

Directors' Report

The Directors have pleasure in submitting to shareholders their report and the audited financial statements for the year ended 31 December 2021.

Principal Activities

The principal activity of the Company is investment holding. The activities of its principal subsidiaries are set out on page 171.

Business Review

A fair review of the business of the Group as required under Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), comprising a discussion and analysis of the performance of the Group during the year, a description of the principal risks and uncertainties facing the Group, particulars of important events affecting the Group that have occurred since the end of the financial year 2021, as well as an indication of likely future development in the business of the Group, are provided in the following sections:

- "Financial Highlights" on page 3.
- "Chairman's Statement", "Operations Review", "Management Discussion and Analysis" and "Group Capital Resources and Liquidity" on pages 10 to 23.
- "Risk Factors" on pages 24 to 29.
- "Financial Risk Management" in note 3 to the consolidated financial statements on pages 134 to 141.
- Discussions on the environmental policies and performance of the Group, its compliance with the relevant laws and regulations that have a significant impact on the Group as well as an account of the Group's key relationships with its employees, customers and suppliers and others that have a significant impact on the Group and on which the Group's success depends, are provided in the "Sustainability Report" on pages 72 to 110.
- "Corporate Governance Report" on pages 47 to 71.

All such discussions form part of this report.

Group Profit

The consolidated income statement is set out on page 116 and shows the profit of the Group for the year ended 31 December 2021.

Dividend

An interim dividend of 2.28 HK cents per share and a one-off special interim dividend of 19.80 HK cents per share for the first half of 2021 were paid to shareholders in early September 2021.

The Directors also recommended the declaration of a final dividend of 5.21 HK cents per share, to be payable on Thursday, 26 May 2022 to those persons registered as shareholders of the Company at close of business on Tuesday, 17 May 2022, being the record date for determining shareholders' entitlement to the proposed final dividend.

Reserves

The reserves of the Group and of the Company during the year are set out in notes 30 and 37(e) to the consolidated financial statements respectively.

Charitable Donations

Donations to charitable organisations by the Group during the year amounted to approximately HK\$1.8 million (2020: HK\$2.7 million).

Directors

As at the date of this report, the Board comprises nine Directors:

Chairman and Non-executive Director

Mr FOK Kin Ning, Canning

Co-Deputy Chairmen and Non-executive Directors

Mr LUI Dennis Pok Man

Mr WOO Chiu Man, Cliff

Executive Director

Mr KOO Sing Fai (*Chief Executive Officer*)

Non-executive Directors

Mr LAI Kai Ming, Dominic (*also Alternate to Mr FOK Kin Ning, Canning and Ms Edith SHIH*)

Ms Edith SHIH

Mr MA Lai Chee, Gerald (*Alternate to Mr LAI Kai Ming, Dominic*)

Independent Non-executive Directors

Mr IP Yuk Keung

Dr LAN Hong Tsung, David

Dr WONG Yick Ming, Rosanna

In accordance with Article 84 of the Articles of Association, Mr Fok Kin Ning, Canning, Ms Edith Shih and Dr Lan Hong Tsung, David will retire by rotation at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

Details regarding the re-election are set out in the circular to shareholders together with this Annual Report.

The Company has received written confirmation from all Independent Non-executive Directors regarding their independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the Independent Non-executive Directors as independent. Please also see pages 47 to 71 of the Corporate Governance Report for the assessment by the Nomination Committee in this regard.

The Directors' biographical details are set out in the "Information on Directors" section of this Annual Report.

Directors' Service Contracts

None of the Directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not terminable by the Company within one year without payment of compensation, other than statutory compensation.

Permitted Indemnity Provisions

The Articles of Association provide that the Directors shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty. Directors liability insurance is in place for the directors of the Company and its subsidiaries in respect of potential costs and liabilities arising from claims that may be brought against the directors. The relevant provisions in the Articles of Association and the directors' liability insurance were in force during the financial year ended 31 December 2021 and as of the date of this report.

Directors' Material Interests in Transactions, Arrangements or Contracts

No transaction, arrangement or contract of significance in relation to the business of the Group to which the Company or a subsidiary, fellow subsidiary or parent company of the Company was a party and in which a person who at any time in 2021 was a Director of the Company or his/her connected entity had a material interest, whether directly or indirectly, subsisted at the end of 2021 or at any time during 2021.

Management Contracts

No contract concerning the management and administration of the whole or any substantial part of any business of the Company was entered into or existed during 2021.

