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PCCW Limited
電訊盈科有限公司

(Incorporated in Hong Kong with limited liability)
(Stock Code: 0008)

OVERSEAS REGULATORY ANNOUNCEMENT

This announcement is made pursuant to Rule 13.10B of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Please refer to the attached audited consolidated financial statements of CAS Holding No. 1 Limited (“CAS”) for the year ended 31 December 2025 published on the website of the Singapore Exchange Securities Trading Limited.

CAS is a direct wholly-owned subsidiary of PCCW Limited.

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

Hong Kong, 9 June 2026

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

Executive Directors

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

Non-Executive Directors

Tse Sze Wing, Edmund, GBS; Tang Yongbo (Deputy Chairman); Feng Lanxiao; Zhao Xingfu 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



9 June 2026

US\$750,000,000 Perpetual Subordinated Guaranteed Securities (listed on the Singapore Exchange Securities Trading Limited) issued by CAS Capital No. 1 Limited and guaranteed by CAS Holding No. 1 Limited (the "Securities")

To holders of the Securities:

Please find attached the audited consolidated financial statements of CAS Holding No. 1 Limited for the year ended 31 December 2025 for your reference.

CAS Holding No. 1 Limited directly holds approximately 52.22% of the Share Stapled Units jointly issued by HKT Trust and HKT Limited, which are listed on The Stock Exchange of Hong Kong Limited (stock code: 6823); and 100% of the issued share capital of CAS Capital No. 1 Limited, which is a special purpose vehicle incorporated for the purpose of issuing the Securities.

HKT Limited and its subsidiaries (collectively, "HKT Group") are principally engaged in the provision of technology and telecommunications and related services including enterprise solutions, mobile services, total home solutions, media entertainment and other new businesses such as The Club's loyalty platform, HKT Financial Services and healthtech services. HKT Group operates primarily in Hong Kong, and also serves customers in Chinese Mainland and other parts of the world.

If you have any questions, please do not hesitate to contact us.

Regards,

Investor Relations
PCCW Limited
Email: ir@pccw.com



9 June 2026

US\$675,000,000 Perpetual Subordinated Guaranteed Securities (listed on the Singapore Exchange Securities Trading Limited) issued by CAS Capital No. 2 Limited and guaranteed by CAS Holding No. 1 Limited (the "Securities")

To holders of the Securities:

Please find attached the audited consolidated financial statements of CAS Holding No. 1 Limited for the year ended 31 December 2025 for your reference.

CAS Holding No. 1 Limited directly holds approximately 52.22% of the Share Stapled Units jointly issued by HKT Trust and HKT Limited, which are listed on The Stock Exchange of Hong Kong Limited (stock code: 6823); and 100% of the issued share capital of CAS Capital No. 2 Limited, which is a special purpose vehicle incorporated for the purpose of issuing the Securities.

HKT Limited and its subsidiaries (collectively, "HKT Group") are principally engaged in the provision of technology and telecommunications and related services including enterprise solutions, mobile services, total home solutions, media entertainment and other new businesses such as The Club's loyalty platform, HKT Financial Services and healthtech services. HKT Group operates primarily in Hong Kong, and also serves customers in Chinese Mainland and other parts of the world.

If you have any questions, please do not hesitate to contact us.

Regards,

Investor Relations
PCCW Limited
Email: ir@pccw.com

CAS HOLDING NO. 1 LIMITED

(INCORPORATED IN THE BRITISH VIRGIN ISLANDS WITH LIMITED LIABILITY)

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2025



羅兵咸永道

Independent Auditor's Report

To the Board of Directors of CAS Holding No.1 Limited
(incorporated in the British Virgin Islands with limited liability)

Opinion

What we have audited

The consolidated financial statements of CAS Holding No.1 Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 4 to 98, comprise:

- the consolidated statement of financial position as at 31 December 2025;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Our opinion

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

Basis for Opinion

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

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

Independence

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

Responsibilities of Directors for the Consolidated Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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



PricewaterhouseCoopers
 Certified Public Accountants
 Hong Kong, 29 May 2026

CAS HOLDING NO. 1 LIMITED**CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2025**

In HK\$ million	Note(s)	2024	2025
Revenue	5, 6	34,753	36,553
Cost of sales	7(b)	(17,710)	(19,140)
General and administrative expenses	7(c)	(8,787)	(9,104)
Other gains, net		139	198
Finance costs, net	8	(2,004)	(1,494)
Share of results of associates		(121)	(86)
Share of results of joint ventures		(5)	(3)
Profit before income tax	5, 7	6,265	6,924
Income tax	9	(926)	(910)
Profit for the year		5,339	6,014
Profit attributable to:			
Shareholder of the Company		2,645	2,796
Holders of perpetual capital securities		234	226
Non-controlling interests		2,460	2,992
		5,339	6,014

The notes on pages 11 to 98 form part of these consolidated financial statements.

CAS HOLDING NO. 1 LIMITED

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

In HK\$ million	2024	2025
Profit for the year	5,339	6,014
Other comprehensive income/(loss)		
Item that will not be reclassified subsequently to consolidated income statement:		
Changes in fair value of financial assets at fair value through other comprehensive income	413	(667)
Items that have been reclassified or may be reclassified subsequently to consolidated income statement:		
Translation exchange differences:		
- exchange differences on translating foreign operations of subsidiaries	(74)	93
- exchange differences on translating foreign operations of joint ventures	(9)	3
Cash flow hedges:		
- effective portion of changes in fair value	(183)	44
- transfer from equity to consolidated income statement	208	(234)
Costs of hedging	118	5
Share of other comprehensive (loss)/income of an associate	(2)	2
Other comprehensive income/(loss) for the year	471	(754)
Total comprehensive income for the year	5,810	5,260
Attributable to:		
Shareholder of the Company	2,893	2,403
Holders of perpetual capital securities	234	226
Non-controlling interests	2,683	2,631
Total comprehensive income for the year	5,810	5,260

The notes on pages 11 to 98 form part of these consolidated financial statements.

CAS HOLDING NO. 1 LIMITED

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

		2024			
In HK\$ million	Note	Attributable to the shareholder of the Company	Perpetual capital securities	Non-controlling interests	Total equity
As at 1 January 2024		1,701	5,886	1,118	8,705
Total comprehensive income for the year					
Profit for the year		2,645	234	2,460	5,339
Other comprehensive income/(loss)					
Item that will not be reclassified subsequently to consolidated income statement:					
Changes in fair value of financial assets at fair value through other comprehensive income		216	-	197	413
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		(38)	-	(36)	(74)
- exchange differences on translating foreign operations of joint ventures		(5)	-	(4)	(9)
Cash flow hedges:					
- effective portion of changes in fair value		24(c) (95)	-	(88)	(183)
- transfer from equity to consolidated income statement		24(c) 109	-	99	208
Costs of hedging		24(c) 62	-	56	118
Share of other comprehensive loss of an associate		(1)	-	(1)	(2)
Other comprehensive income		248	-	223	471
Total comprehensive income for the year		2,893	234	2,683	5,810
Transactions with equity holders					
Purchases of Share Stapled Units under the Share Stapled Unit Award Schemes		(3)	-	(2)	(5)
Employee share-based compensation		8	-	7	15
Distribution for Share Stapled Units granted under the Share Stapled Unit Award Schemes		(1)	-	(1)	(2)
Dividend paid in respect of the previous year		10 (1,769)	-	-	(1,769)
Interim dividend declared and paid in respect of the current year		10 (1,310)	-	-	(1,310)
Dividends declared and paid to non-controlling shareholders of subsidiaries		-	-	(2,796)	(2,796)
Distributions paid to holders of perpetual capital securities		-	(236)	-	(236)
Disposals of Share Stapled Units		182	-	9	191
Total contributions by and distributions to equity holders		(2,893)	(236)	(2,783)	(5,912)
Change in interests in subsidiaries that does not result in a loss of control		37 1,726	-	2,834	4,560
Total transactions with equity holders		(1,167)	(236)	51	(1,352)
As at 31 December 2024		3,427	5,884	3,852	13,163

CAS HOLDING NO. 1 LIMITED

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

In HK\$ million	Note	2025			
		Attributable to the shareholder of the Company	Perpetual capital securities	Non-controlling interests	Total equity
As at 1 January 2025		3,427	5,884	3,852	13,163
Total comprehensive income for the year					
Profit for the year		2,796	226	2,992	6,014
Other comprehensive (loss)/income					
Item that will not be reclassified subsequently to consolidated income statement:					
Changes in fair value of a financial asset at fair value through other comprehensive income		(348)	-	(319)	(667)
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		50	-	43	93
- exchange differences on translating foreign operations of joint ventures		2	-	1	3
Cash flow hedges:					
- effective portion of changes in fair value	24(c)	22	-	22	44
- transfer from equity to consolidated income statement	24(c)	(123)	-	(111)	(234)
Costs of hedging	24(c)	3	-	2	5
Share of other comprehensive income of an associate		1	-	1	2
Other comprehensive loss		(393)	-	(361)	(754)
Total comprehensive income for the year		2,403	226	2,631	5,260
Transactions with equity holders					
Issue of Share Stapled Units under the Share Stapled Unit Award Schemes		16	-	15	31
Purchases/Subscription of Share Stapled Units under the Share Stapled Unit Award Schemes		(12)	-	(11)	(23)
Receipt of shares of PCCW Limited ("PCCW Shares") under the PCCW Share Award Schemes		11	-	11	22
Employee share-based compensation		8	-	8	16
Distribution for Share Stapled Units granted under the Share Stapled Unit Award Schemes		(1)	-	(1)	(2)
Dividend paid in respect of the previous year	10	(1,817)	-	-	(1,817)
Interim dividend declared and paid in respect of the current year	10	(1,338)	-	-	(1,338)
Dividends declared and paid to non-controlling shareholders of subsidiaries		-	-	(3,136)	(3,136)
Redemption of perpetual capital securities	28	-	(287)	-	(287)
Distributions paid to holders of perpetual capital securities		-	(233)	-	(233)
Total transactions with equity holders		(3,133)	(520)	(3,114)	(6,767)
As at 31 December 2025		2,697	5,590	3,369	11,656

The notes on pages 11 to 98 form part of these consolidated financial statements.

CAS HOLDING NO. 1 LIMITED

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

In HK\$ million	Note	31 December 2024	31 December 2025
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	11	28,593	29,803
Right-of-use assets	12	1,826	2,553
Interests in leasehold land	13	272	258
Goodwill	14	17,713	17,727
Intangible assets	15	18,321	20,324
Fulfilment costs		2,097	2,298
Customer acquisition costs		872	951
Contract assets		261	236
Amount due from the immediate holding company	4(d)	5,804	5,523
Interests in associates	16	412	437
Interests in joint ventures	17	810	507
Financial assets at fair value through other comprehensive income	18	823	105
Financial assets at fair value through profit or loss	19	17	21
Derivative financial instruments	24	58	121
Deferred income tax assets	29	765	710
Other non-current assets	21	931	843
		79,575	82,417
Current assets			
Inventories	22(a)	1,503	1,546
Prepayments, deposits and other current assets	22(b)	3,726	4,019
Contract assets		601	673
Trade receivables, net	22(c)	2,710	2,549
Amounts due from related companies	4(c)	20	650
Financial assets at fair value through profit or loss	19	18	21
Derivative financial instruments	24	-	44
Tax recoverable		7	2
Restricted cash	22(d)	179	187
Short-term deposits		295	475
Cash and cash equivalents	31(c)	1,854	1,957
		10,913	12,123
Current liabilities			
Short-term borrowings	22(e)	(3,934)	(5,884)
Trade payables	22(f)	(7,212)	(9,762)
Accruals and other payables		(6,668)	(6,341)
Derivative financial instruments	24	(41)	(33)
Carrier licence fee liabilities	30	(324)	(384)
Amount due to the immediate holding company	4(d)	(72)	(40)
Amounts due to fellow subsidiaries	4(c)	(3,071)	(1,312)
Amounts due to related companies	4(c)	(82)	(84)
Advances from customers		(301)	(313)
Contract liabilities		(1,415)	(1,659)
Lease liabilities		(1,027)	(890)
Current income tax liabilities		(1,888)	(1,954)
		(26,035)	(28,656)

CAS HOLDING NO. 1 LIMITED

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

In HK\$ million	Note	31 December 2024	31 December 2025
Non-current liabilities			
Long-term borrowings	23	(37,372)	(38,691)
Derivative financial instruments	24	(798)	(814)
Deferred income tax liabilities	29	(5,660)	(6,214)
Carrier licence fee liabilities	30	(3,198)	(3,494)
Contract liabilities		(973)	(937)
Lease liabilities		(825)	(1,619)
Amount due to a non-controlling interest		(344)	(337)
Other long-term liabilities		(2,120)	(2,122)
		(51,290)	(54,228)
Net assets		13,163	11,656
CAPITAL AND RESERVES			
Share capital	26	-*	-*
Reserves	27	3,427	2,697
Equity attributable to the shareholder of the Company		3,427	2,697
Perpetual capital securities	28	5,884	5,590
Non-controlling interests	20(b)	3,852	3,369
Total equity		13,163	11,656

* Amount of HK\$70 as at 31 December 2024 and 2025.

Approved and authorised for issue by the board of directors of the Company (the "Board") on 29 May 2026 and signed on behalf of the Board by:

.....
LIM Beng Jin
Director

.....
CHAN Hung Wai, Andrew John
Director

The notes on pages 11 to 98 form part of these consolidated financial statements.

CAS HOLDING NO. 1 LIMITED

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

In HK\$ million	Note	2024	2025
NET CASH GENERATED FROM OPERATING ACTIVITIES	31(a)	11,908	11,615
INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		4	2
Purchases of property, plant and equipment		(2,037)	(1,977)
Additions of intangible assets		(3,090)	(3,557)
Investments in associates		(53)	(68)
Investment in a joint venture		(26)	(16)
Purchase of a financial asset at fair value through other comprehensive income		(280)	-
Loans to a joint venture		(96)	(70)
Proceeds from disposal of a financial asset at fair value through other comprehensive income		-	51
Dividend received from a financial asset at fair value through profit or loss		-	1
Increase in short-term deposits with maturity more than three months		(216)	(180)
NET CASH USED IN INVESTING ACTIVITIES		(5,794)	(5,814)
FINANCING ACTIVITIES			
New borrowings raised	31(b)	29,931	40,051
Finance costs paid	31(b)	(1,869)	(1,601)
Repayments of borrowings	31(b)	(33,117)	(37,359)
Payment for lease liabilities (including interest)	31(b)	(1,412)	(1,343)
Movement in amount due to a fellow subsidiary	31(b)	717	819
Movement in amount due to a related company	31(b)	(3)	2
Proceeds from issuance of Share Stapled Units		-	31
Dividends paid to the shareholder of the Company	10	(3,079)	(3,155)
Dividends paid to non-controlling shareholders of subsidiaries		(2,796)	(3,136)
Net proceeds from partial disposal of interests in subsidiaries that does not result in a loss of control	37	5,745	-
Movement in amount due to a non-controlling interest	31(b)	-	(7)
NET CASH USED IN FINANCING ACTIVITIES		(5,883)	(5,698)
NET INCREASE IN CASH AND CASH EQUIVALENTS		231	103
Exchange differences		(7)	-
CASH AND CASH EQUIVALENTS			
Beginning of year		1,630	1,854
End of year	31(c)	1,854	1,957

Non-cash transactions:

The distributions paid/payable and redemption to holders of perpetual bonds were settled by PCCW Limited, the immediate holding company, see note 28.

The notes on pages 11 to 98 form part of these consolidated financial statements.

CAS HOLDING NO. 1 LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

CAS Holding No. 1 Limited (the “Company”) is a limited liability company incorporated in the British Virgin Islands. Its registered office is located at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands.

The Company is a direct wholly-owned subsidiary of PCCW Limited (“PCCW”), a company incorporated in the Hong Kong Special Administrative Region (“Hong Kong”) with its shares listed on the Main Board of The Stock Exchange of Hong Kong Limited and traded in the form of American Depositary Receipts on the OTC Markets Group Inc. in the United States. The directors of the Company consider PCCW to be the Company’s ultimate holding company.

The Company and its subsidiaries (collectively, the “Group”) are principally engaged in the provision of technology and telecommunications and related services including enterprise solutions, mobile services, total home solutions, media entertainment (the “Pay TV business”) and other new businesses such as The Club’s loyalty platform, HKT Financial Services and healthtech services. It operates primarily in Hong Kong, and also serves customers in Chinese Mainland and other parts of the world.

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

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES

a. Statement of compliance

These consolidated financial statements have been prepared in accordance with all applicable HKFRS Accounting Standards, which is a collective term for all individual Hong Kong Financial Reporting Standards (“HKFRSs”), Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). A summary of the material accounting policies adopted by the Group is set out below.

b. Basis of preparation of the financial statements

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

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

The Group has not early adopted any new or amended HKFRS Accounting Standards that are not yet effective for the current accounting period, details of which are set out in note 39.

The consolidated financial statements for the year ended 31 December 2025 comprise the financial statements of the Group, and the Group’s interests in associates and joint ventures.

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

- financial assets at fair value through profit or loss (see note 2(n));
- financial assets at fair value through other comprehensive income (see note 2(n)); and
- derivative financial instruments (see note 2(p)).

