

**GENERAL ANNOUNCEMENT::ANNOUNCEMENT RELATING TO PCCW LIMITED - ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022**

**Issuer & Securities**

**Issuer/ Manager**

PACIFIC CENTURY REGIONAL DEVELOPMENTS LIMITED

**Securities**

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**Submitted By (Co./ Ind. Name)**

Lim Beng Jin

**Designation**

Company Secretary

**Description (Please provide a detailed description of the event in the box below)**

The Board of Directors of Pacific Century Regional Developments Limited wishes to announce that its associated company, PCCW Limited ("PCCW"), which is listed on The Stock Exchange of Hong Kong Limited, has announced its annual results for the year ended 31 December 2022.

The detailed announcement from PCCW is attached.

By Order of the Board

Lim Beng Jin

Company Secretary

24 February 2023

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## Attachments

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[PCCW 2022 annual results announcement 2023-02-24.pdf](#)

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Total size =552K MB

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**PCCW Limited**  
**電訊盈科有限公司**  
(Incorporated in Hong Kong with limited liability)  
(Stock Code: 0008)

## **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022**

The directors (“Directors”) of PCCW Limited (“PCCW” or the “Company”) hereby announce the audited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2022.

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

## MANAGEMENT REVIEW

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

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

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

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

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

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

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

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

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

## OUTLOOK

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

## FINANCIAL REVIEW BY SEGMENT

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

- Note 1 EBITDA represents earnings before interest income, finance costs, income tax, depreciation and amortisation, gains/losses on disposal of property, plant and equipment, interests in leasehold land, right-of-use assets and intangible assets, net other gains/losses, losses on property, plant and equipment, restructuring costs, impairment losses on goodwill, tangible and intangible assets and interests in associates and joint ventures, and the Group's share of results of associates and joint ventures. While EBITDA is commonly used in the telecommunications industry worldwide as an indicator of operating performance, leverage and liquidity, it is not presented as a measure of operating performance in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") and should not be considered as representing net cash flows from operating activities. The computation of the Group's EBITDA may not be comparable to similarly titled measures of other companies.*
- Note 2 Gross debt refers to the principal amount of short-term borrowings and long-term borrowings.*
- Note 3 Group capital expenditure includes additions to property, plant and equipment and interests in leasehold land.*
- Note 4 Adjusted funds flow is defined as EBITDA less capital expenditures, customer acquisition costs and licence fees paid, taxes paid, finance costs and interest expense paid, and adjusted for interest income received and changes in working capital. It is not presented as a measure of leverage or liquidity in accordance with HKFRSs and should not be considered as representing net cash flows or any other similar measures derived in accordance with HKFRSs, or an alternative to cash flow from operations or a measure of liquidity. HKT's adjusted funds flow is computed in accordance with the above definition using financial information derived from HKT's audited consolidated financial statements. The adjusted funds flow may be used for debt repayment.*
- Note 5 Results reflect the continuing operations of the Company following the divestment of the Data Centre Business and deconsolidation of Pacific Century Premium Developments Limited in 2021 and the completion of the strategic partnership formation involving the ITS Business in 2022. The comparative figures presented were restated to reflect the reclassification between continuing operations and discontinued operations of the Group accordingly.*
- Note 6 ITS Business comprises the IT solutions business including but not limited to digital and managed services, technology services and business process outsourcing of Lenovo PCCW Solutions Limited, of which 80% interests thereon were transferred to Lenovo Group Limited in August 2022.*

## HKT

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

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

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

## HKT (CONTINUED)

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

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

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

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

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

HKT recommended the payment of a final distribution of 43.15 HK cents per Share Stapled Unit for the year ended 31 December 2022. This brings the 2022 full-year distribution to 74.51 HK cents per Share Stapled Unit (comprising 31.36 HK cents as interim distribution and 43.15 HK cents as final distribution) representing the full payout of the annual adjusted funds flow per Share Stapled Unit.

For a more detailed review of the performance of HKT, including detailed reconciliation between HKT’s EBITDA and adjusted funds flow as well as HKT’s EBITDA and profit before income tax, please refer to its 2022 annual results announcement released on 23 February 2023.



