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## **HKT Trust**

*(a trust constituted on 7 November 2011 under the laws of Hong Kong and managed by HKT Management Limited)*

and

## **HKT Limited**

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 6823)**

# **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023**

The directors of HKT Management Limited (in its capacity as the trustee-manager of the HKT Trust) (the “Trustee-Manager”) and HKT Limited (the “Company” or “HKT”) are pleased to announce the audited consolidated results of the HKT Trust and of the Company together with the Company’s subsidiaries (collectively the “Group”) for the year ended 31 December 2023.

- Total revenue excluding Mobile product sales increased by 3% to HK\$31,370 million, reflecting the robust demand and execution of digital transformation projects for enterprises and government customers, sustained demand for our reliable fibre services, accelerated recovery in roaming revenue and broader 5G adoption; total revenue grew by 1% to HK\$34,330 million despite softer Mobile product sales;
- Total EBITDA increased by 3% to HK\$13,400 million, spurred by higher revenue and concerted cost optimisation efforts that included the deployment of AI applications across the Group;
- Adjusted funds flow also increased by 3% to HK\$5,798 million despite the 77% increase in net finance costs paid during the year;
- Profit attributable to holders of Share Stapled Units increased by 2% to HK\$4,991 million; basic earnings per Share Stapled Unit was 65.89 HK cents; and
- Final distribution per Share Stapled Unit is 44.44 HK cents, resulting in a total distribution of 76.49 HK cents representing the full payout of adjusted funds flow per Share Stapled Unit for the year.

## MANAGEMENT REVIEW

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

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

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

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

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

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

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

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

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

The board of directors of the Trustee-Manager has recommended the payment of a final distribution of 44.44 HK cents per Share Stapled Unit for the year ended 31 December 2023. This brings the 2023 full-year distribution to 76.49 HK cents per Share Stapled Unit (comprising 32.05 HK cents as interim distribution and 44.44 HK cents as final distribution) representing the full payout of the annual adjusted funds flow per Share Stapled Unit.

## **OUTLOOK**

During 2023, we strengthened our capabilities through the adoption of cutting-edge technologies and the refinement of our strategies, all aimed at providing enhanced services to our customers. This strong foundation will enable us to implement state-of-the-art tools such as generative AI (“GenAI”) in 2024, resulting in improved efficiency, further cost savings and more impactful growth.

With interest rates forecast to temper later in the year, HKT is well positioned to explore emerging gateways for its diverse portfolio. As we navigate the unfolding economic landscape with caution, we look forward to further innovating and enriching our services and contributing towards the sustainable future of our community.

## FINANCIAL REVIEW BY SEGMENT

For the year ended 31 December HK\$ million	2022			2023			Better/ (Worse) y-o-y
	H1	H2	Full Year	H1	H2	Full Year	
<b>Revenue</b>							
TSS	11,596	12,376	<b>23,972</b>	11,685	12,485	<b>24,170</b>	1%
- Local TSS Services	7,968	8,535	<b>16,503</b>	8,159	8,714	<b>16,873</b>	2%
- International Telecommunications Services	3,628	3,841	<b>7,469</b>	3,526	3,771	<b>7,297</b>	(2)%
Mobile	4,936	6,630	<b>11,566</b>	4,968	6,340	<b>11,308</b>	(2)%
- Mobile Services	3,647	4,295	<b>7,942</b>	3,815	4,533	<b>8,348</b>	5%
- Mobile Product Sales	1,289	2,335	<b>3,624</b>	1,153	1,807	<b>2,960</b>	(18)%
Other Businesses	567	314	<b>881</b>	596	286	<b>882</b>	-
Eliminations	(942)	(1,352)	<b>(2,294)</b>	(849)	(1,181)	<b>(2,030)</b>	12%
<b>Total revenue</b>	<b>16,157</b>	<b>17,968</b>	<b>34,125</b>	<b>16,400</b>	<b>17,930</b>	<b>34,330</b>	1%
<b>Total revenue (excluding Mobile Product Sales)</b>	<b>14,868</b>	<b>15,633</b>	<b>30,501</b>	<b>15,247</b>	<b>16,123</b>	<b>31,370</b>	3%
<b>Cost of sales</b>	<b>(8,134)</b>	<b>(8,960)</b>	<b>(17,094)</b>	<b>(8,279)</b>	<b>(9,175)</b>	<b>(17,454)</b>	(2)%
<b>Operating costs before depreciation, amortisation, and losses on disposal of property, plant and equipment and right-of-use assets, net</b>	<b>(2,189)</b>	<b>(1,778)</b>	<b>(3,967)</b>	<b>(2,112)</b>	<b>(1,364)</b>	<b>(3,476)</b>	12%
<b>EBITDA<sup>1</sup></b>							
TSS	4,104	5,036	<b>9,140</b>	4,219	5,152	<b>9,371</b>	3%
Mobile	2,122	2,766	<b>4,888</b>	2,194	2,866	<b>5,060</b>	4%
- Mobile Services	2,107	2,705	<b>4,812</b>	2,194	2,863	<b>5,057</b>	5%
- Mobile Product Sales	15	61	<b>76</b>	-	3	<b>3</b>	(96)%
Other Businesses	(392)	(572)	<b>(964)</b>	(404)	(627)	<b>(1,031)</b>	(7)%
<b>Total EBITDA<sup>1</sup></b>	<b>5,834</b>	<b>7,230</b>	<b>13,064</b>	<b>6,009</b>	<b>7,391</b>	<b>13,400</b>	3%
<b>TSS EBITDA<sup>1</sup> Margin</b>	<b>35%</b>	<b>41%</b>	<b>38%</b>	<b>36%</b>	<b>41%</b>	<b>39%</b>	
<b>Mobile EBITDA<sup>1</sup> Margin</b>	<b>43%</b>	<b>42%</b>	<b>42%</b>	<b>44%</b>	<b>45%</b>	<b>45%</b>	
- Mobile Services EBITDA <sup>1</sup> Margin	58%	63%	<b>61%</b>	58%	63%	<b>61%</b>	
<b>Total EBITDA<sup>1</sup> Margin</b>	<b>36%</b>	<b>40%</b>	<b>38%</b>	<b>37%</b>	<b>41%</b>	<b>39%</b>	
<b>Total EBITDA<sup>1</sup> Margin (excluding Mobile Product Sales)</b>	<b>39%</b>	<b>46%</b>	<b>43%</b>	<b>39%</b>	<b>46%</b>	<b>43%</b>	
Depreciation and amortisation	(2,825)	(2,982)	<b>(5,807)</b>	(2,700)	(2,952)	<b>(5,652)</b>	3%
Losses on disposal of property, plant and equipment and right-of-use assets, net	-	(3)	<b>(3)</b>	-	(2)	<b>(2)</b>	33%
Other gains/(losses), net	3	(11)	<b>(8)</b>	9	1	<b>10</b>	NA
Finance costs, net	(627)	(962)	<b>(1,589)</b>	(925)	(1,209)	<b>(2,134)</b>	(34)%
Share of results of associates and joint ventures	(38)	(59)	<b>(97)</b>	(60)	(54)	<b>(114)</b>	(18)%
<b>Profit before income tax</b>	<b>2,347</b>	<b>3,213</b>	<b>5,560</b>	<b>2,333</b>	<b>3,175</b>	<b>5,508</b>	(1)%