As at 31 December 2025, the current liabilities of the Group exceeded its current assets by HK\$16,533 million. After considering the Group’s ability to generate net operating cash inflows and raise additional debt financing, and the undrawn banking facilities available as at 31 December 2025, management considers the Group is able to meet its liabilities as and when they fall due within the next 12-month period. Accordingly, these consolidated financial statements have been prepared on a going concern basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (CONTINUED)

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

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRS Accounting Standards that have significant effect on the consolidated financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 3.

c. Subsidiaries and non-controlling interests

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

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

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

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

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill (see note 2(i)). If this is less than the fair value of the identifiable net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement. Where businesses are acquired and fair values of the identifiable net assets of the acquired business are finalised within 12 months of the acquisition date, all fair value adjustments are recorded with effect from the date of acquisition and consequently may result in the restatement of previously reported financial results.

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

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

CAS HOLDING NO. 1 LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (CONTINUED)

c. Subsidiaries and non-controlling interests (continued)

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

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

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

d. Associates

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

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

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

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in the consolidated income statement.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to the consolidated income statement where appropriate.

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

e. Joint arrangements

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

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

Investments in joint ventures are accounted for in the consolidated financial statements using the equity method, as described in note 2(d).

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

CAS HOLDING NO. 1 LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (CONTINUED)

f. Gaining or losing control

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

g. Property, plant and equipment

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

- buildings held for own use which are situated on leasehold land, where the fair value of the building could be measured separately from the fair value of the leasehold land at the inception of the lease (see note 2(h)); and
- other items of plant and equipment.

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

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

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

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

Buildings	Over the shorter of the unexpired term of land lease and the estimated useful life
Exchange equipment	5 to 25 years
Transmission plant	5 to 50 years
Other plant and equipment	1 to 20 years

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (CONTINUED)

h. Leased assets

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

i. Assets leased to the Group

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

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

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

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

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

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

- the amount of the initial measurement of lease liabilities;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the consolidated income statement. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise equipment and small items of office furniture.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (CONTINUED)

h. Leased assets *(continued)*

ii. Assets leased out by the Group

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

Where the Group leases out assets under operating leases, the assets are included in the consolidated statement of financial position according to their nature and, where applicable, are depreciated in accordance with the Group's depreciation policies. Impairment losses are accounted for in accordance with the accounting policy as set out in note 2(o)(ii). Revenue arising from operating leases is recognised in the consolidated income statement in equal instalments over the accounting periods covered by the lease term. Lease incentives granted are recognised in the consolidated income statement as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

i. Goodwill

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

Goodwill is stated in the consolidated statement of financial position at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units ("CGUs") and is tested at least annually for impairment (see note 2(o)(ii)). In respect of associates and joint ventures, the carrying amount of goodwill is included in the carrying amount of the interests in associates and joint ventures and tested for impairment when there is an indication that the investments may be impaired.

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

j. Intangible assets (other than goodwill)

i. Carrier licences

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

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

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

CAS HOLDING NO. 1 LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (CONTINUED)

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

ii. Capitalised programme costs

Costs incurred to produce or acquire television rights, for which the Group can determine the broadcasting schedules, are capitalised as intangible assets. The intangible assets are amortised on an accelerated basis over the shorter of the expected economic life of 1 to 5 years and the licence period. Other costs incurred for the transmission rights for showing programmes, sports events and films on the Group's television channels, including sport rights for multiple seasons or competitions, of which the broadcasting schedules are determined by the content providers, are recognised in the consolidated income statement on a straight-line basis over the period of transmission rights across the season or competition. Other payments of programme costs made in advance or in arrears are recognised in the consolidated statement of financial position as prepayments, deposits and other current assets or accruals and other payables, as appropriate.

iii. Software

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

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

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

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

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

iv. Other intangible assets

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

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

Trademarks	20 years
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The assets' useful lives and their amortisation methods are reviewed annually.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (CONTINUED)

k. Fulfilment costs

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

l. Customer acquisition costs

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

m. Contract assets/liabilities

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

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

n. Investments in debt and equity securities

Classification

The Group classifies its investments in debt and equity securities, other than interests in subsidiaries, associates, and joint arrangements, as:

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (CONTINUED)

n. Investments in debt and equity securities (continued)

Recognition and derecognition

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

Initial measurement

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

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

Subsequent measurement

Debt instruments

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

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt instrument that is subsequently measured at amortised cost is recognised in the consolidated income statement when the asset is derecognised or impaired. Interest income from these financial assets is included in interest income using the effective interest method.
- FVOCI: Assets that are held for collection of contractual cash flows and for sale, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment losses, interest income using the effective interest method and foreign exchange gains and losses which are recognised in the consolidated income statement. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to the consolidated income statement and recognised in other gains/(losses), net.
- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt instrument that is subsequently measured at FVPL is recognised and presented net in the consolidated income statement within other gains/(losses), net in the period in which it arises.

Equity instruments

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (CONTINUED)

o. Impairment of assets

i. Investments in debt instruments and trade and other receivables

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

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

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

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

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

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

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

CAS HOLDING NO. 1 LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (CONTINUED)

o. Impairment of assets *(continued)*

ii. Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period, or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, to identify indications that the following major assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

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

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

– Calculation of recoverable amount

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

– Recognition of impairment losses

An impairment loss is recognised in the consolidated income statement whenever the carrying amount of an asset, or the CGU to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then, to reduce the carrying amount of the other assets in the CGU on a pro rata basis, except that the carrying amount of an asset will not be reduced below its individual fair value less costs of disposal, or value-in-use, if determinable.

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not allowed to be reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the consolidated income statement in the period in which the reversals are recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (CONTINUED)

p. Derivative financial instruments

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

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

q. Hedging

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

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the hedging reserve within equity. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated income statement, within finance costs.

When forward contracts are used to hedge forecast transactions, the Group designates only the change in fair value of the forward contract related to the spot component as the hedging instrument. Gains or losses relating to the effective portion of the change in the spot component of the forward contracts are recognised in the hedging reserve within equity. The change in the forward element is recognised in the consolidated income statement.

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

Amounts accumulated in equity are reclassified in the periods when the hedged item affects the consolidated income statement, as follows:

- The gain or loss relating to the effective portion of forward contracts is recognised in the consolidated income statement as the hedged item affects profit or loss.
- The gain or loss relating to the effective portion of the cross currency swap contracts hedging borrowings denominated in foreign currency is recognised in the consolidated income statement within finance costs at the same time as the interest expense on the hedged borrowings.
- The gain or loss relating to the effective portion of the interest rate swap contracts hedging variable rate borrowings is recognised in the consolidated income statement within finance costs at the same time as the interest expense on the hedged borrowings.

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

CAS HOLDING NO. 1 LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (CONTINUED)

q. Hedging (continued)

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs and affects profit or loss. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to the consolidated income statement.

Hedge ineffectiveness is recognised in the consolidated income statement within finance costs.

r. Inventories

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

Purchased parts and materials, finished goods and consumable inventories are carried at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

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

s. Trade and other receivables

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing component, when they are recognised at fair value.

Other receivables are recognised initially at fair value.

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

t. Cash and cash equivalents

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

u. Trade and other payables

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

v. Borrowings

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

w. Provisions and contingent liabilities

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (CONTINUED)

w. Provisions and contingent liabilities (continued)

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

x. Revenue recognition

Telecommunications services comprise local telephony, local data and broadband, international telecommunications, mobile, enterprise solutions, the Pay TV business, and other telecommunications businesses such as customer premises equipment sales, outsourcing, consulting, and contact centres.

Local telephony, local data and broadband, international telecommunications and mobile businesses earn revenue primarily by providing access to and usage of the telecommunications network locally and internationally. As part of the bundled service offerings, the Group also delivers handsets, equipment, gifts and reward points from the Group's customer loyalty programme offering a variety of goods and services ("Reward Points"), which are considered as separate performance obligations.

Revenue is measured at the fair value of the consideration received or receivable for the sales of goods and rendering of services in the ordinary course of the Group's activities. Revenue is recognised when the control of the goods or services is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the goods or services may be transferred over time or at a point in time.

The Group often enters into bundled sale contracts with customers in which, apart from the provision of telecommunications, media entertainment, and other services, the Group has certain other performance obligations to customers such as the delivery of handsets, equipment, gifts and Reward Points. When multiple-element arrangements exist, the total transaction price receivable from customers is allocated among the Group's performance obligations on a relative stand-alone selling price basis. Management estimates the stand-alone selling price at contract inception mainly based on observable retail prices and observable market data of the respective performance obligations in similar circumstances to similar customers. If a bundled discount is granted, it is allocated to respective performance obligations based on their relative stand-alone selling prices unless the Group has observable evidence that the entire discount related to only one or more, but not all performance obligations in the contracts. The costs of respective handsets, equipment and gifts delivered are recognised as cost of sales when the corresponding revenue is recognised.

For the telecommunications services, revenue is recognised over time as the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs and is based on the output method, either as the service allowance units are used or as time elapses, because it reflects the pattern by which the Group satisfies the performance obligation through the rendering of services to the customer. For service plan based on usage, where monthly usage exceeds the allowance, the overage usage represents options held by the customer for incremental services and the usage-based fee is recognised when the customer exercises the option. Income from other telecommunications services are recognised when services are rendered. Customers are invoiced in advance on a monthly basis or invoiced according to the pre-agreed payment schedule as set out in the customer contracts.

For the sales of the handsets, equipment and gifts, revenue is generally recognised when control passes to the customer, being when the products are delivered to and accepted by the customer. The customer has full discretion over the handsets, equipment and gifts and there are no unfulfilled obligations that can affect the customer's acceptance of those goods. Customers are invoiced immediately or invoiced according to the pre-agreed payment schedule as set out in the customer contracts.

When the Reward Points are awarded to the members, such revenue at their relative stand-alone selling price is deferred as a liability until the Reward Points are redeemed. Breakage, referring to Reward Points that are expected to expire, is taken into consideration when determining the stand-alone selling price of the Reward Points and determined based on assumptions such as historical experience, future redemption pattern and programme design.

CAS HOLDING NO. 1 LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (CONTINUED)

x. Revenue recognition (continued)

Revenue from enterprise solutions services is recognised over time as the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. Input method is used to measure the progress as it depicts the Group's performance in transferring the control of the asset. The progress is measured by reference to the percentage of contract costs incurred to date to estimated total contract costs for the contract. When the outcome of a contract cannot be estimated reliably, revenue is recognised only to the extent that it is probable the contract costs incurred will be recoverable. Customers make settlement periodically throughout the contract period according to the pre-agreed payment schedule. Accumulated experience is used to estimate the variable consideration to the extent that it is highly probable that a significant reversal will not occur, using the expected value method, to be included in the transaction price.

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

Advertising income from interactive pay-TV services is recognised (i) when the advertisements are telecast on pay-TV, delivered through Internet and mobile platforms; or (ii) rateably over the contractual display period of the contract when the advertisements are placed on the Group's website and mobile platforms.

Commission income is recognised when entitlement to the income is ascertained.

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

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

y. Interest income

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

z. Dividend income

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

aa. Borrowing costs

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

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

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

ab. Cost of sales and general and administrative expenses

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

CAS HOLDING NO. 1 LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (CONTINUED)

ac. Income tax

- i. Income tax for the year comprises current income tax and movements in deferred income tax assets and liabilities. Current income tax and movements in deferred income tax assets and liabilities are recognised in the consolidated income statement except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts are recognised in other comprehensive income or directly in equity, respectively.
- ii. Current income tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period.
- iii. Deferred income tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred income tax is not recognised for:
 - temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences;
 - temporary differences related to investments in subsidiaries, associates and joint ventures to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future or there is no sufficient taxable profit be available against which the deductible temporary differences can be utilised;
 - taxable temporary differences arising on the initial recognition of goodwill; and
 - those related to Pillar Two Income Taxes.

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

Deferred income tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Future taxable profits that may support the recognition of deferred income tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred income tax asset can be carried back or forward.

The amount of deferred income tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period and are expected to apply when the related deferred income tax asset is realised and the deferred income tax liability is settled. Deferred income tax assets and liabilities are not discounted.

The carrying amount of a deferred income tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

CAS HOLDING NO. 1 LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (CONTINUED)

ac. Income tax (continued)

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

- in the case of current income tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred income tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred income tax liabilities or assets are expected to be settled or recovered, intend to realise the current income tax assets and settle the current income tax liabilities on a net basis or realise and settle simultaneously.

ad. Employee benefits

i. Short-term employee benefits

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

ii. Retirement and other post-employment benefits

The Group offers the following retirement and other post-employment benefits to its employees:

- defined contribution retirement schemes (including the Mandatory Provident Fund “MPF” scheme); and
- Long Service Payments (“LSP”) under Hong Kong Employment Ordinance for employees in Hong Kong.

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

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

The Group’s LSP obligations (as classified as other payables) recognised in the consolidated statement of financial position are calculated annually by independent qualified actuaries using the projected unit credit method. The present values of the LSP obligations are determined by discounting the estimated future cash outflows using discount rate with reference to market bond yields at the end of the reporting period, which have terms approximating the terms of the related liabilities. The net interest cost is calculated by applying the discount rate to the net balance of the obligations. This cost is included in staff costs in the consolidated income statement. In calculating the Group’s LSP obligations, any actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (CONTINUED)

ad. Employee benefits (continued)

iii. Share-based payments

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (CONTINUED)

ad. Employee benefits (continued)

iii. Share-based payments (continued)

The cost of Share Stapled Units purchased from the open market under the HKT Share Stapled Units Purchase Scheme or the 2024 Share Stapled Unit Award Scheme, and the issue price of newly issued Share Stapled Units under the HKT Share Stapled Units Subscription Scheme or the 2024 Share Stapled Unit Award Scheme are recognised in equity and non-controlling interests. The fair value of the employee services received in exchange for the grant of Share Stapled Units under each scheme is recognised as staff costs in the consolidated income statement with a corresponding increase in an employee share-based compensation reserve under equity. The fair value of the awarded Share Stapled Units is measured by the quoted market price of the Share Stapled Units at grant date and is charged to the consolidated income statement over the respective vesting period. During the vesting period, the number of awarded Share Stapled Units that are expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged or credited in the consolidated income statement for the year of the review, unless the original staff costs qualify for recognition as an asset, with a corresponding adjustment to the employee share-based compensation reserve. On vesting date, the amount recognised as staff costs is adjusted to reflect the actual number of awarded Share Stapled Units that vests (with a corresponding adjustment to the employee share-based compensation reserve) and the cost of awarded Share Stapled Units recognised in equity is transferred to the employee share-based compensation reserve with the difference recognised in equity and non-controlling interests.

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

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

Awards under the PCCW Purchase Scheme, the PCCW Subscription Scheme and the PCCW 2024 Share Award Scheme are accounted for as cash-settled share-based payments. The fair value of the awarded PCCW Shares represents the quoted market price of PCCW Shares purchased from the open market under the PCCW Purchase Scheme or the PCCW 2024 Share Award Scheme, and the issue price of PCCW Shares under the PCCW Subscription Scheme or the PCCW 2024 Share Award Scheme is recognised as financial assets at FVPL, and subsequently measured at fair value. The fair value of the employee services received in exchange for the grant of PCCW Shares is recognised as staff costs in the consolidated income statement over the respective vesting period with a corresponding obligation being recognised. During the vesting period, the number of awarded PCCW Shares that are expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged or credited in the consolidated income statement for the year of the review, unless the original staff costs qualify for recognition as an asset, with a corresponding adjustment to the obligation. On vesting date, the amount recognised as staff costs is adjusted to reflect the actual number of awarded PCCW Shares that vests (with a corresponding adjustment to the obligation) and the carrying amount of awarded PCCW Shares recognised in the financial assets at FVPL is offset with the obligation.

CAS HOLDING NO. 1 LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (CONTINUED)

ad. Employee benefits (continued)

iv. Termination benefits

Termination benefits are recognised only after either an agreement is in place with the appropriate employee representatives specifying the terms of redundancy and the number of employees affected, or individual employees have been advised of the specific terms.

ae. Translation of foreign currencies

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

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in the consolidated income statement, except when deferred in other comprehensive income as qualifying cash flow hedges.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates when the fair values are determined. Exchange differences arising on translation of non-monetary assets and liabilities, such as equity instruments at FVPL, are reported as part of the fair value gain or loss in the consolidated income statement. Exchange differences arising on translation of non-monetary assets and liabilities, such as equity instruments measured at FVOCI, are included in the fair value gain or loss in the financial assets at FVOCI reserve under equity.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of transactions. Items of foreign operations in the consolidated statement of financial position, including goodwill arising on consolidation of foreign operations, are translated into Hong Kong dollars at the foreign exchange rates ruling at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in the currency translation reserve under equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, if any, are taken to other comprehensive income and accumulated separately in the currency translation reserve under equity. On disposal of a foreign operation, the cumulative amount of the exchange differences recognised in the currency translation reserve under equity which relates to that foreign operation is included in the calculation of the profit or loss on disposal.

af. Related parties

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

- i. a person or a close member of that person's family is related to the Group if that person:
 - (1) has control or joint control of the Group;
 - (2) has significant influence over the Group; or
 - (3) is a member of the key management personnel of the Group or of the Group's parent.