## OTT Business

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

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

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

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

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

## Free TV & Related Business

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

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

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

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

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

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

### Note:

- Source: CSM Media Research HKTAM from 1 Jan – 31 Dec 2022 vs 1 Jan – 31 Dec 2021; prime time from 18:55-24:05
- Source: CSM Media Research HKTAM from 20 Nov – 18 Dec 2022 and 14 Jun – 15 Jul 2018
- Source: Google Analytics and Internal Data (viu.tv + ViuTV apps) from 1 Jan – 31 Dec 2022 vs 1 Jan – 31 Dec 2021
- Source: admanGo

## Other Businesses

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

## Eliminations

Eliminations for the year ended 31 December 2022 were HK\$1,654 million versus HK\$1,336 million (restated) a year earlier, reflecting collaboration among members of the Group on both internal and external projects.

## Costs

### Cost of Sales

For the year ended 31 December HK\$ million	2021			2022			Better/ (Worse) y-o-y
	H1 <sup>5</sup>	H2 <sup>5</sup>	Full Year <sup>5</sup>	H1 <sup>5</sup>	H2	Full Year	
HKT	7,550	9,179	<b>16,729</b>	8,134	8,960	<b>17,094</b>	(2)%
Consolidated	8,054	9,671	<b>17,725</b>	8,149	9,765	<b>17,914</b>	(1)%

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

## General and Administrative Expenses

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

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

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

## **EBITDA<sup>1</sup>**

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

## **Other Gains/(Losses), Net**

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

## **Interest Income and Finance Costs**

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

## **Income Tax**

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

## **Non-controlling Interests for Continuing Operations**

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

## **Holders of Perpetual Capital Securities**

Profit of HK\$235 million for the year ended 31 December 2022 was attributable to the holders of the perpetual capital securities, which represented distributions payable to the holders of the securities as accrued at 4% per annum on the US\$750 million principal amount of the perpetual capital securities issued by the Group in January 2021.

## **Loss/Profit Attributable to Equity Holders of the Company**

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

## **LIQUIDITY AND CAPITAL RESOURCES**

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

The Group's gross debt<sup>2</sup> was HK\$49,899 million as at 31 December 2022 (31 December 2021: HK\$47,006 million). Cash and short-term deposits totaled HK\$3,125 million as at 31 December 2022 (31 December 2021: HK\$5,036 million).

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

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

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

As at 31 December 2022, CAS Holding No. 1 Limited, a direct wholly-owned subsidiary of the Company, had investment grade ratings with Moody's Investors Services ("Moody's") (Baa3) and S&P Global Ratings ("S&P") (BBB-). Hong Kong Telecommunications (HKT) Limited, an indirect non-wholly owned subsidiary of the Company, had investment grade ratings with Moody's (Baa2) and S&P (BBB).

### **CAPITAL EXPENDITURE<sup>3</sup>**

Group capital expenditure for the year ended 31 December 2022 was HK\$2,404 million (2021 (restated): HK\$2,507 million), of which HKT accounted for about 98% (2021 (restated): 98%). The capital expenditure to revenue ratio was approximately 6.7% for the year (2021 (restated): 7.1%).

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

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

## HEDGING

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

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

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

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

## CHARGE ON ASSETS

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

## CONTINGENT LIABILITIES

<b>As at 31 December</b>	<b>2021</b>	<b>2022</b>
<b>HK\$ million</b>		
Performance guarantees	1,570	<b>1,440</b>
Others	160	<b>45</b>
	<b>1,730</b>	<b>1,485</b>

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

## **HUMAN RESOURCES**

The Group had over 17,400 employees as at 31 December 2022 (31 December 2021: 20,600) located in 24 countries and cities. About 67% of these employees work in Hong Kong and the others are based mainly in mainland China. The Group has established performance based bonus and incentive schemes designed to motivate and reward employees at all levels to achieve the Group's business performance targets. Payment of performance bonuses is generally based on achievement of revenue, EBITDA and free cash flow targets for the Group as a whole and for each of the individual business units and performance ratings of employees.