## ADJUSTED FUNDS FLOW<sup>3</sup>

For the year ended 31 December HK\$ million	2022			2023			Better/ (Worse) y-o-y
	H1	H2	Full Year	H1	H2	Full Year	
<b>Total EBITDA<sup>1</sup></b>	5,834	7,230	<b>13,064</b>	6,009	7,391	<b>13,400</b>	3%
Less cash outflows in respect of capital expenditures, customer acquisition costs and licence fees <sup>2</sup> , and changes in working capital:							
Capital expenditures	(1,140)	(1,113)	<b>(2,253)</b>	(1,078)	(1,060)	<b>(2,138)</b>	5%
Customer acquisition costs and licence fees	(595)	(970)	<b>(1,565)</b>	(794)	(937)	<b>(1,731)</b>	(11)%
Fulfilment costs	(309)	(258)	<b>(567)</b>	(270)	(383)	<b>(653)</b>	(15)%
Right-of-use assets	(687)	(702)	<b>(1,389)</b>	(686)	(744)	<b>(1,430)</b>	(3)%
Changes in working capital	(298)	(379)	<b>(677)</b>	192	23	<b>215</b>	NA
<b>Adjusted funds flow<sup>3</sup> before tax paid and net finance costs paid</b>	2,805	3,808	<b>6,613</b>	3,373	4,290	<b>7,663</b>	16%
Adjusted for:							
Net finance costs paid	(353)	(528)	<b>(881)</b>	(693)	(865)	<b>(1,558)</b>	(77)%
Tax payment	(75)	(9)	<b>(84)</b>	(251)	(56)	<b>(307)</b>	(265)%
<b>Adjusted funds flow<sup>3</sup></b>	2,377	3,271	<b>5,648</b>	2,429	3,369	<b>5,798</b>	3%
<b>Annual adjusted funds flow per Share Stapled Unit (HK cents)<sup>4</sup></b>			<b>74.51</b>			<b>76.49</b>	

## KEY OPERATING DRIVERS<sup>5</sup>

	2022		2023		Better/ (Worse) y-o-y
	H1	H2	H1	H2	
Exchange lines in service ('000)	2,405	2,343	2,283	2,227	(5)%
Business lines ('000)	1,186	1,176	1,160	1,148	(2)%
Residential lines ('000)	1,219	1,167	1,123	1,079	(8)%
Total broadband access lines ('000) (Consumer, business and wholesale)	1,640	1,640	1,642	1,647	0.4%
Retail consumer broadband access lines ('000)	1,464	1,465	1,468	1,471	0.4%
Retail business broadband access lines ('000)	163	162	162	164	1%
Mobile subscribers ('000)	4,817	4,787	4,656	4,764	–
Post-paid subscribers ('000)	3,305	3,323	3,383	3,428	3%
Prepaid subscribers ('000)	1,512	1,464	1,273	1,336	(9)%
Pay TV installed base ('000)	1,378	1,398	1,428	1,429	2%
The Club members ('000)	3,630	3,707	3,778	3,847	4%
Tap & Go accounts in use ('000)	3,522	3,634	3,711	3,772	4%

- Note 1 EBITDA represents earnings before interest income, finance costs, income tax, depreciation and amortisation, gains/losses on disposal of property, plant and equipment, interests in leasehold land, right-of-use assets and intangible assets, net other gains/losses, losses on property, plant and equipment, restructuring costs, impairment losses on goodwill, tangible and intangible assets and interests in associates and joint ventures, and the Group's share of results of associates and joint ventures. While EBITDA is commonly used in the telecommunications industry worldwide as an indicator of operating performance, leverage and liquidity, it is not presented as a measure of operating performance in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") and should not be considered as representing net cash flows from operating activities. The computation of the Group's EBITDA may not be comparable to similarly titled measures of other companies.*
- Note 2 Group capital expenditures represent additions to property, plant and equipment and interests in leasehold land. Fulfilment costs and right-of-use assets are considered as part of customer acquisition costs and capital expenditures, respectively, for the purpose of adjusted funds flow calculation.*
- Note 3 Adjusted funds flow is defined as EBITDA less capital expenditures, customer acquisition costs and licence fees paid, taxes paid, finance costs and interest expense paid, and adjusted for interest income received and changes in working capital. It is not presented as a measure of leverage or liquidity in accordance with HKFRSs and should not be considered as representing net cash flows or any other similar measures derived in accordance with HKFRSs, or an alternative to cash flow from operations or a measure of liquidity. The Group's adjusted funds flow is computed in accordance with the above definition using financial information derived from the Group's audited consolidated financial statements. The adjusted funds flow may be used for debt repayment.*
- Note 4 Annual adjusted funds flow per Share Stapled Unit is calculated by dividing the adjusted funds flow for the year by the number of Share Stapled Units in issue as at the respective year end.*
- Note 5 Figures are stated as at the period end.*
- Note 6 Gross debt refers to the principal amount of short-term borrowings and long-term borrowings.*

## Telecommunications Services

For the year ended 31 December HK\$ million	2022			2023			Better/ (Worse) y-o-y
	H1	H2	Full Year	H1	H2	Full Year	
<b>TSS Revenue</b>							
Local TSS Services	7,968	8,535	<b>16,503</b>	8,159	8,714	<b>16,873</b>	2%
International Telecommunications Services	3,628	3,841	<b>7,469</b>	3,526	3,771	<b>7,297</b>	(2)%
<b>Total TSS Revenue</b>	11,596	12,376	<b>23,972</b>	11,685	12,485	<b>24,170</b>	1%
Cost of sales	(6,302)	(6,356)	<b>(12,658)</b>	(6,306)	(6,516)	<b>(12,822)</b>	(1)%
Operating costs before depreciation and amortisation	(1,190)	(984)	<b>(2,174)</b>	(1,160)	(817)	<b>(1,977)</b>	9%
<b>Total TSS EBITDA<sup>1</sup></b>	4,104	5,036	<b>9,140</b>	4,219	5,152	<b>9,371</b>	3%
<b>TSS EBITDA<sup>1</sup> margin</b>	<u>35%</u>	<u>41%</u>	<u>38%</u>	<u>36%</u>	<u>41%</u>	<u>39%</u>	

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

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

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

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

## Telecommunications Services (Continued)

On the enterprise side, local data revenue achieved impressive growth of 10%, reflecting the accelerating demand for our unique integrated fixed-mobile solutions that include smart city and digital transformation solutions incorporating GenAI, Internet of Things (“IoT”) and cyber security applications.

