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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 2023

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 2023.

- Revenue increased 1% to HK\$36,347 million
 - HKT total revenue increased by 1% to HK\$34,330 million; excluding Mobile product sales, HKT total revenue increased by 3% to HK\$31,370 million
 - OTT Business revenue up 22% to HK\$2,452 million
 - Free TV & Related Business revenue up 5% to HK\$952 million
- EBITDA increased 4% to HK\$12,831 million
 - HKT EBITDA up 3% to HK\$13,400 million
 - OTT Business EBITDA more than tripled, surging by 233% to HK\$592 million
 - Free TV & Related Business EBITDA almost doubled, expanding by 96% to HK\$190 million
- Loss attributable to equity holders of the Company from continuing operations for the year improved to HK\$471 million
- Final dividend of 28.48 HK cents per ordinary share resulting in full-year dividend of 38.25 HK cents per ordinary share

MANAGEMENT REVIEW

Amidst challenging economic conditions, PCCW delivered stable operating performance, underpinned by solid progress in both its over-the-top (OTT) and Free TV media businesses and HKT Limited's (HKT) resilient operations.

Both the OTT and Free TV & Related Businesses made steady progress resulting in significant growth in revenue and earnings before interest, tax, depreciation and amortisation (EBITDA). For the year ended 31 December 2023, OTT Business revenue rose by a notable 22% to reach HK\$2,452 million. This was primarily driven by Viu, which saw a substantial 27% rise in revenue benefitting from its enriched content, strong engagement with its sizeable user base and greater value delivered to its paid subscribers. During the year, Viu focused its efforts on driving subscription revenue which grew by 32% on the back of an increase in paid subscribers by 10% to 13.4 million as well as increases in pricing in selected markets. On the ad-supported service tier, revenue grew by 15% supported by higher cost per thousand impressions (CPM) and sell-through rates. With emphasis on monetization and profitability, the EBITDA of the OTT Business more than tripled to HK\$592 million.

During the year, ViuTV continued to offer captivating variety shows and dramas, garnering solid viewership and attracting sponsorship from a diversified range of advertisers. In addition, our event and artiste management business experienced steady growth as we ventured into new entertainment formats such as movies, theatre plays as well as overseas events. With the widening of our entertainment portfolio and an audience base that is appealing to advertisers, the Free TV & Related Business achieved a 5% increase in revenue, reaching HK\$952 million despite the challenging TV advertising landscape in Hong Kong. On the back of the enlarged revenue base and benefits of scale, ViuTV's EBITDA almost doubled to HK\$190 million for the year ended 31 December 2023.

HKT's total revenue excluding Mobile product sales increased by 3% to HK\$31,370 million, reflecting the robust demand and execution of digital transformation projects for enterprises and government customers, sustained demand for its reliable fibre services, accelerated recovery in roaming revenue and broader 5G adoption. Total revenue grew by 1% to HK\$34,330 million despite softer Mobile product sales. Total EBITDA increased by 3% to HK\$13,400 million, spurred by higher revenue and concerted cost optimisation efforts that included the deployment of AI applications.

On a consolidated basis, the Group's revenue increased by 1% to HK\$36,347 million and EBITDA increased by 4% to HK\$12,831 million with an improved margin of 35%. Loss attributable to equity holders of the Company from continuing operations improved to HK\$471 million.

The board of Directors (the "Board") has recommended the payment of a final dividend of 28.48 HK cents per ordinary share, resulting in a full-year dividend of 38.25 HK cents per ordinary share for the year ended 31 December 2023.

OUTLOOK

As markets await the easing of monetary policies, we will explore opportunities that will allow us to harness the diversity within our businesses, driving sustainable growth. By negotiating the evolving terrain with prudence, we trust that our commitment to innovation will empower our service enhancement and create consistent value for our stakeholders.