## **FINAL DIVIDEND**

The Board has recommended the payment of a final dividend of 28.48 HK cents (2021: 27.69 HK cents) per ordinary share for the year ended 31 December 2022 to shareholders whose names appear on the register of members of the Company on Wednesday, 7 June 2023, subject to the approval of shareholders of the Company at the forthcoming annual general meeting which will be held on Wednesday, 31 May 2023 ("AGM"). An interim dividend of 9.56 HK cents (2021: 9.36 HK cents) per ordinary share for the six months ended 30 June 2022 was paid to shareholders of the Company in September 2022.

## **CLOSURE OF REGISTER OF MEMBERS**

The record date for the proposed final dividend will be Wednesday, 7 June 2023. The Company's register of members will be closed from Tuesday, 6 June 2023 to Wednesday, 7 June 2023 (both days inclusive) in order to determine entitlements to the proposed final dividend. During such period, no transfer of shares will be effected. In order to qualify for the proposed final dividend, all transfers of shares of the Company accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong (the "Share Registrar"), for registration no later than 4:30 p.m. on Monday, 5 June 2023. Subject to the approval of shareholders of the Company at the AGM, dividend warrants will be despatched to shareholders of the Company on or around Wednesday, 21 June 2023.

## **RECORD DATE FOR DETERMINING ELIGIBILITY TO ATTEND AND VOTE AT THE AGM**

The record date for determining the entitlement of the shareholders of the Company to attend and vote at the AGM will be Wednesday, 24 May 2023. All transfers of shares of the Company accompanied by the relevant share certificates must be lodged with the Share Registrar for registration no later than 4:30 p.m. on Wednesday, 24 May 2023.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

During the year ended 31 December 2022, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

## **AUDIT COMMITTEE**

The Company's Audit Committee has reviewed the accounting policies adopted by the Group and the audited consolidated financial statements of the Group for the year ended 31 December 2022.

## **CORPORATE GOVERNANCE CODE**

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

The Company has applied the principles, and complied with all code provisions of the applicable Corporate Governance Code (the “CG Code”) in each case as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) during the year ended 31 December 2022.

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

Having regard to the mandatory global travel restrictions in connection with the COVID-19 pandemic, certain Directors participated in the annual general meeting of the Company on 13 May 2022 by video/audio conferencing, and such Directors, including the chairpersons of the Board committees, were available to answer questions at the meeting pursuant to code provision F.2.2 of the CG Code.

## **PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT**

This announcement is published on the websites of the Company ([www.pccw.com/ir](http://www.pccw.com/ir)) and Hong Kong Exchanges and Clearing Limited ([www.hkexnews.hk](http://www.hkexnews.hk)). The 2022 annual report will be despatched to shareholders of the Company and available on the above websites in due course.

By order of the Board of  
**PCCW Limited**  
**Cheung Hok Chee, Vanessa**  
*Group General Counsel and Company Secretary*

