Equity attributable to equity holder of the Company		31,932	**31,001**
Non-controlling interests	21(b)	60	**70**
Total equity		31,992	**31,071**

Approved and authorised for issue by the board of directors (the “Board”) on 12 April 2024 and signed on behalf of the Board by

Hui Hon Hing, Susanna
Director

Poon Chi Ho
Director

HKT GROUP HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023

In HK$ million	Note	2022	**2023**
NET CASH GENERATED FROM OPERATING ACTIVITIES	31(a)	10,746	**11,173**
INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		4	**6**
Purchases of property, plant and equipment		(2,253)	**(2,138)**
Additions of intangible assets		(2,747)	**(2,897)**
Investment in an associate		(156)	**(129)**
Investment in a joint venture		-	**(30)**
Loans to a joint venture		(46)	**(63)**
Decrease in short-term deposits with maturity more than three months		356	**37**
NET CASH USED IN INVESTING ACTIVITIES		(4,842)	**(5,214)**
FINANCING ACTIVITIES			
New borrowings raised	31(b)	22,803	**22,983**
Finance costs paid	31(b)	(899)	**(1,599)**
Repayments of borrowings	31(b)	(22,502)	**(22,994)**
Payment for lease liabilities (including interest)	31(b)	(1,389)	**(1,430)**
Movement in amounts due to fellow subsidiaries and the immediate holding company	31(b)	1,199	**2,106**
Movement in amount due to a related company	31(b)	(7)	**29**
Dividends paid to the sole shareholder of the Company	11	(5,564)	**(5,608)**
Dividends paid to non-controlling shareholders of subsidiaries		(14)	**(11)**
Proceeds from issue of ordinary shares	27(a)	99	**206**
NET CASH USED IN FINANCING ACTIVITIES		(6,274)	**(6,318)**
NET DECREASE IN CASH AND CASH EQUIVALENTS		(370)	**(359)**
Exchange differences		(45)	**(7)**
CASH AND CASH EQUIVALENTS			
Beginning of year		2,411	**1,996**
End of year	31(c)	1,996	**1,630**

1 GENERAL INFORMATION

HKT Group Holdings Limited (the "Company") was incorporated in the Cayman Islands on 18 January 2008. The address of its registered office is PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The Company is a direct wholly-owned subsidiary of HKT Limited ("HKT") which is a 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 company incorporated in the Hong Kong Special Administrative Region ("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 Company's ultimate holding company.

The Company and its subsidiaries (collectively, the "Group") are principally engaged in the provision of technology and telecommunications and related services including enterprise solutions, consumer mobile, total home solutions, healthtech services, media entertainment (the "Pay TV business") and other new businesses such as The Club's loyalty platform and HKT Financial Services. It operates primarily in Hong Kong, and also serves customers in mainland China and other parts of the world.

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 Hong Kong Financial Reporting Standards, which is a collective term for all individual Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accounting principles generally accepted in Hong Kong. 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 Hong Kong Financial Reporting Standards are adopted for the financial year beginning 1 January 2023, but have no material effect on the Group's reported results and financial position for the current and prior accounting periods.

- HKAS 1 (Revised) (Amendments), *Presentation of Financial Statements*
- HKAS 8 (Amendments), *Accounting Policies, Changes in Accounting Estimates and Errors*
- HKAS 12 (Amendments), *Income Taxes*
- HKFRS 17 and HKFRS 17 (Amendments), *Insurance Contracts*

The amendments to HKAS 12 require disclosure about income tax arising from Pillar Two model rules ("Pillar Two Income Taxes") published by the Organisation for Economic Co-operation and Development ("OECD"), see note 10(c).

The Group has not early adopted any new or amended Hong Kong Financial Reporting Standards that are not yet effective for the current accounting period, details of which are set out in note 37.

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 2023 comprise the financial statements of the Group, and the Group's interests in associates and joint ventures.

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

- financial assets at fair value through profit or loss (see note 2(n));
- financial assets at fair value through other comprehensive income (see note 2(n)); and
- derivative financial instruments (see note 2(p)).

As at 31 December 2023, the current liabilities of the Group exceeded its current assets by HK$14,849 million. Included in the current liabilities were (i) short-term borrowings of HK$1,049 million, which represented borrowings with maturity dates fall due within the next 12-month period and the Group has arrangements to refinance this balance via long-term borrowings; and (ii) current portion of contract liabilities of HK$1,450 million recognised for which no direct cash settlement is required but will gradually reduce over the contract terms through the satisfaction of performance obligations. Also, considering the Group's ability to generate net operating cash inflows and raise additional debt financing, and the undrawn banking facilities totalling HK$12,733 million as at 31 December 2023, 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 Hong Kong Financial Reporting Standards requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of judgements about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Judgements made by management in the application of Hong Kong Financial Reporting Standards that have significant effect on these consolidated financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 3.

c. Subsidiaries and non-controlling interests

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

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

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

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

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

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

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(i)). If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement. Where businesses are acquired and fair values of the net assets of the acquired business are finalised within 12 months of the acquisition date, all fair value adjustments are recorded with effect from the date of acquisition and consequently may result in the restatement of previously reported financial results.

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

The 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 these 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. Associates

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

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

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

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in the consolidated income statement.

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

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

e. Joint arrangements

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

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

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

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

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

f. 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.

g. Property, plant and equipment

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

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

– other items of plant and equipment.

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

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)*

h. Leased assets

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

i. Assets leased to the Group

Leases are initially 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.

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

h. Leased assets *(continued)*

i. Assets leased to the Group *(continued)*

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(o)(ii). Revenue arising from operating leases is recognised in the consolidated income statement in equal instalments over the accounting periods covered by the lease term. Lease incentives granted are recognised in the consolidated income statement as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

i. Goodwill

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

Goodwill is stated in the consolidated statement of financial position at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units ("CGUs") and is tested at least annually for impairment (see note 2(o)(ii)). In respect of associates and joint ventures, the carrying amount of goodwill is included in the carrying amount of the interests in associates and joint ventures.

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

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

j. Intangible assets (other than goodwill)

i. Carrier licences

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

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

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

ii. Capitalised programme costs

Costs incurred to produce or acquire television rights, for which the Group can determine the broadcasting schedules, are capitalised as intangible assets. The intangible assets are amortised on an accelerated basis over the shorter of the expected economic life of 1 to 5 years and the licence period. Other costs incurred for the transmission rights for showing programmes, sports events and films on the Group's television channels, including sport rights for multiple seasons or competitions, of which the broadcasting schedules are determined by the content providers, are recognised in the consolidated income statement on a straight-line basis over the period of transmission rights across the season or competition. Other payments of programme costs made in advance or in arrears are recognised in the consolidated statement of financial position as prepayments, deposits and other current assets or accruals and other payables, as appropriate.

iii. Software

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

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

- it is technically feasible to complete the software so that it will be available for use;

- adequate technical, financial and other resources are available to complete the development and to use the software;

- the costs attributable to acquisition, development and enhancement of the software can be reliably measured; and

- the Group has power to obtain future economic benefits flowing from the underlying resource.

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

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

iii. Software *(continued)*

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

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

iv. Other intangible assets

Other intangible assets that are acquired by the 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(o)(ii)). Expenditures on internally generated goodwill and brands are recognised as expenses in the period in which they are incurred.

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

Trademarks	20 years
Customer base	8 to 10 years

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

k. Fulfilment costs

Direct costs incurred in fulfilling a contract with a customer, which mainly comprise setup and related costs in respect of the Group's telecommunications and pay-TV 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.

l. Customer acquisition costs

Incremental costs incurred to obtain a contract with a customer, which mainly comprise sales commission, are capitalised as customer acquisition costs if the 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.

m. 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(u) for the accounting policies.

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

n. Investments in debt and equity securities

Classification

The Group classifies its investments in debt and equity securities, other than interests in subsidiaries, associates, and joint arrangements, as:

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

– those to be measured at amortised cost.

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

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

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

Recognition and derecognition

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

Initial measurement

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

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

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.

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

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

Subsequent measurement (continued)

Debt instruments *(continued)*

– 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.

o. Impairment of assets

i. Investments in debt instruments and trade and other receivables

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

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

– internal credit rating;

– external credit rating (as far as available);

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

o. Impairment of assets *(continued)*

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

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

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

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

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

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

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

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

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

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

o. Impairment of assets *(continued)*

ii. Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period, or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

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

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

- Calculation of recoverable amount

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

- Recognition of impairment losses

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

- Reversals of impairment losses

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

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

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

p. Derivative financial instruments

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

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

q. 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 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)*

r. Inventories

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

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

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

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

s. Trade and other receivables

Trade and other receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing component, when they are recognised at fair value. The Group holds trade and other receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method, less loss allowance for expected credit losses (see note 2(o)(i)).

t. Cash and cash equivalents

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

u. 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.

v. Borrowings

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

w. Provisions and contingent liabilities

Provisions are recognised when (i) the 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.

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

x. Revenue recognition

Telecommunications services comprise local telephony, local data and broadband, international telecommunications, mobile, enterprise solutions, the Pay TV business, and other telecommunications businesses such as customer premises equipment sales, outsourcing, consulting, and contact centres.

Local telephony, local data and broadband, international telecommunications and mobile businesses earn revenue primarily by providing access to and usage of the telecommunications network locally and internationally. As part of the bundled service offerings, the Group also delivers handsets, equipment, gifts and reward points from the Group's customer loyalty programme offering a variety of goods and services ("Reward Points"), which are considered as separate performance obligations.

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

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

For the telecommunications services, revenue is recognised over time as the customer simultaneously receives and consumes the benefits provided by the 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 handsets, equipment and gifts, revenue is generally recognised when control passes to the customer, being when the products are delivered to and accepted by the customer. The customer has full discretion over the handsets, equipment and gifts and there are no unfulfilled obligations that can affect the customer's acceptance of those goods. Customers are invoiced immediately or invoiced according to the pre-agreed payment schedule as set out in the customer contracts.

When the Reward Points are awarded to the members, such revenue at their relative stand-alone selling price is deferred as a liability until the Reward Points are redeemed. Breakage, referring to Reward Points that are expected to expire, is recognised and determined based on assumptions such as historical experience, future redemption pattern and programme design.

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

x. Revenue recognition *(continued)*

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.

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

Advertising income from interactive pay-TV services is recognised (i) when the advertisements are telecast on pay-TV, delivered through Internet and mobile platforms; or (ii) rateably over the contractual display period of the contract when the advertisements are placed on the Group's website and mobile platforms.

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

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

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

y. Interest income

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

z. Dividend income

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

aa. Borrowing costs

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

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

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

ab. Cost of sales and general and administrative expenses

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

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

ac. Income tax

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

ii. Current income tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to income tax payable in respect of previous years.

iii. Deferred income tax 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, associates and joint ventures to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future;

- taxable temporary differences arising on the initial recognition of goodwill; and

- those related to Pillar Two Income Taxes.

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, are recognised. Future taxable profits that may support the recognition of deferred income tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred income tax asset can be carried back or forward.

The amount of deferred income tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period and are expected to apply when the related deferred income tax asset is realised and the deferred income tax liability is settled. Deferred income tax assets and liabilities are not discounted.

The carrying amount of a deferred income tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

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

ac. Income tax *(continued)*

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

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

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

  - the same taxable entity; or

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

ad. Employee benefits

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

ii. Retirement and other post-employment benefits
The Group offers the following retirement and other post-employment benefits to its employees:

- defined contribution retirement schemes (including the Mandatory Provident Fund "MPF"); and

- Long Service Payments ("LSP") under Hong Kong Employment Ordinance for employees in Hong Kong.

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.

The Group's LSP obligations (as classified as other payables) recognised in the consolidated statement of financial position are calculated annually by independent qualified actuaries using the projected unit credit method. The present values of the LSP obligations are determined by discounting the estimated future cash outflows using discount rate with reference to market bond yields at the end of the reporting period, which have terms approximating the terms of the related liabilities. The net interest cost is calculated by applying the discount rate to the net balance of the obligations. This cost is included in staff costs in the consolidated income statement. In calculating the Group's LSP obligations, any actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

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

ad. Employee benefits *(continued)*

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

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

Awards under the share award schemes are accounted for as cash-settled share-based payments. The fair value of the awarded PCCW Shares and Share Stapled Units representing the quoted market price of PCCW Shares and Share Stapled Units purchased from the open market under the PCCW Purchase Scheme/HKT Share Stapled Units Purchase Scheme and the issue price of PCCW Shares and Share Stapled Units under the PCCW Subscription Scheme/HKT Share Stapled Units Subscription Scheme is recognised as financial assets at FVPL, and subsequently measured at fair value. The fair value of the employee services received in exchange for the grant of PCCW Shares 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.

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

ae. Translation of foreign currencies

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). These 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.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates when the fair values are determined. Exchange differences arising on translation of non-monetary assets and liabilities, such as equity instruments at FVPL, are reported as part of the fair value gain or loss in the consolidated income statement. Exchange differences arising on translation of non-monetary assets and liabilities, such as equity instruments measured at FVOCI, are included in the fair value gain or loss in the financial assets at FVOCI reserve under equity.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of transactions. Items of foreign operations in the consolidated statement of financial position, including goodwill arising on consolidation of foreign operations, are translated into Hong Kong dollars at the foreign exchange rates ruling at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in the currency translation reserve under equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, if any, are taken to other comprehensive income and accumulated separately in the currency translation reserve under equity. On disposal of a foreign operation, the cumulative amount of the exchange differences recognised in the currency translation reserve under equity which relates to that foreign operation is included in the calculation of the profit or loss on disposal.

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

af. Related parties

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

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

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

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

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

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

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

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

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

ag. Segment reporting

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

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

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

ah. Dividend distribution

Dividend distribution to the Company's sole shareholder 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 shareholder, 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 15 and 33 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 assets (other than investments in debt instruments and trade and other receivables)

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

– property, plant and equipment;

– right-of-use assets;

– interests in leasehold land;

– fulfilment costs;

– customer acquisition costs;

– intangible assets;

– interests in associates and joint ventures; and

– goodwill.

If any such indication exists, the asset's recoverable amount is estimated. Impairment tests are performed for CGUs containing goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives annually whether or not there is any indication of impairment. Significant judgement is used to identify CGUs appropriately. An impairment loss is recognised in the consolidated income statement whenever the carrying amount of an asset exceeds its recoverable amount.