FINANCIAL REVIEW BY SEGMENT

For the year ended 31 December HK\$ million	2022			2023			Better/ (Worse)
	H1 ⁵	H2	Full Year	H1	H2	Full Year	y-o-y
Continuing operations⁵							
Revenue							
HKT	16,157	17,968	34,125	16,400	17,930	34,330	1%
HKT (excluding Mobile Product Sales)	14,868	15,633	30,501	15,247	16,123	31,370	3%
Mobile Product Sales	1,289	2,335	3,624	1,153	1,807	2,960	(18)%
OTT Business	786	1,226	2,012	971	1,481	2,452	22%
Free TV & Related Business	388	522	910	390	562	952	5%
Other Businesses	400	272	672	369	398	767	14%
Eliminations	(993)	(661)	(1,654)	(1,280)	(874)	(2,154)	(30)%
Consolidated revenue	16,738	19,327	36,065	16,850	19,497	36,347	1%
Cost of sales	(8,149)	(9,765)	(17,914)	(8,292)	(9,824)	(18,116)	(1)%
Operating costs before depreciation, amortisation, and gains/(losses) on disposal of property, plant and equipment and right-of-use assets, net	(3,084)	(2,679)	(5,763)	(2,927)	(2,473)	(5,400)	6%
EBITDA¹							
HKT	5,834	7,230	13,064	6,009	7,391	13,400	3%
OTT Business	18	160	178	165	427	592	233%
Free TV & Related Business	79	18	97	83	107	190	96%
Other Businesses	(285)	(364)	(649)	(294)	(403)	(697)	(7)%
Eliminations	(141)	(161)	(302)	(332)	(322)	(654)	(117)%
Consolidated EBITDA¹	5,505	6,883	12,388	5,631	7,200	12,831	4%
Consolidated EBITDA¹ Margin	33%	36%	34%	33%	37%	35%	
Depreciation	(1,342)	(1,418)	(2,760)	(1,308)	(1,495)	(2,803)	(2)%
Amortisation	(2,340)	(2,633)	(4,973)	(2,499)	(2,561)	(5,060)	(2)%
Losses on disposal of property, plant and equipment and right-of-use assets, net	-	(2)	(2)	-	(2)	(2)	0%
Other gains/(losses), net	316	(367)	(51)	218	63	281	n/a
Interest income	43	58	101	87	78	165	63%
Finance costs	(721)	(1,105)	(1,826)	(1,153)	(1,508)	(2,661)	(46)%
Share of results of associates and joint ventures	(162)	(116)	(278)	(102)	(150)	(252)	9%
Profit before income tax	1,299	1,300	2,599	874	1,625	2,499	(4)%
Income tax	(474)	(198)	(672)	(362)	(47)	(409)	39%
Holder of perpetual capital securities	(118)	(117)	(235)	(118)	(117)	(235)	0%
Non-controlling interests	(901)	(1,467)	(2,368)	(880)	(1,446)	(2,326)	2%
(Loss)/Profit attributable to equity holders of the Company from continuing operations	(194)	(482)	(676)	(486)	15	(471)	30%

Note: The ITS Business⁶ was reclassified as discontinued operations in 2022 and is excluded from the table

- 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 (AFF) 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 AFF is computed in accordance with the above definition using financial information derived from HKT's audited consolidated financial statements. The AFF may be used for debt repayment.*
- Note 5 Figures are restated to 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 Business⁶); such business was reclassified as discontinued operations.*
- 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	2022			2023			Better/ (Worse) y-o-y
	H1	H2	Full Year	H1	H2	Full Year	
HKT Revenue	16,157	17,968	34,125	16,400	17,930	34,330	1%
TSS	11,596	12,376	23,972	11,685	12,485	24,170	1%
- Local TSS Services	7,968	8,535	16,503	8,159	8,714	16,873	2%
- International Telecommunications Services	3,628	3,841	7,469	3,526	3,771	7,297	(2)%
Mobile	4,936	6,630	11,566	4,968	6,340	11,308	(2)%
- Mobile Services	3,647	4,295	7,942	3,815	4,533	8,348	5%
- Mobile Product Sales	1,289	2,335	3,624	1,153	1,807	2,960	(18)%
Other Businesses	567	314	881	596	286	882	–
Eliminations	(942)	(1,352)	(2,294)	(849)	(1,181)	(2,030)	12%
HKT EBITDA¹	5,834	7,230	13,064	6,009	7,391	13,400	3%
HKT EBITDA¹ margin	36%	40%	38%	37%	41%	39%	
HKT Adjusted Funds Flow⁴	2,377	3,271	5,648	2,429	3,369	5,798	3%

In the face of tight monetary conditions, slower than expected economic recovery and ongoing geopolitical uncertainties, HKT leveraged its innovation, trusted reputation and robust telecommunications infrastructure to deliver another set of solid annual results in 2023.

The Mobile business recorded accelerated growth in services revenue of 5% to HK\$8,348 million for the year ended 31 December 2023. This reflected the rapid recovery in roaming revenue, further momentum of 5G adoption and strong growth in our post-paid customer base, despite the intense market competition in the price-sensitive segment. As international travel fully resumed, the Mobile business experienced a surge in demand for data roaming services. Notably, the consumer outbound roaming revenue in the second half of 2023 reached 95% of pre-pandemic levels in 2019. As a result, total roaming revenue in 2023 soared by 176% year-on-year. 5G penetration continued with the customer base approaching 1.4 million, representing 41% of our total post-paid customers at the end of December 2023.

Total Mobile revenue declined marginally to HK\$11,308 million as Mobile product sales were softer falling to HK\$2,960 million from HK\$3,624 million as consumers delayed the replacement of handsets due to weak overall sentiment and lack of new features to entice upgrades. However, with improved operating efficiencies, EBITDA from the Mobile segment increased by 4% to HK\$5,060 million during the year at an improved margin of 45%, with EBITDA from Mobile services increasing 5% to HK\$5,057 million at a margin of 61%.