Hong Kong, 24 February 2023



# AUDITED CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2022

In HK\$ million (except for earnings/(loss) per share)	Note(s)	2021 (Restated)	2022
<b>Continuing operations</b>			
Revenue	3, 4	35,455	<b>36,065</b>
Cost of sales		(17,725)	<b>(17,914)</b>
General and administrative expenses		(13,179)	<b>(13,498)</b>
Other losses, net	5	(45)	<b>(51)</b>
Interest income		69	<b>101</b>
Finance costs		(1,401)	<b>(1,826)</b>
Share of results of associates		590	<b>(260)</b>
Share of results of joint ventures		(18)	<b>(18)</b>
Profit before income tax	3, 6	3,746	<b>2,599</b>
Income tax	7	(998)	<b>(672)</b>
Profit for the year from continuing operations		2,748	<b>1,927</b>
<b>Discontinued operations</b>			
Profit for the year from discontinued operations	2	199	<b>834</b>
Profit for the year		<u>2,947</u>	<u><b>2,761</b></u>
Profit attributable to:			
Equity holders of the Company		1,039	<b>158</b>
Holders of perpetual capital securities		226	<b>235</b>
Non-controlling interests		1,682	<b>2,368</b>
		<u>2,947</u>	<u><b>2,761</b></u>
Profit/(Loss) attributable to equity holders of the Company arising from:			
Continuing operations		288	<b>(676)</b>
Discontinued operations		751	<b>834</b>
		<u>1,039</u>	<u><b>158</b></u>
Earnings/(Loss) per share	9		
Basic earnings/(loss) per share arising from:			
Continuing operations		3.73 cents	<b>(8.75) cents</b>
Discontinued operations		9.73 cents	<b>10.80 cents</b>
		<u>13.46 cents</u>	<u><b>2.05 cents</b></u>
Diluted earnings/(loss) per share arising from:			
Continuing operations		3.73 cents	<b>(8.75) cents</b>
Discontinued operations		9.71 cents	<b>10.79 cents</b>
		<u>13.44 cents</u>	<u><b>2.04 cents</b></u>

**AUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

For the year ended 31 December 2022

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

# AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

In HK\$ million	Note*	The Group		(Additional Information) The Company	
		2021	2022	2021	2022
ASSETS AND LIABILITIES					
Non-current assets					
Property, plant and equipment		25,866	26,832	—	—
Right-of-use assets		2,341	2,040	—	—
Interests in leasehold land		329	308	—	—
Goodwill		18,248	17,971	—	—
Intangible assets		18,572	18,341	—	—
Fulfilment costs		1,512	1,658	—	—
Customer acquisition costs		879	864	—	—
Contract assets		300	285	—	—
Interests in subsidiaries		—	—	35,723	35,789
Interests in associates		2,095	2,506	—	—
Interests in joint ventures		397	327	—	—
Financial assets at fair value through other comprehensive income		124	701	—	—
Financial assets at fair value through profit or loss		1,731	2,804	—	—
Other financial assets		1,341	1,596	—	—
Derivative financial instruments		146	27	—	—
Deferred income tax assets		788	985	—	—
Other non-current assets		933	773	—	—
		75,602	78,018	35,723	35,789
Current assets					
Amounts due from subsidiaries		—	—	1,857	7,356
Inventories		1,444	2,065	—	—
Prepayments, deposits and other current assets		3,137	3,835	74	38
Contract assets		2,977	2,235	—	—
Trade receivables, net	10	5,761	4,602	—	—
Amounts due from related companies		34	751	—	—
Derivative financial instruments		25	58	25	—
Tax recoverable		20	—	—	—
Restricted cash		187	375	—	—
Short-term deposits		472	116	—	—
Cash and cash equivalents		4,564	3,009	1,430	531
		18,621	17,046	3,386	7,925

# AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 December 2022

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

**AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)**

As at 31 December 2022

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

\* The notes referenced above pertain solely to the consolidated statement of financial position. The above Company statement of financial position as at 31 December 2021 and 2022 is presented only as additional information to these consolidated financial statements.

## NOTES

### 1. BASIS OF PREPARATION

These consolidated financial statements of PCCW Limited (“PCCW” or the “Company”) and its subsidiaries (collectively the “Group”) for the year ended 31 December 2022 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, accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance (Cap. 622).

The following amended Hong Kong Financial Reporting Standards are adopted for the financial year beginning 1 January 2022, but have no material effect on the Group’s reported results and financial position for the current and prior accounting periods.

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

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.

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

The financial information relating to the years ended 31 December 2021 and 2022 included in this preliminary announcement of annual results for the year ended 31 December 2022 does not constitute the Company’s statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to those statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2021 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622) and will deliver the financial statements for the year ended 31 December 2022 in due course.

## 1. BASIS OF PREPARATION (CONTINUED)

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

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. Management has also made judgements in applying the Group's accounting policies.