The sources utilised to identify indications of impairment are often subjective in nature and the Group is required to use judgement in applying such information to its business. The Group's interpretation of this information has a direct impact on whether an impairment assessment is performed 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. Revenue recognition

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

iii. Deferred income tax

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

iv. Current income tax

The Group makes a provision for current income tax based on estimated taxable income for the year. The estimated income tax liabilities are primarily computed based on the tax computations as prepared by the Group. Nevertheless, from time to time, there are queries raised by the tax authorities of Hong Kong and elsewhere on the tax treatment of items included in the tax computations and certain non-routine transactions. If the Group considers it probable that these queries or judgements will result in different tax positions, the most likely amounts of the outcome will be estimated and adjustments to the income tax expense and income tax liabilities will be made accordingly.

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

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

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

vi. Lease term and discount rate determination

In determining the lease term, management considers facts and circumstances such as conditions of the Group's existing leases, future technology changes, business developments and the Group's strategies, that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Potential future cash outflows are not included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee. As at 31 December 2023, potential future undiscounted cash outflows of HK$640 million (2022: HK$602 million) have not been included in the lease liabilities because it is not reasonably certain that the lease will be extended (or not terminated).

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(CONTINUED)*

vi. Lease term and discount rate determination *(continued)*

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).

4 RELATED PARTY TRANSACTIONS

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

In HK$ million	Note	2022	**2023**
Telecommunications service fees, data centre service fees and contact centre service charges received or receivable from a substantial shareholder of PCCW	a	158	**186**
Telecommunications service fees and data centre service fees paid or payable to a substantial shareholder of PCCW	a	119	**163**
Telecommunications service fees, IT development and support service charges, contact centre service charges, hotline services fees, consultancy service charges, interest income and other costs recharge received or receivable from joint ventures	a	35	**42**
Telecommunications service fees and interest expense paid or payable to joint ventures	a	116	**127**
Telecommunications service fees, connectivity service fees, contact centre service charges, equipment sales, customer acquisition service fees, consultancy service charges, advertising fees and other costs recharge received or receivable from an associate	a	26	**27**
Customer acquisition service fees paid or payable to an associate	a	-	**2**
Advertising fees and licence fees received or receivable from an associate of PCCW	a	-	**11**
IT charges, logistics charges and other contractor services fees paid or payable to an associate of PCCW	a	397	**738**
Telecommunications service fees, data centre service fees, connectivity service fees, equipment sales, insurance premium, insurance agency service charges, advertising fees, management fee, travel agency service fees and other costs recharge received or receivable from related parties under common shareholders with the Company	a	82	**117**
Telecommunications service fees, outsourcing fees, insurance premium and rental charges paid or payable to related parties under common shareholders with the Company	a	347	**350**
Telecommunications service fees, carriage service fees, marketing and sales services fees, connectivity service fees, management fee, equipment sales, content provision fees, insurance premium, travel agency service fees, rental charges and other costs recharge received or receivable from fellow subsidiaries	a	2,455	**2,378**
Data centre service fees, IT and logistics charges, system development and integration charges, consultancy service charges, management fee, content provision fees, outsourcing fees, marketing and sales services fees and other costs recharge paid or payable to fellow subsidiaries	a	775	**306**
Interest paid or payable to the immediate holding company	a	71	**194**
Key management compensation	b	27	**26**

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.

4 RELATED PARTY TRANSACTIONS *(CONTINUED)*

b. Details of key management compensation

In HK$ million	2022	**2023**
Salaries and other short-term employee benefits	20	**19**
Share-based compensation	6	**6**
Post-employment benefits	1	**1**
	27	**26**

c. Balances with related companies and fellow subsidiaries

As at 31 December 2022 and 2023, other than as specified in notes 17 and 18 and the amount due to a related company which comprised an unsecured loan of HK$82 million (2022: HK$53 million) which bears interest at 2.5% per annum (2022: same) and is repayable within 1 year (2022: same), the amounts due to fellow subsidiaries and the other amounts due from/to related companies are unsecured, non-interest bearing, and have no fixed repayment terms.

d. Amount due to the immediate holding company

The balances are unsecured, non-interest bearing and have no fixed repayment terms, except for a loan payable to the immediate holding company of HK$4,290 million as at 31 December 2023 (2022: HK$4,335 million) which bears interest at Hong Kong Interbank Offered Rate ("HIBOR") plus 0.3% per annum (2022: same) and is repayable within 1 year (2022: same).

5 SEGMENT INFORMATION

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

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

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

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

- Other businesses of the Group ("Other Businesses") primarily comprise other new businesses such as The Club's loyalty platform and HKT Financial Services, and corporate support functions.

5 SEGMENT INFORMATION *(CONTINUED)*

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

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

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

			2022		
In HK$ million	TSS	Mobile	Other Businesses	Eliminations	Consolidated
Revenue					
External revenue	22,705	10,556	864	-	34,125
Inter-segment revenue	1,267	1,010	17	(2,294)	-
Total revenue	23,972	11,566	881	(2,294)	34,125
External revenue from contracts with customers:					
Timing of revenue recognition					
At a point in time	3,357	3,224	766	-	7,347
Over time	19,272	7,332	98	-	26,702
External revenue from other sources:					
Rental income	76	-	-	-	76
	22,705	10,556	864	-	34,125
Results					
EBITDA	9,140	4,888	(930)	-	13,098
Other information					
Capital expenditure (including property, plant and equipment and interests in leasehold land) incurred during the year	1,426	791	129	-	2,346

5 SEGMENT INFORMATION *(CONTINUED)*

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

	2023				
In HK$ million	**TSS**	**Mobile**	**Other Businesses**	**Eliminations**	**Consolidated**
Revenue					
External revenue	**22,867**	**10,621**	**842**	**-**	**34,330**
Inter-segment revenue	**1,303**	**687**	**40**	**(2,030)**	**-**
Total revenue	**24,170**	**11,308**	**882**	**(2,030)**	**34,330**
External revenue from contracts with customers:					
Timing of revenue recognition					
At a point in time	**4,123**	**2,824**	**492**	**-**	**7,439**
Over time	**18,655**	**7,797**	**350**	**-**	**26,802**
External revenue from other sources:					
Rental income	**89**	**-**	**-**	**-**	**89**
	22,867	**10,621**	**842**	**-**	**34,330**
Results					
EBITDA	**9,371**	**5,060**	**(1,021)**	**-**	**13,410**
Other information					
Capital expenditure (including property, plant and equipment and interests in leasehold land) incurred during the year	**1,397**	**728**	**148**	**-**	**2,273**

5 SEGMENT INFORMATION *(CONTINUED)*

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

In HK$ million	2022	**2023**
Total segment EBITDA	13,098	**13,410**
Losses on disposal of property, plant and equipment and right-of-use assets, net	(3)	**(2)**
Depreciation and amortisation	(5,807)	**(5,652)**
Other (losses)/gains, net	(9)	**14**
Finance costs, net	(1,660)	**(2,328)**
Share of results of associates	(106)	**(108)**
Share of results of joint ventures	(19)	**(16)**
Profit before income tax	5,494	**5,318**

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

In HK$ million	2022	**2023**
Hong Kong (place of domicile)	28,120	**28,240**
Mainland and other parts of China	1,231	**1,583**
Others	4,774	**4,507**
	34,125	**34,330**

As at 31 December 2023, the total of non-current assets, other than financial instruments and deferred income tax assets, located in Hong Kong was HK$98,578 million (2022: HK$95,733 million), and the total of these non-current assets located in other geographical locations was HK$2,718 million (2022: HK$2,840 million).

6 REVENUE

In HK$ million	2022	**2023**
Revenue from contracts with customers	34,049	**34,241**
Revenue from other sources: rental income	76	**89**
	34,125	**34,330**

a. Revenue recognition in relation to contract liabilities

In HK$ million	2022	**2023**
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	1,513	**1,410**

6 REVENUE *(CONTINUED)*

b. Unsatisfied long-term fixed-price contracts

In HK$ million	2022	**2023**
Aggregate amount of the transaction price allocated to long-term fixed-price contracts that are partially or fully unsatisfied as at 31 December	20,078	**19,953**

As at 31 December 2023, management expected that 54% and 29% (2022: 55% 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 17% (2022: 18%) 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.

7 PROFIT BEFORE INCOME TAX

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

a. Staff costs

In HK$ million	2022	**2023**
Salaries, bonuses and other benefits	2,361	**2,225**
Share-based compensation expenses	30	**31**
Retirement costs for staff under defined contribution retirement schemes	321	**308**
	2,712	**2,564**
Less: staff costs included in cost of sales	(788)	**(750)**
Staff costs included in general and administrative expenses	1,924	**1,814**

7 PROFIT BEFORE INCOME TAX *(CONTINUED)*

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

b. Cost of sales

In HK$ million	2022	**2023**
Cost of inventories sold	6,509	**6,940**
Connectivity costs	7,028	**7,043**
Staff costs	788	**750**
Provision for/(Write-back of provision for) inventory obsolescence, net	23	**(3)**
Others	2,746	**2,724**
	17,094	**17,454**

c. General and administrative expenses

In HK$ million	2022	**2023**
Staff costs	1,924	**1,814**
Impairment loss for trade receivables	130	**188**
Depreciation of property, plant and equipment	1,240	**1,301**
Depreciation of right-of-use assets – land and buildings	1,264	**1,224**
Depreciation of right-of-use assets – network capacity and equipment	116	**109**
Amortisation of land lease premium – interests in leasehold land	12	**12**
Amortisation of intangible assets	1,652	**1,419**
Amortisation of fulfilment costs	421	**386**
Amortisation of customer acquisition costs	1,102	**1,201**
Exchange (gains)/losses, net	(112)	**142**
Less: cash flow hedges: transfer from equity	123	**(126)**
Losses on disposal of property, plant and equipment and right-of-use assets, net	3	**2**
Auditor's remuneration		
- audit and audit related services	10	**10**
- non-audit services	5	**11**
Others	1,853	**1,427**
	9,743	**9,120**

8 FINANCE COSTS, NET

In HK$ million	2022	**2023**
Interest expense, excluding interest expense on lease liabilities	(1,586)	**(2,297)**
Interest expense on lease liabilities	(64)	**(84)**
Notional accretion on carrier licence fee liabilities	(95)	**(89)**
Other finance costs	(10)	**(9)**
Hedge ineffectiveness: cross currency swap contracts and foreign exchange forward contracts – cash flow hedges for foreign currency risk	(55)	**(97)**
Hedge ineffectiveness: interest rate swap contracts – cash flow hedges for interest rate risk	-	**19**
Cash flow hedges: transfer from equity	22	**21**
Unwind of derivative financial instruments	8	**-**
Impact of redesignation of fair value hedges	(16)	**(4)**
	(1,796)	**(2,540)**
Interest capitalised in property, plant and equipment and intangible assets *(note a)*	107	**156**
Total finance costs	(1,689)	**(2,384)**
Total interest income	29	**56**
Finance costs, net	(1,660)	**(2,328)**

a. The capitalisation rates used to determine the amount of interest eligible for capitalisation in property, plant and equipment and intangible assets ranged from 3.52% to 5.19% for the year ended 31 December 2023 (2022: from 3.00% to 4.37%).

9 DIRECTORS' EMOLUMENTS

The salaries and other short-term employee benefits and post-employment benefits of approximately HK$27 million and HK$1 million (2022: approximately HK$26 million and HK$1 million) respectively cover the compensation for the two directors of the Company for the year (2022: three).

10 INCOME TAX

a. Income tax in the consolidated income statement represents:

In HK$ million	2022	**2023**
Current income tax:		
Hong Kong profits tax		
- provision for current year	453	**308**
- under/(over) provision in respect of prior years	3	**(392)**
Overseas tax		
- provision for current year	15	**25**
- under provision in respect of prior years	-	**2**
Movement of deferred income tax *(note 29(a))*	163	**524**
	634	**467**

Hong Kong profits tax is provided at the rate of 16.5% (2022: 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	2022	**2023**
Profit before income tax	5,494	**5,318**
Notional tax on profit before income tax, calculated at the Hong Kong tax rate of 16.5% (2022: 16.5%)	907	**877**
Effect of different tax rates of subsidiaries operating overseas	3	**15**
Income not subject to tax	(13)	**(20)**
Expenses not deductible for tax purposes	123	**140**
Tax losses not recognised	65	**68**
Under/(Over) provision in respect of prior years, net	3	**(390)**
Reversal/(Utilisation) of previously recognised/unrecognised tax losses	6	**(10)**
Recognition of previously unrecognised tax losses	(455)	**-**
Recognition of previously unrecognised temporary differences	59	**10**
Results of associates and joint ventures not deductible for tax purposes	21	**20**
Corporate income tax incentives	(85)	**(243)**
Income tax expense	634	**467**

10 INCOME TAX *(CONTINUED)*

c. Pillar Two Income Taxes

HKICPA made narrow-scope amendments to HKAS 12 which provide a temporary mandatory relief from the requirement to recognise and disclose deferred income taxes arising from enacted or substantively enacted tax law that implements the Pillar Two model rules, including tax law that implements qualified domestic minimum top-up taxes described in those rules. On adoption of the amendments to HKAS 12, the Group has applied the temporary mandatory exception to recognise and disclose information about deferred income tax assets and liabilities associated with Pillar Two income taxes.

The Group is within the scope of OECD Pillar Two model rules. Pillar Two legislation has been enacted or substantively enacted in several jurisdictions in which the Group operates, including Belgium, France, Germany, Japan, Malaysia, South Korea, Sweden, Switzerland, the Netherlands, and the United Kingdom, and will come into effect on or after 1 January 2024. It is expected that Hong Kong will apply the Pillar Two model rules from 2025 onwards. Since the Pillar Two legislation was not effective at the reporting date in the jurisdiction where the Group has operations, the Group has no related current Pillar Two tax exposure.

The management of HKT has assessed that any top-up tax exposure that may arise would be immaterial. The Group will continue to monitor global developments and reassess potential impacts.

11 DIVIDENDS

In HK$ million	2022	**2023**
Interim dividend declared and paid in respect of the current year of approximately HK$3.67 (2022: approximately HK$3.74) per ordinary share of the Company	2,377	**2,337**
Final dividend declared in respect of the previous financial year, approved and paid during the year of approximately HK$5.14 (2022: approximately HK$5.01) per ordinary share of the Company	3,187	**3,271**
	5,564	**5,608**
Final dividend declared after the end of the reporting period of approximately HK$5.30 (2022: approximately HK$5.14) per ordinary share of the Company	3,271	**3,369**

The final dividend declared after the end of the reporting period, referred to above, is not recognised as a liability as at the end of the reporting period.