CAS HOLDING NO. 1 LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (CONTINUED)

af. Related parties (continued)

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

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

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

ag. Segment reporting

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

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

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

ah. Dividend distribution

Dividend distribution to the Company's sole shareholder is recognised as a liability in the Group's consolidated financial statements in the period in which the dividend is approved by the board of directors of the Company.

ai. Perpetual capital securities

Perpetual capital securities with no contractual obligation to repay its principal or to pay any distribution are classified as part of equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Notes 14 and 33 contain information about the assumptions and their risk factors relating to goodwill impairment and financial instruments. Management has also made judgements in applying the Group's accounting policies. These judgements and other key sources of estimation uncertainty are discussed below:

i. Impairment of non-financial assets

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

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

If any such indication exists, the asset's recoverable amount is estimated. Impairment tests are performed for CGUs containing goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives annually whether or not there is any indication of impairment. Significant judgement is used to identify CGUs appropriately. An impairment loss is recognised in the consolidated income statement whenever the carrying amount of an asset exceeds its recoverable amount.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

ii. Deferred income tax

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

iii. Current income tax

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

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

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

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

v. Lease term and discount rate determination

In determining the lease term, management considers facts and circumstances such as conditions of the Group's existing leases, future technology changes, business developments and the Group's strategies, that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Potential future cash outflows are not included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee. As at 31 December 2025, potential future undiscounted cash outflows of HK\$960 million (2024: HK\$641 million) have not been included in the lease liabilities because it is not reasonably certain that the lease will be extended (or not terminated).

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

vi. Capitalisation criteria on capitalised software

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

CAS HOLDING NO. 1 LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 RELATED PARTY TRANSACTIONS

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

In HK\$ million	Note	2024	2025
Telecommunications service fees, data centre service fees and contact centre service charges received or receivable from a substantial shareholder of PCCW	a	180	151
Telecommunications service fees and data centre service fees paid or payable to a substantial shareholder of PCCW	a	175	205
Telecommunications service fees, IT development and support service charges, contact centre service charges, hotline services fees, consultancy service charges, interest income and other costs recharge received or receivable from joint ventures	a	49	47
Telecommunications service fees, outsourcing fees, rental charges and interest expense paid or payable to joint ventures	a	270	236
Telecommunications service fees, connectivity service fees, contact centre service charges, equipment sales, customer acquisition service fees, consultancy service charges and other costs recharge received or receivable from an associate	a	23	18
Licence fees received or receivable from an associate of PCCW	a	6	5
IT charges, logistics charges and other contractor services fees paid or payable to an associate of PCCW	a	603	541
Telecommunications service fees, data centre service fees, connectivity service fees, equipment sales, insurance premium, insurance agency service charges, advertising fees, management fee, travel agency service fees and other costs recharge received or receivable from related parties under a common holder of Share Stapled Units/shareholder with the Company	a	128	141
Insurance premium and rental charges paid or payable to related parties under a common holder of Share Stapled Units/shareholder with the Company	a	156	166
Telecommunications service fees, carriage service fees, marketing and sales services fees, connectivity service fees, management fee, equipment sales, content provision fees, travel agency service fees, rental charges and other costs recharge received or receivable from fellow subsidiaries	a	1,382	1,649
Content provision fees, outsourcing fees, marketing and sales services fees and other costs recharge paid or payable to fellow subsidiaries	a	415	391
Interest income received or receivable from the immediate holding company	d	234	226
Key management compensation	b	34	43

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

CAS HOLDING NO. 1 LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 RELATED PARTY TRANSACTIONS (CONTINUED)

b. Details of key management compensation

In HK\$ million	2024	2025
Salaries and other short-term employee benefits	25	30
Share-based compensation	8	12
Post-employment benefits	1	1
	34	43

c. Balances with related companies and fellow subsidiaries

As at 31 December 2024 and 2025, other than as specified in notes 16 and 17 and the amounts due to a related company which comprised an unsecured loan of HK\$51 million (2024: HK\$59 million) which bears interest at 2.5% per annum (2024: same), an unsecured loan of HK\$30 million (2024: HK\$20 million) which bears interest at 2.93% per annum and are repayable within 1 year (2024: same), the amounts due to fellow subsidiaries and the other amounts due from/to related companies are unsecured, non-interest bearing, and have no fixed repayment terms.

d. Balances with the immediate holding company

As at 31 December 2025, amounts due from the immediate holding company includes an unsecured loan of HK\$5,523 million (2024: HK\$5,804 million), being perpetual with no maturity date and bears interest at 4% per annum (2024: same) with reset every 5 years from year 5.5 and fixed step-up margins at year 10.5 and year 25.5. Refer to note 28 for details.

5 SEGMENT INFORMATION

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

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

- Telecommunications Services ("TSS") is the leading provider of technology and telecommunications and related services including enterprise solutions, total home solutions, and media entertainment. It operates primarily in Hong Kong, and also serves customers in Chinese Mainland and other parts of the world.
- Mobile includes the Group's mobile telecommunications businesses in Hong Kong.
- Other businesses of the Group ("Other Businesses") primarily comprise other new businesses such as The Club's loyalty platform, HKT Financial Services and healthtech services, as well as corporate support functions.

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 SEGMENT INFORMATION (CONTINUED)

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

	2024				
In HK\$ million	TSS	Mobile	Other Businesses	Eliminations	Consolidated
Revenue					
External revenue	23,243	10,684	826	-	34,753
Inter-segment revenue	1,214	800	54	(2,068)	-
Total revenue	24,457	11,484	880	(2,068)	34,753
External revenue from contracts with customers:					
Timing of revenue recognition					
At a point in time	5,136	2,526	727	-	8,389
Over time	18,025	8,158	99	-	26,282
External revenue from other sources:					
Rental income	82	-	-	-	82
	23,243	10,684	826	-	34,753
Results					
EBITDA	9,532	5,311	(1,143)	-	13,700
Other information					
Capital expenditure (including property, plant and equipment and interests in leasehold land) incurred during the year	1,339	690	185	-	2,214

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 SEGMENT INFORMATION (CONTINUED)

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

In HK\$ million	2025				Consolidated
	TSS	Mobile	Other Businesses	Eliminations	
Revenue					
External revenue	23,891	11,830	832	-	36,553
Inter-segment revenue	1,237	864	49	(2,150)	-
Total revenue	25,128	12,694	881	(2,150)	36,553
External revenue from contracts with customers: Timing of revenue recognition					
At a point in time	5,742	3,297	741	-	9,780
Over time	18,062	8,533	91	-	26,686
External revenue from other sources:					
Rental income	87	-	-	-	87
	23,891	11,830	832	-	36,553
Results					
EBITDA	9,721	5,568	(1,050)	-	14,239
Other information					
Capital expenditure (including property, plant and equipment and interests in leasehold land) incurred during the year	1,308	662	136	-	2,106

CAS HOLDING NO. 1 LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****5 SEGMENT INFORMATION (CONTINUED)**

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

In HK\$ million	2024	2025
Total segment EBITDA	13,700	14,239
Gains on disposal of property, plant and equipment and right-of-use assets, net	10	5
Depreciation and amortisation	(5,454)	(5,822)
Other gains, net	139	198
Finance costs, net	(2,004)	(1,494)
Share of results of associates	(121)	(86)
Share of results of joint ventures	(5)	(3)
Restructuring costs	-	(113)
Profit before income tax	6,265	6,924

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	2024	2025
Hong Kong (place of domicile)	28,154	29,548
Mainland and other parts of China	1,849	2,040
Others	4,750	4,965
	34,753	36,553

As at 31 December 2025, the total of non-current assets, other than financial instruments and deferred income tax assets, located in Hong Kong was HK\$72,689 million (2024: HK\$69,109 million), and the total of these non-current assets located in other geographical locations was HK\$3,150 million (2024: HK\$2,917 million).

6 REVENUE

In HK\$ million	2024	2025
Revenue from contracts with customers	34,671	36,466
Revenue from other sources: rental income	82	87
	34,753	36,553

a. Revenue recognition in relation to contract liabilities

In HK\$ million	2024	2025
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	1,450	1,415

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 REVENUE (CONTINUED)

b. Unsatisfied long-term fixed-price contracts

In HK\$ million	2024	2025
Aggregate amount of the transaction price allocated to long-term fixed-price contracts that are partially or fully unsatisfied as at 31 December	22,506	22,503

As at 31 December 2025, management expected that 54% and 27% (2024: 53% and 27%) of the transaction price allocated to the unsatisfied long-term fixed-price contracts would be recognised as revenue during the first and second year respectively after the end of the reporting period. The remaining 19% (2024: 20%) would be recognised as revenue in the periods afterward. The amount disclosed above does not include unsatisfied performance obligation that is related to the Group's contracts with customers with duration of one year or less and contracts with customers billed directly according to performance completed to date.

7 PROFIT BEFORE INCOME TAX

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

a. Staff costs

In HK\$ million	2024	2025
Salaries, bonuses and other benefits	1,912	1,709
Share-based compensation expenses	34	42
Retirement costs for staff under defined contribution retirement schemes	310	309
	2,256	2,060
Less: staff costs included in cost of sales	(633)	(641)
Staff costs included in general and administrative expenses	1,623	1,419

b. Cost of sales

In HK\$ million	2024	2025
Cost of inventories sold	8,172	9,612
Connectivity costs	6,970	7,433
Staff costs	633	641
Write-back of provision for inventory obsolescence, net	(9)	(9)
Others	1,944	1,463
	17,710	19,140

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7 PROFIT BEFORE INCOME TAX (CONTINUED)

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

c. General and administrative expenses

In HK\$ million	2024	2025
Staff costs	1,623	1,419
Impairment loss for trade receivables	232	219
Depreciation of property, plant and equipment	1,070	971
Depreciation of right-of-use assets – land and buildings	1,197	1,146
Depreciation of right-of-use assets – network capacity and equipment	101	99
Amortisation of land lease premium – interests in leasehold land	17	14
Amortisation of intangible assets	1,342	1,878
Amortisation of fulfilment costs	484	486
Amortisation of customer acquisition costs	1,243	1,228
Exchange (gains)/losses, net	(193)	236
Less: cash flow hedges: transfer from equity	229	(229)
Gains on disposal of property, plant and equipment and right-of-use assets, net	(10)	(5)
Others	1,452	1,642
	8,787	9,104

8 FINANCE COSTS, NET

In HK\$ million	2024	2025
Interest expense, excluding interest expense on lease liabilities	(2,247)	(1,978)
Interest expense on lease liabilities	(89)	(100)
Notional accretion on carrier licence fee liabilities	(87)	(94)
Other finance costs	(11)	(11)
Hedge ineffectiveness: cross currency swap contracts and foreign exchange forward contracts – cash flow hedges for foreign currency risk	(108)	46
Hedge ineffectiveness: interest rate swap contracts – cash flow hedges for interest rate risk	25	(20)
Cash flow hedges: transfer from equity	21	5
	(2,496)	(2,152)
Interest capitalised in property, plant and equipment and intangible assets <i>(note a)</i>	197	384
Total finance costs	(2,299)	(1,768)
Total interest income	295	274
Finance costs, net	(2,004)	(1,494)

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9 INCOME TAX

a. Income tax in the consolidated income statement represents:

In HK\$ million	2024	2025
Current income tax:		
Hong Kong profits tax		
- provision for current year	551	274
- over provision in respect of prior years	(36)	(6)
Overseas tax		
- provision for current year	39	36
- under/(over) provision in respect of prior years	9	(3)
Movement of deferred income tax (<i>note 29(a)</i>)	363	609
	926	910

Hong Kong profits tax is provided at the rate of 16.5% (2024: 16.5%) on the estimated assessable profits for the year.

Overseas tax is calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the respective jurisdictions.

In December 2021, the Organisation for Economic Co-operation and Development released the Global Anti-Base Erosion rules, also known as Pillar Two, aimed at reforming international corporate taxation. Hong Kong passed legislation to implement Pillar Two, with the Hong Kong minimum top-up tax and Income Inclusion Rule effective retroactively from 1 January 2025. The Group is within the scope of this legislation.

Following the amendments to HKAS 12 *Income Taxes* issued by the HKICPA in July 2023, the Group has applied the mandatory temporary exception under paragraph 4 of the amendments to HKAS 12 and have not recognised or disclosed deferred income tax assets and liabilities related to Pillar Two Income Taxes.

For the year ended 31 December 2025, the Group has completed its assessment and have not identified any material current Pillar Two tax exposure.

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

In HK\$ million	2024	2025
Profit before income tax	6,265	6,924
Notional tax on profit before income tax, calculated at the Hong Kong tax rate of 16.5% (2024: 16.5%)	1,034	1,142
Effect of different tax rates of subsidiaries operating overseas	15	(20)
Income not subject to tax	(121)	(187)
Expenses not deductible for tax purposes	168	42
Tax losses not recognised	149	170
Over provision in respect of prior years, net	(27)	(9)
Recognition and utilisation of previously unrecognised tax losses, net	(53)	(48)
Recognition of previously unrecognised temporary differences	12	7
Results of associates and joint ventures not deductible for tax purposes	21	15
Corporate income tax incentives	(272)	(202)
Income tax expense	926	910

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 DIVIDENDS

In HK\$ million	2024	2025
Interim dividend declared and paid in respect of the current year of HK\$149 million (2024: HK\$146 million) per ordinary share	1,310	1,338
Final dividend declared in respect of the previous financial year of HK\$202 million (2024: HK\$197 million) per ordinary share, approved and paid during the year	1,769	1,817
	3,079	3,155
Final dividend proposed after the end of the reporting period of HK\$211 million (2024: HK\$202 million) per ordinary share	1,817	1,899

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

11 PROPERTY, PLANT AND EQUIPMENT

	2024					
In HK\$ million	Buildings	Exchange equipment	Transmission plant	Other plant and equipment	Projects under construction	Total
Cost						
Beginning of year	1,871	22,534	31,430	17,275	2,662	75,772
Additions	-	212	395	367	1,240	2,214
Disposals	-	(859)	(42)	(180)	-	(1,081)
Transfers	-	298	424	203	(925)	-
Exchange differences	-	(124)	5	(39)	(5)	(163)
End of year	1,871	22,061	32,212	17,626	2,972	76,742
Accumulated depreciation and impairment						
Beginning of year	1,254	16,503	18,912	11,595	-	48,264
Charge for the year	36	372	365	297	-	1,070
Disposals	-	(858)	(42)	(180)	-	(1,080)
Exchange differences	-	(83)	1	(23)	-	(105)
End of year	1,290	15,934	19,236	11,689	-	48,149
Net book value						
End of year	581	6,127	12,976	5,937	2,972	28,593
Beginning of year	617	6,031	12,518	5,680	2,662	27,508

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	2025					
In HK\$ million	Buildings	Exchange equipment	Transmission plant	Other plant and equipment	Projects under construction	Total
Cost						
Beginning of year	1,871	22,061	32,212	17,626	2,972	76,742
Additions	-	48	689	334	1,035	2,106
Disposals	-	(565)	(257)	(93)	-	(915)
Transfers	-	100	520	109	(729)	-
Exchange differences	-	13	134	13	48	208
End of year	1,871	21,657	33,298	17,989	3,326	78,141
Accumulated depreciation and impairment						
Beginning of year	1,290	15,934	19,236	11,689	-	48,149
Charge for the year	35	269	327	340	-	971
Disposals	-	(565)	(257)	(90)	-	(912)
Exchange differences	-	4	112	14	-	130
End of year	1,325	15,642	19,418	11,953	-	48,338
Net book value						
End of year	546	6,015	13,880	6,036	3,326	29,803
Beginning of year	581	6,127	12,976	5,937	2,972	28,593

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

CAS HOLDING NO. 1 LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****12 RIGHT-OF-USE ASSETS**

In HK\$ million	2024	2025
Land and buildings	1,619	2,323
Network capacity and equipment	207	230
Total	1,826	2,553

The Group obtains right to control the use of various land and buildings, and network capacity and equipment for a period of time through lease arrangements. Lease arrangements are negotiated on an individual basis and contain a wide range of different terms and conditions including lease payments and lease terms ranging from 1 to 11 years for land and buildings, and from 1 to 15 years for network capacity and equipment. Except for lease covenants mainly related to the maintenance and use of the leased assets that are commonly found in lease arrangements, there are no other covenants or restrictions imposed by the lease agreements. The leased assets may not be used as security for borrowing purposes.

Additions to the right-of-use assets during the year ended 31 December 2025 were HK\$2,023 million (2024: HK\$1,162 million).

During the year ended 31 December 2025, total cash outflow for leases amounted to HK\$1,441 million (2024: HK\$1,527 million), which included cash outflow for short-term lease expenses amounted to HK\$98 million (2024: HK\$115 million) that were recognised in the consolidated income statement.