Continuing Connected Transactions

On 28 December 2020, the Company and CKHH entered into (i) a master HTHKH telecommunications supplies agreement, whereby the Company agreed to provide, or to procure its subsidiaries to provide, the Group Telecommunications Supplies (as defined below) to the CKHH Group; (ii) a master CKHH telecommunications supplies agreement, whereby CKHH agreed to provide, or to procure other members of the CKHH Group to provide, the CKHH Telecommunications Supplies (as defined below) to members of the Group; and (iii) a master purchase agreement, whereby CKHH agreed to provide, or to procure other members of the CKHH Group to provide, the Business Related Supplies (as defined below) to members of the Group (collectively, the "Master Agreements"), as and when reasonably requested by relevant members of the Group or of the CKHH Group (as the case may be) for the period from 1 January 2021 to 31 December 2023:

- (a) "CKHH Group" means CKHH and its subsidiaries from time to time (excluding members of the Group) and such other entities in which CKHH is from time to time directly or indirectly interested so as to (i) exercise or control the exercise of 30% or more of the voting power at general meetings of such entities; or (ii) control the composition of a majority of the board of directors of such entities, and the subsidiaries of such other entities;
- (b) "Group Telecommunications Supplies" means telecommunications products and services of the Group, including mobile telecommunications products (including mobile handsets and accessories); mobile telecommunications services (including international direct dialing and roaming services, mobile Wi-Fi and other value-added services); marketing, advertising and promotional services; and such other telecommunications products and services of the Group as may be agreed between the Company and CKHH from time to time;

- (c) "CKHH Telecommunications Supplies" means telecommunications goods and services of the CKHH Group, including roaming services; and such other telecommunications goods and services of the CKHH Group as may be agreed between the Company and CKHH from time to time, which exclude the Business Related Supplies; and
- (d) "Business Related Supplies" means goods and services for use in connection with the businesses of the Group, including billing collection services; dealership services at retail outlets in Hong Kong for sale of handsets and/or telecommunications services; IT related services, including IT platforms development services, software solutions and applications development services and other professional services; cash coupons and marketing, advertising and promotional services; equipment installation and maintenance services; non-telecommunications products; and such other goods and services for use in connection with the businesses of the Group as may be agreed between the Company and CKHH from time to time, which exclude the CKHH Telecommunications Supplies.

Each of CKHH and the other members of the CKHH Group is a connected person of the Company by virtue of being either a substantial shareholder of the Company at the listed issuer level or an associate of CKHH. Accordingly, the transactions contemplated under the Master Agreements constituted continuing connected transactions (the "Continuing Connected Transactions") for the Company under Chapter 14A of the Listing Rules, in respect of which an announcement dated 28 December 2020 (the "Announcement") was issued by the Company.

As set out in the Announcement, the annual caps for the year ended 31 December 2021, and for the two years ending 31 December 2022 and 2023 in respect of (i) the provision of the Group Telecommunications Supplies to the CKHH Group are HK\$42 million, HK\$54 million and HK\$64 million respectively; (ii) the purchase of the CKHH Telecommunications Supplies by the Group are HK\$61 million, HK\$100 million and HK\$135 million respectively; and (iii) the purchase of the Business Related Supplies by the Group are HK\$233 million, HK\$274 million and HK\$274 million respectively.

The corresponding aggregate transaction amounts for the year and the annual caps of the Continuing Connected Transactions in respect of the year ended 31 December 2021 as stated in the Announcement are set out below:

	Aggregate transaction amount (HK\$ million)	2021 annual cap (HK\$ million)
Provision of the Group Telecommunications Supplies by the Group to the CKHH Group	22	42
Purchase of the CKHH Telecommunications Supplies by the Group from the CKHH Group	14	61
Purchase of the Business Related Supplies by the Group from the CKHH Group	61	233

The internal audit of the Group has reviewed the Continuing Connected Transactions under the Master Agreements for the year ended 31 December 2021 and key internal control procedures in respect of the negotiation, review, approval, agreement management, reporting, consolidation and monitoring processes of these transactions, and is of the view that the controls over the Continuing Connected Transactions for 2021 entered into by the Group were overall satisfactory and robust, and such transactions were conducted in accordance with the Master Agreements under fair and reasonable commercial terms. All the Independent Non-executive Directors of the Company, after reviewing the Continuing Connected Transactions entered into by the Group under the Master Agreements during the year ended 31 December 2021 and the findings provided by the internal audit of the Group, confirmed that such transactions were entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) according to the respective agreements governing them on terms that are fair and reasonable and in the interests of the shareholders as a whole.

The Company has engaged its external auditor to report on the Continuing Connected Transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 (Revised) "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants.