HKT (CONTINUED)

Enterprise segment recorded robust growth as we delivered industry specific solutions that helped enterprise customers to serve their clients better and more efficiently. As a result, local data revenue registered impressive growth of 10% in 2023. Furthermore, HKT successfully secured new project wins from enterprise customers with a total contract value of over HK\$4 billion as at year end. With continued demand for high-speed, reliable broadband solutions from individuals, households and enterprises, broadband revenue increased by 2% spurred by ongoing upgrades to our fibre-to-the-home (“FTTH”) services, including the newly launched 2.5Gbps offering. Our Pay TV business remained resilient during the year as Now TV further strengthened its content proposition and enhanced the viewing experience while the Local Telephony business continued to be affected by the shift away from basic voice services to mobile and data and weakness in the small and medium-sized enterprise (“SME”) segment. Consequently, revenue in the Local Telecommunications Services (“TSS”) segment grew by 2% to HK\$16,873 million.

Total TSS revenue grew by 1% to HK\$24,170 million reflecting the solid performance in Local TSS Services revenue which was partially offset by lower voice revenue in the International Telecommunications Services business. Total TSS EBITDA grew by 3% to HK\$9,371 million with an improved margin of 39%.

On a consolidated basis, HKT’s total revenue, excluding Mobile product sales, for the year ended 31 December 2023 increased by 3% to HK\$31,370 million, while total revenue increased by 1% to HK\$34,330 million.

Operating costs improved by 12% as a result of the Group’s continued focus on operating efficiency and cost optimisation initiatives across each of the business lines including the deployment of AI applications, which lifted total EBITDA for the year by 3% to HK\$13,400 million with margin improving from 38% to 39%.

Profit attributable to holders of share stapled units of the HKT Trust and HKT (“Share Stapled Units”) was HK\$4,991 million for the year, an increase of 2% over the previous year. Basic earnings per Share Stapled Unit was 65.89 HK cents.

Adjusted funds flow for the year ended 31 December 2023 rose to HK\$5,798 million, an increase of 3% over the previous year. Annual adjusted funds flow per Share Stapled Unit was 76.49 HK cents.

HKT recommended the payment of a final distribution of 44.44 HK cents per Share Stapled Unit for the year ended 31 December 2023. This brings the 2023 full-year distribution to 76.49 HK cents per Share Stapled Unit (comprising 32.05 HK cents as interim distribution and 44.44 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 2023 annual results announcement released on 22 February 2024.

OTT Business

For the year ended 31 December HK\$ million	2022			2023			Better/ (Worse) y-o-y
	H1	H2	Full Year	H1	H2	Full Year	
OTT Business Revenue	786	1,226	2,012	971	1,481	2,452	22%
OTT Business EBITDA¹	18	160	178	165	427	592	233%

In the year ended 31 December 2023, the OTT Business delivered revenue growth of 22% year-on-year to reach HK\$2,452 million. This growth was primarily attributable to Viu, which recorded a significant 27% rise in revenue year-on-year to HK\$2,041 million, representing over 80% of total OTT Business revenue.

With a focus on driving profitability, Viu concentrated its efforts on deepening the engagement with its sizeable user base, enriching the content, and delivering greater value for paid subscribers. For the year ended 31 December 2023, Viu increased its paid subscription revenue by 32% year-on-year. This was on the back of a growing paid subscriber base which reached 13.4 million, an increase of 10% year-on-year, with growth in Malaysia, Indonesia, the Philippines and South Africa particularly strong. Viu also took steps to increase prices in selected markets to better reflect the value of the content library available to paid subscribers.

On the ad-supported tier of the service, Viu's advertising revenue grew by 15% year-on-year as we successfully commanded higher cost per thousand impressions (CPM) and sell-through rates, demonstrating the quality of the audience we can deliver to premium brands. Monthly active users (MAU) stood at 62.4 million at year-end on 31 December 2023.

With emphasis on monetization and profitability, EBITDA of the OTT Business surged by 233% to HK\$592 million with the margin correspondingly increasing to 24% from 9%.

In 2023, as part of South Korea's Busan International Film Festival, Viu was presented with the "Special Contribution for K-wave" award at the Asia Contents Awards & Global OTT Awards. Moving forward, we will continue to leverage our substantial platform in delivering compelling and diverse offerings to our target audience across the region, including mainland Chinese, Thai and other content that are rising in popularity among viewers in the markets where Viu is available. We will continue to collaborate and offer advertiser-supported projects that are customised for specific markets, thereby creating new opportunities for monetisation.

Free TV & Related Business

For the year ended 31 December HK\$ million	2022			2023			Better/ (Worse) y-o-y
	H1	H2	Full Year	H1	H2	Full Year	
Free TV & Related Business Revenue	388	522	910	390	562	952	5%
Free TV & Related Business EBITDA¹	79	18	97	83	107	190	96%

Despite the challenging market conditions in Hong Kong, our Free TV & Related Business generated a 5% increase in revenue, reaching HK\$952 million. This reflected our success in attracting premium sponsorships from advertisers as well as the steady growth of our event and artiste management business.

While the TV advertising market remained soft throughout the year, ViuTV focused on offering high quality and relevant content to viewers. This included dramas such as *Legal Affair* (法與情) and the Hong Kong adaptation of the Korean drama *Business Proposal* (社内相親), which both drew healthy monthly and daily prime time viewership. The favourable demographics of our viewers attracted top-tier advertisers from various sectors, including banking and investments, restaurants and healthcare, which has been instrumental in sustaining our advertising revenue on the back of the sluggish TV advertising market.