## 2. DISCONTINUED OPERATIONS

In HK\$ million	2021	2022
Profit for the year from operations discontinued in 2022 ( <i>note 2(a)</i> )	98	<b>834</b>
Profit for the year from operations discontinued in 2021 ( <i>note 2(b)</i> )	101	–
	<b>199</b>	<b>834</b>

### (a) Operations discontinued in 2022

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

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

The divestment of 20% interest in PNSL was accounted for as a change in interests in subsidiaries that does not result in a loss of control, resulting in a credit to non-controlling interests attributable to PNSL of HK\$575 million and a credit to equity attributable to equity holders of the Company of HK\$159 million.

**2. DISCONTINUED OPERATIONS (CONTINUED)**  
**(a) Operations discontinued in 2022 (continued)**

In accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, the operating results of the ITS Business discontinued (the “Discontinued ITS Business”) before 13 August 2022 have been presented as discontinued operations in the Group’s consolidated income statement and consolidated statement of comprehensive income for the year ended 31 December 2022. The comparative figures for the year ended 31 December 2021 in the Group’s consolidated income statement and consolidated statement of comprehensive income were restated to reflect the reclassification between continuing operations and discontinued operations of the Group accordingly.

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

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

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

In HK\$ million	2021	2022
Profit from discontinued operations	98	<b>834</b>
Other comprehensive income/(loss)		
Items that have been reclassified or may be reclassified subsequently to consolidated income statement:		
Translation exchange differences:		
- exchange differences on translating foreign operations of subsidiaries	(9)	<b>(13)</b>
- reclassification of currency translation reserve on deconsolidation of subsidiaries	–	<b>33</b>
Total comprehensive income from discontinued operations	<b>89</b>	<b>854</b>
Total comprehensive income from discontinued operations attributable to equity holders of the Company	<b>89</b>	<b>854</b>



## 2. DISCONTINUED OPERATIONS (CONTINUED)

### (a) Operations discontinued in 2022 (continued)

#### (i) Gain on deconsolidation of ITS Business

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

#### (ii) Segment information of the Discontinued ITS Business

In HK\$ million	2021	2022
External revenue from contracts with customers:		
– recognised at a point in time	57	38
– recognised over time	3,304	1,776
Internal revenue	983	547
Revenue attributable to Solutions Business segment	<u>4,344</u>	<u>2,361</u>
EBITDA* attributable to Solutions Business segment	<u>575</u>	<u>203</u>

\* As defined in note 3

### (b) Operations discontinued in 2021

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

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

**2. DISCONTINUED OPERATIONS (CONTINUED)**  
**(b) Operations discontinued in 2021 (continued)**

In accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, the operating results of the Discontinued Data Centre Business and PCPD before the respective dates of completion have been presented as discontinued operations in the Group's consolidated income statement and consolidated statement of comprehensive income for the year ended 31 December 2021.

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

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

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

**2. DISCONTINUED OPERATIONS (CONTINUED)**  
**(b) Operations discontinued in 2021 (continued)**

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

(i) Gain on divestment of Discontinued Data Centre Business

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

(ii) Loss on Deconsolidation of PCPD

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

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

**2. DISCONTINUED OPERATIONS (CONTINUED)**  
**(b) Operations discontinued in 2021 (continued)**

(iii) Revenue of discontinued operations

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

(iv) EBITDA\* of discontinued operations

In HK\$ million	2021
Attributable to:	
- PCPD segment	(175)
- Solutions Business segment	383
	<u>208</u>

\* As defined in note 3

### 3. SEGMENT INFORMATION

The chief operating decision-maker (the “CODM”) is the Group’s senior executive management. The CODM reviews the Group’s internal reporting in order to assess performance and allocate resources and the segment information is reported below in accordance with this internal reporting.

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

- HKT Limited (“HKT”) is Hong Kong’s premier telecommunications service provider. The principal activities of HKT and its subsidiaries are the provision of technology and telecommunications and related services including enterprise solutions, consumer mobile, total home solutions, digital ventures, health tech services, and media entertainment. It operates primarily in Hong Kong, and also serves customers in mainland China and other parts of the world.
- Media Business offers over-the-top digital media entertainment services in Hong Kong, the Asia Pacific region, and other parts of the world, in addition to domestic free television service in Hong Kong. It is also engaged in the development of content, talent and events.
- Other businesses of the Group (“Other Businesses”) primarily comprise remaining solutions business following the discontinuation of ITS Business during the year and corporate support functions.