12 PROPERTY, PLANT AND EQUIPMENT

In HK$ million	2022 Buildings	Exchange equipment	Transmission plant	Other plant and equipment	Projects under construction	Total
Cost						
Beginning of year	1,353	23,593	29,101	14,994	2,296	71,337
Additions	-	386	269	427	1,264	2,346
Disposals	-	(204)	(4)	(350)	-	(558)
Transfers	-	163	800	274	(1,237)	-
Exchange differences	-	(38)	11	(54)	(2)	(83)
End of year	1,353	23,900	30,177	15,291	2,321	73,042
Accumulated depreciation and impairment						
Beginning of year	781	17,668	17,554	10,136	-	46,139
Charge for the year	28	412	483	317	-	1,240
Disposals	-	(203)	(2)	(346)	-	(551)
Exchange differences	-	(31)	10	(51)	-	(72)
End of year	809	17,846	18,045	10,056	-	46,756
Net book value						
End of year	544	6,054	12,132	5,235	2,321	26,286
Beginning of year	572	5,925	11,547	4,858	2,296	25,198

12 PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

	2023					
In HK$ million	Buildings	Exchange equipment	Transmission plant	Other plant and equipment	Projects under construction	Total
Cost						
Beginning of year	1,353	23,900	30,177	15,291	2,321	73,042
Additions	-	290	383	367	1,233	2,273
Disposals	-	(734)	(132)	(285)	-	(1,151)
Transfers	-	102	521	264	(887)	-
Exchange differences	-	2	56	(35)	16	39
End of year	1,353	23,560	31,005	15,602	2,683	74,203
Accumulated depreciation and impairment						
Beginning of year	809	17,846	18,045	10,056	-	46,756
Charge for the year	27	419	532	323	-	1,301
Disposals	-	(731)	(131)	(280)	-	(1,142)
Exchange differences	-	1	42	(33)	-	10
End of year	836	17,535	18,488	10,066	-	46,925
Net book value						
End of year	517	6,025	12,517	5,536	2,683	27,278
Beginning of year	544	6,054	12,132	5,235	2,321	26,286

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

13 RIGHT-OF-USE ASSETS

In HK$ million	2022	**2023**
Land and buildings	1,672	**1,793**
Network capacity and equipment	225	**195**
Total	1,897	**1,988**

The Group obtains right to control the use of various land and buildings, and network capacity and equipment for a period of time through lease arrangements. Lease arrangements are negotiated on an individual basis and contain a wide range of different terms and conditions including lease payments and lease terms ranging from 1 to 14 years for land and buildings, and from 1 to 15 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 2023 were HK$1,436 million (2022: HK$1,149 million).

During the year ended 31 December 2023, total cash outflow for leases amounted to HK$1,519 million (2022: HK$1,493 million), which included cash outflow for short-term lease expenses amounted to HK$89 million (2022: HK$104 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.

14 INTERESTS IN LEASEHOLD LAND

In HK$ million	2022	**2023**
Cost		
Beginning and end of year	536	**536**
Accumulated amortisation		
Beginning of year	347	**359**
Charge for the year	12	**12**
End of year	359	**371**
Net book value		
End of year	177	**165**
Beginning of year	189	**177**

15 GOODWILL

In HK$ million	2022	**2023**
Cost		
Beginning of year	49,809	**49,803**
Exchange differences	(6)	**3**
End of year	49,803	**49,806**

Impairment tests for CGUs containing goodwill
Goodwill was allocated to the Group's CGUs identified according to operating segments as follows:

In HK$ million	2022	**2023**
TSS		
- Local telephony and data services	31,740	**31,739**
- Global	1,210	**1,214**
Mobile	16,853	**16,853**
Total	49,803	**49,806**

The recoverable amounts of the CGUs are determined based on value-in-use calculations. For the year ended 31 December 2023, these calculations use cash flow projections based on financial budgets approved by management generally 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 1% (2022: 2%), average EBITDA growth rate of 1% (2022: 2%), estimated terminal growth rate of 1% (2022: 1%) and pre-tax discount rate of 9% (2022: 9%).

The key assumptions used for the value-in-use calculation of Global Business include average revenue growth rate of 2% (2022: 2%), average EBITDA growth rate of 8% (2022: 2%) based on past performance and taking into account expectation of future business and market developments, estimated terminal growth rate of 3% (2022: 3%) and pre-tax discount rate of 15% (2022: 15%).

The key assumptions used for the value-in-use calculation of Mobile include average revenue growth rate of 2% (2022: 2%), average EBITDA growth rate of 2% (2022: 2%), estimated terminal growth rate of 2% (2022: 2%) and pre-tax discount rate of 14% (2022: 12%).

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

There was no impairment required from the review on goodwill. A reasonably possible change in assumptions would not result in impairment and as such disclosure of sensitivity analysis is not considered necessary.

HKT GROUP HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 INTANGIBLE ASSETS

	2022						
In HK$ million	Trademarks	Carrier licences	Customer base	Software	Capitalised programme costs	Others	Total
Cost							
Beginning of year	2,054	8,324	2,926	10,500	227	67	24,098
Additions	-	193	-	2,151	105	3	2,452
Write-off	-	(52)	(2,716)	-	(39)	-	(2,807)
Exchange differences	(5)	-	-	-	-	-	(5)
End of year	2,049	8,465	210	12,651	293	70	23,738
Accumulated amortisation							
Beginning of year	856	2,337	2,682	2,470	128	8	8,481
Charge for the year	102	623	80	733	107	7	1,652
Write-off	-	(52)	(2,716)	-	(39)	-	(2,807)
Exchange differences	(3)	-	-	-	-	-	(3)
End of year	955	2,908	46	3,203	196	15	7,323
Net book value							
End of year	1,094	5,557	164	9,448	97	55	16,415
Beginning of year	1,198	5,987	244	8,030	99	59	15,617

16 INTANGIBLE ASSETS *(CONTINUED)*

				2023			
In HK$ million	**Trademarks**	**Carrier licences**	**Customer base**	**Software**	**Capitalised programme costs**	**Others**	**Total**
Cost							
Beginning of year	**2,049**	**8,465**	**210**	**12,651**	**293**	**70**	**23,738**
Additions	**-**	**50**	**-**	**2,334**	**81**	**212**	**2,677**
Write-off	**-**	**(50)**	**-**	**-**	**(19)**	**-**	**(69)**
Exchange differences	**4**	**-**	**-**	**-**	**-**	**-**	**4**
End of year	**2,053**	**8,465**	**210**	**14,985**	**355**	**282**	**26,350**
Accumulated amortisation							
Beginning of year	**955**	**2,908**	**46**	**3,203**	**196**	**15**	**7,323**
Charge for the year	**103**	**625**	**21**	**532**	**95**	**43**	**1,419**
Write-off	**-**	**(50)**	**-**	**-**	**(19)**	**-**	**(69)**
Exchange differences	**2**	**-**	**-**	**-**	**-**	**-**	**2**
End of year	**1,060**	**3,483**	**67**	**3,735**	**272**	**58**	**8,675**
Net book value							
End of year	**993**	**4,982**	**143**	**11,250**	**83**	**224**	**17,675**
Beginning of year	**1,094**	**5,557**	**164**	**9,448**	**97**	**55**	**16,415**

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

As at 31 December 2022 and 2023, no impairment loss was recognised for the intangible assets. Impairment assessments for intangible assets are performed as part of the impairment assessments for the corresponding CGUs. For details of the accounting policies and the impairment assessments, please refer to notes 2(o)(ii) and 15.

17 INTERESTS IN ASSOCIATES

In HK$ million	2022	**2023**
Share of net assets of associates	469	**546**
Loan due from an associate	7	**7**
Provision for impairment	(66)	**(69)**
	410	**484**

17 INTERESTS IN ASSOCIATES *(CONTINUED)*

During the year ended 31 December 2023, the Group made investments in an associate engaged in business in the provision of virtual banking services of HK$182 million (2022: HK$156 million).

As at 31 December 2023, loan due from an associate of HK$7 million (2022: HK$7 million), is secured, bears interest at 8% per annum (2022: same) and is repayable within 1 year (2022: same). The loan is considered as equity in nature for which full provision for impairment has been made as at 31 December 2022 and 2023.

During the year ended 31 December 2023, no provision for impairment was recognised for interests in associates in the consolidated income statement (2022: nil).

a. As at 31 December 2022 and 2023, the Group considered that there were no principal associates.

b. Contingent liabilities in respect of associates

There were no contingent liabilities relating to the Group's interests in the associates. As at 31 December 2023, the Group's share of the contingent liabilities of an associate was HK$2 million (2022: HK$2 million).

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

For the year ended 31 December 2023, the aggregate net amounts of the Group's share of loss after income tax, other comprehensive income and total comprehensive loss of the individually immaterial associates that are accounted for using the equity method were HK$108 million (2022: HK$106 million), nil (2022: nil) and HK$108 million (2022: HK$106 million), respectively.

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

As at 31 December 2023, the aggregate carrying amount of interests in individually immaterial associates that are accounted for using the equity method was HK$484 million (2022: HK$410 million).

During the year ended 31 December 2023, the Group did not have any unrecognised share of losses of associates (2022: nil). As at 31 December 2023, there was no accumulated share of losses of associates unrecognised by the Group (2022: nil).

18 INTERESTS IN JOINT VENTURES

In HK$ million	2022	**2023**
Share of net assets of joint ventures	132	**145**
Loan due from a joint venture	195	**156**
	327	**301**

During the year ended 31 December 2023, the Group made an investment in a joint venture engaged in business in the provision of electric vehicle charging solutions of HK$30 million (2022: nil).

As at 31 December 2023, the loan due from a joint venture of HK$156 million (2022: HK$195 million) bears interest at HIBOR plus 3% per annum (2022: same). The loan is unsecured and has no fixed repayment terms. The amount is considered as part of the interests in joint ventures.

a. As at 31 December 2023, the Group considered that there were no principal joint ventures (2022: one).

18 INTERESTS IN JOINT VENTURES *(CONTINUED)*

b. Commitments and contingent liabilities in respect of joint ventures

As at 31 December 2023, the Group's commitments in respect of joint ventures are as follows:

In HK$ million	2022	**2023**
The Group's commitments to provide funding	34	**45**
The Group's share of joint ventures' capital commitments authorised and contracted for acquisition of property, plant and equipment	12	**19**
The Group's share of joint ventures' other commitments	25	**17**

There were no contingent liabilities relating to the Group's interests in the joint ventures. As at 31 December 2023, the Group had no share of contingent liabilities of the joint ventures (2022: nil).

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

For the year ended 31 December 2023, the aggregate net amounts of the Group's share of loss after income tax, other comprehensive loss and total comprehensive loss of the individually immaterial joint ventures that are accounted for using the equity method were HK$16 million (2022: HK$19 million), HK$1 million (2022: HK$5 million) and HK$17 million (2022: HK$24 million), respectively.

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

As at 31 December 2023, the aggregate carrying amount of interests in individually immaterial joint ventures that are accounted for using the equity method was HK$301 million (2022: HK$327 million).

During the year ended 31 December 2023, the Group did not have any unrecognised share of losses of joint ventures (2022: nil). As at 31 December 2023, there was no accumulated share of losses of joint ventures unrecognised by the Group (2022: nil).

19 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

In HK$ million	2022	**2023**
Beginning of year	124	**147**
Additions	23	**-**
Change in fair value	-	**(17)**
End of year	147	**130**

As at 31 December 2023, financial assets at FVOCI comprised unlisted equity investments which are held for strategic purposes (2022: same).

20 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

In HK$ million	2022	**2023**
Listed securities	91	**77**
Less: securities held for employee share award schemes to be vested within one year classified as current assets	(26)	**(28)**
Listed securities (non-current)	65	**49**
Unlisted securities (non-current)	10	**10**
Total non-current portion	75	**59**

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 and PCCW Subscription Scheme. Refer to note 26(c)(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 and HKT Share Stapled Units Subscription Scheme. Refer to note 26(c)(ii) for details of the Share Stapled Units award schemes of HKT.

During the year ended 31 December 2023, there was no disposal of unlisted instruments recognised as financial assets at FVPL (2022: HK$23 million).

During the year ended 31 December 2023, there was no addition of unlisted instruments recognised as financial assets at FVPL (2022: nil).

21 INTERESTS IN SUBSIDIARIES

a. Particulars of the principal subsidiaries of the Company as at 31 December 2023 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
HKT Services Limited	Hong Kong	HK$1	-	100%	Provision of management services to group companies
Hong Kong Telecommunications (HKT) Limited (“HKTL”)	Hong Kong	HK$9,945,156,001	-	100%	Provision of telecommunications services
CSL Mobile Limited	Hong Kong	HK$7,900,280,100 ordinary shares and HK$1,254,000,000 non-voting deferred shares	-	100%	Provision of mobile services to its customers and the sale of mobile handsets and accessories
Sun Mobile Limited	Hong Kong	HK$41,600,002	-	60%[1]	Provision of mobile telecommunications services to customers in Hong Kong
Club HKT Limited	Hong Kong	HK$1	-	100%	Operating customer loyalty programme and online merchandise sales in Hong Kong
Gateway Global Communications Limited	United Kingdom	GBP2	-	100%	Provision of network-based telecommunications services to external customers and related companies
PCCW Global B.V.	Netherlands/ France	EUR18,000	-	100%	Sales, distribution and marketing of telecommunications services and products
PCCW Global, Inc.	Delaware, U.S.	US$18.01	-	100%	Provision of voice and network-based telecommunications services, and technical consulting and engineering services

21 INTERESTS IN SUBSIDIARIES *(CONTINUED)*

a. Particulars of the principal subsidiaries of the Company as at 31 December 2023 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
PCCW Global Limited	Hong Kong/ Dubai Media City	HK$240,016,690.65	-	100%	Provision of network-based telecommunications services
PCCW Global (Japan) K.K.	Japan	JPY10,000,000	-	100%	Provision of telecommunications services
PCCW Global (HK) Limited	Hong Kong	HK$10	-	100%	Provision of satellite-based and network-based telecommunications services
HKT Global (Singapore) Pte. Ltd.	Singapore/ Malaysia	S$260,960,522.64	-	100%	Provision of telecommunications solutions related services
PCCW (Macau), Limitada	Macau	MOP2,000,000	-	75%[2]	Selling customer premises equipment and related solutions, conducting systems integration projects and providing outsourced contact centre services
PCCW Media Limited	Hong Kong	HK$8,041,216,269 ordinary shares, HK$1 "A" Class share and HK$4 "B" Class shares	-	100%	Provision of pay television programme services, interactive multimedia services, the sale of advertising in various telephone directories, the publishing of those directories in Hong Kong and the sale of advertising on the Internet
PCCW Content Limited	Hong Kong	HK$1	-	100%	Distribution of media content
廣州電盈綜合客戶服務技術發展有限公司[4] (PCCW Customer Management Technology and Services (Guangzhou) Limited[5])	The People's Republic of China (the "PRC")	HK$93,240,000	-	100%	Customer service and consultancy

21 INTERESTS IN SUBSIDIARIES *(CONTINUED)*

a. Particulars of the principal subsidiaries of the Company as at 31 December 2023 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
HKT Teleservices International Limited	Hong Kong	HK$350,000,002	-	100%	Provision of customer relationship management and customer contact management solutions and services
北京訊通通信服務有限公司 (Beijing Xun Tong HKT Communications Services (China) Limited[5, 6])	The PRC	RMB10,000,000	-	50%[3]	Provision of telecommunications services, internet information services and computer system services

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

Notes:
1 The equity interest held by non-controlling interest is 40% as at 31 December 2023.
2 The equity interest held by non-controlling interest is 25% as at 31 December 2023.
3 The equity interest held by non-controlling interest is 50% as at 31 December 2023. 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%.
4 Represents a wholly-foreign owned enterprise.
5 Unofficial company name.
6 Unofficial company name previously known as “Beijing Xun Tong Communications Services Limited”.

b. Non-controlling interests of the Group’s subsidiaries

The total of non-controlling interests as at 31 December 2023 was HK$70 million (2022: HK$60 million), of which HK$54 million (2022: HK$47 million) was attributable to non-controlling interests in Sun Mobile Limited and PCCW (Macau), Limitada.