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

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

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

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

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

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

## **Telecommunications Services (Continued)**

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

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

## Mobile

For the year ended 31 December HK\$ million	2022			2023			Better/ (Worse) y-o-y
	H1	H2	Full Year	H1	H2	Full Year	
<b>Mobile Revenue</b>							
Mobile Services	3,647	4,295	<b>7,942</b>	3,815	4,533	<b>8,348</b>	5%
Mobile Product Sales	1,289	2,335	<b>3,624</b>	1,153	1,807	<b>2,960</b>	(18)%
<b>Total Mobile Revenue</b>	<u>4,936</u>	<u>6,630</u>	<u><b>11,566</b></u>	<u>4,968</u>	<u>6,340</u>	<u><b>11,308</b></u>	(2)%
<b>Mobile EBITDA<sup>1</sup></b>							
Mobile Services	2,107	2,705	<b>4,812</b>	2,194	2,863	<b>5,057</b>	5%
Mobile Product Sales	15	61	<b>76</b>	–	3	<b>3</b>	(96)%
<b>Total Mobile EBITDA<sup>1</sup></b>	<u>2,122</u>	<u>2,766</u>	<u><b>4,888</b></u>	<u>2,194</u>	<u>2,866</u>	<u><b>5,060</b></u>	4%
<b>Mobile EBITDA<sup>1</sup> margin</b>	<u>43%</u>	<u>42%</u>	<u><b>42%</b></u>	<u>44%</u>	<u>45%</u>	<u><b>45%</b></u>	
<i>Mobile Services EBITDA<sup>1</sup> margin</i>	<u>58%</u>	<u>63%</u>	<u><b>61%</b></u>	<u>58%</u>	<u>63%</u>	<u><b>61%</b></u>	

The Mobile business recorded accelerated growth in services revenue of 5% to HK\$8,348 million for the year ended 31 December 2023. The expansion in services revenue was spurred by the rapid recovery in roaming revenue, further momentum in 5G adoption and strong growth in our post-paid customer base, despite the intense market competition in the price-sensitive segment. As international travel fully resumed in 2023, the Mobile business experienced a surge in demand for data roaming services. This drove a rebound in consumer outbound roaming revenue in the second half of the year to 95% of pre-pandemic levels in 2019, although business related travel witnessed a slower recovery. As such, total roaming revenue in 2023 soared by 176% year-on-year. Notably, the consumer outbound roaming revenue in December 2023 surpassed pre-pandemic levels, while the number of roamers almost doubled boding well for the continued recovery in 2024.

Despite the market competition, the Mobile business reported a record net gain of 105,000 or 3% growth in the post-paid customer base to reach 3.428 million. Of note, our premium 1O1O customer base expanded by 5% year-on-year. The 5G customer base further increased to 1.399 million at the end of December 2023, representing 41% of our total post-paid base and over half of our 1O1O and csl customer base.

The post-paid exit average revenue per user (“ARPU”) as at December 2023 rose by 2% to HK\$191 versus HK\$188 as at December 2022, benefitting from the roaming recovery and broader adoption of 5G services. The churn rate for post-paid customers remained steady at 0.8% during the year due to vigorous customer retention efforts including through The Club which helped to deepen customer engagement and loyalty.

To further enhance the customer experience, HKT recently launched 1O1O HOME to integrate our service offering in mobile with broadband, entertainment and voice services to deliver a one-stop Smart Living solution for a premium customer experience.

Mobile product sales of HK\$2,960 million for the year ended 31 December 2023 was comparatively softer as consumers delayed the replacement of handsets due to weak overall sentiment and lack of new features to entice upgrades.

Mobile services EBITDA for the year rose by 5% to HK\$5,057 million with a margin of 61%, reflecting sustained efficiency gains from mobile network operations including improved cell site architecture enabling network design optimisation and the enhancement of O2O sales channels. Total Mobile EBITDA for the year increased by 4% to HK\$5,060 million from HK\$4,888 million a year earlier. The overall EBITDA margin improved to 45% from 42% a year earlier.

## **Other Businesses**

Other Businesses primarily comprise other new businesses such as The Club's loyalty platform and HKT Financial Services, and corporate support functions. With a return to normal in e-Commerce spending post COVID, revenue from Other Businesses was steady at HK\$882 million for the year ended 31 December 2023 versus HK\$881 million a year earlier.

The Club's membership base further expanded by 4% to 3.85 million in 2023 from 3.71 million a year earlier. During the year, The Club has deepened its market penetration and enhanced the customer experience by strengthening its ecosystem with a variety of new lifestyle products and services. In addition to shopping and travel services, The Club launched an online insurance platform, Club Care, in the fourth quarter of 2023, enriching its product offering and extending the health protection for our customers.

With the increased utilisation of mobile payments as well as its popularity amongst the youth market segment who are digital natives, Tap & Go's number of accounts rose to 3.77 million, an increase of 4% from 3.63 million a year earlier. Committed to harnessing fintech to expand payment possibilities, Tap & Go became one of the first FPS acquirers to offer Hong Kong-Thailand cross-border retail payment services in support of the Hong Kong Monetary Authority's FPS x PromptPay QR Payment scheme, enabling hassle-free retail payment experience for Tap & Go users at over 8 million merchants in Thailand, while Hong Kong merchants can accept PromptPay payments from Thai tourists via the FPS service.

## **Eliminations**

Eliminations were HK\$2,030 million for the year ended 31 December 2023 versus HK\$2,294 million a year earlier, reflecting the collaboration across HKT's business segments.

## **Cost of Sales**

Cost of sales for the year ended 31 December 2023 increased by 2% to HK\$17,454 million, which was in line with the revenue growth during the year.

## **General and Administrative Expenses**

For the year ended 31 December 2023, operating costs before depreciation, amortisation, and losses on disposal of property, plant and equipment and right-of-use assets, net ("operating costs") improved by 12% to HK\$3,476 million, reflecting the Group's continued focus on operating efficiency and cost optimisation initiatives across each of the business lines, including workforce optimisation and digitalising business processes via the adoption of GenAI, consolidation of business operations and rationalisation of IT platforms. As such, overall operating costs-to-revenue ratio for the year further improved to 10.1% versus 11.6% a year earlier.