Before the discontinuation of ITS Business, Solutions Business is a leading IT and business process outsourcing provider in Hong Kong, mainland China and Southeast Asia. As disclosed in note 2(a), upon the discontinuation of ITS Business, the Group’s ITS Business, which was previously classified as part of the Solutions Business segment, being a separate major line of business was reclassified as discontinued operations; and the other Solutions Business retained, as a separate line of business to the ITS Business, was reallocated to Other Businesses segment for the Group’s internal reporting to the CODM. The comparative figures of segment information for the year ended 31 December 2021 were restated to follow the current year presentation accordingly.

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

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.

### 3. SEGMENT INFORMATION (CONTINUED)

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

In HK\$ million	2021 (Restated)				
	HKT	Media Business	Other Businesses	Eliminations	Consolidated
<b>REVENUE</b>					
External revenue	32,841	2,064	550	–	35,455
Inter-segment revenue	1,120	216	–	(1,336)	–
<b>Total revenue</b>	<b>33,961</b>	<b>2,280</b>	<b>550</b>	<b>(1,336)</b>	<b>35,455</b>
External revenue from contracts with customers:					
Timing of revenue recognition					
At a point in time	6,848	465	–	–	7,313
Over time	25,940	1,599	550	–	28,089
External revenue from other sources:					
Rental income	53	–	–	–	53
	32,841	2,064	550	–	35,455
<b>RESULTS</b>					
<b>EBITDA</b>	<b>12,733</b>	<b>71</b>	<b>(457)</b>	<b>(613)</b>	<b>11,734</b>

  

In HK\$ million	2022				
	HKT	Media Business	Other Businesses	Eliminations	Consolidated
<b>REVENUE</b>					
External revenue	32,761	2,632	672	–	36,065
Inter-segment revenue	1,364	290	–	(1,654)	–
<b>Total revenue</b>	<b>34,125</b>	<b>2,922</b>	<b>672</b>	<b>(1,654)</b>	<b>36,065</b>
External revenue from contracts with customers:					
Timing of revenue recognition					
At a point in time	6,760	680	–	–	7,440
Over time	25,927	1,952	667	–	28,546
External revenue from other sources:					
Rental income	74	–	5	–	79
	32,761	2,632	672	–	36,065
<b>RESULTS</b>					
<b>EBITDA</b>	<b>13,064</b>	<b>275</b>	<b>(649)</b>	<b>(302)</b>	<b>12,388</b>

### 3. SEGMENT INFORMATION (CONTINUED)

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

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

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

In HK\$ million	2021 (Restated)	2022
Hong Kong (place of domicile)	28,763	<b>28,613</b>
Mainland and other parts of China	1,181	<b>1,237</b>
Singapore	1,135	<b>1,491</b>
Others	4,376	<b>4,724</b>
	35,455	<b>36,065</b>

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

#### 4. REVENUE

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

##### (a) Revenue recognition in relation to contract liabilities

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

##### (b) Unsatisfied long-term fixed-price contracts

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

As at 31 December 2022, management expected that 34% and 21% (2021 (restated): 32% and 20%) of the transaction price allocated to the unsatisfied long-term fixed-price contracts would be recognised as revenue during the first and second year respectively after the end of the reporting period. The remaining 45% (2021 (restated): 48%) would be recognised as revenue in the periods afterward. The amount disclosed above does not include unsatisfied performance obligation that is related to the Group's contracts with customers with duration of one year or less and contracts with customers billed directly according to performance completed to date.