22 OTHER NON-CURRENT ASSETS

In HK$ million	2022	**2023**
Prepayments	451	**438**
Deposits	120	**120**
	571	**558**

23 CURRENT ASSETS AND LIABILITIES

a. Inventories

In HK$ million	2022	**2023**
Purchased parts and materials	930	**578**
Finished goods	631	**351**
Consumable inventories	46	**30**
	1,607	**959**

b. Prepayments, deposits and other current assets

In HK$ million	2022	**2023**
Prepayments	989	**795**
Deposits	334	**352**
Other current assets	1,747	**2,016**
	3,070	**3,163**

As at 31 December 2023, included in prepayments were prepaid programme costs of HK$87 million (2022: HK$235 million).

c. Trade receivables, net

In HK$ million	2022	**2023**
Trade receivables *(note i)*	3,400	**2,977**
Less: loss allowance *(note ii)*	(146)	**(139)**
Trade receivables, net	3,254	**2,838**

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(o)(i).

As at 31 December 2023, included in trade receivables, net were amounts due from related parties of HK$104 million (2022: HK$55 million).

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

In HK$ million	2022	**2023**
1 - 30 days	2,135	**1,873**
31 - 60 days	489	**363**
61 - 90 days	193	**175**
91 - 120 days	114	**139**
Over 120 days	469	**427**
	3,400	**2,977**

23 CURRENT ASSETS AND LIABILITIES *(CONTINUED)*

c. Trade receivables, net *(continued)*

ii. Impairment for trade receivables

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

To measure the expected credit losses, trade receivables are grouped based on shared credit risk characteristics and the days past due. The expected loss rates are estimated based on the corresponding historical credit losses experienced, adjusted with the expected change between current and forward-looking information on macroeconomic factors, if material. On that basis, the loss allowance as at 31 December 2023 was determined as follows:

Expected credit loss rate	2022	**2023**
Current	1%	**2%**
1 - 120 days past due	4%	**5%**
Over 120 days past due	37%	**26%**

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

In HK$ million	2022	**2023**
Beginning of year	163	**146**
Net impairment loss recognised	130	**188**
Uncollectible amounts written off	(147)	**(195)**
End of year	146	**139**

d. Restricted cash

As at 31 December 2023, restricted cash included a cash balance of HK$211 million (2022: HK$375 million) which has been mainly received from and restricted for the use of certain customers.

e. Short-term borrowings

In HK$ million	2022	**2023**
US$500 million 3.75% guaranteed notes due 2023 *(note i)*	3,894	**-**
Bank borrowings *(note ii)*	56	**1,049**
	3,950	**1,049**
Secured	-	**-**
Unsecured	3,950	**1,049**

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

On 8 March 2013, PCCW-HKT Capital No.5 Limited, an indirect wholly-owned subsidiary of the Company, issued US$500 million 3.75% guaranteed notes due 2023, which were listed on the Singapore Exchange Securities Trading Limited. The notes were irrevocably and unconditionally guaranteed by HKTL and the Company and ranked pari passu with all other outstanding unsecured and unsubordinated obligations of HKTL and the Company. The notes were fully redeemed in March 2023 and were delisted from the Singapore Exchange Securities Trading Limited.

ii. Refer to note 36 for details of the Group's banking facilities.

f. Trade payables

As at 31 December 2023, included in trade payables were amounts due to related parties of HK$96 million (2022: HK$325 million).

24 LONG-TERM BORROWINGS

In HK$ million	2022	**2023**
Repayable within a period		
- over one year, but not exceeding two years	3,377	**6,969**
- over two years, but not exceeding five years	25,325	**25,366**
- over five years	11,186	**11,183**
	39,888	**43,518**
Representing:		
US$300 million zero coupon guaranteed notes due 2030 *(note a)*	2,330	**2,335**
US$500 million 3.625% guaranteed notes due 2025 *(note b)*	3,881	**3,895**
EUR200 million 1.65% guaranteed notes due 2027 *(note c)*	1,646	**1,718**
US$750 million 3.00% guaranteed notes due 2026 *(note d)*	5,832	**5,845**
US$500 million 3.25% guaranteed notes due 2029 *(note e)*	3,851	**3,832**
US$650 million 3.00% guaranteed notes due 2032 *(note f)*	5,005	**5,016**
Bank borrowings *(note g)*	17,343	**20,877**
	39,888	**43,518**
Secured	-	**-**
Unsecured	39,888	**43,518**

a. US$300 million zero coupon guaranteed notes due 2030
On 15 January 2015, HKT Capital No. 1 Limited, an indirect wholly-owned subsidiary of the Company, issued US$300 million zero coupon guaranteed notes due 2030, which are listed on the Taipei Exchange. The notes are irrevocably and unconditionally guaranteed by HKTL and the Company and rank pari passu with all other outstanding unsecured and unsubordinated obligations of HKTL and the Company.

b. US$500 million 3.625% guaranteed notes due 2025
On 2 April 2015, HKT Capital No. 2 Limited, an indirect wholly-owned subsidiary of the Company, issued US$500 million 3.625% guaranteed notes due 2025, which are listed on the Singapore Exchange Securities Trading Limited. The notes are irrevocably and unconditionally guaranteed by HKTL and the Company and rank pari passu with all other outstanding unsecured and unsubordinated obligations of HKTL and the Company.

c. EUR200 million 1.65% guaranteed notes due 2027
On 10 April 2015, HKT Capital No. 3 Limited, an indirect wholly-owned subsidiary of the Company, issued EUR200 million 1.65% guaranteed notes due 2027, which are listed on the Singapore Exchange Securities Trading Limited. The notes are irrevocably and unconditionally guaranteed by HKTL and the Company and rank pari passu with all other outstanding unsecured and unsubordinated obligations of HKTL and the Company.

d. US$750 million 3.00% guaranteed notes due 2026
On 14 July 2016, HKT Capital No. 4 Limited, an indirect wholly-owned subsidiary of the Company, issued US$750 million 3.00% guaranteed notes due 2026, which are listed on the Singapore Exchange Securities Trading Limited. The notes are irrevocably and unconditionally guaranteed by HKTL and the Company and rank pari passu with all other outstanding unsecured and unsubordinated obligations of HKTL and the Company.

e. US$500 million 3.25% guaranteed notes due 2029
On 30 September 2019, HKT Capital No. 5 Limited, an indirect wholly-owned subsidiary of the Company, issued US$500 million 3.25% guaranteed notes due 2029, which are listed on the Singapore Exchange Securities Trading Limited. The notes are irrevocably and unconditionally guaranteed by HKTL and the Company and rank pari passu with all other outstanding unsecured and unsubordinated obligations of HKTL and the Company.

24 LONG-TERM BORROWINGS *(CONTINUED)*

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

On 18 January 2022, HKT Capital No. 6 Limited, an indirect wholly-owned subsidiary of the Company, issued US$650 million 3.00% guaranteed notes due 2032, which are listed on the Singapore Exchange Securities Trading Limited. The notes are irrevocably and unconditionally guaranteed by HKTL and the Company and rank pari passu with all other outstanding unsecured and unsubordinated obligations of HKTL and the Company.

g. Refer to note 36 for details of the Group's banking facilities.

25 DERIVATIVE FINANCIAL INSTRUMENTS

In HK$ million	2022	**2023**
Non-current assets		
Cross currency swap contracts – cash flow hedges for foreign currency risk *(note a)*	27	**-**
Interest rate swap contracts – cash flow hedges for interest rate risk *(note b)*	-	**29**
	27	**29**
Current assets		
Cross currency swap contracts – cash flow hedges for foreign currency risk *(note a)*	58	**-**
Current liabilities		
Interest rate swap contract – cash flow hedge for interest rate risk *(note b)*	(98)	**(151)**
Non-current liabilities		
Cross currency swap contracts and foreign exchange forward contracts – cash flow hedges for foreign currency risk *(note a)*	(223)	**(602)**

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.

25 DERIVATIVE FINANCIAL INSTRUMENTS *(CONTINUED)*

a. Cash flow hedges for foreign currency risk

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

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

	2022	**2023**
Net carrying amount (liabilities)	(HK$138 million)	**(HK$602 million)**
Notional amount	EUR200 million and US$3,370 million	**EUR200 million and US$2,870 million**
Maturity date	March 2023 to January 2032	**January 2025 to January 2032**
Hedge ratio	1:1*	**1:1***
Change# in fair value of the hedging instruments during the year	(HK$129 million)	**(HK$324 million)**
Change# in value of the hedged items during the year	HK$74 million	**HK$225 million**
Weighted average hedged exchange rate for the year	EUR1:HK$8.32 US$1:HK$7.80	**EUR1:HK$8.32 US$1:HK$7.80**

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

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

25 DERIVATIVE FINANCIAL INSTRUMENTS *(CONTINUED)*

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:

	2022	**2023**
Net carrying amount (liabilities)	(HK$98 million)	**(HK$122 million)**
Notional amount	HK$1,000 million	**HK$2,600 million**
Maturity date	March 2023	**March 2024 to July 2025**
Hedge ratio	1:1*	**1:1***
Change# in fair value of the hedging instruments during the year	HK$28 million	**HK$45 million**
Change# in value of the hedged items during the year	(HK$28 million)	**(HK$26 million)**
Weighted average receive leg/pay leg interest ratio	0.79	**1.16**

* 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.

25 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 2022	86	(11)	75
Cash flow hedges:			
- effective portion of changes in fair value	(74)	28	(46)
- transfer from equity to consolidated income statement	90	-	90
As at 31 December 2022 and 1 January 2023	**102**	**17**	**119**
Cash flow hedges:			
- effective portion of changes in fair value	**(205)**	**26**	**(179)**
- transfer from equity to consolidated income statement	**(159)**	**-**	**(159)**
As at 31 December 2023	**(262)**	**43**	**(219)**

In HK$ million	Cash flow hedges for foreign currency risk
Costs of hedging reserve	
As at 1 January 2022	(13)
Cash flow hedges:	
- transfer from equity to consolidated income statement	11
Costs of hedging	(114)
As at 31 December 2022 and 1 January 2023	**(116)**
Cash flow hedges:	
- transfer from equity to consolidated income statement	**12**
Costs of hedging	**(41)**
As at 31 December 2023	**(145)**

26 EMPLOYEE BENEFITS

a. Employee retirement benefits – Defined contribution retirement schemes

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

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

Under the MPF scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, subject to a current cap of monthly relevant income of HK$30,000. Contributions to the scheme vest immediately upon the completion of the services in the relevant service period.

Forfeited contributions totalling HK$10 million (2022: HK$13 million) were utilised during the year ended 31 December 2023 to reduce contributions and no forfeited contribution (2022: nil) was available as at 31 December 2023.

b. Other post-employment benefits

In July 2023, the HKICPA published "Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong" that provides accounting guidance relating to the offsetting mechanism and the abolition of the mechanism. As at 31 December 2023, included in other payables were LSP obligations of HK$22 million (2022: HK$7 million).

c. Equity compensation benefits

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

Share option schemes

- Share option scheme of PCCW adopted on 8 May 2014 (the "PCCW 2014 Scheme").

- Share Stapled Units option scheme of the HKT Trust and HKT adopted on 7 May 2021 (the "2021-2031 Option Scheme").

Share award schemes

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

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

26 EMPLOYEE BENEFITS *(CONTINUED)*

c. Equity compensation benefits *(continued)*

i. Share option schemes

No share options/Share Stapled Unit options have been granted under the PCCW 2014 Scheme and the 2021-2031 Option Scheme since their adoption and up to and including 31 December 2023.

ii. Share award schemes

Subject to the relevant scheme rules of the PCCW Share Award Schemes and the Share Stapled Units Award Schemes, each scheme provides that prior to the vesting of the awards under the relevant scheme to selected participants (including any director or employee of PCCW and its participating companies for the PCCW Share Award Schemes, and any director or employee of HKT or any of its subsidiaries for the Share Stapled Units Award Schemes), the relevant PCCW Shares/Share Stapled Units will be held in trust by the trustee for such selected participants, and will be vested over a period of time determined by the respective approving body, provided that each selected participant shall remain at all times up to and including the relevant vesting date (or, as the case may be, each relevant vesting date) an employee or 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 schemes.

During the year ended 31 December 2023, share-based compensation expenses in respect of the PCCW Share Award Schemes of HK$17 million (2022: HK$14 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 2023, share-based compensation expenses in respect of the Share Stapled Units Award Schemes of HK$14 million (2022: HK$16 million) were recognised in the consolidated income statement and as an obligation in liabilities in the consolidated statement of financial position, respectively.