Depreciation and amortisation expenses decreased by 3% to HK\$5,652 million for the year ended 31 December 2023, as certain intangible assets in relation to the customer base were fully amortised in 2022.

As a result of the above, general and administrative expenses decreased by 7% to HK\$9,130 million for the year ended 31 December 2023 versus HK\$9,777 million a year earlier.

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

With the steady growth in the TSS and Mobile businesses and further operating efficiencies, total EBITDA increased by 3% to HK\$13,400 million for the year ended 31 December 2023 versus HK\$13,064 million a year earlier. The overall EBITDA margin improved to 39% in 2023 versus 38% a year earlier. Excluding Mobile product sales, the EBITDA margin was 43%.

## **Finance Costs, Net**

Net finance costs for the year ended 31 December 2023 increased by 34% to HK\$2,134 million from HK\$1,589 million a year earlier, mainly due to the steep rise in HIBOR during the year. The average cost of debt was around 4% during the year, compared to 3% a year earlier, with the impact of higher HIBOR mitigated by our healthy mix of fixed and floating rate debt. With market consensus expecting lower interest rates later in 2024, we will continue to closely monitor our gearing levels and the fixed to floating ratio.

## **Income Tax**

Income tax expense for the year ended 31 December 2023 was HK\$496 million, as compared to HK\$641 million a year earlier. The effective tax rate for the year was 9.0%, compared to 11.5% a year earlier. The decrease in the tax expense was primarily due to the reversal of income tax provisions made in the prior years.

## **Non-controlling Interests**

Non-controlling interests of HK\$21 million (2022: HK\$18 million) comprised the net profits/losses attributable to the non-controlling shareholders of the Group's subsidiaries.

## **Profit Attributable to Holders of Share Stapled Units/Shares of the Company**

Profit attributable to holders of Share Stapled Units/shares of the Company for the year ended 31 December 2023 increased by 2% to HK\$4,991 million (2022: HK\$4,901 million).

## **LIQUIDITY AND CAPITAL RESOURCES**

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

HKT's gross debt<sup>6</sup> was HK\$44,804 million as at 31 December 2023 (31 December 2022: HK\$44,179 million). Cash and short-term deposits totalled HK\$1,709 million as at 31 December 2023 (31 December 2022: HK\$2,113 million). HKT's gross debt<sup>6</sup> to total assets was 40% as at 31 December 2023 (31 December 2022: 40%).

As at 31 December 2023, HKT had ample liquidity as evidenced by banking facilities totalling HK\$34,812 million, of which HK\$12,733 million remained undrawn.

## **CREDIT RATINGS OF HONG KONG TELECOMMUNICATIONS (HKT) LIMITED**

As at 31 December 2023, Hong Kong Telecommunications (HKT) Limited, an indirect wholly-owned subsidiary of the Company, had investment grade ratings with Moody's Investors Service (Baa2) and S&P Global Ratings (BBB).

### **CAPITAL EXPENDITURE<sup>2</sup>**

Capital expenditure including capitalised interest for the year ended 31 December 2023 was HK\$2,273 million (2022: HK\$2,346 million). Capital expenditure relative to revenue was 6.6% for the year ended 31 December 2023 (2022: 6.9%).

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

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

### **ADJUSTED FUNDS FLOW<sup>3</sup>**

Adjusted funds flow ("AFF") increased by 3% to HK\$5,798 million for the year ended 31 December 2023 from HK\$5,648 million for the year ended 31 December 2022.

Notably, our operating AFF in 2023 increased by 16% driven by the 3% expansion in EBITDA, disciplined capex investments and continuous improvement in working capital management, partially offset by increases in customer acquisition costs and fulfilment costs to serve our growing base of consumer and enterprise customers. After accounting for higher net finance costs and tax payment, our total AFF increased by 3% during the year.

The amounts presented in adjusted funds flow calculation represent the respective cash flows to the Group during the year, which may be different from the related corresponding amounts recognised in the consolidated income statement due to various reasons such as non-cash items recognised in the consolidated income statement and timing difference between accounting recognition and actual cash flows.

## HEDGING

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

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

A significant portion of HKT's financing is denominated in foreign currencies including United States dollars. Accordingly, HKT has entered into forward and swap contracts in order to manage its exposure to adverse fluctuations in foreign currency exchange rates and interest rates. These instruments are executed with creditworthy financial institutions. As at 31 December 2023, all forward and swap contracts were designated as cash flow hedges for the related financing of HKT.

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

## CHARGE ON ASSETS

As at 31 December 2023, no assets of the Group (2022: nil) were pledged to secure loans and banking facilities of HKT.

## CONTINGENT LIABILITIES

<b>As at 31 December</b>	<b>2022</b>	<b>2023</b>
<b>HK\$ million</b>		
Performance guarantees	1,053	<b>1,027</b>
Others	6	<b>2</b>
	<b>1,059</b>	<b>1,029</b>

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

## HUMAN RESOURCES

HKT had over 13,600 employees as at 31 December 2023 (2022: 14,900) located in 22 countries and cities. About 64% of these employees work in Hong Kong and the others are based mainly in mainland China, the United States, the United Kingdom and the Philippines. HKT has established performance-based bonus and incentive schemes designed to motivate and reward employees at all levels to achieve business performance targets. Payment of performance bonuses is generally based on achievement of revenue, EBITDA and free cash flow targets for HKT as a whole and for each of the individual business units and performance ratings of employees.

## **FINAL DIVIDEND/DISTRIBUTION**

The board of directors of the Trustee-Manager has recommended the payment of a final distribution by the HKT Trust in respect of the Share Stapled Units, of 44.44 HK cents per Share Stapled Unit (after deduction of any operating expenses permissible under the trust deed dated 7 November 2011 constituting the HKT Trust (the “Trust Deed”)), in respect of the year ended 31 December 2023 (and in order to enable the HKT Trust to pay that distribution, the board of directors of the Company has recommended the payment of a final dividend in respect of the ordinary shares in the Company held by the Trustee-Manager, of 44.44 HK cents per ordinary share, in respect of the same period), subject to the approval of unitholders of the HKT Trust and of shareholders of the Company at the forthcoming annual general meeting of unitholders of the HKT Trust and of shareholders of the Company to be held on a combined basis as a single meeting characterised as an annual general meeting of registered holders of Share Stapled Units (“AGM”). An interim distribution/dividend of 32.05 HK cents per Share Stapled Unit/ordinary share of the Company for the six months ended 30 June 2023 was paid to holders of Share Stapled Units/shareholders of the Company in September 2023.