#### 5. OTHER LOSSES, NET

In HK\$ million	2021 (Restated)	2022
Fair value movement of derivative financial instruments	24	<b>5</b>
Fair value losses on financial assets at FVPL <sup>1</sup>	(80)	<b>(352)</b>
Write-off of intangible assets	(5)	–
Gain on partial disposal of interests in an associate, net	–	<b>300</b>
Other	16	<b>(4)</b>
	<b>(45)</b>	<b>(51)</b>

<sup>1</sup> FVPL refers to fair value through profit or loss



## 6. PROFIT BEFORE INCOME TAX

Profit before income tax was stated after charging the following:

In HK\$ million	2021 (Restated)	2022
Cost of inventories sold	6,633	<b>6,563</b>
Cost of sales, excluding inventories sold	11,092	<b>11,351</b>
Depreciation of property, plant and equipment	1,307	<b>1,312</b>
Depreciation of right-of-use assets – land and buildings	1,343	<b>1,316</b>
Depreciation of right-of-use assets – network capacity and equipment	165	<b>132</b>
Amortisation of land lease premium – interests in leasehold land	18	<b>17</b>
Amortisation of intangible assets	2,848	<b>3,412</b>
Amortisation of fulfilment costs	393	<b>421</b>
Amortisation of customer acquisition costs	1,142	<b>1,123</b>

## 7. INCOME TAX

In HK\$ million	2021 (Restated)	2022
Current income tax:		
Hong Kong profits tax	478	<b>477</b>
Overseas tax	92	<b>51</b>
Movement of deferred income tax	428	<b>144</b>
	<b>998</b>	<b>672</b>

Hong Kong profits tax is provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profits for the year. Overseas tax is calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the respective jurisdictions.

## 8. DIVIDENDS

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

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

## 9. EARNINGS/(LOSS) PER SHARE

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

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

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

## 10. TRADE RECEIVABLES, NET

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

In HK\$ million	2021	2022
1 – 30 days	3,831	<b>2,816</b>
31 – 60 days	679	<b>736</b>
61 – 90 days	284	<b>256</b>
91 – 120 days	288	<b>162</b>
Over 120 days	1,087	<b>920</b>
	<b>6,169</b>	<b>4,890</b>
Less: loss allowance	(408)	<b>(288)</b>
	<b>5,761</b>	<b>4,602</b>

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

## 10. TRADE RECEIVABLES, NET (CONTINUED)

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.

## 11. TRADE PAYABLES

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

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

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

## 12. SHARE CAPITAL

	Year ended 31 December			
	2021		2022	
	Number of shares	Share capital HK\$ million	Number of shares	Share capital HK\$ million
Ordinary shares of no par value, issued and fully paid:				
As at 1 January	7,729,638,249	12,954	<b>7,729,638,249</b>	<b>12,954</b>
Shares issued ( <i>note (a)</i> )	–	–	<b>10,000,000</b>	–
As at 31 December	7,729,638,249	12,954	<b>7,739,638,249</b>	<b>12,954</b>

(a) During the year ended 31 December 2022, the Company issued and allotted 10,000,000 new fully paid shares for an aggregate consideration of HK\$100,000 (HK\$0.01 per share) under general mandate for grant of awards pursuant to the share award scheme.

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

As at the date of this announcement, the Directors are as follows:

***Executive Directors***

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

***Non-Executive Directors***

Tse Sze Wing, Edmund, GBS; Meng Shusen; Wang Fang and Wei Zhe, David

***Independent Non-Executive Directors***

Aman Mehta; Frances Waikwun Wong; Bryce Wayne Lee; Lars Eric Nils Rodert; David Christopher Chance and Mohamed Sharhan Mohamed Muhseen

**Forward-Looking Statements**

This announcement may contain certain forward-looking statements. These forward-looking statements include, without limitation, statements relating to revenues, earnings and prospects. The words “believe”, “intend”, “expect”, “anticipate”, “project”, “estimate”, “predict”, “is confident”, “has confidence” and similar expressions are also intended to identify forward-looking statements. These forward-looking statements are not historical facts. Rather, the forward-looking statements are based on the current beliefs, assumptions, expectations, estimates and projections of the Directors and management of PCCW relating to the business, industry and markets in which PCCW operates.