Importantly, ViuTV's digital platform recorded a 9% year-on-year increase in registered members to over 3 million, reflecting the ongoing shift of viewers online.

Our event and artiste management business experienced numerous successes. We increased the participation of our artistes in additional entertainment formats such as movies and theatre plays. One of our films, *Mad Fate* (命案), was awarded the Best Picture accolade from the Hong Kong Film Critics Society. We successfully sold out 15 solo concerts of our in-house artistes and expanded our artiste portfolio with new up-and-coming talent from season five of *King Maker* (全民造星). We are also managing events beyond Hong Kong for in-house and external artistes, expanding our presence regionally.

With the enlarged revenue base and the benefits of scale, EBITDA increased significantly by 96% to HK\$190 million for the year ended 31 December 2023 with the margin correspondingly increasing to 20% from 11%.

Going forward, ViuTV will continue to scale the business by offering high-quality content, expanding distribution to additional platforms and markets as well as nurturing new talents and promoting them across various entertainment formats and markets.

Other Businesses

Other Businesses primarily comprise the remaining Solutions Business following the deconsolidation of the ITS Business⁶ in 2022 and corporate support functions. It recorded HK\$767 million in revenue and an EBITDA cost of HK\$697 million for the year ended 31 December 2023.

Eliminations

Eliminations for the year ended 31 December 2023 were HK\$2,154 million versus HK\$1,654 million a year earlier, reflecting greater collaboration among members of the Group on both internal and external projects.

Costs

Cost of Sales

For the year ended 31 December HK\$ million	2022			2023			Better/ (Worse) y-o-y
	H1 ⁵	H2	Full Year	H1	H2	Full Year	
HKT	8,134	8,960	17,094	8,279	9,175	17,454	(2)%
Consolidated	8,149	9,765	17,914	8,292	9,824	18,116	(1)%

HKT's cost of sales for the year ended 31 December 2023 increased by 2% year-on-year to HK\$17,454 million which was in line with its revenue growth during the year. Cost of sales for the Media Business was stable.

General and Administrative Expenses

For the year ended 31 December 2023, the Group's operating costs before depreciation, amortisation and loss on disposal of property, plant and equipment and right-of-use assets, net ("operating costs") decreased by 6% to HK\$5,400 million. This reflected HKT's 12% improvement arising from its 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 GenAI, consolidation of business operations and rationalisation of IT platforms. Operating costs of the Media Business were stable. Overall operating costs-to-revenue ratio decreased from 16% to 15% for the year ended 31 December 2023.

Depreciation and amortisation expenses for the year increased by 2% to HK\$7,863 million, with depreciation increasing by 2% to HK\$2,803 million and amortisation also increasing by 2% to HK\$5,060 million. The higher amortisation expenses were attributable to increased amortisation related to content investments for the Media Business. Content-related amortisation increased 19% to HK\$1,851 million for the period as compared to HK\$1,561 million a year ago.

Overall, general and administrative expenses decreased by 2% year-on-year to HK\$13,265 million for the year ended 31 December 2023.

EBITDA¹

Overall, consolidated EBITDA for the year ended 31 December 2023 increased by 4% to HK\$12,831 million with the margin increased to 35% compared to 34% a year ago due to improvement in operating efficiency of HKT Group during the year and the larger positive EBITDA contribution from the Media Business.

Other Gains/(Losses), Net

Net other gains for the year ended 31 December 2023 were HK\$281 million, compared to net other losses of HK\$51 million a year ago, mainly representing mark-to-market revaluations of the Group's investments.

Interest Income and Finance Costs

Interest income for the year ended 31 December 2023 was HK\$165 million while finance costs increased by 46% to HK\$2,661 million. The increase in finance costs was largely driven by higher HIBOR during the year with the average cost of debt for the Group increasing from 3.0% to 4.2% year-on-year. As a result, net finance costs increased by 45% year-on-year from HK\$1,725 million to HK\$2,496 million for the year ended 31 December 2023.

Income Tax

Income tax expense for the year ended 31 December 2023 was HK\$409 million, as compared to HK\$672 million a year ago. The decrease in tax expense was primarily attributable to the lower tax expenses at HKT due to the reversal of income tax provisions made in the prior years.

Non-controlling Interests for Continuing Operations

Non-controlling interests for continuing operations were HK\$2,326 million for the year ended 31 December 2023 (31 December 2022: HK\$2,368 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 2023 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 Attributable to Equity Holders of the Company from Continuing Operations

Loss attributable to equity holders of the Company for the year ended 31 December 2023 from continuing operations improved to HK\$471 million (31 December 2022: HK\$676 million).

LIQUIDITY AND CAPITAL RESOURCES

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

The Group's gross debt² was HK\$52,329 million as at 31 December 2023 (31 December 2022: HK\$49,899 million). Cash and short-term deposits totalled HK\$2,706 million as at 31 December 2023 (31 December 2022: HK\$3,125 million).

As at 31 December 2023, the Group had a total of HK\$49,312 million in banking facilities available for liquidity management and investments, of which HK\$20,488 million remained undrawn. Of these banking facilities, HKT accounted for HK\$34,812 million, of which HK\$12,733 million remained undrawn.