The board of directors of the Trustee-Manager has confirmed, in accordance with the Trust Deed, that (i) the auditor of the Group has performed limited assurance procedures in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* issued by the Hong Kong Institute of Certified Public Accountants to review and verify the Trustee-Manager’s calculation of the above distribution entitlement per Share Stapled Unit and (ii) having made all reasonable enquiries, immediately after making the above distribution to the registered unitholders of the HKT Trust, the Trustee-Manager will be able to fulfil, from the Trust Property (as defined in the Trust Deed), the liabilities of the HKT Trust as they fall due.

## **CLOSURE OF BOOKS**

The record date for the proposed final distribution will be Thursday, 6 June 2024. The register of registered holders of Share Stapled Units, the register of holders of units, the principal and Hong Kong branch registers of members of the Company and the register of beneficial interests as maintained by the Trustee-Manager and the Company in accordance with the provisions of the Trust Deed will all be closed from Wednesday, 5 June 2024 to Thursday, 6 June 2024 (both days inclusive), in order to determine entitlements to the proposed final distribution. During such period, no transfer of Share Stapled Units will be effected. In order to qualify for the proposed final distribution, all transfers of Share Stapled Units accompanied by the relevant certificates in respect of the Share Stapled Units must be lodged with the Share Stapled Units Registrar, Computershare Hong Kong Investor Services Limited, Transfer Office, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong (the “Share Stapled Units Registrar”), for registration no later than 4.30pm on Tuesday, 4 June 2024. Subject to the approval of holders of Share Stapled Units at the AGM, distribution warrants will be despatched to holders of Share Stapled Units on or around Thursday, 20 June 2024.

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

The record date for determining the entitlement of the holders of Share Stapled Units to attend and vote at the AGM, which is to be held on Thursday, 30 May 2024, will be Friday, 24 May 2024. All transfers of Share Stapled Units accompanied by the relevant certificates in respect of the Share Stapled Units must be lodged with the Share Stapled Units Registrar for registration no later than 4.30pm on Friday, 24 May 2024.

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

Under the Trust Deed and for so long as the Trust Deed remains in effect, the Share Stapled Units cannot be repurchased or redeemed by the HKT Trust and the Company unless and until specific regulations which expressly permit repurchase or redemption are introduced by the Securities and Futures Commission. Therefore, the holders of Share Stapled Units have no right to request the Trustee-Manager to repurchase or redeem their Share Stapled Units, and the HKT Trust and the Company are not allowed to repurchase their own Share Stapled Units.

During the year ended 31 December 2023, none of the HKT Trust (including the Trustee-Manager), the Company or the Company's subsidiaries purchased, sold or redeemed any Share Stapled Units.

## **AUDIT COMMITTEE**

The Trustee-Manager's Audit Committee and the Company's Audit Committee have reviewed the accounting policies adopted by the Group and the Trustee-Manager, the audited consolidated financial statements of the HKT Trust and HKT Limited for the year ended 31 December 2023 and the audited financial statements of the Trustee-Manager for the same period.

## **CORPORATE GOVERNANCE CODE**

The HKT Trust, the Trustee-Manager and the Company are committed to maintaining a high standard of corporate governance, the principles of which serve to uphold a high standard of ethics, transparency, responsibility and integrity in all aspects of their businesses, and to ensure that their affairs are conducted in accordance with applicable laws and regulations.

The HKT Trust and the Company have applied the principles, and complied with all relevant code provisions of the applicable Corporate Governance Code (the "CG Code") in each case as set out in Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited during the year ended 31 December 2023, save and except for the code provisions set out below. The requirement to establish a separate Remuneration Committee with written terms of reference for the Trustee-Manager under the code provision E.1.2 of the CG Code is not relevant to the Trustee-Manager as its directors are not entitled to any remuneration under the Trust Deed, and therefore has not been complied with. In addition, given the unique circumstances of the HKT Trust i.e., the fact that the Trust Deed requires that the directors of the Company and the directors of the Trustee-Manager must always be the same individuals, the establishment of a separate Nomination Committee with written terms of reference for the Trustee-Manager as required by code provision B.3.1 of the CG Code is not relevant to the Trustee-Manager, and therefore has not been complied with.

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

This announcement is published on the websites of the Company ([www.hkt.com/ir](http://www.hkt.com/ir)) and Hong Kong Exchanges and Clearing Limited ([www.hkexnews.hk](http://www.hkexnews.hk)). The 2023 annual report will be despatched to holders of Share Stapled Units and available on the above websites in due course.

By order of the boards of  
**HKT Management Limited**  
and  
**HKT Limited**  
**Cheung Hok Chee, Vanessa**  
*Group General Counsel and Company Secretary*

Hong Kong, 22 February 2024

**AUDITED CONSOLIDATED INCOME STATEMENT OF HKT TRUST AND OF HKT LIMITED**

For the year ended 31 December 2023

(In HK\$ million except for earnings per Share Stapled Unit/share of the Company)

	Note(s)	2022	2023
Revenue	2, 3	34,125	<b>34,330</b>
Cost of sales		(17,094)	<b>(17,454)</b>
General and administrative expenses		(9,777)	<b>(9,130)</b>
Other (losses)/gains, net		(8)	<b>10</b>
Finance costs, net		(1,589)	<b>(2,134)</b>
Share of results of associates		(106)	<b>(108)</b>
Share of results of joint ventures		9	<b>(6)</b>
<hr/>			
Profit before income tax	2, 4	5,560	<b>5,508</b>
Income tax	5	(641)	<b>(496)</b>
<hr/>			
Profit for the year		4,919	<b>5,012</b>
<hr/>			
Profit attributable to:			
Holders of Share Stapled Units/shares of the Company		4,901	<b>4,991</b>
Non-controlling interests		18	<b>21</b>
<hr/>			
Profit for the year		4,919	<b>5,012</b>
<hr/>			
Earnings per Share Stapled Unit/share of the Company	7		
Basic		64.71 cents	<b>65.89 cents</b>
Diluted		64.70 cents	<b>65.88 cents</b>

**AUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF  
HKT TRUST AND OF HKT LIMITED**

For the year ended 31 December 2023

(In HK\$ million)