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

13 INTERESTS IN LEASEHOLD LAND

In HK\$ million	2024	2025
Cost		
Beginning and end of year	863	863
Accumulated amortisation		
Beginning of year	(574)	(591)
Charge for the year	(17)	(14)
End of year	(591)	(605)
Net book value		
End of year	272	258
Beginning of year	289	272

CAS HOLDING NO. 1 LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 GOODWILL

In HK\$ million	2024	2025
Cost		
Beginning of year	17,720	17,713
Exchange differences	(7)	14
End of year	17,713	17,727

Impairment tests for CGUs containing goodwill

Goodwill was allocated to the Group's CGUs identified according to operating segments as follows:

In HK\$ million	2024	2025
TSS		
- Local telephony and data services	752	753
- Global	1,208	1,221
Mobile	15,591	15,591
Pay-TV	162	162
Total	17,713	17,727

The recoverable amounts of the CGUs are determined based on value-in-use calculations. For the year ended 31 December 2025, these calculations use cash flow projections based on financial budgets approved by management generally covering a 5-year period.

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

The key assumptions used for the value-in-use calculation of Global Business include average revenue growth rate of 2% (2024: 2%), average EBITDA growth rate of 19% (2024: 19%) based on past performance and taking into account expectation of future business and market developments, estimated terminal growth rate of 3% (2024: 3%) and pre-tax discount rate of 14% (2024: 15%). There was no impairment required from the review of goodwill and the recoverable amount was approximately 16% higher than the carrying value of the CGU. Management has performed a sensitivity analysis on key assumptions used in determining the recoverable amount, it indicated that a decrease in the average EBITDA growth rate of 2% (with all other assumptions unchanged) would reduce the CGU's recoverable amount to its carrying value.

The key assumptions used for the value-in-use calculation of Mobile include average revenue growth rate of 2% (2024: 1%), average EBITDA growth rate of 2% (2024: 2%), estimated terminal growth rate of 2% (2024: 2%) and pre-tax discount rate of 11% (2024: 12%). There was no impairment required from the review of goodwill. A reasonably possible change in assumptions would not result in impairment and as such disclosure of sensitivity analysis is not considered necessary.

The key assumptions used for the value-in-use calculation of Pay-TV Business include average revenue growth rate of 1% (2024: 1%), average EBITDA growth rate of 1% (2024: 3%), estimated terminal growth rate of 1% (2024: 1%) and pre-tax discount rate of 20% (2024: 18%). There was no impairment required from the review of goodwill. A reasonably possible change in assumptions would not result in impairment and as such disclosure of sensitivity analysis is not considered necessary.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 GOODWILL (CONTINUED)

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

15 INTANGIBLE ASSETS

In HK\$ million	2024					Total
	Trademarks	Carrier licences	Software*	Capitalised programme costs	Others	
Cost						
Beginning of year	1,401	8,465	14,985	355	229	25,435
Additions	-	506	2,410	89	-	3,005
Write-off	-	(31)	(1)	(153)	(3)	(188)
Disposal	-	(1,939)	-	-	-	(1,939)
Exchange differences	1	-	-	-	-	1
End of year	1,402	7,001	17,394	291	226	26,314
Accumulated amortisation						
Beginning of year	678	3,483	3,735	272	43	8,211
Charge for the year	72	618	491	89	72	1,342
Write-off	-	(31)	-	(153)	-	(184)
Disposal	-	(1,376)	-	-	-	(1,376)
End of year	750	2,694	4,226	208	115	7,993
Net book value						
End of year	652	4,307	13,168	83	111	18,321
Beginning of year	723	4,982	11,250	83	186	17,224

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 INTANGIBLE ASSETS (CONTINUED)

In HK\$ million	Trademarks	Carrier licences	Software*	2025 Capitalised programme costs	Others	Total
Cost						
Beginning of year	1,402	7,001	17,394	291	226	26,314
Additions	-	791	3,074	77	-	3,942
Write-off	-	(589)	(77)	(68)	(129)	(863)
Exchange differences	-	-	-	-	2	2
End of year	1,402	7,203	20,391	300	99	29,395
Accumulated amortisation						
Beginning of year	750	2,694	4,226	208	115	7,993
Charge for the year	68	612	1,093	85	20	1,878
Write-off	-	(589)	(77)	(68)	(66)	(800)
End of year	818	2,717	5,242	225	69	9,071
Net book value						
End of year	584	4,486	15,149	75	30	20,324
Beginning of year	652	4,307	13,168	83	111	18,321

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

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

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

CAS HOLDING NO. 1 LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****16 INTERESTS IN ASSOCIATES**

In HK\$ million	2024	2025
Share of net assets of associates	469	523
Loan due from an associate	7	7
Provision for impairment	(64)	(93)
	412	437

During the year ended 31 December 2025, the Group made investments in associates of HK\$68 million (2024: nil), mainly in an associate engaged in business in the provision of virtual banking services.

As at 31 December 2025, loan due from an associate of HK\$7 million (2024: HK\$7 million), is secured, bears interest at 8% per annum (2024: same) and is repayable within 1 year (2024: same). The loan is considered as part of the net investment in this associate for which full provision for impairment has been made as at 31 December 2024 and 2025.

During the year ended 31 December 2024, the Group's interest in an associate engaged in business in the provision of virtual banking services decreased from 15% to approximately 13.44% as a result of the dilution impact of issuing new shares of the associate and recognised a gain on deemed disposal of interest in an associate of HK\$51 million in other gains, net in the consolidated income statement.

During the year ended 31 December 2025, the Group's interest in an associate engaged in business in the provision of virtual banking services decreased from approximately 13.44% to approximately 12.32% as a net result of the additional investment in the associate and the dilution impact of issuing new shares of the associate. Accordingly, the Group recognised a gain on deemed disposal of interest in an associate of HK\$62 million in other gains, net in the consolidated income statement.

a. As at 31 December 2024 and 2025, the Group considered that there were no principal associates.

b. Contingent liabilities in respect of associates

There were no contingent liabilities relating to the Group's interests in the associates. As at 31 December 2025, the Group's share of the contingent liabilities of an associate was HK\$2 million (2024: HK\$3 million).

c. Summarised unaudited financial information of the Group's associates

For the year ended 31 December 2025, the aggregate net amounts of the Group's share of loss after income tax, other comprehensive income and total comprehensive loss of the individually immaterial associates that are accounted for using the equity method were HK\$86 million (2024: HK\$121 million), HK\$2 million (2024: other comprehensive loss of HK\$2 million) and HK\$84 million (2024: HK\$123 million), respectively.

d. Reconciliation of summarised unaudited financial information of the Group's associates

As at 31 December 2025, the aggregate carrying amount of interests in individually immaterial associates that are accounted for using the equity method was HK\$437 million (2024: HK\$412 million).

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

CAS HOLDING NO. 1 LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****17 INTERESTS IN JOINT VENTURES**

In HK\$ million	2024	2025
Share of net assets of joint ventures	334	350
Loans due from joint ventures	476	157
	810	507

During the year ended 31 December 2025, the Group made an investment in a joint venture engaged in business in the provision of electric vehicle charging solutions of HK\$16 million (2024: HK\$26 million).

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

a. As at 31 December 2024 and 2025, the Group considered that there were no principal joint ventures.

b. Commitments and contingent liabilities in respect of joint ventures

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

In HK\$ million	2024	2025
The Group's commitments to provide funding	-	30
The Group's share of joint ventures' capital commitments authorised and contracted for acquisition of property, plant and equipment	13	34
The Group's share of joint ventures' other commitments	4	16

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

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

For the year ended 31 December 2025, the aggregate net amounts of the Group's share of loss after income tax, other comprehensive income and total comprehensive loss of the individually immaterial joint ventures that are accounted for using the equity method were HK\$3 million (2024: HK\$5 million), HK\$3 million (2024: other comprehensive loss of HK\$9 million) and nil (2024: HK\$14 million), respectively.

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

As at 31 December 2025, the aggregate carrying amount of interests in individually immaterial joint ventures that are accounted for using the equity method was HK\$507 million (2024: HK\$810 million).

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

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18 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

In HK\$ million	2024	2025
Beginning of year	130	823
Additions	280	-
Disposal	-	(51)
Changes in fair value	413	(667)
End of year	823	105
Non-current assets		
Listed securities	765	47
Unlisted securities	58	58
	823	105

As at 31 December 2025, financial assets at FVOCI comprised equity investments which are held for strategic purposes (2024: same).

19 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

In HK\$ million	2024	2025
Listed securities	25	32
Less: securities held for employee share award schemes to be vested within one year classified as current assets	(18)	(21)
Listed securities (non-current)	7	11
Unlisted securities (non-current)	10	10
Total non-current portion	17	21

Financial assets at FVPL mainly comprise:

- equity investments for which the Group has not elected to recognise fair value gains and losses through other comprehensive income; and
- PCCW Shares acquired and subscribed under the PCCW Purchase Scheme, PCCW Subscription Scheme and PCCW 2024 Share Award Scheme. Refer to note 25(c)(ii) for details of the share award schemes of PCCW.

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

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

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20 INTERESTS IN SUBSIDIARIES

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

Company name	Place of incorporation/ operations	Amount of issued capital/ registered capital	Interest held by the Company		Non-controlling interest	Principal activities
			Directly	Indirectly		
HKT Limited	Cayman Islands/ Hong Kong	HK\$3,791,199.20 ordinary shares and HK\$3,791,199.20 preference shares	52.2%	-	47.8%	Investment holding
HKT Group Holdings Limited ("HKTGH")	Cayman Islands	US\$636,000,032	-	52.2%	47.8%	Investment holding
HKT Services Limited	Hong Kong	HK\$1	-	52.2%	47.8%	Provision of management services to group companies
Hong Kong Telecommunications (HKT) Limited ("HKTL")	Hong Kong	HK\$9,945,156,001	-	52.2%	47.8%	Provision of telecommunications services
CSL Mobile Limited	Hong Kong	HK\$7,900,280,100 ordinary shares and HK\$1,254,000,000 non-voting deferred shares	-	52.2%	47.8%	Provision of mobile services to its customers and the sale of mobile handsets and accessories
Sun Mobile Limited	Hong Kong	HK\$41,600,002	-	31.3% ¹	68.7%	Provision of mobile telecommunications services to customers in Hong Kong
MD Mobile Services Limited	Hong Kong	HK\$1	-	52.2%	47.8%	Provision of mobile services
Club HKT Limited	Hong Kong	HK\$1	-	52.2%	47.8%	Operating customer loyalty programme and online merchandise sales in Hong Kong
Gateway Global Communications Limited	United Kingdom	GBP2	-	52.2%	47.8%	Provision of network-based telecommunications services to external customers and related companies
PCCW Global (UK) Limited	United Kingdom	GBP152,100	-	52.2%	47.8%	Provision of transmission and telecommunications services
PCCW Global TechCo UK Pte. Ltd.	United Kingdom	GBP1	-	52.2%	47.8%	Provision of transmission and telecommunications and related services
Console Connect TechCo SG Pte. Ltd.	Singapore	S\$1	-	52.2%	47.8%	Support service on transmission and telecommunications business

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 INTERESTS IN SUBSIDIARIES (CONTINUED)

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

Company name	Place of incorporation/ operations	Amount of issued capital/ registered capital	Interest held by the Company		Non- controlling interest	Principal activities
			Directly	Indirectly		
PCCW Global ServCo SG Pte. Ltd.	Singapore	S\$1	-	52.2%	47.8%	Telecommunications resellers/third party telecommunications providers
Console Connect (HK) Limited	Hong Kong	HK\$1	-	52.2%	47.8%	Telecommunications and technology business
HKT Global (HK) Limited	Hong Kong	HK\$1	-	52.2%	47.8%	Transmission and telecommunications business
HKT Network (HK) Limited	Hong Kong	HK\$1	-	52.2%	47.8%	Transmission and telecommunications business
PCCW Global, Inc.	Delaware, U.S.	US\$18.01	-	52.2%	47.8%	Provision of voice and network-based telecommunications services, and technical consulting and engineering services
PCCW Global Limited	Hong Kong/ Dubai Media City	HK\$240,016,690.65	-	52.2%	47.8%	Provision of network-based telecommunications services
PCCW Global (Japan) K.K.	Japan	JPY10,000,000	-	52.2%	47.8%	Provision of telecommunications services
HKT Global (Singapore) Pte. Ltd.	Singapore/ Malaysia	S\$260,960,522.64	-	52.2%	47.8%	Provision of telecommunications solutions related services
PCCW (Macau), Limitada	Macau	MOP2,000,000	-	39.2% ¹	60.8%	Selling customer premises equipment and related solutions, conducting systems integration projects and providing outsourced contact centre services
Fiber Link Global Limited	Hong Kong	HK\$3,183,805,983	-	31.3% ¹	68.7%	Provision of passive network connectivity services

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20 INTERESTS IN SUBSIDIARIES (CONTINUED)

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

Company name	Place of incorporation/ operations	Amount of issued capital/ registered capital	Interest held by the Company		Non- controlling interest	Principal activities
			Directly	Indirectly		
Now TV Limited	Hong Kong	HK\$8,041,216,269 ordinary shares, HK\$1 "A" Class share and HK\$4 "B" Class shares	-	52.2%	47.8%	Provision of pay television programme services, interactive multimedia services, the sale of advertising in various telephone directories, the publishing of those directories in Hong Kong and the sale of advertising on the Internet
PCCW Content Limited	Hong Kong	HK\$1	-	52.2%	47.8%	Distribution of media content
廣州電盈綜合客戶 服務技術發展有限公 司 ² (PCCW Customer Management Technology and Services (Guangzhou) Limited ³)	The People's Republic of China (the "PRC")	HK\$93,240,000	-	52.2%	47.8%	Customer service and consultancy
HKT Teleservices International Limited	Hong Kong	HK\$350,000,002	-	52.2%	47.8%	Provision of customer relationship management and customer contact management solutions and services
北京訊通通信服務 有限公司 (Beijing Xun Tong HKT Communications Services (China) Limited ³)	The PRC	RMB10,000,000	-	26.1% ¹	73.9%	Provision of telecommunications services, internet information services and computer system services

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

Notes:

- 1 These companies are consolidated by the Group as the Group owns more than one half of the shareholders' voting rights and/or more than one half of voting rights in the board of directors in these companies.
- 2 Represents a wholly-foreign owned enterprise.
- 3 Unofficial company name.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 INTERESTS IN SUBSIDIARIES (CONTINUED)

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

The total of non-controlling interests as at 31 December 2025 was HK\$3,369 million (2024: HK\$3,852 million), which was attributable to non-controlling interests in HKT Group. Set out below is the summarised consolidated financial information of HKT Group.

Summarised statements of financial position are as follows:

In HK\$ million	2024	2025
Non-current assets	105,928	109,033
Current assets	10,885	12,119
Total assets	116,813	121,152
Current liabilities	(25,821)	(28,454)
Non-current liabilities	(51,347)	(54,304)
Net assets	39,645	38,394
Non-controlling interests	(1,363)	(1,573)
Net assets after non-controlling interests	38,282	36,821

Summarised financial information are as follows:

In HK\$ million	2024	2025
Revenue	34,753	36,553
Profit before income tax	6,015	6,654
Income tax	(914)	(904)
Profit for the year	5,101	5,750
Other comprehensive income/(loss)	471	(754)
Total comprehensive income	5,572	4,996
Non-controlling interests	(31)	(464)
Total comprehensive income after non-controlling interests	5,541	4,532
Dividends paid to non-controlling interests	2,796	3,136

Summarised cash flows are as follows:

In HK\$ million	2024	2025
Cash flows from operating activities		
Cash generated from operations	12,120	11,821
Interest received	48	37
Income tax paid, net of tax refund	(257)	(230)
Net cash generated from operating activities	11,911	11,628
Net cash used in investing activities	(5,794)	(5,814)
Net cash used in financing activities	(5,890)	(5,707)
Net increase in cash and cash equivalents	227	107
Exchange differences	(7)	-
Cash and cash equivalents as at 1 January	1,630	1,850
Cash and cash equivalents as at 31 December	1,850	1,957

The information above represents amounts before inter-company eliminations and group consolidation adjustments.

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21 OTHER NON-CURRENT ASSETS

In HK\$ million	2024	2025
Prepayments	849	745
Deposits	82	98
	931	843

22 CURRENT ASSETS AND LIABILITIES

a. Inventories

In HK\$ million	2024	2025
Purchased parts and materials	1,062	1,048
Finished goods	394	478
Consumable inventories	47	20
	1,503	1,546

b. Prepayments, deposits and other current assets

In HK\$ million	2024	2025
Prepayments	1,032	952
Deposits	393	382
Other current assets	2,301	2,685
	3,726	4,019

c. Trade receivables, net

In HK\$ million	2024	2025
Trade receivables (<i>note i</i>)	2,847	2,670
Less: loss allowance (<i>note ii</i>)	(137)	(121)
Trade receivables, net	2,710	2,549

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

As at 31 December 2025, included in trade receivables, net were amounts due from related parties of HK\$129 million (2024: HK\$152 million).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22 CURRENT ASSETS AND LIABILITIES (CONTINUED)

c. Trade receivables, net (continued)

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

In HK\$ million	2024	2025
1 - 30 days	1,580	1,448
31 - 60 days	389	438
61 - 90 days	177	197
91 - 120 days	170	129
Over 120 days	531	458
	2,847	2,670

ii. Impairment for trade receivables

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

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

Expected credit loss rate	2024	2025
Current	2%	2%
1 - 120 days past due	4%	4%
Over 120 days past due	20%	18%

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

In HK\$ million	2024	2025
Beginning of year	139	137
Net impairment loss recognised	232	219
Uncollectible amounts written off	(234)	(235)
End of year	137	121

d. Restricted cash

As at 31 December 2025, restricted cash included a cash balance of HK\$187 million (2024: HK\$179 million) which has been mainly received from and restricted for the use of certain customers.