The Group's gross debt² to total assets was 55% as at 31 December 2023 (31 December 2022: 52%).

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

As at 31 December 2023, CAS Holding No. 1 Limited, a direct wholly-owned subsidiary of the Company, had investment grade ratings with Moody's Investors Service (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 EXPENDITURE³

Group capital expenditure for the year ended 31 December 2023 was HK\$2,324 million (2022: HK\$2,404 million), of which HKT accounted for about 98% (2022: 98%). The capital expenditure to revenue ratio was approximately 6.4% for the year (2022: 6.7%).

Capital expenditure for HKT's Mobile business declined during the year reflecting the completion of our territory-wide 5G coverage rollout in 2022, with investments focused on capacity upgrades and indoor coverage enhancement. TSS capital expenditure dropped slightly during the year, with the investments largely to support growing demand for our unique integrated fixed-mobile solutions including smart city solutions for enterprises. Capital expenditure for Media Business was steady and mainly used for enhancement and improvement work for Viu.

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 2023, 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 2023, no assets of the Group (31 December 2022: nil) were pledged to secure banking facilities for the Group.

CONTINGENT LIABILITIES

As at 31 December	2022	2023
HK\$ million		
Performance guarantees	1,440	1,384
Others	45	41
	1,485	1,425

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.

As at 31 December 2023, the Group had given a partial guarantee to a bank in respect of a credit facility granted to an associate of the Group amounting to HK\$780 million (2022: nil), of which HK\$470 million (2022: nil) had been utilised by the associate. The Group's share of guarantee for the utilised amount was approximately HK\$141 million (2022: nil) determined based on the percentage of interest held by the Group in the associate. The guarantee amount is expected to increase up to approximately HK\$235 million if the credit facility is fully utilised.

HUMAN RESOURCES

The Group had over 15,000 employees as at 31 December 2023 located in 25 countries and cities. About 65% 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 (2022: 28.48 HK cents) per ordinary share for the year ended 31 December 2023 to shareholders whose names appear on the register of members of the Company on Thursday, 6 June 2024, subject to the approval of shareholders of the Company at the forthcoming annual general meeting which will be held on Thursday, 30 May 2024 ("AGM"). An interim dividend of 9.77 HK cents (2022: 9.56 HK cents) per ordinary share for the six months ended 30 June 2023 was paid to shareholders of the Company in September 2023.

CLOSURE OF REGISTER OF MEMBERS

The record date for the proposed final dividend will be Thursday, 6 June 2024. The Company's register of members will be closed from Wednesday, 5 June 2024 to Thursday, 6 June 2024 (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 4.30pm on Tuesday, 4 June 2024. 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 Friday, 21 June 2024.

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 Friday, 24 May 2024. 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 4.30pm on Friday, 24 May 2024.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2023, 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 2023.

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 in each case as set out in Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited during the year ended 31 December 2023.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the websites of the Company (www.pccw.com/ir) and Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk). The 2023 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, 23 February 2024

AUDITED CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2023

In HK\$ million (except for earnings/(loss) per share)	Note(s)	2022	2023
Continuing operations			
Revenue	3, 4	36,065	36,347
Cost of sales		(17,914)	(18,116)
General and administrative expenses		(13,498)	(13,265)
Other (losses)/gains, net	5	(51)	281
Interest income		101	165
Finance costs		(1,826)	(2,661)
Share of results of associates		(260)	(236)
Share of results of joint ventures		(18)	(16)
Profit before income tax	3, 6	2,599	2,499
Income tax	7	(672)	(409)
Profit for the year from continuing operations		1,927	2,090
Discontinued operations			
Profit for the year from discontinued operations	2	834	–
Profit for the year		<u>2,761</u>	<u>2,090</u>
Profit/(Loss) attributable to:			
Equity holders of the Company		158	(471)
Holders of perpetual capital securities		235	235
Non-controlling interests		2,368	2,326
		<u>2,761</u>	<u>2,090</u>
Profit/(Loss) attributable to equity holders of the Company arising from:			
Continuing operations		(676)	(471)
Discontinued operations		834	–
		<u>158</u>	<u>(471)</u>
Earnings/(Loss) per share	9		
Basic earnings/(loss) per share arising from:			
Continuing operations		(8.75) cents	(6.10) cents
Discontinued operations		10.80 cents	–
		<u>2.05 cents</u>	<u>(6.10) cents</u>
Diluted earnings/(loss) per share arising from:			
Continuing operations		(8.75) cents	(6.10) cents
Discontinued operations		10.79 cents	–
		<u>2.04 cents</u>	<u>(6.10) cents</u>

AUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

In HK\$ million	2022	2023
Profit for the year	2,761	2,090
Other comprehensive (loss)/income		
Items that will not be reclassified subsequently to consolidated income statement:		
Remeasurements of defined benefit retirement schemes obligations	22	(44)
Changes in the fair value of financial assets at fair value through other comprehensive income	(60)	(215)
	(38)	(259)
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	(87)	32
- exchange differences on translating foreign operations of associates and joint ventures	(271)	(24)
- reclassification of currency translation reserve on deconsolidation of subsidiaries	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	(45)	(179)
- transfer from equity to consolidated income statement	101	(147)
Costs of hedging	(111)	(41)
	(413)	(359)
Other comprehensive loss for the year	(451)	(618)
Total comprehensive income for the year	2,310	1,472
Attributable to:		
Equity holders of the Company	(229)	(919)
Holders of perpetual capital securities	235	235
Non-controlling interests	2,304	2,156
Total comprehensive income for the year	2,310	1,472
Total comprehensive (loss)/income for the year attributable to equity holders of the Company arising from:		
Continuing operations	(1,083)	(919)
Discontinued operations	854	–
	(229)	(919)

AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

In HK\$ million	Note*	The Group		(Additional Information) The Company	
		2022	2023	2022	2023
ASSETS AND LIABILITIES					
Non-current assets					
Property, plant and equipment		26,832	27,787	–	–
Right-of-use assets		2,040	2,074	–	–
Interests in leasehold land		308	291	–	–
Goodwill		17,971	17,976	–	–
Intangible assets		18,341	20,286	–	–
Fulfilment costs		1,658	1,925	–	–
Customer acquisition costs		864	912	–	–
Contract assets		285	324	–	–
Interests in subsidiaries		–	–	35,789	36,770
Interests in associates		2,506	2,281	–	–
Interests in joint ventures		327	301	–	–
Financial assets at fair value through other comprehensive income		701	219	–	–
Financial assets at fair value through profit or loss		2,804	3,050	–	–
Other financial assets		1,596	1,369	–	–
Derivative financial instruments		27	29	–	–
Deferred income tax assets		985	913	–	–
Other non-current assets		773	615	–	–
		78,018	80,352	35,789	36,770
Current assets					
Amounts due from subsidiaries		–	–	7,356	7,741
Inventories		2,065	1,608	–	–
Prepayments, deposits and other current assets		3,835	4,020	38	39
Contract assets		2,235	1,504	–	–
Trade receivables, net	10	4,602	4,135	–	–
Amounts due from related companies		751	25	–	–
Derivative financial instruments		58	–	–	–
Tax recoverable		–	2	–	–
Restricted cash		375	211	–	–
Short-term deposits		116	79	–	–
Cash and cash equivalents		3,009	2,627	531	431
		17,046	14,211	7,925	8,211

AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 December 2023

In HK\$ million	Note*	The Group		(Additional Information) The Company	
		2022	2023	2022	2023
Current liabilities					
Short-term borrowings		(3,950)	(1,049)	–	–
Trade payables	11	(6,074)	(6,297)	–	–
Accruals and other payables		(8,660)	(7,917)	(18)	(25)
Derivative financial instruments		(98)	(151)	–	–
Carrier licence fee liabilities		(331)	(338)	–	–
Amounts due to related companies		(54)	(118)	–	–
Advances from customers		(286)	(279)	–	–
Contract liabilities		(1,606)	(1,659)	–	–
Lease liabilities		(1,130)	(1,107)	–	–
Current income tax liabilities		(2,185)	(1,853)	(4)	(3)
		(24,374)	(20,768)	(22)	(28)
Non-current liabilities					
Long-term borrowings		(45,571)	(50,997)	(4,907)	(6,701)
Amounts due to subsidiaries		–	–	(6,956)	(7,023)
Derivative financial instruments		(241)	(635)	(4)	(5)
Deferred income tax liabilities		(4,585)	(4,889)	–	–
Defined benefit retirement schemes liability		(69)	(95)	–	–
Carrier licence fee liabilities		(3,340)	(3,086)	–	–
Contract liabilities		(1,031)	(980)	–	–
Lease liabilities		(994)	(1,036)	–	–
Other long-term liabilities		(2,094)	(2,376)	–	–
		(57,925)	(64,094)	(11,867)	(13,729)
Net assets		12,765	9,701	31,825	31,224

AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 December 2023

In HK\$ million	Note*	The Group		(Additional Information) The Company	
		2022	2023	2022	2023
CAPITAL AND RESERVES					
Share capital	12	12,954	12,954	12,954	12,954
Reserves		(7,400)	(10,473)	18,871	18,270
Equity attributable to equity holders of the Company					
		5,554	2,481	31,825	31,224
Perpetual capital securities		5,886	5,886	–	–
Non-controlling interests		1,325	1,334	–	–
Total equity		12,765	9,701	31,825	31,224

* The notes referenced above pertain solely to the consolidated statement of financial position. The above Company statement of financial position as at 31 December 2022 and 2023 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 2023 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 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 published by the Organisation for Economic Co-operation and Development.

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 2023, the current liabilities of the Group exceeded its current assets by HK\$6,557 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\$1,659 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\$20,488 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.

1. BASIS OF PREPARATION (CONTINUED)

The financial information relating to the years ended 31 December 2022 and 2023 included in this preliminary announcement of annual results for the year ended 31 December 2023 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 2022 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 2023 in due course.