Based on the work performed, the external auditor of the Company has confirmed in its report to the Board that nothing has come to its attention that causes it to believe that the Continuing Connected Transactions entered into by the Group under the Master Agreements during the year ended 31 December 2021 (i) have not been approved by the Board; (ii) were not, in all material respects, in accordance with the pricing policies of the Group for transactions which involved the provision of goods or services by the Group; (iii) were not entered into, in all material respects, in accordance with the terms of the respective agreements governing such transactions; and (iv) have exceeded the relevant annual caps in respect of the year ended 31 December 2021 as disclosed in the Announcement.

A summary of the related party transactions entered into by the Group during the year ended 31 December 2021 is contained in note 36 to the consolidated financial statements. All transactions entered into with the CKHH Group (as defined and described in note 36 to the consolidated financial statements) fell under the definition of "continuing connected transactions" under the Listing Rules and are fully exempt from all disclosure requirements, annual review and shareholders' approval under Chapter 14A of the Listing Rules, other than the transactions with the CKHH Group contemplated under the Master Agreements, which are subject to the reporting, announcement and annual review requirements but exempt from the circular and shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules with respect to the connected transactions and continuing connected transactions entered into by the Group during the year ended 31 December 2021.

Interests and Short Positions of Shareholders Discloseable under the SFO

So far as the Directors and chief executive of the Company are aware, as at 31 December 2021, other than the interests and short positions of the Directors and chief executive of the Company as disclosed in the section titled "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" under "Information on Directors", the following persons had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange:

(I) Interests and short positions of substantial shareholders in the shares and underlying shares of the Company

Long positions in the shares of the Company

Names	Capacity	Number of shares held	Total	Approximate % of shareholding
Hutchison Telecommunications Investment Holdings Limited ("HTIHL")	Interest of a controlled corporation	23,689,889 ⁽¹⁾)		
	Beneficial owner	3,161,292,951 ⁽²⁾)	3,184,982,840	66.09%
Gensis Lake Limited ("GLL")	Interest of controlled corporations	3,184,982,840 ⁽¹⁾⁽²⁾	3,184,982,840	66.09%
Dynamic Zamia Limited ("DZL")	Interest of controlled corporations	3,184,982,840 ⁽¹⁾⁽²⁾	3,184,982,840	66.09%
CK Hutchison Group Telecom Holdings Limited ("CKHGT")	Interest of controlled corporations	3,184,982,840 ⁽¹⁾⁽²⁾	3,184,982,840	66.09%
Barusley Limited ("BL")	Interest of controlled corporations	3,184,982,840 ⁽¹⁾⁽²⁾	3,184,982,840	66.09%
Askern Peak Limited ("APL")	Interest of controlled corporations	3,184,982,840 ⁽¹⁾⁽²⁾	3,184,982,840	66.09%
CK Hutchison Global Investments Limited ("CKHGI")	Interest of controlled corporations	3,184,982,840 ⁽¹⁾⁽²⁾	3,184,982,840	66.09%
CKHH	Interest of controlled corporations	3,184,982,840 ⁽¹⁾⁽²⁾	3,184,982,840	66.09%

(II) Interests and short positions of other persons in the shares and underlying shares of the Company

Long positions in the shares of the Company

Names	Capacity	Number of shares held	Total	Approximate % of shareholding
Li Ka-shing	Founder of discretionary trusts	153,280 ⁽³⁾)	404,132,779	8.38%
	Interest of controlled corporations	403,979,499 ⁽⁴⁾⁽⁵⁾⁽⁶⁾)		
Li Tzar Kuoi, Victor	Discretionary beneficiary of discretionary trusts	153,280 ⁽³⁾)	353,638,029	7.33%
	Interest of controlled corporations	353,292,749 ⁽⁴⁾⁽⁵⁾⁽⁷⁾)		
	Interest of child	192,000 ⁽⁸⁾)		
Li Ka Shing Foundation Limited ("LKSF")	Beneficial owner	350,527,953 ⁽⁵⁾	350,527,953	7.27%

Notes:

- (1) Cheung Kong Enterprises Limited ("Cheung Kong Enterprises", a direct wholly-owned subsidiary of HTIHL) holds 23,689,889 shares of the Company. By virtue of the SFO, HTIHL was deemed to be interested in the 23,689,889 shares of the Company held by Cheung Kong Enterprises.
- (2) HTIHL is a direct wholly-owned subsidiary of GLL. GLL in turn is a direct wholly-owned subsidiary of DZL. DZL in turn is a direct wholly-owned subsidiary of CKHGT. CKHGT in turn is a direct wholly-owned subsidiary of BL. BL in turn is a direct wholly-owned subsidiary of APL. APL in turn is a direct wholly-owned subsidiary of CKHGI. CKHGI in turn is a direct wholly-owned subsidiary of CKHH. By virtue of the SFO, each of CKHH, CKHGI, APL, BL, CKHGT, DZL and GLL was deemed to be interested in the 3,161,292,951 shares of the Company held by HTIHL and the 23,689,889 shares of the Company held by Cheung Kong Enterprises.
- (3) Mr Li Ka-shing is the settlor of each of two discretionary trusts ("DT3" and "DT4"). Each of Li Ka-Shing Castle Trustee Corporation Limited ("TDT3", which is the trustee of DT3) and Li Ka-Shing Castle Trustcorp Limited ("TDT4", which is the trustee of DT4) holds units in The Li Ka-Shing Castle Trust ("UT3") but is not entitled to any interest or share in any particular property comprising the trust assets of the said unit trust. The discretionary beneficiaries of each of DT3 and DT4 are, inter alia, Mr Li Tzar Kuoi, Victor, his wife and children, and Mr Li Tzar Kai, Richard. Li Ka-Shing Castle Trustee Company Limited ("TUT3") as trustee of UT3 holds 153,280 shares of the Company.