CAS HOLDING NO. 1 LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****22 CURRENT ASSETS AND LIABILITIES (CONTINUED)****e. Short-term borrowings**

In HK\$ million	2024	2025
US\$500 million 3.625% guaranteed notes due 2025 (<i>note i</i>)	3,881	-
US\$750 million 3.00% guaranteed notes due 2026 (<i>note ii</i>)	-	5,829
Bank borrowings (<i>note iii</i>)	53	55
	3,934	5,884
Secured	-	-
Unsecured	3,934	5,884

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

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

ii. US\$750 million 3.00% guaranteed notes due 2026

On 14 July 2016, HKT Capital No. 4 Limited, an indirect non-wholly owned subsidiary of the Company, issued US\$750 million 3.00% guaranteed notes due 2026, which are listed on the Singapore Exchange Securities Trading Limited. The notes are irrevocably and unconditionally guaranteed by HKTGH and HKTL and rank pari passu with all other outstanding unsecured and unsubordinated obligations of HKTGH and HKTL.

iii. Refer to note 36 for details of the Group's banking facilities.

f. Trade payables

As at 31 December 2025, included in trade payables were amounts due to related parties of HK\$186 million (2024: HK\$155 million).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23 LONG-TERM BORROWINGS

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23 LONG-TERM BORROWINGS (CONTINUED)

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

On 15 January 2015, HKT Capital No. 1 Limited, an indirect non-wholly owned subsidiary of the Company, issued US\$300 million zero coupon guaranteed notes due 2030, which are listed on the Taipei Exchange. The notes are irrevocably and unconditionally guaranteed by HKTGH and HKTL and rank pari passu with all other outstanding unsecured and unsubordinated obligations of HKTGH and HKTL.

b. EUR200 million 1.65% guaranteed notes due 2027

On 10 April 2015, HKT Capital No. 3 Limited, an indirect non-wholly owned subsidiary of the Company, issued EUR200 million 1.65% guaranteed notes due 2027, which are listed on the Singapore Exchange Securities Trading Limited. The notes are irrevocably and unconditionally guaranteed by HKTGH and HKTL and rank pari passu with all other outstanding unsecured and unsubordinated obligations of HKTGH and HKTL.

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

The notes were classified as short-term borrowings during the year ended 31 December 2025. Please refer to note 22(e)(ii) for more details.

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

On 30 September 2019, HKT Capital No. 5 Limited, an indirect non-wholly owned subsidiary of the Company, issued US\$500 million 3.25% guaranteed notes due 2029, which are listed on the Singapore Exchange Securities Trading Limited. The notes are irrevocably and unconditionally guaranteed by HKTGH and HKTL and rank pari passu with all other outstanding unsecured and unsubordinated obligations of HKTGH and HKTL.

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

On 18 January 2022, HKT Capital No. 6 Limited, an indirect non-wholly owned subsidiary of the Company, issued US\$650 million 3.00% guaranteed notes due 2032, which are listed on the Singapore Exchange Securities Trading Limited. The notes are irrevocably and unconditionally guaranteed by HKTGH and HKTL and rank pari passu with all other outstanding unsecured and unsubordinated obligations of HKTGH and HKTL.

f. Refer to note 36 for details of the Group's banking facilities.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24 DERIVATIVE FINANCIAL INSTRUMENTS

In HK\$ million	2024	2025
Non-current assets		
Cross currency swap contracts – cash flow hedges for foreign currency risk (<i>note a</i>)	11	121
Interest rate swap contracts – cash flow hedges for interest rate risk (<i>note b</i>)	47	-
	58	121
Current assets		
Cross currency swap contracts and foreign exchange forward contracts – cash flow hedges for foreign currency risk (<i>note a</i>)	-	40
Foreign exchange forward contracts	-	4
	-	44
Current liabilities		
Cross currency swap contracts and foreign exchange forward contracts – cash flow hedges for foreign currency risk (<i>note a</i>)	(41)	-
Interest rate swap contracts – cash flow hedges for interest rate risk (<i>note b</i>)	-	(17)
Foreign exchange forward contracts	-	(16)
	(41)	(33)
Non-current liabilities		
Cross currency swap contracts and foreign exchange forward contracts – cash flow hedges for foreign currency risk (<i>note a</i>)	(720)	(753)
Interest rate swap contracts – cash flow hedges for interest rate risk (<i>note b</i>)	(49)	(61)
Foreign exchange forward contracts	(29)	-
	(798)	(814)

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

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

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

- differences in critical terms between the hedged item and the hedging instrument; and
- changes in credit risk of the derivative counterparty.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)**a. Cash flow hedges for foreign currency risk**

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

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

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

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

b. Cash flow hedges for interest rate risk

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

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

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

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

c. Hedging reserve and costs of hedging reserve

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

In HK\$ million	Cash flow hedges for foreign currency risk	Cash flow hedges for interest rate risk	Total
Hedging reserve			
As at 1 January 2024	(43)	21	(22)
Cash flow hedges:			
- effective portion of changes in fair value	(72)	(23)	(95)
- transfer from equity to consolidated income statement	102	-	102
As at 31 December 2024 and 1 January 2025	(13)	(2)	(15)
Cash flow hedges:			
- effective portion of changes in fair value	48	(26)	22
- transfer from equity to consolidated income statement	(123)	-	(123)
As at 31 December 2025	(88)	(28)	(116)
In HK\$ million		Cash flow hedges for foreign currency risk	
Costs of hedging reserve			
As at 1 January 2024			(75)
Cash flow hedges:			
- transfer from equity to consolidated income statement			7
Costs of hedging			62
As at 31 December 2024 and 1 January 2025			(6)
Costs of hedging			3
As at 31 December 2025			(3)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25 EMPLOYEE BENEFITS

a. Employee retirement benefits – Defined contribution retirement schemes

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

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

Under the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees’ relevant income, subject to a current cap of monthly relevant income of HK\$30,000. Contributions to the scheme vest immediately upon the completion of the services in the relevant service period.

Forfeited contributions totalling HK\$9 million (2024: HK\$10 million) were utilised during the year ended 31 December 2025 to reduce contributions and no forfeited contribution (2024: nil) was available as at 31 December 2025.

b. Other post-employment benefits

In July 2023, the HKICPA published “Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong” that provides accounting guidance relating to the offsetting mechanism and the abolition of the mechanism. As at 31 December 2025, included in other payables were LSP obligations of HK\$31 million (2024: HK\$25 million).

c. Equity compensation benefits

PCCW and HKT Group have the following share option schemes and share award schemes:

Share option schemes

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

Share award schemes

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25 EMPLOYEE BENEFITS (CONTINUED)

c. Equity compensation benefits (continued)

i. Share option schemes

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

ii. Share award schemes

Subject to the relevant scheme rules of the PCCW 2012 Share Award Schemes and the 2011 Share Stapled Unit Award Schemes, each scheme provides that prior to the vesting of the awards under the relevant scheme to selected participants (including any director or employee of PCCW and its participating companies for the PCCW 2012 Share Award Schemes; and any director or employee of HKT or any of its subsidiaries for the 2011 Share Stapled Unit Award Schemes), the relevant PCCW Shares/Share Stapled Units will be held in trust by the trustee for such selected participants, and will be vested over a period of time determined by the respective approving body, provided that each selected participant shall remain at all times up to and including the relevant vesting date (or, as the case may be, each relevant vesting date) an employee or a director of PCCW, HKT, the relevant participating company or subsidiary, and satisfies any other conditions specified at the time the award is made, notwithstanding that the respective approving body shall be at liberty to waive such conditions. Other than satisfying the vesting conditions, selected participants are not required to provide any consideration in order to acquire the PCCW Shares/Share Stapled Units awarded to him/her under the relevant scheme.

Subject to the relevant scheme rules of the PCCW 2024 Share Award Scheme and the 2024 Share Stapled Unit Award Scheme, each scheme provides that prior to the vesting of the awards under the relevant scheme to eligible participants (including PCCW Employee Participants[#], directors and employees of any holding companies, fellow subsidiaries or associated companies of PCCW, and PCCW Service Providers[#] for the PCCW 2024 Share Award Scheme; and Employee Participants^{*}, directors and employees of any holding companies, fellow subsidiaries or associated companies of HKT Trust and HKT, and Service Providers^{*} for the 2024 Share Stapled Unit Award Scheme), the relevant PCCW Shares/Share Stapled Units will be held in trust by the trustee for such eligible participants selected by the respective approving body ("selected participant(s)"), and will be vested over a period of time determined by the respective approving body, provided that each selected participant shall remain at all times up to and including the relevant vesting date (or, as the case may be, each relevant vesting date) an eligible participant, and satisfies any other conditions specified at the time the award is made, notwithstanding that the respective approving body shall be at liberty to waive such conditions. Other than satisfying the vesting conditions, selected participants are not required to provide any consideration in order to acquire the PCCW Shares/Share Stapled Units awarded to him/her under the relevant scheme.

During the year ended 31 December 2025, share-based compensation expenses in respect of the PCCW Share Award Schemes of HK\$26 million (2024: HK\$19 million) were recognised in the consolidated income statement and as an obligation in liabilities in the consolidated statement of financial position, respectively.

During the year ended 31 December 2025, share-based compensation expenses in respect of the Share Stapled Unit Award Schemes of HK\$16 million (2024: HK\$15 million) were recognised in the consolidated income statement, HK\$8 million (2024: HK\$8 million) were recognised in the employee share-based compensation reserve and HK\$8 million (2024: HK\$7 million) were recognised in non-controlling interests.

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

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

CAS HOLDING NO. 1 LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25 EMPLOYEE BENEFITS (CONTINUED)

c. Equity compensation benefits (continued)

ii. Share award schemes (continued)

(1) Movements in the number of PCCW Shares held under the PCCW Share Award Schemes and the Share Stapled Units held under the Share Stapled Unit Award Schemes

(a) PCCW 2012 Share Award Schemes

	Number of PCCW Shares	
	2024	2025
PCCW Purchase Scheme:		
Beginning of year	1,101,442	683,692
Purchase from the market by the trustee at weighted average market price of HK\$5.39 (2024: HK\$4.06) per PCCW Share	659,000	95,000
PCCW Shares vested	(1,076,750)	(678,860)
End of year	683,692	99,832
PCCW Subscription Scheme:		
Beginning of year	6,814,708	4,411,296
PCCW Shares vested	(2,403,412)	(2,716,327)
End of year	4,411,296	1,694,969

(b) PCCW 2024 Share Award Scheme

	Number of PCCW Shares	
	2024	2025
Grants Funded by Existing PCCW Shares:		
Beginning of year	-	544,000
Purchase from the market by the trustee at weighted average market price of HK\$5.39 (2024: HK\$4.20) per PCCW Share	544,000	543,598
PCCW Shares vested	-	(543,799)
End of year	544,000	543,799
Grants Funded by New PCCW Shares:		
Beginning of year	-	-
New PCCW Shares issued by PCCW at issue price of HK\$0.01 per PCCW Share	-	3,698,315
End of year	-	3,698,315

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25 EMPLOYEE BENEFITS (CONTINUED)

c. Equity compensation benefits (continued)

ii. Share award schemes (continued)

(1) Movements in the number of PCCW Shares held under the PCCW Share Award Schemes and the Share Stapled Units held under the Share Stapled Unit Award Schemes (continued)

(c) 2011 Share Stapled Unit Award Schemes

	Number of Share Stapled Units	
	2024	2025
HKT Share Stapled Units Purchase Scheme:		
Beginning of year	436,552	266,709
Purchase from the market by the trustee at weighted average market price of HK\$12.87 (2024: HK\$9.81) per Share Stapled Unit	256,000	42,000
Share Stapled Units vested	(425,843)	(265,073)
End of year	266,709	43,636
HKT Share Stapled Units Subscription Scheme:		
Beginning of year	4,337,670	3,352,065
Share Stapled Units vested	(985,605)	(1,099,449)
End of year	3,352,065	2,252,616

(d) 2024 Share Stapled Unit Award Scheme

	Number of Share Stapled Units	
	2024	2025
Grants Funded by Existing Share Stapled Units:		
Beginning of year	-	238,000
Purchase from the market by the trustee at weighted average market price of HK\$12.87 (2024: HK\$9.96) per Share Stapled Unit	238,000	237,520
Share Stapled Units vested	-	(237,760)
End of year	238,000	237,760
Grants Funded by New Share Stapled Units:		
Beginning of year	-	-
New Share Stapled Units jointly issued by HKT Trust and HKT at issue price of approximately HK\$11.62 per Share Stapled Unit	-	1,688,770
End of year	-	1,688,770

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25 EMPLOYEE BENEFITS (CONTINUED)

c. Equity compensation benefits (continued)

ii. Share award schemes (continued)

(2) Movements in the number of unvested PCCW Shares and Share Stapled Units and their related weighted average fair value on the date of award

(a) PCCW 2012 Share Award Schemes

Date of award	Vesting period	Fair value on the date of award HK\$	As at 1 January 2024	2024 Number of PCCW Shares			As at 31 December 2024
				Awarded	Forfeited	Vested	
PCCW Purchase Scheme (PCCW Shares)							
19 April 2022	19 April 2022 to 19 April 2024	4.52	492,525	-	-	(492,525)	-
19 April 2023	19 April 2023 to 19 April 2024	4.01	13,422	-	-	(13,422)	-
19 April 2023	19 April 2023 to 19 April 2025	4.01	13,417	-	-	-	13,417
30 May 2023	30 May 2023 to 30 May 2024	4.02	129,129	-	-	(129,129)	-
30 May 2023	30 May 2023 to 30 May 2025	4.02	129,127	-	-	-	129,127
1 June 2023	1 June 2023 to 1 June 2024	3.97	4,301	-	-	(4,301)	-
1 June 2023	1 June 2023 to 1 June 2025	3.97	4,298	-	-	-	4,298
4 August 2023	4 August 2023 to 4 August 2024	3.92	437,373	-	-	(437,373)	-
4 August 2023	4 August 2023 to 4 August 2025	3.92	437,372	-	-	-	437,372
19 April 2024	19 April 2024 to 19 April 2025	3.85	-	13,144	-	-	13,144
19 April 2024	19 April 2024 to 19 April 2026	3.85	-	13,143	-	-	13,143
30 May 2024	30 May 2024 to 30 May 2025	4.19	-	85,700	-	-	85,700
30 May 2024	30 May 2024 to 30 May 2026	4.19	-	85,699	-	-	85,699
Total			1,660,964	197,686	-	(1,076,750)	781,900
Weighted average fair value on the date of award (HK\$)			4.12	4.14	-	4.21	4.00
PCCW Subscription Scheme (PCCW Shares)							
19 April 2022	19 April 2022 to 19 April 2024	4.52	1,102,526	-	(19,604)	(1,082,922)	-
15 August 2022	15 August 2022 to 19 April 2024	4.15	5,710	-	-	(5,710)	-
19 April 2023	19 April 2023 to 19 April 2024	4.01	1,078,144	-	(27,306)	(1,050,838)	-
19 April 2023	19 April 2023 to 19 April 2025	4.01	1,077,443	-	(89,846)	-	987,597
30 May 2023	30 May 2023 to 30 May 2024	4.02	202,100	-	-	(202,100)	-
30 May 2023	30 May 2023 to 30 May 2025	4.02	202,093	-	-	-	202,093
23 June 2023	23 June 2023 to 23 June 2024	3.85	65,685	-	(3,843)	(61,842)	-
23 June 2023	23 June 2023 to 23 June 2025	3.85	65,634	-	(4,707)	-	60,927
19 April 2024	19 April 2024 to 19 April 2025	3.85	-	1,407,149	(68,983)	-	1,338,166
19 April 2024	19 April 2024 to 19 April 2026	3.85	-	1,353,622	(68,929)	-	1,284,693
30 May 2024	30 May 2024 to 30 May 2025	4.19	-	240,294	-	-	240,294
30 May 2024	30 May 2024 to 30 May 2026	4.19	-	240,280	-	-	240,280
Total			3,799,335	3,241,345	(283,218)	(2,403,412)	4,354,050
Weighted average fair value on the date of award (HK\$)			4.15	3.90	3.96	4.24	3.93

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25 EMPLOYEE BENEFITS (CONTINUED)

c. Equity compensation benefits (continued)

ii. Share award schemes (continued)

(2) Movements in the number of unvested PCCW Shares and Share Stapled Units and their related weighted average fair value on the date of award (continued)

(a) PCCW 2012 Share Award Schemes (continued)