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	2022
Profit for the year from operations discontinued	<u>834</u>

For the purpose of forming a strategic partnership with an independent third party (the "Partner A"), an indirect wholly-owned subsidiary of the Company (the "Seller") entered into a share purchase agreement (the "SPA") with Partner A on 14 June 2022. Pursuant to the SPA, the Seller has agreed to sell to Partner A (i) 80% interest in Lenovo PCCW Solutions Limited ("LPSL"), 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 Partner A.

On 12 August 2022, all of the conditions precedent in the SPA had 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.

2. DISCONTINUED OPERATIONS (CONTINUED)

The divestment of 20% interest in PNSL was accounted for as a change in interests in subsidiaries that did 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.

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.

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 financial period from 1 January 2022 to 12 August 2022.

In HK\$ million	2022
Revenue (<i>note (b)</i>)	2,361
Cost of sales	(2,110)
General and administrative expenses	(227)
Other gains, net	20
Finance costs	(1)
Profit before income tax	43
Income tax	11
Profit after income tax	54
Gain on deconsolidation of ITS Business (<i>note (a)</i>)	780
Profit from discontinued operations	834
Profit from discontinued operations attributable to equity holders of the Company	834
In HK\$ million	2022
Profit from discontinued operations	834
Other comprehensive income/(loss)	
Items that have been reclassified or may be reclassified subsequently to consolidated income statement:	
Translation exchange differences:	
- exchange differences on translating foreign operations of subsidiaries	(13)
- reclassification of currency translation reserve on deconsolidation of subsidiaries	33
Total comprehensive income from discontinued operations	854
Total comprehensive income from discontinued operations attributable to equity holders of the Company	854

2. DISCONTINUED OPERATIONS (CONTINUED)

(a) 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	(3,234)
Reclassification of currency translation reserve on deconsolidation of subsidiaries	(33)
Gain on deconsolidation of ITS Business	<u>780</u>

(b) Segment information of the Discontinued ITS Business

In HK\$ million	2022
External revenue from contracts with customers:	
– recognised at a point in time	38
– recognised over time	1,776
Internal revenue	<u>547</u>
Revenue attributable to Solutions Business segment	<u>2,361</u>
EBITDA* attributable to Solutions Business segment	<u>203</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, healthtech services, media entertainment, and other new businesses such as loyalty platform and financial services. 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 (“OTT”) digital media entertainment services in Hong Kong, the Asia Pacific region, and other parts of the world, in addition to domestic free television service in Hong Kong. It is also engaged in the development of content, talent and events.
- Other businesses of the Group (“Other Businesses”) primarily comprise remaining solutions business following the discontinuation of ITS Business during the year ended 31 December 2022 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, 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 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	2022				Consolidated
	HKT	Media Business	Other Businesses	Eliminations	
REVENUE					
External revenue	32,761	2,632	672	–	36,065
Inter-segment revenue	1,364	290	–	(1,654)	–
Total revenue	34,125	2,922	672	(1,654)	36,065
External revenue from contracts with customers:					
Timing of revenue recognition					
At a point in time	6,760	680	–	–	7,440
Over time	25,927	1,952	667	–	28,546
External revenue from other sources:					
Rental income	74	–	5	–	79
	32,761	2,632	672	–	36,065
RESULTS					
EBITDA	13,064	275	(649)	(302)	12,388
2023					
In HK\$ million	2023				Consolidated
	HKT	Media Business	Other Businesses	Eliminations	
REVENUE					
External revenue	32,740	2,840	767	–	36,347
Inter-segment revenue	1,590	564	–	(2,154)	–
Total revenue	34,330	3,404	767	(2,154)	36,347
External revenue from contracts with customers:					
Timing of revenue recognition					
At a point in time	7,038	648	–	–	7,686
Over time	25,619	2,192	762	–	28,573
External revenue from other sources:					
Rental income	83	–	5	–	88
	32,740	2,840	767	–	36,347
RESULTS					
EBITDA	13,400	782	(697)	(654)	12,831

3. 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	12,388	12,831
Losses on disposal of property, plant and equipment and right-of-use assets, net	(2)	(2)
Depreciation and amortisation	(7,733)	(7,863)
Other (losses)/gains, net	(51)	281
Interest income	101	165
Finance costs	(1,826)	(2,661)
Share of results of associates and joint ventures	(278)	(252)
Profit before income tax from continuing operations	2,599	2,499

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)	28,613	28,477
Mainland and other parts of China	1,237	1,590
Singapore	1,491	1,551
Others	4,724	4,729
	36,065	36,347

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\$69,745 million (2022: HK\$66,171 million), and the total of these non-current assets located in other geographical locations was HK\$4,884 million (2022: HK\$5,589 million).