The entire issued share capital of TUT3 and the trustees of DT3 and DT4 are owned by Li Ka-Shing Castle Holdings Limited ("Castle Holdco"). Mr Li Ka-shing and Mr Li Tzar Kuoi, Victor are respectively interested in one-third and two-thirds of the entire issued share capital of Castle Holdco. TUT3 is interested in the shares of the Company by reason only of its obligation and power to hold interests in those shares in its ordinary course of business as trustee and, when performing its functions as trustee, exercises its power to hold interests in the shares of the Company independently without any reference to Castle Holdco or any of Mr Li Ka-shing and Mr Li Tzar Kuoi, Victor as a holder of the shares of Castle Holdco as aforesaid. Each of the trustee of DT3 and DT4 holds units in UT3 but is not entitled to any interest or share in any shares of the Company comprising the trust assets of UT3.

As Mr Li Ka-shing may be regarded as a founder of each of DT3 and DT4 for the purpose of the SFO, and by virtue of the above, Mr Li Ka-shing and Mr Li Tzar Kuoi, Victor are taken to have a duty of disclosure in relation to the 153,280 shares of the Company held by TUT3 as trustee of UT3 under the SFO as substantial shareholders of the Company.

- (4) Among those shares, 245,546 shares are held by Li Ka Shing (Global) Foundation ("LKSGF"). By virtue of the terms of the constituent documents of LKSGF, each of Mr Li Ka-shing and Mr Li Tzar Kuoi, Victor may be regarded as having the ability to exercise or control the exercise of one-third or more of the voting power at general meetings of LKSGF.
- (5) Among those shares, 350,527,953 shares are held by LKSF. By virtue of the terms of the constituent documents of LKSF, each of Mr Li Ka-shing and Mr Li Tzar Kuoi, Victor may be regarded as having the ability to exercise or control the exercise of one-third or more of the voting power at general meetings of LKSF.
- (6) Among those shares, 53,206,000 shares are held by certain companies of which Mr Li Ka-shing is entitled to exercise or control the exercise of one-third or more of the voting power at their general meetings.
- (7) Among those shares, 2,519,250 shares are held by certain companies of which Mr Li Tzar Kuoi, Victor is entitled to exercise or control the exercise of one-third or more of the voting power at their general meetings.
- (8) Such shares are held by a company in which a child of Mr Li Tzar Kuoi, Victor is entitled to exercise or control the exercise of one-third or more of the voting power at its general meetings.

Save as disclosed above, as at 31 December 2021, no other person (other than the Directors and chief executive of the Company) had any interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

Share Option Scheme

The Company's share option scheme expired on 20 May 2019 and there are no outstanding share options under the scheme. The Group has no other share option scheme.

Equity-linked Agreements

No equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company or were subsisted at the end of the year or at any time during the year.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

Share Capital

Details of the shares movement during the year are set out in note 29 to the consolidated financial statements on page 161.

Purchase, Sale or Redemption of Listed Securities

During the year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company.

Major Customers and Suppliers

During the year, the percentage of revenue attributable to the five largest customers of the Group combined was less than 30% of the total revenue of the Group.

During the year, the percentages of purchases attributable to the major suppliers of the Group were as follows:

	Percentage of total purchases of the Group
The largest supplier	58%
Five largest suppliers combined	75%

As at 31 December 2021, none of the Directors, their close associates or any shareholders (which to the knowledge of Directors own more than 5% of the issued share capital of the Company) had any interest in the major suppliers of the Group.

Public Float

As at the date of this report, based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed public float under the Listing Rules.

Auditor

The financial statements for the year ended 31 December 2021 have been audited by PwC who will retire and, being eligible, offer themselves for re-appointment at the 2022 annual general meeting.

By Order of the Board

Edith SHIH

Non-executive Director and Company Secretary

Hong Kong, 25 February 2022