Date of award	Vesting period	Fair value on the date of award HK\$	2025 Number of PCCW Shares				As at 31 December 2025
			As at 1 January 2025	Awarded	Forfeited	Vested	
PCCW Purchase Scheme (PCCW Shares)							
19 April 2023	19 April 2023 to 19 April 2025	4.01	13,417	-	-	(13,417)	-
30 May 2023	30 May 2023 to 30 May 2025	4.02	129,127	-	(4,198)	(124,929)	-
1 June 2023	1 June 2023 to 1 June 2025	3.97	4,298	-	-	(4,298)	-
4 August 2023	4 August 2023 to 4 August 2025	3.92	437,372	-	-	(437,372)	-
19 April 2024	19 April 2024 to 19 April 2025	3.85	13,144	-	-	(13,144)	-
19 April 2024	19 April 2024 to 19 April 2026	3.85	13,143	-	-	-	13,143
30 May 2024	30 May 2024 to 30 May 2025	4.19	85,700	-	-	(85,700)	-
30 May 2024	30 May 2024 to 30 May 2026	4.19	85,699	-	-	-	85,699
Total			781,900	-	(4,198)	(678,860)	98,842
Weighted average fair value on the date of award (HK\$)			4.00	-	4.02	3.97	4.14
PCCW Subscription Scheme (PCCW Shares)							
19 April 2023	19 April 2023 to 19 April 2025	4.01	987,597	-	(13,388)	(974,209)	-
30 May 2023	30 May 2023 to 30 May 2025	4.02	202,093	-	(35,595)	(166,498)	-
23 June 2023	23 June 2023 to 23 June 2025	3.85	60,927	-	(2,550)	(58,377)	-
19 April 2024	19 April 2024 to 19 April 2025	3.85	1,338,166	-	(25,800)	(1,312,366)	-
19 April 2024	19 April 2024 to 19 April 2026	3.85	1,284,693	-	(65,285)	-	1,219,408
30 May 2024	30 May 2024 to 30 May 2025	4.19	240,294	-	(35,417)	(204,877)	-
30 May 2024	30 May 2024 to 30 May 2026	4.19	240,280	-	(35,417)	-	204,863
Total			4,354,050	-	(213,452)	(2,716,327)	1,424,271
Weighted average fair value on the date of award (HK\$)			3.93	-	4.00	3.94	3.90

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25 EMPLOYEE BENEFITS (CONTINUED)

c. Equity compensation benefits (continued)

ii. Share award schemes (continued)

(2) Movements in the number of unvested PCCW Shares and Share Stapled Units and their related weighted average fair value on the date of award (continued)

(b) PCCW 2024 Share Award Scheme

		2024 Number of PCCW Shares					
Date of award	Vesting period	Fair value on the date of award HK\$	As at 1 January 2024	Awarded	Forfeited	Vested	As at 31 December 2024
Grants Funded by Existing PCCW Shares							
26 June 2024	26 June 2024 to 26 June 2025	3.88	-	543,799	-	-	543,799
26 June 2024	26 June 2024 to 26 June 2026	3.88	-	543,799	-	-	543,799
Total			-	1,087,598	-	-	1,087,598
Weighted average fair value on the date of award (HK\$)			-	3.88	-	-	3.88

		2025 Number of PCCW Shares					
Date of award	Vesting period	Fair value on the date of award HK\$	As at 1 January 2025	Awarded	Forfeited	Vested	As at 31 December 2025
Grants Funded by Existing PCCW Shares							
26 June 2024	26 June 2024 to 26 June 2025	3.88	543,799	-	-	(543,799)	-
26 June 2024	26 June 2024 to 26 June 2026	3.88	543,799	-	-	-	543,799
Total			1,087,598	-	-	(543,799)	543,799
Weighted average fair value on the date of award (HK\$)			3.88	-	-	3.88	3.88

Grants Funded by New PCCW Shares							
25 April 2025	25 April 2025 to 25 April 2026	5.02	-	1,512,736	(38,283)	-	1,474,453
25 April 2025	25 April 2025 to 25 April 2027	5.02	-	1,512,015	(38,244)	-	1,473,771
28 May 2025	28 May 2025 to 28 May 2026	5.14	-	280,745	-	-	280,745
28 May 2025	28 May 2025 to 28 May 2027	5.14	-	280,735	-	-	280,735
13 June 2025	13 June 2025 to 13 June 2026	5.18	-	64,893	-	-	64,893
13 June 2025	13 June 2025 to 13 June 2027	5.18	-	64,892	-	-	64,892
Total			-	3,716,016	(76,527)	-	3,639,489
Weighted average fair value on the date of award (HK\$)			-	5.04	5.02	-	5.04

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25 EMPLOYEE BENEFITS (CONTINUED)

c. Equity compensation benefits (continued)

ii. Share award schemes (continued)

(2) Movements in the number of unvested PCCW Shares and Share Stapled Units and their related weighted average fair value on the date of award (continued)

(c) 2011 Share Stapled Unit Award Schemes

Date of award	Vesting period	Fair value on the date of award HK\$	2024				As at 31 December 2024
			As at 1 January 2024	Number of Share Stapled Units			
				Awarded	Forfeited	Vested	
HKT Share Stapled Units Purchase Scheme (Share Stapled Units)							
19 April 2022	19 April 2022 to 19 April 2024	10.86	202,377	-	-	(202,377)	-
19 April 2023	19 April 2023 to 19 April 2024	10.18	5,135	-	-	(5,135)	-
19 April 2023	19 April 2023 to 19 April 2025	10.18	5,132	-	-	-	5,132
30 May 2023	30 May 2023 to 30 May 2024	9.98	49,393	-	-	(49,393)	-
30 May 2023	30 May 2023 to 30 May 2025	9.98	49,390	-	-	-	49,390
1 June 2023	1 June 2023 to 1 June 2024	9.96	1,646	-	-	(1,646)	-
1 June 2023	1 June 2023 to 1 June 2025	9.96	1,645	-	-	-	1,645
4 August 2023	4 August 2023 to 4 August 2024	9.10	167,292	-	-	(167,292)	-
4 August 2023	4 August 2023 to 4 August 2025	9.10	167,292	-	-	-	167,292
19 April 2024	19 April 2024 to 19 April 2025	8.68	-	5,749	-	-	5,749
19 April 2024	19 April 2024 to 19 April 2026	8.68	-	5,746	-	-	5,746
30 May 2024	30 May 2024 to 30 May 2025	9.20	-	37,471	-	-	37,471
30 May 2024	30 May 2024 to 30 May 2026	9.20	-	37,469	-	-	37,469
Total			649,302	86,435	-	(425,843)	309,894
Weighted average fair value on the date of award (HK\$)			9.80	9.13	-	10.05	9.27
HKT Share Stapled Units Subscription Scheme (Share Stapled Units)							
19 April 2022	19 April 2022 to 19 April 2024	10.86	487,970	-	(8,053)	(479,917)	-
15 August 2022	15 August 2022 to 19 April 2024	11.00	2,346	-	-	(2,346)	-
19 April 2023	19 April 2023 to 19 April 2024	10.18	412,806	-	(10,457)	(402,349)	-
19 April 2023	19 April 2023 to 19 April 2025	10.18	412,100	-	(34,361)	-	377,739
30 May 2023	30 May 2023 to 30 May 2024	9.98	77,310	-	-	(77,310)	-
30 May 2023	30 May 2023 to 30 May 2025	9.98	77,298	-	-	-	77,298
23 June 2023	23 June 2023 to 23 June 2024	9.05	25,156	-	(1,473)	(23,683)	-
23 June 2023	23 June 2023 to 23 June 2025	9.05	25,105	-	(1,800)	-	23,305
19 April 2024	19 April 2024 to 19 April 2025	8.68	-	592,718	(30,194)	-	562,524
19 April 2024	19 April 2024 to 19 April 2026	8.68	-	591,812	(30,130)	-	561,682
30 May 2024	30 May 2024 to 30 May 2025	9.20	-	105,069	-	-	105,069
30 May 2024	30 May 2024 to 30 May 2026	9.20	-	105,054	-	-	105,054
Total			1,520,091	1,394,653	(116,468)	(985,605)	1,812,671
Weighted average fair value on the date of award (HK\$)			10.34	8.76	9.42	10.47	9.11

CAS HOLDING NO. 1 LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25 EMPLOYEE BENEFITS (CONTINUED)

c. Equity compensation benefits (continued)

ii. Share award schemes (continued)

(2) Movements in the number of unvested PCCW Shares and Share Stapled Units and their related weighted average fair value on the date of award (continued)

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

Date of award	Vesting period	Fair value on the date of award HK\$	2025				As at 31 December 2025
			Number of Share Stapled Units				
			As at 1 January 2025	Awarded	Forfeited	Vested	
HKT Share Stapled Units Purchase Scheme (Share Stapled Units)							
19 April 2023	19 April 2023 to 19 April 2025	10.18	5,132	-	-	(5,132)	-
30 May 2023	30 May 2023 to 30 May 2025	9.98	49,390	-	(1,606)	(47,784)	-
1 June 2023	1 June 2023 to 1 June 2025	9.96	1,645	-	-	(1,645)	-
4 August 2023	4 August 2023 to 4 August 2025	9.10	167,292	-	-	(167,292)	-
19 April 2024	19 April 2024 to 19 April 2025	8.68	5,749	-	-	(5,749)	-
19 April 2024	19 April 2024 to 19 April 2026	8.68	5,746	-	-	-	5,746
30 May 2024	30 May 2024 to 30 May 2025	9.20	37,471	-	-	(37,471)	-
30 May 2024	30 May 2024 to 30 May 2026	9.20	37,469	-	-	-	37,469
Total			309,894	-	(1,606)	(265,073)	43,215
Weighted average fair value on the date of award (HK\$)			9.27	-	9.98	9.29	9.13
HKT Share Stapled Units Subscription Scheme (Share Stapled Units)							
19 April 2023	19 April 2023 to 19 April 2025	10.18	377,739	-	(5,119)	(372,620)	-
30 May 2023	30 May 2023 to 30 May 2025	9.98	77,298	-	(13,614)	(63,684)	-
23 June 2023	23 June 2023 to 23 June 2025	9.05	23,305	-	(975)	(22,330)	-
19 April 2024	19 April 2024 to 19 April 2025	8.68	562,524	-	(11,292)	(551,232)	-
19 April 2024	19 April 2024 to 19 April 2026	8.68	561,682	-	(28,541)	-	533,141
30 May 2024	30 May 2024 to 30 May 2025	9.20	105,069	-	(15,486)	(89,583)	-
30 May 2024	30 May 2024 to 30 May 2026	9.20	105,054	-	(15,485)	-	89,569
Total			1,812,671	-	(90,512)	(1,099,449)	622,710
Weighted average fair value on the date of award (HK\$)			9.11	-	9.14	9.31	8.75

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25 EMPLOYEE BENEFITS (CONTINUED)

c. Equity compensation benefits (continued)

ii. Share award schemes (continued)

(2) Movements in the number of unvested PCCW Shares and Share Stapled Units and their related weighted average fair value on the date of award (continued)

(d) 2024 Share Stapled Unit Award Scheme

Date of award	Vesting period	Fair value on the date of award HK\$	As at 1 January 2024	2024 Number of Share Stapled Units			As at 31 December 2024
				Awarded	Forfeited	Vested	
Grants Funded by Existing Share Stapled Units							
26 June 2024	26 June 2024 to 26 June 2025	8.72	-	237,760	-	-	237,760
26 June 2024	26 June 2024 to 26 June 2026	8.72	-	237,760	-	-	237,760
Total			-	475,520	-	-	475,520
Weighted average fair value on the date of award (HK\$)			-	8.72	-	-	8.72

Date of award	Vesting period	Fair value on the date of award HK\$	2025 Number of Share Stapled Units				As at 31 December 2025
			As at 1 January 2025	Awarded	Forfeited	Vested	
Grants Funded by Existing Share Stapled Units							
26 June 2024	26 June 2024 to 26 June 2025	8.72	237,760	-	-	(237,760)	-
26 June 2024	26 June 2024 to 26 June 2026	8.72	237,760	-	-	-	237,760
Total			475,520	-	-	(237,760)	237,760
Weighted average fair value on the date of award (HK\$)			8.72	-	-	8.72	8.72

Grants Funded by New Share Stapled Units							
25 April 2025	25 April 2025 to 25 April 2026	10.94	-	697,115	(17,646)	-	679,469
25 April 2025	25 April 2025 to 25 April 2027	10.94	-	696,430	(17,615)	-	678,815
28 May 2025	28 May 2025 to 28 May 2026	11.36	-	121,807	-	-	121,807
28 May 2025	28 May 2025 to 28 May 2027	11.36	-	121,796	-	-	121,796
13 June 2025	13 June 2025 to 13 June 2026	11.38	-	29,890	-	-	29,890
13 June 2025	13 June 2025 to 13 June 2027	11.38	-	29,888	-	-	29,888
Total			-	1,696,926	(35,261)	-	1,661,665
Weighted average fair value on the date of award (HK\$)			-	11.02	10.94	-	11.02

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25 EMPLOYEE BENEFITS (CONTINUED)

c. Equity compensation benefits (continued)

ii. Share award schemes (continued)

(2) Movements in the number of unvested PCCW Shares and Share Stapled Units and their related weighted average fair value on the date of award (continued)

The fair values of the PCCW Shares and the Share Stapled Units awarded during the year on the dates of award are measured by the respective quoted market prices of the PCCW Shares and the Share Stapled Units at the respective award dates.

The PCCW Shares and the Share Stapled Units unvested had a weighted average remaining vesting period at the end of the reporting period as follows:

	2024	2025
PCCW Purchase Scheme (PCCW Shares)	0.63 year	0.40 year
PCCW Subscription Scheme (PCCW Shares)	0.67 year	0.31 year
HKT Share Stapled Units Purchase Scheme (Share Stapled Units)	0.64 year	0.40 year
HKT Share Stapled Units Subscription Scheme (Share Stapled Units)	0.69 year	0.31 year
PCCW 2024 Share Award Scheme (Grants Funded by Existing PCCW Shares)	0.98 year	0.48 year
PCCW 2024 Share Award Scheme (Grants Funded by New PCCW Shares)	-	0.83 year
2024 Share Stapled Unit Award Scheme (Grants Funded by Existing Share Stapled Units)	0.98 year	0.48 year
2024 Share Stapled Unit Award Scheme (Grants Funded by New Share Stapled Units)	-	0.83 year

26 SHARE CAPITAL

	2024 Number of shares	Nominal value HK\$	2025 Number of shares	Nominal value HK\$
Authorised:				
Ordinary shares of US\$1 each				
Beginning and end of year	50,000	390,000	50,000	390,000
Issued and fully paid:				
Ordinary shares of US\$1 each				
Beginning and end of year	9	70	9	70

CAS HOLDING NO. 1 LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 RESERVES

In HK\$ million	2024								Total
	Share Premium	Capital contribution reserve	Employee share-based compensation reserve	Currency translation reserve	Hedging reserve	Costs of hedging reserve	Other reserves	Accumulated losses	
As at 1 January 2024	22,066	15	6	46	(22)	(75)	55	(20,390)	1,701
Total comprehensive income/(loss) for the year									
Profit for the year	-	-	-	-	-	-	-	2,645	2,645
Other comprehensive income/(loss)									
Item that will not be reclassified subsequently to consolidated income statement:									
Changes in fair value of financial assets at fair value through other comprehensive income	-	-	-	-	-	-	216	-	216
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	-	-	-	(38)	-	-	-	-	(38)
- exchange differences on translating foreign operations of joint ventures	-	-	-	(5)	-	-	-	-	(5)
Cash flow hedges:									
- effective portion of changes in fair value	-	-	-	-	(95)	-	-	-	(95)
- transfer from equity to consolidated income statement	-	-	-	-	102	7	-	-	109
Costs of hedging	-	-	-	-	-	62	-	-	62
Share of other comprehensive loss of an associate	-	-	-	-	-	-	(1)	-	(1)
Total comprehensive income/(loss) for the year	-	-	-	(43)	7	69	215	2,645	2,893
Transactions with equity holders									
Purchases of Share Stapled Units under the Share Stapled Unit Award Schemes	-	-	-	-	-	-	-	(3)	(3)
Employee share-based compensation	-	-	8	-	-	-	-	-	8
Vesting of Share Stapled Units under the Share Stapled Unit Award Schemes	-	-	(6)	-	-	-	-	6	-
Distribution for Share Stapled Units granted under the Share Stapled Unit Award Schemes	-	-	(1)	-	-	-	-	-	(1)
Dividend paid in respect of the previous year	-	-	-	-	-	-	-	(1,769)	(1,769)
Interim dividend declared and paid in respect of the current year	-	-	-	-	-	-	-	(1,310)	(1,310)
Disposals of Share Stapled Units	-	-	-	-	-	-	-	182	182
Total contributions by and distributions to equity holders	-	-	1	-	-	-	-	(2,894)	(2,893)
Change in interests in subsidiaries that does not result in a loss of control (note 37)	-	-	-	-	-	-	-	1,726	1,726
Total transactions with equity holders	-	-	1	-	-	-	-	(1,168)	(1,167)
As at 31 December 2024	22,066	15	7	3	(15)	(6)	270	(18,913)	3,427

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 RESERVES (CONTINUED)