26 EMPLOYEE BENEFITS *(CONTINUED)*

c. Equity compensation benefits *(continued)*

ii. Share award schemes *(continued)*

(1) Movements in the number of PCCW Shares held under the PCCW Share Award Schemes and the Share Stapled Units held under the Share Stapled Units Award Schemes

	Number of PCCW Shares 2022	**2023**
PCCW Purchase Scheme:		
Beginning of year	1,091,637	**1,036,729**
Purchases from the market by the trustee at weighted average market price of HK$3.90 (2022: HK$4.29) per PCCW Share	958,000	**1,099,000**
PCCW Shares vested	(1,012,908)	**(1,034,287)**
End of year	1,036,729	**1,101,442**
PCCW Subscription Scheme:		
Beginning of year	3,803,886	**9,165,906**
PCCW Shares obtained	8,000,000	**-**
PCCW Shares vested	(2,637,980)	**(2,351,198)**
End of year	9,165,906	**6,814,708**

	Number of Share Stapled Units 2022	**2023**
HKT Share Stapled Units Purchase Scheme:		
Beginning of year	429,725	**422,111**
Purchases from the market by the trustee at weighted average market price of HK$9.67 (2022: HK$10.80) per Share Stapled Unit	391,000	**435,000**
Share Stapled Units vested	(398,614)	**(420,559)**
End of year	422,111	**436,552**
HKT Share Stapled Units Subscription Scheme:		
Beginning of year	2,368,189	**5,329,111**
New Share Stapled Units jointly issued by the HKT Trust and HKT at issue price of approximately HK$10.84 per Share Stapled Unit	4,000,000	**-**
Share Stapled Units vested	(1,039,078)	**(991,441)**
End of year	5,329,111	**4,337,670**

26 EMPLOYEE BENEFITS *(CONTINUED)*

c. 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

			2022				
			Number of PCCW Shares				
Date of award	Vesting period	Fair value on the date of award HK$	As at 1 January 2022	Awarded	Forfeited	Vested	As at 31 December 2022
PCCW Purchase Scheme (PCCW Shares)							
16 April 2020	16 April 2020 to 16 April 2022	4.64	525,777	-	(31,661)	(494,116)	-
16 April 2021	16 April 2021 to 16 April 2022	4.53	562,417	-	(43,625)	(518,792)	-
16 April 2021	16 April 2021 to 16 April 2023	4.53	562,410	-	(43,624)	-	518,786
19 April 2022	19 April 2022 to 19 April 2023	4.52	-	517,681	-	-	517,681
19 April 2022	19 April 2022 to 19 April 2024	4.52	-	517,674	-	-	517,674
Total			1,650,604	1,035,355	(118,910)	(1,012,908)	1,554,141
Weighted average fair value on the date of award (HK$)			4.57	4.52	4.56	4.58	4.52
PCCW Subscription Scheme (PCCW Shares)							
28 February 2020	28 February 2020 to 17 April 2022	4.69	9,612	-	-	(9,612)	-
28 February 2020	28 February 2020 to 17 April 2023	4.69	9,610	-	(9,610)	-	-
16 April 2020	16 April 2020 to 16 April 2022	4.64	1,299,298	-	(36,245)	(1,263,053)	-
11 May 2020	11 May 2020 to 16 April 2022	4.77	40,900	-	(40,900)	-	-
11 May 2020	11 May 2020 to 16 April 2023	4.77	20,448	-	-	-	20,448
16 April 2021	16 April 2021 to 16 April 2022	4.53	1,242,674	-	(37,358)	(1,205,316)	-
16 April 2021	16 April 2021 to 16 April 2023	4.53	1,241,806	-	(146,559)	-	1,095,247
2 July 2021	2 July 2021 to 16 April 2022	4.09	143,177	-	-	(143,177)	-
2 July 2021	2 July 2021 to 16 April 2023	4.09	143,177	-	(111,857)	-	31,320
4 March 2022	4 March 2022 to 16 April 2022	4.34	-	16,822	-	(16,822)	-
4 March 2022	4 March 2022 to 16 April 2023	4.34	-	21,114	-	-	21,114
19 April 2022	19 April 2022 to 19 April 2023	4.52	-	1,357,097	(121,204)	-	1,235,893
19 April 2022	19 April 2022 to 19 April 2024	4.52	-	1,356,074	(121,093)	-	1,234,981
15 August 2022	15 August 2022 to 19 April 2023	4.15	-	5,710	-	-	5,710
15 August 2022	15 August 2022 to 19 April 2024	4.15	-	5,710	-	-	5,710
Total			4,150,702	2,762,527	(624,826)	(2,637,980)	3,650,423
Weighted average fair value on the date of award (HK$)			4.54	4.52	4.47	4.56	4.52

26 EMPLOYEE BENEFITS *(CONTINUED)*

c. Equity compensation benefits *(continued)*

ii. Share award schemes *(continued)*

(2) Movements in the number of unvested PCCW Shares and Share Stapled Units and their related weighted average fair value on the date of award *(continued)*

			2022				
			Number of Share Stapled Units				
Date of award	Vesting period	Fair value on the date of award HK$	As at 1 January 2022	Awarded	Forfeited	Vested	As at 31 December 2022
HKT Share Stapled Units Purchase Scheme (Share Stapled Units)							
16 April 2020	16 April 2020 to 16 April 2022	11.86	202,046	-	(12,167)	(189,879)	-
16 April 2021	16 April 2021 to 16 April 2022	11.06	226,287	-	(17,552)	(208,735)	-
16 April 2021	16 April 2021 to 16 April 2023	11.06	226,280	-	(17,552)	-	208,728
19 April 2022	19 April 2022 to 19 April 2023	10.86	-	212,717	-	-	212,717
19 April 2022	19 April 2022 to 19 April 2024	10.86	-	212,711	-	-	212,711
Total			654,613	425,428	(47,271)	(398,614)	634,156
Weighted average fair value on the date of award (HK$)			11.31	10.86	11.27	11.44	10.93
HKT Share Stapled Units Subscription Scheme (Share Stapled Units)							
28 February 2020	28 February 2020 to 17 April 2022	11.66	3,845	-	-	(3,845)	-
28 February 2020	28 February 2020 to 17 April 2023	11.66	3,844	-	(3,844)	-	-
16 April 2020	16 April 2020 to 16 April 2022	11.86	499,289	-	(13,932)	(485,357)	-
11 May 2020	11 May 2020 to 16 April 2022	12.86	15,717	-	(15,717)	-	-
11 May 2020	11 May 2020 to 16 April 2023	12.86	7,858	-	-	-	7,858
16 April 2021	16 April 2021 to 16 April 2022	11.06	500,518	-	(15,051)	(485,467)	-
16 April 2021	16 April 2021 to 16 April 2023	11.06	499,639	-	(58,972)	-	440,667
2 July 2021	2 July 2021 to 16 April 2022	10.56	57,607	-	-	(57,607)	-
2 July 2021	2 July 2021 to 16 April 2023	10.56	57,606	-	(45,005)	-	12,601
4 March 2022	4 March 2022 to 16 April 2022	10.60	-	6,802	-	(6,802)	-
4 March 2022	4 March 2022 to 16 April 2023	10.60	-	8,537	-	-	8,537
19 April 2022	19 April 2022 to 19 April 2023	10.86	-	593,177	(49,866)	-	543,311
19 April 2022	19 April 2022 to 19 April 2024	10.86	-	592,158	(49,760)	-	542,398
15 August 2022	15 August 2022 to 19 April 2023	11.00	-	2,347	-	-	2,347
15 August 2022	15 August 2022 to 19 April 2024	11.00	-	2,346	-	-	2,346
Total			1,645,923	1,205,367	(252,147)	(1,039,078)	1,560,065
Weighted average fair value on the date of award (HK$)			11.30	10.86	11.06	11.41	10.92

26 EMPLOYEE BENEFITS *(CONTINUED)*

c. 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)*

					2023		
					Number of PCCW Shares		
Date of award	Vesting period	Fair value on the date of award HK$	As at 1 January 2023	Awarded	Forfeited	Vested	As at 31 December 2023
PCCW Purchase Scheme (PCCW Shares)							
16 April 2021	16 April 2021 to 16 April 2023	4.53	518,786	-	(1,087)	(517,699)	-
19 April 2022	19 April 2022 to 19 April 2023	4.52	517,681	-	(1,093)	(516,588)	-
19 April 2022	19 April 2022 to 19 April 2024	4.52	517,674	-	(25,149)	-	492,525
19 April 2023	19 April 2023 to 19 April 2024	4.01	-	13,422	-	-	13,422
19 April 2023	19 April 2023 to 19 April 2025	4.01	-	13,417	-	-	13,417
30 May 2023	30 May 2023 to 30 May 2024	4.02	-	129,129	-	-	129,129
30 May 2023	30 May 2023 to 30 May 2025	4.02	-	129,127	-	-	129,127
1 June 2023	1 June 2023 to 1 June 2024	3.97	-	4,301	-	-	4,301
1 June 2023	1 June 2023 to 1 June 2025	3.97	-	4,298	-	-	4,298
4 August 2023	4 August 2023 to 4 August 2024	3.92	-	437,373	-	-	437,373
4 August 2023	4 August 2023 to 4 August 2025	3.92	-	437,372	-	-	437,372
Total			1,554,141	1,168,439	(27,329)	(1,034,287)	1,660,964
Weighted average fair value on the date of award (HK$)			4.52	3.94	4.52	4.53	4.12
PCCW Subscription Scheme (PCCW Shares)							
11 May 2020	11 May 2020 to 16 April 2023	4.77	20,448	-	-	(20,448)	-
16 April 2021	16 April 2021 to 16 April 2023	4.53	1,095,247	-	(22,597)	(1,072,650)	-
2 July 2021	2 July 2021 to 16 April 2023	4.09	31,320	-	-	(31,320)	-
4 March 2022	4 March 2022 to 16 April 2023	4.34	21,114	-	-	(21,114)	-
19 April 2022	19 April 2022 to 19 April 2023	4.52	1,235,893	-	(35,937)	(1,199,956)	-
19 April 2022	19 April 2022 to 19 April 2024	4.52	1,234,981	-	(132,455)	-	1,102,526
15 August 2022	15 August 2022 to 19 April 2023	4.15	5,710	-	-	(5,710)	-
15 August 2022	15 August 2022 to 19 April 2024	4.15	5,710	-	-	-	5,710
19 April 2023	19 April 2023 to 19 April 2024	4.01	-	1,181,458	(103,314)	-	1,078,144
19 April 2023	19 April 2023 to 19 April 2025	4.01	-	1,180,673	(103,230)	-	1,077,443
30 May 2023	30 May 2023 to 30 May 2024	4.02	-	205,368	(3,268)	-	202,100
30 May 2023	30 May 2023 to 30 May 2025	4.02	-	205,360	(3,267)	-	202,093
23 June 2023	23 June 2023 to 23 June 2024	3.85	-	72,391	(6,706)	-	65,685
23 June 2023	23 June 2023 to 23 June 2025	3.85	-	72,329	(6,695)	-	65,634
Total			3,650,423	2,917,579	(417,469)	(2,351,198)	3,799,335
Weighted average fair value on the date of award (HK$)			4.52	4.00	4.24	4.52	4.15

26 EMPLOYEE BENEFITS *(CONTINUED)*

c. 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)*

			2023				
			Number of Share Stapled Units				
Date of award	**Vesting period**	**Fair value on the date of award HK$**	**As at 1 January 2023**	**Awarded**	**Forfeited**	**Vested**	**As at 31 December 2023**
HKT Share Stapled Units Purchase Scheme (Share Stapled Units)							
16 April 2021	16 April 2021 to 16 April 2023	**11.06**	**208,728**	-	**(437)**	**(208,291)**	-
19 April 2022	19 April 2022 to 19 April 2023	**10.86**	**212,717**	-	**(449)**	**(212,268)**	-
19 April 2022	19 April 2022 to 19 April 2024	**10.86**	**212,711**	-	**(10,334)**	-	**202,377**
19 April 2023	19 April 2023 to 19 April 2024	**10.18**	-	**5,135**	-	-	**5,135**
19 April 2023	19 April 2023 to 19 April 2025	**10.18**	-	**5,132**	-	-	**5,132**
30 May 2023	30 May 2023 to 30 May 2024	**9.98**	-	**49,393**	-	-	**49,393**
30 May 2023	30 May 2023 to 30 May 2025	**9.98**	-	**49,390**	-	-	**49,390**
1 June 2023	1 June 2023 to 1 June 2024	**9.96**	-	**1,646**	-	-	**1,646**
1 June 2023	1 June 2023 to 1 June 2025	**9.96**	-	**1,645**	-	-	**1,645**
4 August 2023	4 August 2023 to 4 August 2024	**9.10**	-	**167,292**	-	-	**167,292**
4 August 2023	4 August 2023 to 4 August 2025	**9.10**	-	**167,292**	-	-	**167,292**
Total			**634,156**	**446,925**	**(11,220)**	**(420,559)**	**649,302**
Weighted average fair value on the date of award (HK$)			**10.93**	**9.33**	**10.87**	**10.96**	**9.80**
HKT Share Stapled Units Subscription Scheme (Share Stapled Units)							
11 May 2020	11 May 2020 to 16 April 2023	**12.86**	**7,858**	-	-	**(7,858)**	-
16 April 2021	16 April 2021 to 16 April 2023	**11.06**	**440,667**	-	**(9,090)**	**(431,577)**	-
2 July 2021	2 July 2021 to 16 April 2023	**10.56**	**12,601**	-	-	**(12,601)**	-
4 March 2022	4 March 2022 to 16 April 2023	**10.60**	**8,537**	-	-	**(8,537)**	-
19 April 2022	19 April 2022 to 19 April 2023	**10.86**	**543,311**	-	**(14,790)**	**(528,521)**	-
19 April 2022	19 April 2022 to 19 April 2024	**10.86**	**542,398**	-	**(54,428)**	-	**487,970**
15 August 2022	15 August 2022 to 19 April 2023	**11.00**	**2,347**	-	-	**(2,347)**	-
15 August 2022	15 August 2022 to 19 April 2024	**11.00**	**2,346**	-	-	-	**2,346**
19 April 2023	19 April 2023 to 19 April 2024	**10.18**	-	**452,085**	**(39,279)**	-	**412,806**
19 April 2023	19 April 2023 to 19 April 2025	**10.18**	-	**451,298**	**(39,198)**	-	**412,100**
30 May 2023	30 May 2023 to 30 May 2024	**9.98**	-	**78,560**	**(1,250)**	-	**77,310**
30 May 2023	30 May 2023 to 30 May 2025	**9.98**	-	**78,548**	**(1,250)**	-	**77,298**
23 June 2023	23 June 2023 to 23 June 2024	**9.05**	-	**27,726**	**(2,570)**	-	**25,156**
23 June 2023	23 June 2023 to 23 June 2025	**9.05**	-	**27,666**	**(2,561)**	-	**25,105**
Total			**1,560,065**	**1,115,883**	**(164,416)**	**(991,441)**	**1,520,091**
Weighted average fair value on the date of award (HK$)			**10.92**	**10.10**	**10.48**	**10.96**	**10.34**

26 EMPLOYEE BENEFITS *(CONTINUED)*

c. Equity compensation benefits *(continued)*

ii. Share award schemes *(continued)*

(2) Movements in the number of unvested PCCW Shares and Share Stapled Units and their related weighted average fair value on the date of award *(continued)*

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

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

	2022	**2023**
PCCW Purchase Scheme (PCCW Shares)	0.64 year	**0.83 year**
PCCW Subscription Scheme (PCCW Shares)	0.64 year	**0.67 year**
HKT Share Stapled Units Purchase Scheme (Share Stapled Units)	0.64 year	**0.81 year**
HKT Share Stapled Units Subscription Scheme (Share Stapled Units)	0.65 year	**0.66 year**

27 SHARE CAPITAL

	2022		**2023**	
	Number of shares	Nominal value HK$ million	**Number of shares**	**Nominal value HK$ million**
Authorised:				
Ordinary shares of US$1 each				
Beginning and end of year	650,000,000	5,070	**650,000,000**	**5,070**
Issued and fully paid:				
Ordinary shares of US$1 each				
Beginning of year	636,000,025	4,961	**636,000,026**	**4,961**
Issued during the year *(note a)*	1	-	**4**	**-**
End of year	636,000,026	4,961	**636,000,030**	**4,961**

a. During the year ended 31 December 2023, the Company issued four (2022: one) ordinary share(s) of US$1 each to the sole shareholder of the Company at a premium of approximately HK$206 million (2022: approximately HK$99 million).