	2022	2023
Profit for the year	4,919	5,012
Other comprehensive (loss)/income		
Item that will not be reclassified subsequently to consolidated income statement:		
Change in fair value of a financial asset at fair value through other comprehensive income	–	(17)
Items that have been reclassified or may be reclassified subsequently to consolidated income statement:		
Translation exchange differences:		
- exchange differences on translating foreign operations of subsidiaries	(74)	24
- exchange differences on translating foreign operations of joint ventures	(24)	–
Cash flow hedges:		
- effective portion of changes in fair value	(46)	(179)
- transfer from equity to consolidated income statement	101	(147)
Costs of hedging	(114)	(41)
Other comprehensive loss for the year	(157)	(360)
Total comprehensive income for the year	4,762	4,652
Attributable to:		
Holders of Share Stapled Units/shares of the Company	4,744	4,631
Non-controlling interests	18	21
Total comprehensive income for the year	4,762	4,652

**AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF  
HKT TRUST AND OF HKT LIMITED**

As at 31 December 2023

(In HK\$ million)

	Note	As at 31 December 2022	As at 31 December 2023
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment		26,286	27,278
Right-of-use assets		1,897	1,988
Interests in leasehold land		177	165
Goodwill		49,803	49,806
Intangible assets		16,415	17,675
Fulfilment costs		1,658	1,925
Customer acquisition costs		864	912
Contract assets		285	324
Interests in associates		410	484
Interests in joint ventures		493	478
Financial assets at fair value through other comprehensive income		147	130
Financial assets at fair value through profit or loss		34	28
Derivative financial instruments		27	29
Deferred income tax assets		968	895
Other non-current assets		571	558
		100,035	102,675
<b>Current assets</b>			
Inventories		1,607	959
Prepayments, deposits and other current assets		3,079	3,176
Contract assets		637	511
Trade receivables, net	8	3,254	2,838
Amounts due from related companies		25	22
Financial assets at fair value through profit or loss		12	15
Derivative financial instruments		58	–
Tax recoverable		–	2
Restricted cash		375	211
Short-term deposits		116	79
Cash and cash equivalents		1,997	1,630
		11,160	9,443

**AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF  
HKT TRUST AND OF HKT LIMITED (CONTINUED)**

As at 31 December 2023

(In HK\$ million)

	Note	As at 31 December 2022	As at 31 December 2023
<b>Current liabilities</b>			
Short-term borrowings		(3,950)	(1,049)
Trade payables	9	(5,500)	(5,781)
Accruals and other payables		(5,973)	(6,002)
Derivative financial instrument		(98)	(151)
Carrier licence fee liabilities		(331)	(338)
Amount due to a fellow subsidiary		(2,049)	(2,349)
Amounts due to related companies		(54)	(84)
Advances from customers		(286)	(279)
Contract liabilities		(1,410)	(1,450)
Lease liabilities		(1,049)	(1,070)
Current income tax liabilities		(1,909)	(1,576)
		(22,609)	(20,129)
<b>Non-current liabilities</b>			
Long-term borrowings		(39,888)	(43,518)
Derivative financial instruments		(223)	(602)
Deferred income tax liabilities		(5,048)	(5,498)
Carrier licence fee liabilities		(3,340)	(3,086)
Contract liabilities		(1,031)	(980)
Lease liabilities		(925)	(979)
Other long-term liabilities		(1,702)	(1,944)
		(52,157)	(56,607)
<b>Net assets</b>		<b>36,429</b>	<b>35,382</b>
<b>CAPITAL AND RESERVES</b>			
Share capital		8	8
Reserves		36,361	35,304
<b>Equity attributable to holders of</b>			
<b>Share Stapled Units/shares of the Company</b>		<b>36,369</b>	<b>35,312</b>
Non-controlling interests		60	70
<b>Total equity</b>		<b>36,429</b>	<b>35,382</b>

## NOTES

### 1. BASIS OF PREPARATION AND PRESENTATION

The HKT Trust (the “HKT Trust”) is constituted by a Hong Kong law governed trust deed as supplemented, amended or substituted from time to time (the “Trust Deed”), entered into between HKT Management Limited (in its capacity as the trustee-manager of the HKT Trust) (the “Trustee-Manager”) and HKT Limited (the “Company”). In accordance with the Trust Deed, the HKT Trust and the Company are each required to prepare their own sets of financial statements on a consolidated basis. The HKT Trust consolidated financial statements for the year ended 31 December 2023 comprise the consolidated financial statements of the HKT Trust, the Company and its subsidiaries (together the “Group”), and the Group’s interests in associates and joint ventures. The HKT Limited consolidated financial statements for the year ended 31 December 2023 comprise the consolidated financial statements of the Company and its subsidiaries (together the “HKT Limited Group”) and the HKT Limited Group’s interests in associates and joint ventures, and the Company’s statement of financial position.

The HKT Trust controls the Company and the sole activity of the HKT Trust during the year ended 31 December 2023 was investing in the Company. Therefore, the consolidated financial results and financial position that would be presented in the consolidated financial statements of the HKT Trust are identical to the consolidated financial results and financial position of the Company with the only differences being disclosures of the capital of the Company. The directors of the Trustee-Manager and the directors of the Company believe therefore that it is clearer to present the consolidated financial statements of the HKT Trust and of the Company together. The consolidated financial statements of the HKT Trust and the consolidated financial statements of the Company are presented together to the extent they are identical and are hereinafter referred to as the “HKT Trust and HKT Limited consolidated financial statements”.

The consolidated income statements, consolidated statements of comprehensive income, consolidated statements of financial position, consolidated statements of changes in equity, consolidated statements of cash flows, material accounting policies and the related explanatory information are common to the HKT Trust and the Company.

The Group and the HKT Limited Group are referred to as the “Groups”.

The HKT Trust and HKT Limited consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards, which is a collective term for all individual Hong Kong Financial Reporting Standards (“HKFRSs”), Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622).

The following amended Hong Kong Financial Reporting Standards are adopted for the financial year beginning 1 January 2023, but have no material effect on the Groups’ reported results and financial position for the current and prior accounting periods.

- HKAS 1 (Revised) (Amendments), *Presentation of Financial Statements*
- HKAS 8 (Amendments), *Accounting Policies, Changes in Accounting Estimates and Errors*
- HKAS 12 (Amendments), *Income Taxes*
- HKFRS 17 and HKFRS 17 (Amendments), *Insurance Contracts*

The amendments to HKAS 12 require disclosure about income tax arising from Pillar Two model rules published by the Organisation for Economic Co-operation and Development.

## 1. BASIS OF PREPARATION AND PRESENTATION (CONTINUED)

The Groups have not early adopted any new or amended Hong Kong Financial Reporting Standards that are not yet effective for the current accounting period.