In HK\$ million	2025								Total
	Share Premium	Capital contribution reserve	Employee share-based compensation reserve	Currency translation reserve	Hedging reserve	Costs of hedging reserve	Other reserves	Accumulated losses	
As at 1 January 2025	22,066	15	7	3	(15)	(6)	270	(18,913)	3,427
Total comprehensive income/(loss) for the year									
Profit for the year	-	-	-	-	-	-	-	2,796	2,796
Other comprehensive income/(loss)									
Item that will not be reclassified subsequently to consolidated income statement:									
Changes in fair value of a financial asset at fair value through other comprehensive income	-	-	-	-	-	-	(348)	-	(348)
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	-	-	-	50	-	-	-	-	50
- exchange differences on translating foreign operations of joint ventures	-	-	-	2	-	-	-	-	2
Cash flow hedges:									
- effective portion of changes in fair value	-	-	-	-	22	-	-	-	22
- transfer from equity to consolidated income statement	-	-	-	-	(123)	-	-	-	(123)
Costs of hedging	-	-	-	-	-	3	-	-	3
Share of other comprehensive income of an associate	-	-	-	-	-	-	1	-	1
Total comprehensive income/(loss) for the year	-	-	-	52	(101)	3	(347)	2,796	2,403
Transactions with equity holders									
Issue of Share Stapled Units under the Share Stapled Unit Award Schemes	-	-	-	-	-	-	-	16	16
Purchases/Subscription of Share Stapled Units under the Share Stapled Unit Award Schemes	-	-	-	-	-	-	-	(12)	(12)
Receipt of PCCW Shares under the PCCW Share Award Schemes	-	-	-	-	-	-	11	-	11
Employee share-based compensation	-	-	8	-	-	-	-	-	8
Vesting of Share Stapled Units under the Share Stapled Unit Award Schemes	-	-	(7)	-	-	-	-	7	-
Distribution for Share Stapled Units granted under the Share Stapled Unit Award Schemes	-	-	(1)	-	-	-	-	-	(1)
Dividend paid in respect of the previous year	-	-	-	-	-	-	-	(1,817)	(1,817)
Interim dividend declared and paid in respect of the current year	-	-	-	-	-	-	-	(1,338)	(1,338)
Total contributions by and distributions to equity holders	-	-	-	-	-	-	11	(3,144)	(3,133)
Transfer of gain on disposal of financial assets at FVOCI	-	-	-	-	-	-	(16)	16	-
Total transactions with equity holders	-	-	-	-	-	-	(5)	(3,128)	(3,133)
As at 31 December 2025	22,066	15	7	55	(116)	(3)	(82)	(19,245)	2,697

CAS HOLDING NO. 1 LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 PERPETUAL CAPITAL SECURITIES

On 12 January 2021, CAS Capital No. 1 Limited, a direct wholly-owned subsidiary of the Company, issued US\$750 million perpetual subordinated guaranteed securities. The securities are non-callable in the first 5.5 years and entitle its holders distributions at a distribution rate of 4% per annum with reset every 5 years from year 5.5 and fixed step-up margins at year 10.5 and year 25.5. CAS Capital No. 1 Limited has the right to redeem the securities from holders and defer the payment of distributions under certain circumstances in accordance with the terms and conditions of the securities. The securities are listed on the Singapore Exchange Securities Trading Limited and are irrevocably and unconditionally guaranteed by the Company (see note 38).

During the year ended 31 December 2025, US\$37 million (approximately HK\$287 million) of the securities was redeemed.

The proceeds from the issuance of perpetual capital securities were on-lent to PCCW on the terms aligned with the perpetual capital securities.

The perpetual capital securities are classified as equity.

29 DEFERRED INCOME TAX

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

In HK\$ million	2024	2025
Deferred income tax assets	(765)	(710)
Deferred income tax liabilities	5,660	6,214
	4,895	5,504

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

In HK\$ million	2024				
	Accelerated tax depreciation and amortisation	Valuation adjustment resulting from acquisition of subsidiaries	Tax losses	Others	Total
Beginning of year	5,679	(42)	(1,103)	(4)	4,530
Charged/(Credited) to the consolidated income statement (note 9(a))	689	6	(332)	-	363
Exchange differences	1	-	1	-	2
End of year	6,369	(36)	(1,434)	(4)	4,895

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29 DEFERRED INCOME TAX (CONTINUED)

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

In HK\$ million	Accelerated tax depreciation and amortisation	Valuation adjustment resulting from acquisition of subsidiaries	2025		
			Tax losses	Others	Total
Beginning of year	6,369	(36)	(1,434)	(4)	4,895
Charged to the consolidated income statement (<i>note 9(a)</i>)	475	4	130	-	609
Exchange differences	(2)	-	-	2	-
End of year	6,842	(32)	(1,304)	(2)	5,504

b. Deferred income tax assets are recognised for tax losses carry-forward to the extent that realisation of the related tax benefit through utilisation against future taxable profits is probable. As at 31 December 2025, the Group had unutilised estimated tax losses for which no deferred income tax assets have been recognised of HK\$4,621 million (2024: HK\$3,942 million) to carry forward for deduction against future taxable income. Estimated tax losses of HK\$173 million (2024: HK\$176 million) and HK\$2 million (2024: nil) will expire within 1 to 5 years and after 5 years from 31 December 2025 respectively. The remaining portion of the tax losses, mainly relating to Hong Kong companies, can be carried forward indefinitely.

30 CARRIER LICENCE FEE LIABILITIES

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

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

CAS HOLDING NO. 1 LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

a. Reconciliation of profit before income tax to net cash generated from operating activities

In HK\$ million	2024	2025
Profit before income tax	6,265	6,924
Adjustments for:		
Other gains, net	(139)	(198)
Finance costs, net	2,004	1,494
Gains on disposal of property, plant and equipment and right-of-use assets, net	(10)	(5)
Write-back of provision for inventory obsolescence, net	(9)	(9)
Impairment loss for trade receivables	232	219
Depreciation of property, plant and equipment	1,070	971
Depreciation of right-of-use assets	1,298	1,245
Amortisation of land lease premium – interests in leasehold land	17	14
Amortisation of intangible assets	1,342	1,878
Amortisation of fulfilment costs	484	486
Amortisation of customer acquisition costs	1,243	1,228
Share of results of associates	121	86
Share of results of joint ventures	5	3
(Increase)/Decrease in operating assets		
- inventories	(535)	(34)
- trade receivables, prepayments, deposits and other current assets	(427)	(380)
- contract assets	(43)	(69)
- amount due from the immediate holding company	34	(6)
- amounts due from related companies	2	(6)
- restricted cash	32	(8)
- fulfilment costs	(656)	(687)
- customer acquisition costs	(1,187)	(1,286)
- other non-current assets	(13)	88
Increase/(Decrease) in operating liabilities		
- trade payables	1,431	2,511
- accruals and other payables	(298)	(291)
- amounts due to fellow subsidiaries	(107)	(2,577)
- amount due to a related company	1	-
- advances from customers	22	12
- contract liabilities	(42)	208
- other long-term liabilities	(20)	(3)
CASH GENERATED FROM OPERATIONS	12,117	11,808
Interest received	48	37
Income tax paid, net of tax refund		
- Hong Kong profits tax paid*	(217)	(196)
- overseas profits tax paid	(40)	(34)
NET CASH GENERATED FROM OPERATING ACTIVITIES	11,908	11,615

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

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

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

2024									
In HK\$ million	Prepaid finance costs (included in prepayments, deposits and other current assets)	Interest payable (included in accruals and other payables)	Borrowings	Derivative financial instruments, net	Amounts due to fellow subsidiaries	Amounts due to related companies	Lease liabilities	Amount due to a non- controlling interest	Total
As at 1 January 2024	(25)	358	44,567	753	2,479	84	2,047	-	50,263
Cash flows in financing activities									
New borrowings raised	-	(58)	29,989	-	-	-	-	-	29,931
Finance costs (paid)/received	-	(1,912)	-	45	-	(2)	-	-	(1,869)
Repayments of borrowings	-	-	(33,117)	-	-	-	-	-	(33,117)
Payment for lease liabilities (including interest)	-	-	-	-	-	-	(1,412)	-	(1,412)
Movement in amount due to a fellow subsidiary	-	-	-	-	717	-	-	-	717
Movement in amount due to a related company	-	-	-	-	-	(3)	-	-	(3)
Movement in amount due to a non-controlling interest	-	-	-	-	-	-	-	344	344
Cash flows in investing activities									
Loan repayment in relation to licence fee (note 33(b)(i))	-	-	(130)	-	-	-	-	-	(130)
Other changes (including non-cash movements)	(3)	1,939	(3)	(17)	(125)	3	1,217	-	3,011
As at 31 December 2024	(28)	327	41,306	781	3,071	82	1,852	344	47,735

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

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

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

In HK\$ million	2025								Total
	Prepaid finance costs (included in prepayments, deposits and other current assets)	Interest payable (included in accruals and other payables)	Borrowings	Derivative financial instruments, net	Amounts due to fellow subsidiaries	Amounts due to related companies	Lease liabilities	Amount due to a non- controlling interest	
As at 1 January 2025	(28)	327	41,306	781	3,071	82	1,852	344	47,735
Cash flows in financing activities									
New borrowings raised	(3)	(10)	40,064	-	-	-	-	-	40,051
Finance costs paid	-	(1,568)	-	(31)	-	(2)	-	-	(1,601)
Repayments of borrowings	-	-	(37,349)	(10)	-	-	-	-	(37,359)
Payment for lease liabilities (including interest)	-	-	-	-	-	-	(1,343)	-	(1,343)
Movement in amount due to a fellow subsidiary	-	-	-	-	819	-	-	-	819
Movement in amount due to a related company	-	-	-	-	-	2	-	-	2
Movement in amount due to a non-controlling interest	-	-	-	-	-	-	-	(7)	(7)
Cash flows in investing activities									
Loan repayment in relation to licence fee (note 33(b)(i))	-	-	(130)	-	-	-	-	-	(130)
Other changes (including non-cash movements)	6	1,514	684	(58)	(2,578)	2	2,000	-	1,570
As at 31 December 2025	(25)	263	44,575	682	1,312	84	2,509	337	49,737

CAS HOLDING NO. 1 LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****31 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)****c. Analysis of cash and cash equivalents**

In HK\$ million	2024	2025
Total cash and bank balances	2,328	2,619
Less: restricted cash	(179)	(187)
Less: short-term deposits	(295)	(475)
Cash and cash equivalents as at 31 December	1,854	1,957

32 CAPITAL MANAGEMENT

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

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

The Group is not subject to externally imposed capital requirements, except for the debt covenant requirement of loan agreements with external parties and the minimum capital requirement of a subsidiary regulated by the Bermuda Monetary Authority. A subsidiary of the Group also has a minimum capital requirement as a condition for a stored value facilities licence granted by the Hong Kong Monetary Authority.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33 FINANCIAL INSTRUMENTS

The tables below analyse financial instruments by category:

In HK\$ million	2024				Total
	Financial assets at amortised cost	Financial assets at FVOCI	Financial assets at FVPL	Derivatives used for hedging	
Non-current assets					
Amount due from the immediate holding company	5,804	-	-	-	5,804
Financial assets at FVOCI	-	823	-	-	823
Financial assets at FVPL	-	-	17	-	17
Derivative financial instruments	-	-	-	58	58
Other non-current assets (excluding prepayments)	82	-	-	-	82
	5,886	823	17	58	6,784
Current assets					
Prepayments, deposits and other current assets (excluding prepayments)	2,695	-	-	-	2,695
Trade receivables, net	2,710	-	-	-	2,710
Amounts due from related companies	20	-	-	-	20
Financial assets at FVPL	-	-	18	-	18
Restricted cash	179	-	-	-	179
Short-term deposits	295	-	-	-	295
Cash and cash equivalents	1,854	-	-	-	1,854
	7,753	-	18	-	7,771
Total	13,639	823	35	58	14,555

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33 FINANCIAL INSTRUMENTS (CONTINUED)

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

In HK\$ million	Financial liabilities at FVPL	Derivatives used for hedging	2024	
			Other financial liabilities at amortised cost	Total
Current liabilities				
Short-term borrowings	-	-	(3,934)	(3,934)
Trade payables	-	-	(7,212)	(7,212)
Accruals and other payables	-	-	(6,651)	(6,651)
Derivative financial instruments*	-	(41)	-	(41)
Carrier licence fee liabilities	-	-	(324)	(324)
Amount due to the immediate holding company	-	-	(72)	(72)
Amounts due to fellow subsidiaries	-	-	(3,071)	(3,071)
Amounts due to related companies	-	-	(82)	(82)
Advances from customers	-	-	(301)	(301)
Lease liabilities	-	-	(1,027)	(1,027)
	-	(41)	(22,674)	(22,715)
Non-current liabilities				
Long-term borrowings	-	-	(37,372)	(37,372)
Derivative financial instruments	(29)	(769)	-	(798)
Carrier licence fee liabilities	-	-	(3,198)	(3,198)
Lease liabilities	-	-	(825)	(825)
Amount due to a non-controlling interest	-	-	(344)	(344)
Other long-term liabilities	-	-	(2,112)	(2,112)
	(29)	(769)	(43,851)	(44,649)
Total	(29)	(810)	(66,525)	(67,364)

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33 FINANCIAL INSTRUMENTS (CONTINUED)

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

In HK\$ million	2025				Total
	Financial assets at amortised cost	Financial assets at FVOCI	Financial assets at FVPL	Derivatives used for hedging	
Non-current assets					
Amount due from the immediate holding company	5,523	-	-	-	5,523
Financial assets at FVOCI	-	105	-	-	105
Financial assets at FVPL	-	-	21	-	21
Derivative financial instrument	-	-	-	121	121
Other non-current assets (excluding repayments)	98	-	-	-	98
	5,621	105	21	121	5,868
Current assets					
Prepayments, deposits and other current assets (excluding prepayments)	3,067	-	-	-	3,067
Trade receivables, net	2,549	-	-	-	2,549
Amounts due from related companies	650	-	-	-	650
Financial assets at FVPL	-	-	21	-	21
Derivative financial instruments	-	-	4	40	44
Restricted cash	187	-	-	-	187
Short-term deposits	475	-	-	-	475
Cash and cash equivalents	1,957	-	-	-	1,957
	8,885	-	25	40	8,950
Total	14,506	105	46	161	14,818

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33 FINANCIAL INSTRUMENTS (CONTINUED)

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

In HK\$ million	Financial liabilities at FVPL	Derivatives used for hedging	2025 Other financial liabilities at amortised cost	Total
Current liabilities				
Short-term borrowings	-	-	(5,884)	(5,884)
Trade payables	-	-	(9,762)	(9,762)
Accruals and other payables	-	-	(6,321)	(6,321)
Derivative financial instruments	(16)	(17)	-	(33)
Carrier licence fee liabilities	-	-	(384)	(384)
Amount due to the immediate holding company	-	-	(40)	(40)
Amounts due to fellow subsidiaries	-	-	(1,312)	(1,312)
Amounts due to related companies	-	-	(84)	(84)
Advances from customers	-	-	(313)	(313)
Lease liabilities	-	-	(890)	(890)
	(16)	(17)	(24,990)	(25,023)
Non-current liabilities				
Long-term borrowings	-	-	(38,691)	(38,691)
Derivative financial instruments*	-	(814)	-	(814)
Carrier licence fee liabilities	-	-	(3,494)	(3,494)
Lease liabilities	-	-	(1,619)	(1,619)
Amount due to a non-controlling interest	-	-	(337)	(337)
Other long-term liabilities	-	-	(2,116)	(2,116)
	-	(814)	(46,257)	(47,071)
Total	(16)	(831)	(71,247)	(72,094)

* As at 31 December 2025, derivative financial instruments classified as non-current liabilities of HK\$64 million (2024: current liabilities of HK\$32 million) related to foreign exchange forward contracts with an aggregate notional contract amount of US\$589 million (approximately HK\$4,490 million) (2024: US\$470 million (approximately HK\$3,686 million)) were designated as cash flow hedges of US\$300 million zero coupon guaranteed notes due 2030. Refer to notes 23(a) and 24(a) for details of the guaranteed notes and the foreign exchange forward contracts respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33 FINANCIAL INSTRUMENTS (CONTINUED)

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

a. Credit risk

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

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

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables are set out in note 22(c).

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

Amounts due from the immediate holding company and related companies, deposits and other receivables are considered to have low credit risk. These assets are continuously monitored by assessing the credit quality of the counterparty, taking into account its financial position, past experience and other factors. Where necessary, provision for impairment loss is made for estimated irrecoverable amounts. As at 31 December 2024 and 2025, amounts due from the immediate holding company and related companies, deposits and other receivables were fully performing.

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

The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the consolidated statement of financial position. Except for the guarantees given by the Group as disclosed in note 35, the Group does not provide any other guarantees which would expose the Group to credit risk.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33 FINANCIAL INSTRUMENTS (CONTINUED)

b. Liquidity risk

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

The Group is subject to certain corporate guarantee obligations to guarantee performance of its subsidiaries in the normal course of their businesses. Refer to note 35 for details.