28 RESERVES

	2022								
In HK$ million	Share premium	Capital contribution reserve	Merger reserve	Currency translation reserve	Hedging reserve	Costs of hedging reserve	Other reserves	Retained profits	Total
As at 1 January 2022	24,682	28	(695)	143	75	(13)	88	3,390	27,698
Total comprehensive income/(loss) for the year									
Profit for the year	-	-	-	-	-	-	-	4,842	4,842
Other comprehensive income/(loss)									
Items that have been reclassified or may be reclassified subsequently to consolidated income statement:									
Translation exchange differences:									
- exchange differences on translating foreign operations of subsidiaries	-	-	-	(76)	-	-	-	-	(76)
- exchange differences on translating foreign operations of joint ventures	-	-	-	(5)	-	-	-	-	(5)
Cash flow hedges:									
- effective portion of changes in fair value	-	-	-	-	(46)	-	-	-	(46)
- transfer from equity to consolidated income statement	-	-	-	-	90	11	-	-	101
Costs of hedging	-	-	-	-	-	(114)	-	-	(114)
Total comprehensive income/(loss) for the year	-	-	-	(81)	44	(103)	-	4,842	4,702
Transactions with equity holder									
Issue of ordinary shares *(note 27(a))*	99	-	-	-	-	-	-	-	99
Receipt of PCCW Shares under the PCCW Subscription Scheme	-	-	-	-	-	-	36	-	36
Dividend paid in respect of the previous year *(note 11)*	-	-	-	-	-	-	-	(3,187)	(3,187)
Interim dividend declared and paid in respect of the current year *(note 11)*	-	-	-	-	-	-	-	(2,377)	(2,377)
Total transactions with equity holder	99	-	-	-	-	-	36	(5,564)	(5,429)
As at 31 December 2022	24,781	28	(695)	62	119	(116)	124	2,668	26,971

28 RESERVES *(CONTINUED)*

In HK$ million	Share premium	Capital contribution reserve	Merger reserve	Currency translation reserve	Hedging reserve	Costs of hedging reserve	Financial assets at FVOCI reserve	Other reserves	Retained profits	Total
	2023									
As at 1 January 2023	**24,781**	**28**	**(695)**	**62**	**119**	**(116)**	**-**	**124**	**2,668**	**26,971**
Total comprehensive income/(loss) for the year										
Profit for the year	-	-	-	-	-	-	-	-	4,830	4,830
Other comprehensive income/(loss)										
Item that will not be reclassified subsequently to consolidated income statement:										
Change in the fair value of a financial asset at fair value through other comprehensive income	-	-	-	-	-	-	(17)	-	-	(17)
Items that have been reclassified or may be reclassified subsequently to consolidated income statement:										
Translation exchange differences:										
- exchange differences on translating foreign operations of subsidiaries	-	-	-	26	-	-	-	-	-	26
- exchange differences on translating foreign operations of joint ventures	-	-	-	(1)	-	-	-	-	-	(1)
Cash flow hedges:										
- effective portion of changes in fair value	-	-	-	-	(179)	-	-	-	-	(179)
- transfer from equity to consolidated income statement	-	-	-	-	(159)	12	-	-	-	(147)
Costs of hedging	-	-	-	-	-	(41)	-	-	-	(41)
Total comprehensive income/(loss) for the year	**-**	**-**	**-**	**25**	**(338)**	**(29)**	**(17)**	**-**	**4,830**	**4,471**
Transactions with equity holder										
Issue of ordinary shares *(note 27(a))*	206	-	-	-	-	-	-	-	-	206
Dividend paid in respect of the previous year *(note 11)*	-	-	-	-	-	-	-	-	(3,271)	(3,271)
Interim dividend declared and paid in respect of the current year *(note 11)*	-	-	-	-	-	-	-	-	(2,337)	(2,337)
Total transactions with equity holder	**206**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(5,608)**	**(5,402)**
As at 31 December 2023	**24,987**	**28**	**(695)**	**87**	**(219)**	**(145)**	**(17)**	**124**	**1,890**	**26,040**

29 DEFERRED INCOME TAX

As at 31 December 2023, deferred income tax liabilities/(assets) represent:

In HK$ million	2022	**2023**
Deferred income tax assets	(968)	**(895)**
Deferred income tax liabilities	5,048	**5,498**
	4,080	**4,603**

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

		2022		
In HK$ million	Accelerated tax depreciation and amortisation	Tax losses	Others	Total
Beginning of year	4,790	(871)	(3)	3,916
Charged/(Credited) to the consolidated income statement *(note 10(a))*	461	(299)	1	163
Exchange differences	1	-	-	1
End of year	5,252	(1,170)	(2)	4,080

		2023		
In HK$ million	**Accelerated tax depreciation and amortisation**	**Tax losses**	**Others**	**Total**
Beginning of year	**5,252**	**(1,170)**	**(2)**	**4,080**
Charged to the consolidated income statement *(note 10(a))*	**457**	**67**	**-**	**524**
Exchange differences	**(1)**	**-**	**-**	**(1)**
End of year	**5,708**	**(1,103)**	**(2)**	**4,603**

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 2023, the Group had unutilised estimated tax losses for which no deferred income tax assets have been recognised of HK$3,433 million (2022: HK$3,003 million) to carry forward for deduction against future taxable income. Estimated tax losses of HK$268 million (2022: HK$246 million) and HK$2 million (2022: HK$5 million) will expire within 1 to 5 years and after 5 years from 31 December 2023 respectively. The remaining portion of the tax losses, mainly relating to Hong Kong companies, can be carried forward indefinitely.

30 CARRIER LICENCE FEE LIABILITIES

As at 31 December 2023, the Group had carrier licence fee liabilities payable as follows:

	2022			**2023**		
In HK$ million	Present value of the minimum annual fees	Interest expense relating to future periods	Total minimum annual fees	**Present value of the minimum annual fees**	**Interest expense relating to future periods**	**Total minimum annual fees**
Payable within a period						
- not exceeding one year	331	5	336	**338**	**5**	**343**
- over one year, but not exceeding two years	329	14	343	**286**	**11**	**297**
- over two years, but not exceeding five years	836	76	912	**857**	**77**	**934**
- over five years	2,175	537	2,712	**1,943**	**449**	**2,392**
	3,671	632	4,303	**3,424**	**542**	**3,966**
Less: amounts payable within one year classified as current liabilities	(331)	(5)	(336)	**(338)**	**(5)**	**(343)**
Non-current portion	3,340	627	3,967	**3,086**	**537**	**3,623**

31 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	2022	**2023**
Profit before income tax	5,494	**5,318**
Adjustments for:		
Other losses/(gains), net	9	**(14)**
Finance costs, net	1,660	**2,328**
Losses on disposal of property, plant and equipment and right-of-use assets, net	3	**2**
Provision for/(Write-back of provision for) inventory obsolescence, net	23	**(3)**
Impairment loss for trade receivables	130	**188**
Depreciation of property, plant and equipment	1,240	**1,301**
Depreciation of right-of-use assets	1,380	**1,333**
Amortisation of land lease premium – interests in leasehold land	12	**12**
Amortisation of intangible assets	1,652	**1,419**
Amortisation of fulfilment costs	421	**386**
Amortisation of customer acquisition costs	1,102	**1,201**
Share of results of associates	106	**108**
Share of results of joint ventures	19	**16**
Share-based compensation expenses	30	**31**
Increase in PCCW Shares and Share Stapled Units under share award schemes	(52)	**(8)**
(Increase)/Decrease in operating assets		
- inventories	(412)	**439**
- trade receivables, prepayments, deposits and other current assets	(289)	**147**
- contract assets	26	**60**
- amounts due from related companies	(12)	**3**
- restricted cash	(188)	**164**
- fulfilment costs	(567)	**(653)**
- customer acquisition costs	(1,057)	**(1,223)**
- other non-current assets	251	**13**
Increase/(Decrease) in operating liabilities		
- trade payables	250	**281**
- accruals and other payables	1,040	**728**
- amounts due to fellow subsidiaries and the immediate holding company	(1,224)	**(2,131)**
- amount due to a related company	-	**1**
- advances from customers	16	**(7)**
- contract liabilities	(231)	**(11)**
- other long-term liabilities	(13)	**(2)**
CASH GENERATED FROM OPERATIONS	10,819	**11,427**
Interest received	18	**41**
Income tax paid, net of tax refund		
- Hong Kong profits tax paid *	(73)	**(277)**
- overseas profits tax paid	(18)	**(18)**
NET CASH GENERATED FROM OPERATING ACTIVITIES	10,746	**11,173**

* As at 31 December 2022 and 2023, the Hong Kong profits tax assessments and/or the current income tax liabilities of certain subsidiaries of the Group had not been received or not yet due, such that any corresponding tax charge settlement would be deferred to upcoming financial years.

31 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:

	2022							
In HK$ million	Prepaid finance costs (included in prepayments, deposits and other current assets)	Interest payable (included in accruals and other payables)	Borrowings	Derivative financial instruments, net	Amounts due to fellow subsidiaries and the immediate holding company	Amount due to a related company	Lease liabilities	Total
As at 1 January 2022	(9)	211	43,689	(3)	6,428	65	2,185	52,566
Cash flows in financing activities								
New borrowings raised	(27)	7	22,823	-	-	-	-	22,803
Finance costs (paid)/received	-	(1,087)	-	188	-	-	-	(899)
Repayments of borrowings	-	-	(22,502)	-	-	-	-	(22,502)
Payment for lease liabilities (including interest)	-	-	-	-	-	-	(1,389)	(1,389)
Movement in amounts due to fellow subsidiaries and the immediate holding company	-	-	-	-	1,199	-	-	1,199
Movement in amount due to a related company	-	-	-	-	-	(7)	-	(7)
Cash flows in investing activities								
Loan repayment in relation to licence fee *(note 33(b)(i))*	-	-	(130)	-	-	-	-	(130)
Other changes (including non-cash movements)	19	1,899	(42)	51	(1,129)	(4)	1,178	1,972
As at 31 December 2022	(17)	1,030	43,838	236	6,498	54	1,974	53,613

31 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)*

	2023							
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	Amounts due to fellow subsidiaries and the immediate holding company	Amounts due to related companies	Lease liabilities	Total
As at 1 January 2023	(17)	1,030	43,838	236	6,498	54	1,974	53,613
Cash flows in financing activities								
New borrowings raised	(14)	5	22,992	-	-	-	-	22,983
Finance costs (paid)/received	-	(1,885)	-	288	-	(2)	-	(1,599)
Repayments of borrowings	-	-	(23,040)	46	-	-	-	(22,994)
Payment for lease liabilities (including interest)	-	-	-	-	-	-	(1,430)	(1,430)
Movement in amounts due to fellow subsidiaries and the immediate holding company	-	-	-	-	2,106	-	-	2,106
Movement in amount due to a related company	-	-	-	-	-	29	-	29
Cash flows in investing activities								
Loan repayment in relation to licence fee *(note 33(b)(i))*	-	-	(130)	-	-	-	-	(130)
Other changes (including non-cash movements)	6	1,208	907	154	(1,937)	3	1,505	1,846
As at 31 December 2023	(25)	358	44,567	724	6,667	84	2,049	54,424

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

c. Analysis of cash and cash equivalents

In HK$ million	2022	**2023**
Total cash and bank balances	2,487	**1,920**
Less: restricted cash	(375)	**(211)**
Less: short-term deposits	(116)	**(79)**
Cash and cash equivalents as at 31 December	1,996	**1,630**

32 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 and the minimum capital requirement of a subsidiary regulated by the Bermuda Monetary Authority. A subsidiary of the Group also has a minimum capital requirement as a condition for a stored value facilities licence granted by the Hong Kong Monetary Authority.