As at 31 December 2023, the current liabilities of the Groups exceeded their current assets by HK\$10,686 million. Included in the current liabilities were (i) short-term borrowings of HK\$1,049 million, which represented borrowings with maturity dates fall due within the next 12-month period and the Groups have arrangements to refinance this balance via long-term borrowings; and (ii) current portion of contract liabilities of HK\$1,450 million recognised for which no direct cash settlement is required but will gradually reduce over the contract terms through the satisfaction of performance obligations. Also, considering the Groups' ability to generate net operating cash inflows and raise additional debt financing, and the undrawn banking facilities totalling HK\$12,733 million as at 31 December 2023, management considers the Groups are able to meet their liabilities as and when they fall due within the next 12-month period. Accordingly, these consolidated financial statements have been prepared on a going concern basis.

The financial information of the Trustee-Manager relating to the years ended 31 December 2022 and 2023 included in this preliminary announcement of annual results for the year ended 31 December 2023 does not constitute the Trustee-Manager's statutory annual financial statements for those years but is derived from those financial statements. Further information relating to those statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

- The Trustee-Manager's financial statements combined with the HKT Trust and HKT Limited consolidated financial statements (collectively the "Combined Financial Statements") for the year ended 31 December 2022 have been delivered to the Registrar of Companies and the Combined Financial Statements for the year ended 31 December 2023 will be delivered to the Registrar of Companies in due course.
- The Trustee-Manager's auditor has reported on the financial statements of the Trustee-Manager for both years. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Cap. 622).

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

The Groups make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Management has also made judgements in applying the Groups' accounting policies.

## 2. SEGMENT INFORMATION

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

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

- Telecommunications Services (“TSS”) is the leading provider of technology and telecommunications and related services including enterprise solutions, total home solutions, healthtech services, and media entertainment. It operates primarily in Hong Kong, and also serves customers in mainland China and other parts of the world.
- Mobile includes the Groups’ mobile telecommunications businesses in Hong Kong.
- Other businesses of the Groups (“Other Businesses”) primarily comprise other new businesses such as The Club’s loyalty platform and HKT Financial Services, and 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 Groups’ 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.

## 2. SEGMENT INFORMATION (CONTINUED)

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

For the year ended 31 December 2022

(In HK\$ million)

	TSS	Mobile	Other Businesses	Eliminations	Consolidated
<b>Revenue</b>					
External revenue	22,705	10,556	864	–	34,125
Inter-segment revenue	1,267	1,010	17	(2,294)	–
<b>Total revenue</b>	<b>23,972</b>	<b>11,566</b>	<b>881</b>	<b>(2,294)</b>	<b>34,125</b>
External revenue from contracts with customers:					
Timing of revenue recognition					
At a point in time	3,357	3,224	766	–	7,347
Over time	19,272	7,332	98	–	26,702
External revenue from other sources:					
Rental income	76	–	–	–	76
	<b>22,705</b>	<b>10,556</b>	<b>864</b>	<b>–</b>	<b>34,125</b>
<b>Results</b>					
EBITDA	9,140	4,888	(964)	–	13,064

For the year ended 31 December 2023

(In HK\$ million)

	TSS	Mobile	Other Businesses	Eliminations	Consolidated
<b>Revenue</b>					
External revenue	22,867	10,621	842	–	34,330
Inter-segment revenue	1,303	687	40	(2,030)	–
<b>Total revenue</b>	<b>24,170</b>	<b>11,308</b>	<b>882</b>	<b>(2,030)</b>	<b>34,330</b>
External revenue from contracts with customers:					
Timing of revenue recognition					
At a point in time	4,123	2,824	492	–	7,439
Over time	18,655	7,797	350	–	26,802
External revenue from other sources:					
Rental income	89	–	–	–	89
	<b>22,867</b>	<b>10,621</b>	<b>842</b>	<b>–</b>	<b>34,330</b>
<b>Results</b>					
EBITDA	9,371	5,060	(1,031)	–	13,400

## 2. SEGMENT INFORMATION (CONTINUED)

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

In HK\$ million	2022	2023
Total segment EBITDA	13,064	<b>13,400</b>
Losses on disposal of property, plant and equipment and right-of-use assets, net	(3)	<b>(2)</b>
Depreciation and amortisation	(5,807)	<b>(5,652)</b>
Other (losses)/gains, net	(8)	<b>10</b>
Finance costs, net	(1,589)	<b>(2,134)</b>
Share of results of associates	(106)	<b>(108)</b>
Share of results of joint ventures	9	<b>(6)</b>
Profit before income tax	5,560	<b>5,508</b>

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

In HK\$ million	2022	2023
Hong Kong (place of domicile)	28,120	<b>28,240</b>
Mainland and other parts of China	1,231	<b>1,583</b>
Others	4,774	<b>4,507</b>
	34,125	<b>34,330</b>

As at 31 December 2023, the total of non-current assets, other than financial instruments and deferred income tax assets, located in Hong Kong was HK\$98,755 million (2022: HK\$95,899 million), and the total of these non-current assets located in other geographical locations was HK\$2,718 million (2022: HK\$2,840 million).

## 3. REVENUE

In HK\$ million	2022	2023
Revenue from contracts with customers	34,049	<b>34,241</b>
Revenue from other sources: rental income	76	<b>89</b>
	34,125	<b>34,330</b>

### 3. REVENUE (CONTINUED)

#### a. Revenue recognition in relation to contract liabilities

In HK\$ million	2022	2023
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	1,513	<b>1,410</b>

#### b. Unsatisfied long-term fixed-price contracts

In HK\$ million	2022	2023
Aggregate amount of the transaction price allocated to long-term fixed-price contracts that are partially or fully unsatisfied as at 31 December	20,078	<b>19,953</b>

As at 31 December 2023, management expected that 54% and 29% (2022: 55% and 27%) of the transaction price allocated to the unsatisfied long-term fixed-price contracts would be recognised as revenue during the first and second year respectively after the end of the reporting period. The remaining 17% (2022: 18%) would be recognised as revenue in the periods afterward. The amount disclosed above does not include unsatisfied performance obligation that is related to the Groups' contracts with customers with duration of one year or less and contracts with customers billed directly according to performance completed to date.