4. REVENUE

In HK\$ million	2022	2023
Revenue from contracts with customers	35,986	36,259
Revenue from other sources: rental income	79	88
	36,065	36,347

(a) Revenue recognition in relation to contract liabilities

In HK\$ million	2022	2023
Revenue recognised that was included in the contract liability balance at the beginning of the year	1,529	1,606

(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	36,128	33,645

As at 31 December 2023, management expected that 34% and 25% (2022: 34% and 21%) 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 41% (2022: 45%) 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)/GAINS, NET

In HK\$ million	2022	2023
Fair value movement of derivative financial instruments	5	(31)
Fair value movement on financial assets at FVPL ¹	(352)	169
Gain on partial disposal of interests in an associate, net	300	–
Gain on disposal of other financial assets	–	103
Other	(4)	40
	(51)	281

¹ 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	2022	2023
Cost of inventories sold	6,563	6,954
Cost of sales, excluding inventories sold	11,351	11,162
Depreciation of property, plant and equipment	1,312	1,385
Depreciation of right-of-use assets – land and buildings	1,316	1,296
Depreciation of right-of-use assets – network capacity and equipment	132	122
Amortisation of land lease premium – interests in leasehold land	17	17
Amortisation of intangible assets	3,412	3,456
Amortisation of fulfilment costs	421	386
Amortisation of customer acquisition costs	1,123	1,201

7. INCOME TAX

In HK\$ million	2022	2023
Current income tax:		
Hong Kong profits tax	477	(42)
Overseas tax	51	73
Movement of deferred income tax	144	378
	672	409

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.

8. DIVIDENDS

In HK\$ million	2022	2023
Interim dividend declared and paid in respect of the current year of 9.77 HK cents (2022: 9.56 HK cents) per ordinary share	740	756
Less: dividend for shares held by share award schemes	(2)	(1)
	738	755
Final dividend declared in respect of the previous financial year, approved and paid during the year of 28.48 HK cents (2022: 27.69 HK cents) per ordinary share	2,143	2,204
Less: dividend for shares held by share award schemes	(4)	(3)
	2,139	2,201
	2,877	2,956
Final dividend proposed after the end of the reporting period of 28.48 HK cents (2022: 28.48 HK cents) per ordinary share	2,204	2,204

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

9. EARNINGS/(LOSS) PER SHARE

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

	2022	2023
Earnings/(Loss) (in HK\$ million)		
Earnings/(Loss) for the purpose of basic and diluted earnings/(loss) per share arising from:		
Continuing operations	(676)	(471)
Discontinued operations	834	–
	158	(471)
Number of shares		
Weighted average number of ordinary shares	7,736,432,770	7,739,638,249
Effect of shares held under the Company's share award schemes	(11,939,202)	(12,150,819)
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	7,724,493,568	7,727,487,430
Effect of shares awarded under the Company's share award schemes	5,815,152*	5,319,566*
Weighted average number of ordinary shares for the purpose of diluted earnings per share	7,730,308,720	7,732,806,996

* 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 years ended 31 December 2022 and 2023.

10. TRADE RECEIVABLES, NET

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

In HK\$ million	2022	2023
1 – 30 days	2,816	2,525
31 – 60 days	736	652
61 – 90 days	256	231
91 – 120 days	162	191
Over 120 days	920	868
	4,890	4,467
Less: loss allowance	(288)	(332)
	4,602	4,135

As at 31 December 2023, included in trade receivables, net were amounts due from related parties of HK\$112 million (2022: HK\$66 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	2022	2023
1 – 30 days	2,248	3,201
31 – 60 days	1,235	1,207
61 – 90 days	1,236	861
91 – 120 days	593	375
Over 120 days	762	653
	6,074	6,297

As at 31 December 2023, included in trade payables were amounts due to related parties of HK\$197 million (2022: HK\$578 million).

12. SHARE CAPITAL

	Year ended 31 December			
	2022		2023	
	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	7,739,638,249	12,954
Shares issued (<i>note (a)</i>)	10,000,000	–	–	–
As at 31 December	7,739,638,249	12,954	7,739,638,249	12,954

(a) During the year ended 31 December 2022, the Company issued and allotted 10,000,000 new fully paid 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\$18,250 million as at 31 December 2023 (2022: HK\$18,851 million).

13. CHANGE IN INTERESTS IN SUBSIDIARIES WITHOUT A LOSS OF CONTROL

- (a) During the year ended 31 December 2023, the Group has purchased 16,331,000 share stapled units of HKT Trust and HKT from the open market at an average price of HK\$8.14 per unit, resulting in a credit to non-controlling interest attributable to HKT and its subsidiaries of HK\$7 million.
- (b) On 21 June 2023, the Company's wholly-owned subsidiary, PCCW Media Holdings Limited, and Viu International Limited ("Viu", a wholly-owned subsidiary of PCCW Media Holdings Limited), entered into a share subscription agreement with an independent third party (the "Partner B"), pursuant to which Partner B shall subscribe for ordinary shares of Viu for an aggregate amount of US\$300 million (subject to the satisfaction or waiver of certain conditions), of which initial subscription of US\$200 million was completed on 21 June 2023. Following the completion of the initial subscription of US\$200 million and the further issuance of ordinary shares of Viu upon the availability of the audited financial statements of Viu, the Company's economic interest in Viu decreased from 100% to approximately 72.7%, resulting in an increase in non-controlling interests attributable to Viu of HK\$566 million. Viu is engaged in the provision of OTT video streaming service in Asia, the Middle East and South Africa.

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; Tang Yongbo (Deputy Chairman); 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 Sharhan Mohamed Muhseen Mohamed

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.