33 FINANCIAL INSTRUMENTS

The tables below analyse financial instruments by category:

	2022				
In HK$ million	Financial assets at amortised cost	Financial assets at FVOCI	Financial assets at FVPL	Derivatives used for hedging	Total
Non-current assets					
Financial assets at FVOCI	-	147	-	-	147
Financial assets at FVPL	-	-	75	-	75
Derivative financial instruments	-	-	-	27	27
Other non-current assets (excluding prepayments)	120	-	-	-	120
	120	147	75	27	369
Current assets					
Prepayments, deposits and other current assets (excluding prepayments)	2,081	-	-	-	2,081
Trade receivables, net	3,254	-	-	-	3,254
Amounts due from related companies	25	-	-	-	25
Financial assets at FVPL	-	-	26	-	26
Derivative financial instruments	-	-	-	58	58
Restricted cash	375	-	-	-	375
Short-term deposits	116	-	-	-	116
Cash and cash equivalents	1,996	-	-	-	1,996
	7,847	-	26	58	7,931
Total	7,967	147	101	85	8,300

33 FINANCIAL INSTRUMENTS *(CONTINUED)*

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

	2022		
In HK$ million	Derivatives used for hedging	Other financial liabilities at amortised cost	Total
Current liabilities			
Short-term borrowings	-	(3,950)	(3,950)
Trade payables	-	(5,500)	(5,500)
Accruals and other payables	-	(5,957)	(5,957)
Derivative financial instrument	(98)	-	(98)
Carrier licence fee liabilities	-	(331)	(331)
Amounts due to fellow subsidiaries and the immediate holding company	-	(6,498)	(6,498)
Amount due to a related company	-	(54)	(54)
Advances from customers	-	(286)	(286)
Lease liabilities	-	(1,049)	(1,049)
	(98)	(23,625)	(23,723)
Non-current liabilities			
Long-term borrowings	-	(39,888)	(39,888)
Derivative financial instruments*	(223)	-	(223)
Carrier licence fee liabilities	-	(3,340)	(3,340)
Lease liabilities	-	(925)	(925)
Other long-term liabilities	-	(1,692)	(1,692)
	(223)	(45,845)	(46,068)
Total	(321)	(69,470)	(69,791)

33 FINANCIAL INSTRUMENTS *(CONTINUED)*

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

	2023				
In HK$ million	**Financial assets at amortised cost**	**Financial assets at FVOCI**	**Financial assets at FVPL**	**Derivatives used for hedging**	**Total**
Non-current assets					
Financial assets at FVOCI	**-**	**130**	**-**	**-**	**130**
Financial assets at FVPL	**-**	**-**	**59**	**-**	**59**
Derivative financial instruments	**-**	**-**	**-**	**29**	**29**
Other non-current assets (excluding prepayments)	**120**	**-**	**-**	**-**	**120**
	120	**130**	**59**	**29**	**338**
Current assets					
Prepayments, deposits and other current assets (excluding prepayments)	**2,368**	**-**	**-**	**-**	**2,368**
Trade receivables, net	**2,838**	**-**	**-**	**-**	**2,838**
Amounts due from related companies	**22**	**-**	**-**	**-**	**22**
Financial assets at FVPL	**-**	**-**	**28**	**-**	**28**
Restricted cash	**211**	**-**	**-**	**-**	**211**
Short-term deposits	**79**	**-**	**-**	**-**	**79**
Cash and cash equivalents	**1,630**	**-**	**-**	**-**	**1,630**
	7,148	**-**	**28**	**-**	**7,176**
Total	**7,268**	**130**	**87**	**29**	**7,514**

33 FINANCIAL INSTRUMENTS *(CONTINUED)*

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

In HK$ million	2023 Derivatives used for hedging	Other financial liabilities at amortised cost	Total
Current liabilities			
Short-term borrowings	-	**(1,049)**	**(1,049)**
Trade payables	-	**(5,781)**	**(5,781)**
Accruals and other payables	-	**(5,984)**	**(5,984)**
Derivative financial instrument	**(151)**	-	**(151)**
Carrier licence fee liabilities	-	**(338)**	**(338)**
Amounts due to fellow subsidiaries and the immediate holding company	-	**(6,667)**	**(6,667)**
Amounts due to related companies	-	**(84)**	**(84)**
Advances from customers	-	**(279)**	**(279)**
Lease liabilities	-	**(1,070)**	**(1,070)**
	(151)	**(21,252)**	**(21,403)**
Non-current liabilities			
Long-term borrowings	-	**(43,518)**	**(43,518)**
Derivative financial instruments*	**(602)**	-	**(602)**
Carrier licence fee liabilities	-	**(3,086)**	**(3,086)**
Lease liabilities	-	**(979)**	**(979)**
Other long-term liabilities	-	**(1,935)**	**(1,935)**
	(602)	**(49,518)**	**(50,120)**
Total	**(753)**	**(70,770)**	**(71,523)**

* As at 31 December 2023, derivative financial instruments classified as non-current liabilities of HK$34 million (2022: HK$29 million) related to foreign exchange forward contracts with an aggregate notional contract amount of US$470 million (approximately HK$3,686 million) (2022: US$470 million (approximately HK$3,686 million)) were designated as cash flow hedges of US$300 million zero coupon guaranteed notes due 2030. The US$300 million guaranteed notes may be redeemed at the option of the Group on 15 January 2025 at an early redemption amount of US$470 million (2022: US$470 million). Refer to notes 24(a) and 25(a) for details of the guaranteed notes and the foreign exchange forward contracts respectively.

33 FINANCIAL INSTRUMENTS *(CONTINUED)*

Exposure to credit, liquidity and market risk (including foreign currency risk and interest rate risk) arises in the normal course of the 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.

a. Credit risk

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

The Group's normal credit period for customers is ranging up to 30 days from the date of invoice unless there is a separate mutual agreement on extension of the credit period. The Group maintains a well-defined credit policy and individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Debtors who have overdue balances are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers. As at 31 December 2022 and 2023, 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 23(c).

The overall impact of impairment of the contract assets on these 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 2022 and 2023 and the Group made no write-off or provision for these contract assets during the years ended 31 December 2022 and 2023.

Investments in debt instruments, amounts due from related companies, deposits and other receivables are considered to have low credit risk. These assets are continuously monitored by assessing the credit quality of the counterparty, taking into account its financial position, past experience and other factors. Where necessary, provision for impairment loss is made for estimated irrecoverable amounts. As at 31 December 2022 and 2023, investments in debt instruments, amounts due from related companies, deposits and other receivables were fully performing.

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

The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the consolidated statement of financial position. Except for the guarantees given by the Group as disclosed in note 35, the Group does not provide any other guarantees which would expose the Group to credit risk.

33 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 its subsidiaries in the normal course of thier businesses. Refer to note 35 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:

			2022			
In HK$ million	Within 1 year or on demand	More than 1 year but within 2 years	More than 2 years but within 5 years	More than 5 years	Total contractual undiscounted cash outflow	Carrying amount
Current liabilities						
Short-term borrowings	(3,956)	-	-	-	(3,956)	(3,950)
Trade payables	(5,500)	-	-	-	(5,500)	(5,500)
Accruals and other payables *(note (iv))*	(5,997)	-	-	-	(5,997)	(5,957)
Derivative financial instrument *(note (ii))*	(100)	-	-	-	(100)	(98)
Carrier licence fee liabilities	(336)	-	-	-	(336)	(331)
Amounts due to fellow subsidiaries and the immediate holding company	(6,702)	-	-	-	(6,702)	(6,498)
Amount due to a related company	(54)	-	-	-	(54)	(54)
Advances from customers	(286)	-	-	-	(286)	(286)
Lease liabilities	(1,106)	-	-	-	(1,106)	(1,049)
	(24,037)	-	-	-	(24,037)	(23,723)
Non-current liabilities						
Long-term borrowings *(note (i))*	(1,531)	(4,786)	(27,826)	(12,146)	(46,289)	(39,888)
Derivative financial instruments	36	(37)	(105)	(140)	(246)	(223)
Carrier licence fee liabilities	-	(343)	(912)	(2,712)	(3,967)	(3,340)
Lease liabilities	-	(603)	(340)	(3)	(946)	(925)
Other long-term liabilities *(note (iii))*	-	(35)	(1,000)	(2,332)	(3,367)	(1,692)
	(1,495)	(5,804)	(30,183)	(17,333)	(54,815)	(46,068)
Total	(25,532)	(5,804)	(30,183)	(17,333)	(78,852)	(69,791)

33 FINANCIAL INSTRUMENTS *(CONTINUED)*

b. Liquidity risk *(continued)*

In HK$ million	2023 Within 1 year or on demand	More than 1 year but within 2 years	More than 2 years but within 5 years	More than 5 years	Total contractual undiscounted cash outflow	Carrying amount
Current liabilities						
Short-term borrowings	**(1,071)**	-	-	-	**(1,071)**	**(1,049)**
Trade payables	**(5,781)**	-	-	-	**(5,781)**	**(5,781)**
Accruals and other payables	**(5,984)**	-	-	-	**(5,984)**	**(5,984)**
Derivative financial instrument *(note (ii))*	**(153)**	-	-	-	**(153)**	**(151)**
Carrier licence fee liabilities	**(343)**	-	-	-	**(343)**	**(338)**
Amounts due to fellow subsidiaries and the immediate holding company	**(6,896)**	-	-	-	**(6,896)**	**(6,667)**
Amounts due to related companies	**(84)**	-	-	-	**(84)**	**(84)**
Advances from customers	**(279)**	-	-	-	**(279)**	**(279)**
Lease liabilities	**(1,145)**	-	-	-	**(1,145)**	**(1,070)**
	(21,736)	-	-	-	**(21,736)**	**(21,403)**
Non-current liabilities						
Long-term borrowings *(note (i))*	**(1,904)**	**(8,717)**	**(28,018)**	**(11,884)**	**(50,523)**	**(43,518)**
Derivative financial instruments	**63**	**(84)**	**(209)**	**(470)**	**(700)**	**(602)**
Carrier licence fee liabilities	-	**(297)**	**(934)**	**(2,392)**	**(3,623)**	**(3,086)**
Lease liabilities	-	**(636)**	**(349)**	**(60)**	**(1,045)**	**(979)**
Other long-term liabilities *(note (iii))*	-	**(89)**	**(950)**	**(2,335)**	**(3,374)**	**(1,935)**
	(1,841)	**(9,823)**	**(30,460)**	**(17,141)**	**(59,265)**	**(50,120)**
Total	**(23,577)**	**(9,823)**	**(30,460)**	**(17,141)**	**(81,001)**	**(71,523)**

Notes:

(i) As at 31 December 2023, bank borrowings of HK$1,040 million (2022: HK$1,170 million) included in long-term borrowings were outstanding for financing a 15-year 3G spectrum utilisation fee paid upfront by the Group.

(ii) As at 31 December 2023, derivative financial instrument included HK$153 million (2022: HK$107 million) of short-term interest payable, which related to interest drawn under an arrangement with a bank to receive agreed amounts by instalments to settle interest payments of a floating-to-fixed interest rate swap contract with a notional contract amount of HK$1,000 million (2022: HK$1,000 million).

(iii) As at 31 December 2023, other long-term liabilities included HK$618 million (2022: HK$535 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) (2022: EUR200 million (approximately HK$1,665 million)). Refer to notes 24(c) and 25(a) for details of the guaranteed notes and the derivative financial instruments respectively.

(iv) As at 31 December 2022, accruals and other payables included HK$715 million of short-term interest payable, which related to interest drawn under the arrangements with banks to receive agreed amounts by instalments to settle interest payments of fixed-to-fixed cross currency swap contracts with an aggregate notional contract amount of US$500 million (approximately HK$3,879 million). Refer to notes 23(e)(i) and 25(a) for details of the guaranteed notes and the derivative financial instruments respectively.

33 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

The Group operates internationally and is exposed to foreign currency risk arising from various currency exposure. Foreign currency risk arises when the Group's recognised assets and liabilities are denominated in a currency that is not the functional currency of the relevant group entity.

The Group's borrowings are substantially denominated in Hong Kong dollars, United States dollars and Euro. As at 31 December 2022 and 2023, 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 2023 with an aggregate notional contract amount of US$2,870 million (approximately HK$22,400 million) (2022: US$3,370 million (approximately HK$26,279 million)) and EUR200 million (approximately HK$1,665 million) (2022: EUR200 million (approximately HK$1,665 million)) were designated or redesignated as cash flow hedges against foreign currency risk.

In respect of trade receivables and payables held in currencies other than the functional currency of the operations to which they relate, the Group ensures that the net exposure is kept to an acceptable level by buying or selling foreign currencies at spot or forward rates where necessary to address short-term imbalances.

33 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	2022 United States Dollars	2022 Euro	**2023 United States Dollars**	**2023 Euro**
Trade receivables	1,242	36	**1,168**	**40**
Short-term deposits	-	-	**70**	**-**
Cash and cash equivalents	410	63	**289**	**39**
Short-term borrowings	(3,894)	-	**-**	**-**
Trade payables	(3,029)	(36)	**(2,529)**	**(53)**
Advances from customers	(16)	(1)	**(16)**	**(1)**
Lease liabilities	(57)	(9)	**(52)**	**(8)**
Long-term borrowings	(20,899)	(1,646)	**(20,923)**	**(1,718)**
Gross exposure arising from net monetary liabilities	(26,243)	(1,593)	**(21,993)**	**(1,701)**
Net monetary (assets)/liabilities denominated in respective entities' functional currencies	(81)	(2)	**(69)**	**3**
Borrowings with hedging instruments	24,793	1,646	**20,923**	**1,718**
Overall net exposure	(1,531)	51	**(1,139)**	**20**

33 FINANCIAL INSTRUMENTS *(CONTINUED)*

c. Market risk *(continued)*

i. Foreign currency risk *(continued)*

As at 31 December 2023, if the Hong Kong dollar had weakened/strengthened by 1% (2022: 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$10 million (2022: HK$13 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 2023 would have collectively debited/credited by approximately HK$209 million (2022: HK$248 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 2023, if the Hong Kong dollar had weakened/strengthened by 5% (2022: 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 (2022: HK$2 million), mainly as a result of foreign exchange gains/losses on translation of Euro denominated monetary assets and liabilities which are not hedged by hedging instruments. Meanwhile, the hedging reserve and costs of hedging reserve of the Group as at 31 December 2023 would have collectively debited/credited by approximately HK$86 million (2022: HK$82 million), mainly as a result of foreign exchange losses/gains on the long-term borrowings 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.

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 2022 and 2023.

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 interest-bearing amount due to the immediate holding company. 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.

33 FINANCIAL INSTRUMENTS *(CONTINUED)*

c. Market risk *(continued)*

ii. Interest rate risk *(continued)*

The following table details the interest rate profile of the Group's borrowings and interest-bearing amount due to the immediate holding company at the end of the reporting period, after taking into account the effect of the cash flow hedging instruments:

	2022		**2023**	
	Effective interest rate %	HK$ million	**Effective interest rate %**	**HK$ million**
Net fixed rate borrowings:				
Short-term bank borrowing with hedging instrument	-	-	**4.62**	**994**
Short-term borrowing with hedging instruments	4.53	3,894	**-**	**-**
Long-term bank borrowings with hedging instruments	2.71	997	**4.07**	**1,589**
Long-term borrowings with hedging instruments	3.32	22,545	**2.93**	**22,641**
Variable rate borrowings and amount due to the immediate holding company:				
Short-term bank borrowing	5.27	56	**5.07**	**55**
Long-term bank borrowings	3.14	16,346	**5.21**	**19,288**
Amount due to the immediate holding company	1.63	4,335	**4.51**	**4,290**
Total borrowings		48,173		**48,857**

As at 31 December 2023, if the interest rate on variable rate borrowings and amount due to the immediate holding company had increased/decreased by 75 basis points (2022: same), with all other variables held constant, the profit after tax of the Group for the year would have decreased/increased by approximately HK$149 million (2022: HK$131 million), mainly as a result of higher/lower interest expense on floating rate borrowings and amount due to the immediate holding company in existence at the end of the reporting period.

The sensitivity analysis has been determined assuming that the change in interest rate occurred at the end of the reporting period and applied to the Group's exposure to interest rate risk for floating rate borrowings and amount due to the immediate holding company in existence at those dates. The 75 basis points (2022: 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 2022 and 2023.

iii. Equity price risk

The Group is exposed to equity price changes arising from equity investments. Other than unlisted equity securities held for strategic purposes, all of these investments are listed on a recognised stock exchange market.