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

In HK\$ million	2024				Total contractual undiscounted cash outflow	Carrying amount
	Within 1 year or on demand	More than 1 year but within 2 years	More than 2 years but within 5 years	More than 5 years		
Current liabilities						
Short-term borrowings	(3,973)	-	-	-	(3,973)	(3,934)
Trade payables	(7,212)	-	-	-	(7,212)	(7,212)
Accruals and other payables	(6,651)	-	-	-	(6,651)	(6,651)
Derivative financial instruments	(41)	-	-	-	(41)	(41)
Carrier licence fee liabilities	(327)	-	-	-	(327)	(324)
Amount due to the immediate holding company	(72)	-	-	-	(72)	(72)
Amounts due to fellow subsidiaries	(3,071)	-	-	-	(3,071)	(3,071)
Amounts due to related companies	(82)	-	-	-	(82)	(82)
Advances from customers	(301)	-	-	-	(301)	(301)
Lease liabilities	(1,103)	-	-	-	(1,103)	(1,027)
	(22,833)	-	-	-	(22,833)	(22,715)
Non-current liabilities						
Long-term borrowings (note (i))	(1,457)	(11,340)	(21,894)	(7,688)	(42,379)	(37,372)
Derivative financial instruments	(82)	(141)	(371)	(312)	(906)	(798)
Carrier licence fee liabilities	-	(336)	(1,042)	(2,329)	(3,707)	(3,198)
Lease liabilities	-	(483)	(373)	(11)	(867)	(825)
Amount due to a non-controlling interest	-	(344)	-	-	(344)	(344)
Other long-term liabilities (note (ii))	-	(30)	(941)	(2,321)	(3,292)	(2,112)
	(1,539)	(12,674)	(24,621)	(12,661)	(51,495)	(44,649)
Total	(24,372)	(12,674)	(24,621)	(12,661)	(74,328)	(67,364)

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33 FINANCIAL INSTRUMENTS (CONTINUED)

b. Liquidity risk (continued)

In HK\$ million	2025				Total contractual undiscounted cash outflow	Carrying amount
	Within 1 year or on demand	More than 1 year but within 2 years	More than 2 years but within 5 years	More than 5 years		
Current liabilities						
Short-term borrowings	(5,981)	-	-	-	(5,981)	(5,884)
Trade payables	(9,762)	-	-	-	(9,762)	(9,762)
Accruals and other payables	(6,321)	-	-	-	(6,321)	(6,321)
Derivative financial instruments	(33)	-	-	-	(33)	(33)
Carrier licence fee liabilities	(388)	-	-	-	(388)	(384)
Amount due to the immediate holding company	(40)	-	-	-	(40)	(40)
Amounts due to fellow subsidiaries	(1,312)	-	-	-	(1,312)	(1,312)
Amounts due to related companies	(84)	-	-	-	(84)	(84)
Advances from customers	(313)	-	-	-	(313)	(313)
Lease liabilities	(977)	-	-	-	(977)	(890)
	(25,211)	-	-	-	(25,211)	(25,023)
Non-current liabilities						
Long-term borrowings (note (i))	(1,306)	(11,329)	(25,429)	(5,212)	(43,276)	(38,691)
Derivative financial instruments	(115)	(87)	(371)	(329)	(902)	(814)
Carrier licence fee liabilities	-	(397)	(1,223)	(2,475)	(4,095)	(3,494)
Lease liabilities	-	(571)	(771)	(419)	(1,761)	(1,619)
Amount due to a non-controlling interest	-	(337)	-	-	(337)	(337)
Other long-term liabilities (note (ii))	(300)	(319)	(2,252)	(182)	(3,053)	(2,116)
	(1,721)	(13,040)	(30,046)	(8,617)	(53,424)	(47,071)
Total	(26,932)	(13,040)	(30,046)	(8,617)	(78,635)	(72,094)

Notes:

- (i) As at 31 December 2025, bank borrowings of HK\$780 million (2024: HK\$910 million) included in long-term borrowings were for financing a 15-year 3G spectrum utilisation fee paid upfront by the Group.
- (ii) As at 31 December 2025, other long-term liabilities included HK\$480 million (2024: HK\$704 million) of long-term interest payable, which related to interest drawn under an arrangement with a bank to receive agreed amounts by instalments to settle interest payments of a fixed-to-fixed cross currency swap contract with a notional contract amount of EUR200 million (approximately HK\$1,665 million) (2024: EUR200 million (approximately HK\$1,665 million)). Refer to notes 23(b) and 24(a) for details of the guaranteed notes and the derivative financial instruments respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33 FINANCIAL INSTRUMENTS (CONTINUED)

c. Market risk

Market risk comprises foreign currency, interest rate and equity price exposure deriving from the Group's operation, investment and funding activities. As a matter of policy, the Group enters into cross currency swap contracts, interest rate swap contracts, foreign exchange forward contracts and other financial instruments to manage its exposure to market risk directly related to its operations and financing. The Group does not undertake any speculative trading activities in connection with these financial instruments or enter into or acquire high market risk instruments for trading purposes.

The Group determines the appropriate risk management activities with the aim of prudently managing the market risk associated with transactions undertaken in the normal course of the Group's business.

All treasury risk management activities are carried out in accordance with policies and guidelines, which are reviewed on a regular basis. Early termination and amendments to the terms of the transaction would typically occur when there are changes in the underlying assets or liabilities or in the risk management strategy of the Group.

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

i. Foreign currency risk

The Group operates internationally and are exposed to foreign currency risk arising from various currency exposure. Foreign currency risk arises when the Group's recognised assets and liabilities are denominated in a currency that is not the functional currency of the relevant group entity.

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33 FINANCIAL INSTRUMENTS (CONTINUED)

c. Market risk (continued)

i. Foreign currency risk (continued)

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

In HK\$ million	2024		2025	
	United States Dollars	Euro	United States Dollars	Euro
Amount due from the immediate holding company	5,804	-	5,523	-
Trade receivables	1,072	50	942	63
Short-term deposits	295	-	358	-
Cash and cash equivalents	595	85	450	42
Short-term borrowings	(3,881)	-	(5,829)	-
Trade payables	(2,558)	(53)	(2,911)	(32)
Advances from customers	(19)	-	(21)	-
Lease liabilities	(38)	(3)	(47)	(41)
Long-term borrowings	(16,955)	(1,612)	(11,173)	(1,828)
Gross exposure arising from net monetary liabilities	(15,685)	(1,533)	(12,708)	(1,796)
Net monetary (assets)/liabilities denominated in respective entities' functional currencies	(306)	(44)	(234)	19
Liabilities with hedging instruments, net	15,032	1,612	11,479	1,828
Overall net exposure	(959)	35	(1,463)	51

As at 31 December 2025, if the Hong Kong dollar had weakened/strengthened by 1% (2024: same) against the United States dollar, with all other variables held constant, the profit after tax of the Group for the year would have decreased/increased by approximately HK\$12 million (2024: HK\$8 million), mainly as a result of foreign exchange losses/gains on translation of United States dollar denominated monetary assets and liabilities which are not hedged by hedging instruments. Meanwhile, the hedging reserve, costs of hedging reserve and non-controlling interests of the Group as at 31 December 2025 would have collectively debited/credited by approximately HK\$115 million (2024: HK\$150 million), mainly as a result of foreign exchange losses/gains on the borrowings being hedged by cross currency swap contracts and foreign exchange forward contracts.

As at 31 December 2025, if the Hong Kong dollar had weakened/strengthened by 5% (2024: same) against Euro, with all other variables held constant, the profit after tax of the Group for the year would have increased/decreased by approximately HK\$2 million (2024: HK\$1 million), mainly as a result of foreign exchange gains/losses on translation of Euro denominated monetary assets and liabilities which are not hedged by hedging instruments. Meanwhile, the hedging reserve, costs of hedging reserve and non-controlling interests of the Group as at 31 December 2025 would have collectively debited/credited by approximately HK\$91 million (2024: HK\$81 million), mainly as a result of foreign exchange losses/gains on the long-term borrowing being hedged by a cross currency swap contract.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33 FINANCIAL INSTRUMENTS (CONTINUED)

c. Market risk (continued)

i. Foreign currency risk (continued)

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

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the end of the next annual reporting period. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any change in the movement in value of the United States dollar against other currencies. The analysis was performed on the same methodology for the years ended 31 December 2024 and 2025.

ii. Interest rate risk

The Group's interest rate risk arises primarily from the unsecured loan to the immediate holding company and related company, and borrowings.

Given the interest rate of unsecured loan to the immediate holding company is aligned with that of the perpetual capital securities, and the amount of the unsecured loan to the related company are relatively insignificant; the Group's cash flows are less dependent of changes in the market interest rates to the interest-bearing assets.

Borrowings at variable rates and fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. In addition, from time to time, the Group draws under its revolving credit facilities which are substantially denominated in Hong Kong dollars with floating rate interest.

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

The following table details the interest rate profile of the Group's financial (assets)/liabilities at the end of the reporting period, after taking into account the effect of the cash flow hedging instruments:

	2024		2025	
	Effective interest rate %	HK\$ million	Effective interest rate %	HK\$ million
Net fixed rate instruments:				
Amount due from the immediate holding company	4.00	(5,804)	4.00	(5,523)
Amount due to a related company	2.93	20	2.93	30
Amount due to a related company	2.50	59	2.50	51
Short-term borrowing with hedging instruments	3.85	3,881	3.13	5,829
Long-term bank borrowings with hedging instruments	4.17	4,515	3.93	6,469
Long-term borrowings with hedging instruments	3.46	18,567	3.57	13,001
Variable rate instruments:				
Short-term bank borrowing	4.97	53	4.62	55
Long-term bank borrowings	5.32	14,290	3.84	19,221
Financial liabilities, net		35,581		39,133

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33 FINANCIAL INSTRUMENTS (CONTINUED)**c. Market risk (continued)****ii. Interest rate risk (continued)**

As at 31 December 2025, if the interest rate on variable rate instruments had increased/decreased by 75 basis points (2024: same), with all other variables held constant, the profit after tax of the Group for the year would have decreased/increased by approximately HK\$122 million (2024: HK\$91 million), mainly as a result of higher/lower interest expense on floating rate borrowings in existence at the end of the reporting period.

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

iii. Equity price risk

The Group is exposed to equity price changes arising from equity investments.

Investments are held for their long-term growth potential or long-term strategic purposes. Performance of the Group's listed investments is monitored regularly for price changes, whereas performance of the Group's unlisted investments is assessed at least semi-annually against the performance of the associated business as well as similar listed entities, based on the limited information available to the Group. Assessment of investment's relevance to the Group's long-term strategic plans is also made by management on regular basis (if applicable).

d. Fair values of financial instruments measured at amortised cost

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

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

The fair values of borrowings are the net present value of the estimated future cash flows discounted at the prevailing market rates. The fair values are within level 2 of the fair value hierarchy (as defined in note 33(e)).

e. Estimation of fair values

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

- Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for the financial assets held by the Group is the current bid price. These instruments are included in level 1.
- Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.
- Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted securities.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33 FINANCIAL INSTRUMENTS (CONTINUED)

e. Estimation of fair values (continued)

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

In HK\$ million	As at 31 December 2024			Total
	Level 1	Level 2	Level 3	
Assets				
Financial assets at FVOCI				
- Unlisted securities (non-current)	-	-	58	58
- Listed securities (non-current)	765	-	-	765
Financial assets at FVPL				
- Unlisted securities (non-current)	-	-	10	10
- Listed securities (non-current)	7	-	-	7
- Listed securities (current)	18	-	-	18
Derivative financial instruments				
- Non-current	-	58	-	58
Total assets	790	58	68	916
Liabilities				
Derivative financial instruments				
- Current	-	(41)	-	(41)
- Non-current	-	(798)	-	(798)
Total liabilities	-	(839)	-	(839)

In HK\$ million	As at 31 December 2025			Total
	Level 1	Level 2	Level 3	
Assets				
Financial assets at FVOCI				
- Unlisted securities (non-current)	-	-	58	58
- Listed securities (non-current)	47	-	-	47
Financial assets at FVPL				
- Unlisted securities (non-current)	-	-	10	10
- Listed securities (non-current)	11	-	-	11
- Listed securities (current)	21	-	-	21
Derivative financial instruments				
- Non-current	-	121	-	121
- Current	-	44	-	44
Total assets	79	165	68	312
Liabilities				
Derivative financial instruments				
- Current	-	(33)	-	(33)
- Non-current	-	(814)	-	(814)
Total liabilities	-	(847)	-	(847)

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33 FINANCIAL INSTRUMENTS (CONTINUED)

e. Estimation of fair values (continued)

Instruments included in level 1 comprised PCCW Shares acquired or subscribed under PCCW Share Award Schemes classified as financial assets at FVPL and listed instruments classified as financial assets at FVOCI.

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

Instruments included in level 3 comprised investments in unlisted instruments classified as financial assets at FVOCI or financial assets at FVPL. During the year ended 31 December 2025, there was no movement in the unlisted instruments classified as financial assets at FVPL included in level 3 (2024: same) and no movement in the unlisted instruments classified as financial assets at FVOCI included in level 3 (2024: changes in fair value of HK\$72 million).

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

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

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

f. Group's valuation process

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

34 COMMITMENTS

a. Capital

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

In HK\$ million	2024	2025
Acquisition of property, plant and equipment	1,612	1,664

CAS HOLDING NO. 1 LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****34 COMMITMENTS (CONTINUED)****b. Committed leases not yet commenced**

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

Land and buildings

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

Network capacity and equipment

In HK\$ million	2024	2025
Within 1 year	-	40
After 1 year but within 5 years	-	62
	-	102

c. Others

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

In HK\$ million	2024	2025
Purchase of rights to broadcast certain TV content	1,302	841
Operating expenditure commitments	961	552
	2,263	1,393

d. Lease receivables

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

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35 CONTINGENT LIABILITIES

a.

In HK\$ million	2024	2025
Performance guarantees	903	883
Others	2	2
	905	885

The Group is subject to certain corporate guarantee obligations to guarantee the performance of certain subsidiaries and certain related parties 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.

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

36 BANKING FACILITIES

Aggregate banking facilities as at 31 December 2025 was HK\$44,012 million (2024: HK\$37,610 million) of which the undrawn facilities amounted to HK\$18,087 million (2024: HK\$18,612 million).

Majority of the Group's banking facilities are subject to the fulfilment of covenants relating to certain of the Group's consolidated statement of financial position ratios, as are commonly found in lending arrangements with financial institutions. If the Group was to breach the covenants, the drawn down facilities would become payable on demand and the undrawn facilities would be cancelled. The Group regularly monitors its compliance with these covenants. As at 31 December 2025, the Group was in compliance with the covenants relating to the banking facilities. Further details of the Group's management of liquidity risk are set out in note 33(b).

Summaries of short-term and long-term borrowings are set out in notes 22(e) and 23 respectively.

37 CHANGES IN INTERESTS IN SUBSIDIARIES WITHOUT A LOSS OF CONTROL

- a. During the year ended 31 December 2024, the Group has disposed 20,097,000 Share Stapled Units from the open market at an average price of HK\$9.50 per unit, resulting a credit to non-controlling interest attributable to HKT Group of HK\$9 million.
- c. On 26 June 2024, the Company's indirect non-wholly owned subsidiary, Apex Link Communications Holdings Limited (the "Seller"), entered into a share purchase agreement with an independent third party (the "Partner"), pursuant to which the Partner shall purchase (i) 40% interest in Fiber Link Global Limited (the "Passive Netco"), an indirect non-wholly owned subsidiary of the Company which would engage in the provision of copper and fibre connection access services in Hong Kong and the Greater Bay Area and operating, maintaining and extending the passive components of copper and fibre access networks and providing related services; and (ii) a receivable in the amount of HK\$344 million owing from Passive Netco to the Seller, for an aggregate consideration of US\$870 million (the "Transaction"). As at 31 December 2024, all conditions of the agreement had been fulfilled and the Transaction had been completed, resulting in an increase in non-controlling interests of HK\$2,834 million based on the effective interest held by non-controlling shareholders.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38 SUBSEQUENT EVENT

On 13 January 2026, CAS Capital No. 2 Limited, a direct wholly-owned subsidiary of the Company, issued US\$675 million perpetual subordinated guaranteed securities. The securities are listed on the Singapore Exchange Securities Trading Limited and are irrevocably and unconditionally guaranteed by the Company. The securities will be accounted for as equity instruments in the consolidated financial statements of the Group.

Subsequently, on 14 January 2026, the Company completed a tender offer by purchasing an aggregate principal amount of approximately US\$581 million for cash in respect of US\$750 million perpetual subordinated guaranteed securities issued by CAS Capital No. 1 Limited, a direct wholly-owned subsidiary of the Company, and irrevocably and unconditionally guaranteed by the Company (the "Securities"). Following the completion of the tender offer, the outstanding amount of the Securities was further reduced from US\$713 million to approximately US\$132 million.

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

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

		Effective for accounting periods beginning on or after
HKAS 28 (2011) (Amendments)	Investments in Associates and Joint Ventures	To be announced
HKFRS 7 (Amendments)	Financial Instruments: Disclosures	1 January 2026
HKFRS 9 (Amendments)	Financial Instruments	1 January 2026
HKFRS 10 (Amendments)	Consolidated Financial Statements	To be announced
HKFRS 18	Presentation and Disclosure in Financial Statements	1 January 2027
HKFRS 19 and Amendments	Subsidiaries without Public Accountability: Disclosures	1 January 2027
Annual Improvements to HKFRS Accounting Standards – Volume 11		1 January 2026
HK Interpretation 5 (Revised)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2027

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

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