### 4. PROFIT BEFORE INCOME TAX

Profit before income tax was stated after charging the following:

In HK\$ million	2022	2023
Cost of inventories sold	6,509	<b>6,940</b>
Cost of sales, excluding inventories sold	10,585	<b>10,514</b>
Impairment loss for trade receivables	130	<b>188</b>
Depreciation of property, plant and equipment	1,240	<b>1,301</b>
Depreciation of right-of-use assets – land and buildings	1,264	<b>1,224</b>
Depreciation of right-of-use assets – network capacity and equipment	116	<b>109</b>
Amortisation of land lease premium – interests in leasehold land	12	<b>12</b>
Amortisation of intangible assets	1,652	<b>1,419</b>
Amortisation of fulfilment costs	421	<b>386</b>
Amortisation of customer acquisition costs	1,102	<b>1,201</b>

## 5. INCOME TAX

In HK\$ million	2022	2023
Current income tax:		
Hong Kong profits tax		
- provision for current year	460	337
- under/(over) provision in respect of prior years	3	(392)
Overseas tax	15	27
Movement of deferred income tax	163	524
	641	496

Hong Kong profits tax is provided at the rate of 16.5% (2022: 16.5%) on the estimated assessable profits for the year. Overseas tax is calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the respective jurisdictions.

## 6. DISTRIBUTIONS/DIVIDENDS

In HK\$ million	2022	2023
Interim distribution/dividend declared and paid in respect of the current year of 32.05 HK cents (2022: 31.36 HK cents) per Share Stapled Unit/ordinary share of the Company	2,377	2,429
Less: distribution/dividend for Share Stapled Units/ordinary shares of the Company held by the Share Stapled Units award schemes	(2)	(2)
	2,375	2,427
Final distribution/dividend declared in respect of the previous financial year, approved and paid during the year of 43.15 HK cents (2022: 42.07 HK cents) per Share Stapled Unit/ordinary share of the Company	3,189	3,271
Less: distribution/dividend for Share Stapled Units/ordinary shares of the Company held by the Share Stapled Units award schemes	(3)	(2)
	3,186	3,269
	5,561	5,696

For the year ended 31 December 2023, the Company proposed a final dividend of 44.44 HK cents per ordinary share, totalling HK\$3,369 million (2022: 43.15 HK cents per ordinary share, totalling HK\$3,271 million) to the HKT Trust after the end of the reporting period.

For the year ended 31 December 2023, the HKT Trust proposed a final distribution of 44.44 HK cents per Share Stapled Unit, totalling HK\$3,369 million (2022: 43.15 HK cents per Share Stapled Unit, totalling HK\$3,271 million) to holders of Share Stapled Units after the end of the reporting period.

The final distribution/dividend proposed after the end of the reporting period, referred to above, is not recognised as a liability as at the end of the reporting period.

## 7. EARNINGS PER SHARE STAPLED UNIT/SHARE OF THE COMPANY

The calculations of basic and diluted earnings per Share Stapled Unit/share of the Company were based on the following data:

	2022	2023
<b>Earnings (in HK\$ million)</b>		
Earnings for the purpose of basic and diluted earnings per Share Stapled Unit/share of the Company	4,901	<b>4,991</b>
<b>Number of Share Stapled Units/shares of the Company</b>		
Weighted average number of Share Stapled Units/ordinary shares of the Company	7,578,460,142	<b>7,579,742,334</b>
Effect of Share Stapled Units held under the Share Stapled Units award schemes	(4,744,087)	<b>(5,020,059)</b>
Weighted average number of Share Stapled Units/ordinary shares of the Company for the purpose of basic earnings per Share Stapled Unit/share of the Company	7,573,716,055	<b>7,574,722,275</b>
Effect of Share Stapled Units awarded under the Share Stapled Units award schemes	1,410,043	<b>1,192,489</b>
Weighted average number of Share Stapled Units/ordinary shares of the Company for the purpose of diluted earnings per Share Stapled Unit/share of the Company	7,575,126,098	<b>7,575,914,764</b>

## 8. TRADE RECEIVABLES, NET

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

In HK\$ million	2022	2023
1 – 30 days	2,135	<b>1,873</b>
31 – 60 days	489	<b>363</b>
61 – 90 days	193	<b>175</b>
91 – 120 days	114	<b>139</b>
Over 120 days	469	<b>427</b>
	3,400	<b>2,977</b>
Less: loss allowance	(146)	<b>(139)</b>
Trade receivables, net	<u>3,254</u>	<u><b>2,838</b></u>

As at 31 December 2023, included in trade receivables, net were amounts due from related parties of HK\$104 million (2022: HK\$55 million).

The Groups' 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 Groups maintain 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.

## 9. TRADE PAYABLES

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

In HK\$ million	2022	2023
1 – 30 days	2,009	<b>3,015</b>
31 – 60 days	1,105	<b>1,084</b>
61 – 90 days	1,205	<b>804</b>
91 – 120 days	517	<b>340</b>
Over 120 days	664	<b>538</b>
	5,500	<u><b>5,781</b></u>

As at 31 December 2023, included in trade payables were amounts due to related parties of HK\$96 million (2022: HK\$325 million).

**AUDITED INCOME STATEMENT OF  
HKT MANAGEMENT LIMITED**

For the year ended 31 December 2023

(In HK\$'000)

	2022	2023
Management fee income	55	<b>59</b>
General and administrative expenses	(55)	<b>(59)</b>
Result before income tax	–	–
Income tax	–	–
Result for the year	–	–

**AUDITED STATEMENT OF COMPREHENSIVE INCOME OF  
HKT MANAGEMENT LIMITED**

For the year ended 31 December 2023

(In HK\$'000)

	2022	2023
Result for the year	–	–
Other comprehensive income	–	–
Total comprehensive income for the year	–	–

**AUDITED STATEMENT OF FINANCIAL POSITION OF  
HKT MANAGEMENT LIMITED**

As at 31 December 2023

(In HK\$'000)

	As at 31 December 2022	As at <b>31 December</b> <b>2023</b>
<b>ASSET AND LIABILITIES</b>		
<b>Current asset</b>		
Amount due from a fellow subsidiary	547	<b>606</b>
	547	<b>606</b>
<b>Current liabilities</b>		
Accruals and other payables	(54)	<b>(55)</b>
Amounts due to fellow subsidiaries	(493)	<b>(551)</b>
	(547)	<b>(606)</b>
<b>Net assets</b>	—	—
<b>CAPITAL AND RESERVES</b>		
Share capital	—	—
Reserves	—	—
<b>Total equity</b>	—	—

As at the date of this announcement, the directors of the Trustee-Manager and the Company are as follows:

*Executive Directors:*

Li Tzar Kai, Richard (*Executive Chairman*) and Hui Hon Hing, Susanna (*Group Managing Director*)

*Non-Executive Directors:*

Peter Anthony Allen; Chung Cho Yee, Mico; Tang Yongbo and Wang Fang

*Independent Non-Executive Directors:*

Chang Hsin Kang; Sunil Varma; Aman Mehta; Frances Waikwun Wong and Charlene Dawes

## **Forward-Looking Statements**

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