Given the insignificant portfolio of listed equity securities held by the Group, management believes that the Group's equity price risk is minimal.

Performance of the Group's unlisted investments held for long-term strategic purposes is assessed at least semi-annually against the performance of the associated business as well as similar listed entities, based on the limited information available to the Group, together with an assessment of their relevance to the Group's long-term strategic plans.

33 FINANCIAL INSTRUMENTS *(CONTINUED)*

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 2023 except as follows:

In HK$ million	2022 Carrying amount	2022 Fair value	**2023 Carrying amount**	**2023 Fair value**
Short-term borrowings	3,950	3,945	**1,049**	**1,049**
Long-term borrowings	39,888	37,741	**43,518**	**42,128**

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 33(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.

33 FINANCIAL INSTRUMENTS *(CONTINUED)*

e. Estimation of fair values *(continued)*

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

In HK$ million	As at 31 December 2022 Level 1	Level 2	Level 3	Total
Assets				
Financial assets at FVOCI				
- Unlisted securities (non-current)	-	-	147	147
Financial assets at FVPL				
- Unlisted securities (non-current)	-	-	10	10
- Listed securities (non-current)	65	-	-	65
- Listed securities (current)	26	-	-	26
Derivative financial instruments				
- Non-current	-	27	-	27
- Current	-	58	-	58
Total assets	91	85	157	333
Liabilities				
Derivative financial instruments				
- Current	-	(98)	-	(98)
- Non-current	-	(223)	-	(223)
Total liabilities	-	(321)	-	(321)

In HK$ million	**As at 31 December 2023** **Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Financial assets at FVOCI				
- Unlisted securities (non-current)	**-**	**-**	**130**	**130**
Financial assets at FVPL				
- Unlisted securities (non-current)	**-**	**-**	**10**	**10**
- Listed securities (non-current)	**49**	**-**	**-**	**49**
- Listed securities (current)	**28**	**-**	**-**	**28**
Derivative financial instruments				
- Non-current	**-**	**29**	**-**	**29**
Total assets	**77**	**29**	**140**	**246**
Liabilities				
Derivative financial instruments				
- Current	**-**	**(151)**	**-**	**(151)**
- Non-current	**-**	**(602)**	**-**	**(602)**
Total liabilities	**-**	**(753)**	**-**	**(753)**

33 FINANCIAL INSTRUMENTS *(CONTINUED)*

e. Estimation of fair values *(continued)*

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

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

Instruments included in level 3 comprised investments in unlisted instruments classified as financial assets at FVOCI or financial assets at FVPL. During the year ended 31 December 2023, there was no movement in the unlisted instruments classified as financial assets at FVPL included in level 3 (2022: a disposal of HK$23 million) and except for a change in fair value of HK$17 million, there was no movement in the unlisted instruments classified as financial assets at FVOCI included in level 3 (2022: an addition of HK$23 million).

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 2022 and 2023.

There were no material changes in valuation techniques during the years ended 31 December 2022 and 2023.

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.

34 COMMITMENTS

a. Capital

As at 31 December 2023, capital commitments authorised and contracted for by nature were as follows:

In HK$ million	2022	**2023**
Acquisition of property, plant and equipment	1,273	**1,632**

34 COMMITMENTS *(CONTINUED)*

b. Committed leases not yet commenced

As at 31 December 2023, the total future lease payments for leases committed but not yet commenced were payable as follows:

Land and buildings

In HK$ million	2022	**2023**
Within 1 year	13	**8**
After 1 year but within 5 years	14	**10**
	27	**18**

Network capacity and equipment

In HK$ million	2022	**2023**
Within 1 year	9	**7**
After 1 year but within 5 years	48	**16**
	57	**23**

c. Others

As at 31 December 2023, the Group had other outstanding commitments as follows:

In HK$ million	2022	**2023**
Purchase of rights to broadcast certain TV content	1,275	**833**
Operating expenditure commitments	507	**506**
	1,782	**1,339**

d. Lease receivables

As at 31 December 2023, the maturity analysis of the total future minimum lease receipts under non-cancellable operating leases is as follows:

In HK$ million	2022	**2023**
Within 1 year	39	**36**
After 1 year but within 2 years	29	**22**
After 2 years but within 3 years	17	**15**
After 3 years but within 4 years	12	**7**
After 4 years but within 5 years	7	**-**
	104	**80**

The Group leases out properties under operating leases. The majority of the leases typically run for periods of 1 to 5 years (2022: 1 to 5 years). None of the leases include material contingent rentals.

35 CONTINGENT LIABILITIES

In HK$ million	2022	**2023**
Performance guarantees	1,053	**1,027**
Others	6	**2**
	1,059	**1,029**

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

36 BANKING FACILITIES

Aggregate banking facilities as at 31 December 2023 was HK$34,812 million (2022: HK$32,013 million) of which the undrawn facilities amounted to HK$12,733 million (2022: HK$14,459 million).

Majority of the Group's banking facilities are subject to the fulfilment of covenants relating to certain of the Group's consolidated statement of financial position ratios, as are commonly found in lending arrangements with financial institutions. If the Group was to breach the covenants, the drawn down facilities would become payable on demand and the undrawn facilities would be cancelled. The Group regularly monitors its compliance with these covenants. As at 31 December 2023, the Group was in compliance with the covenants relating to the banking facilities. Further details of the Group's management of liquidity risk are set out in note 33(b).

Summaries of short-term and long-term borrowings are set out in notes 23(e) and 24 respectively.

37 POSSIBLE IMPACT OF NEW AND AMENDED STANDARDS ISSUED BUT NOT YET EFFECTIVE FOR THE ANNUAL ACCOUNTING PERIOD ENDED 31 DECEMBER 2023

Up to the date of approval of these consolidated financial statements, the HKICPA has issued the following new and amended Hong Kong Financial Reporting Standards which are not yet effective for the accounting period ended 31 December 2023 and which have not been early adopted in these consolidated financial statements:

		Effective for accounting periods beginning on or after
HKAS 1 (Revised) (Amendments)	Presentation of Financial Statements	1 January 2024
HKAS 7 (Amendments)	Statement of Cash Flows	1 January 2024
HKAS 21 (Amendments)	The Effects of Changes in Foreign Exchange Rates	1 January 2025
HKAS 28 (2011) (Amendments)	Investments in Associates and Joint Ventures	To be announced
HKFRS 7 (Amendments)	Financial Instruments: Disclosures	1 January 2024
HKFRS 10 (Amendments)	Consolidated Financial Statements	To be announced
HKFRS 16 (Amendments)	Leases	1 January 2024
HK Interpretation 5 (Revised)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024

Apart from the above, a number of improvements and minor amendments to Hong Kong Financial Reporting Standards have also been issued by the HKICPA but they are not yet effective for the accounting period ended 31 December 2023 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.

The selected financial information of Hong Kong Telecommunications (HKT) Limited presented below as at and for the two years ended 31 December 2022 and 31 December 2023 has been extracted from the audited consolidated financial statements of Hong Kong Telecommunications (HKT) Limited for the year ended 31 December 2023.

HONG KONG TELECOMMUNICATIONS (HKT) LIMITED

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2023

In HK$ million	2022	**2023**
Revenue	14,999	**16,526**
Cost of sales	(5,235)	**(6,032)**
General and administrative expenses	(4,756)	**(4,051)**
Other gains, net	-	**3**
Finance costs, net	(1,629)	**(2,316)**
Share of result of a joint venture	(6)	**(5)**
Profit before income tax	3,373	**4,125**
Income tax	(515)	**(86)**
Profit for the year	2,858	**4,039**
Profit attributable to:		
Equity holder of the Company	2,851	**4,034**
Non-controlling interests	7	**5**
Profit for the year	2,858	**4,039**

HONG KONG TELECOMMUNICATIONS (HKT) LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023

In HK$ million	2022	**2023**
Profit for the year	2,858	**4,039**
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)	**-**
Cash flow hedges:		
- effective portion of changes in fair value	(46)	**(179)**
- transfer from equity to consolidated income statement	101	**(147)**
Costs of hedging	(114)	**(41)**
Other comprehensive loss for the year	(61)	**(367)**
Total comprehensive income for the year	2,797	**3,672**
Attributable to:		
Equity holder of the Company	2,790	**3,667**
Non-controlling interests	7	**5**
Total comprehensive income for the year	2,797	**3,672**

HONG KONG TELECOMMUNICATIONS (HKT) LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2023

	2022		
In HK$ million	Attributable to equity holder of the Company	Non-controlling interests	Total equity
As at 1 January 2022	11,613	3	11,616
Total comprehensive income for the year			
Profit for the year	2,851	7	2,858
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)	-	(2)
Cash flow hedges:			
- effective portion of changes in fair value	(46)	-	(46)
- transfer from equity to consolidated income statement	101	-	101
Costs of hedging	(114)	-	(114)
Other comprehensive loss	(61)	-	(61)
Total comprehensive income for the year	2,790	7	2,797
Transactions with equity holder			
Final dividend paid in respect of the previous year	(2,050)	-	(2,050)
Interim dividend declared and paid in respect of the current year	(1,265)	-	(1,265)
Total transactions with equity holder	(3,315)	-	(3,315)
As at 31 December 2022	11,088	10	11,098

HONG KONG TELECOMMUNICATIONS (HKT) LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(CONTINUED)*
FOR THE YEAR ENDED 31 DECEMBER 2023

	2023		
In HK$ million	Attributable to equity holder of the Company	Non-controlling interests	Total equity
As at 1 January 2023	**11,088**	**10**	**11,098**
Total comprehensive income for the year			
Profit for the year	**4,034**	**5**	**4,039**
Other comprehensive loss			
Items that have been reclassified or may be reclassified subsequently to consolidated income statement:			
Cash flow hedges:			
- effective portion of changes in fair value	**(179)**	**-**	**(179)**
- transfer from equity to consolidated income statement	**(147)**	**-**	**(147)**
Costs of hedging	**(41)**	**-**	**(41)**
Other comprehensive loss	**(367)**	**-**	**(367)**
Total comprehensive income for the year	**3,667**	**5**	**3,672**
Transactions with equity holder			
Final dividend paid in respect of the previous year	**(1,565)**	**-**	**(1,565)**
Interim dividend declared and paid in respect of the current year	**(1,615)**	**-**	**(1,615)**
Total transactions with equity holder	**(3,180)**	**-**	**(3,180)**
As at 31 December 2023	**11,575**	**15**	**11,590**

HONG KONG TELECOMMUNICATIONS (HKT) LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023

In HK$ million	2022	**2023**
ASSETS AND LIABILITIES		
Non-current assets		
Property, plant and equipment	23,264	**24,332**
Right-of-use assets	949	**1,201**
Interests in leasehold land	177	**165**
Goodwill	32,630	**32,630**
Intangible assets	14,783	**15,912**
Fulfilment costs	1,607	**1,874**
Customer acquisition costs	315	**312**
Contract assets	59	**50**
Interest in a joint venture	137	**93**
Financial assets at fair value through profit or loss	16	**16**
Derivative financial instruments	27	**29**
Other non-current assets	52	**46**
	74,016	**76,660**
Current assets		
Inventories	1,010	**623**
Prepayments, deposits and other current assets	1,672	**1,865**
Contract assets	297	**219**
Trade receivables, net	1,032	**527**
Amounts due from related companies	21	**18**
Amounts due from fellow subsidiaries, the immediate holding company, intermediate holding companies and the ultimate holding company	15,277	**4,582**
Financial assets at fair value through profit or loss	13	**13**
Derivative financial instruments	58	**-**
Restricted cash	19	**1**
Short-term deposits	116	**79**
Cash and cash equivalents	821	**742**
	20,336	**8,669**

HONG KONG TELECOMMUNICATIONS (HKT) LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(CONTINUED)*
AS AT 31 DECEMBER 2023

In HK$ million	2022	**2023**
Current liabilities		
Short-term borrowing	(3,894)	**(994)**
Trade payables	(4,187)	**(4,562)**
Accruals and other payables	(3,751)	**(3,876)**
Derivative financial instrument	(98)	**(151)**
Carrier licence fee liabilities	(331)	**(338)**
Amounts due to fellow subsidiaries and intermediate holding companies	(18,987)	**(7,536)**
Amount due to a related company	-	**(1)**
Advances from customers	(107)	**(91)**
Contract liabilities	(644)	**(567)**
Lease liabilities	(614)	**(662)**
Current income tax liabilities	(362)	**(11)**
	(32,975)	**(18,789)**
Non-current liabilities		
Long-term borrowings	(39,888)	**(43,518)**
Amounts due to fellow subsidiaries	(34)	**(62)**
Derivative financial instruments	(223)	**(602)**
Deferred income tax liabilities	(4,787)	**(5,252)**
Carrier licence fee liabilities	(3,340)	**(3,086)**
Contract liabilities	(13)	**(7)**
Lease liabilities	(393)	**(576)**
Other long-term liabilities	(1,601)	**(1,847)**
	(50,279)	**(54,950)**
Net assets	11,098	**11,590**
CAPITAL AND RESERVES		
Share capital	9,945	**9,945**
Reserves	1,143	**1,630**
Equity attributable to equity holder of the Company	11,088	**11,575**
Non-controlling interests	10	**15**
Total equity	11,098	**11,590**

HONG KONG TELECOMMUNICATIONS (HKT) LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023

In HK$ million	2022	**2023**
NET CASH GENERATED FROM OPERATING ACTIVITIES	7,109	**7,958**
INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	4	**6**
Purchases of property, plant and equipment	(1,675)	**(1,743)**
Additions of intangible assets	(2,514)	**(2,701)**
Loans to a joint venture	(46)	**(63)**
Decrease in short-term deposits with maturity more than three months	356	**37**
NET CASH USED IN INVESTING ACTIVITIES	(3,875)	**(4,464)**
FINANCING ACTIVITIES		
New borrowings raised	22,691	**22,951**
Finance costs paid	(899)	**(1,592)**
Repayments of borrowings	(22,390)	**(22,962)**
Payment for lease liabilities (including interest)	(799)	**(889)**
Movement in balances with fellow subsidiaries and an intermediate holding company	1,234	**2,097**
Dividends paid to equity holder of the Company	(3,315)	**(3,180)**
NET CASH USED IN FINANCING ACTIVITIES	(3,478)	**(3,575)**
NET DECREASE IN CASH AND CASH EQUIVALENTS	(244)	**(81)**
Exchange differences	20	**2**
CASH AND CASH EQUIVALENTS		
Beginning of year	1,045	**821**
End of year	821	**742**

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