

GENERAL ANNOUNCEMENT::ANNOUNCEMENT RELATING TO HKT LIMITED

Issuer & Securities

Issuer/ Manager

PACIFIC CENTURY REGIONAL DEVELOPMENTS LIMITED

Securities

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Submitted By (Co./ Ind. Name)

Lim Beng Jin

Designation

Company Secretary

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

The Board of Directors of Pacific Century Regional Developments Limited (the "Company") wishes to advise that HKT Management Limited (in its capacity as the trustee-manager of the HKT Trust) and HKT Limited (a 52.29% subsidiary of the Company's 22.66% associated company, PCCW Limited ("PCCW"), which is listed on The Stock Exchange of Hong Kong Limited) have made an announcement in relation to the annual results of the HKT Trust and of HKT Limited together with its subsidiaries for the year ended 31 December 2022.

A copy of the HKT Trust and HKT Limited announcement is attached.

By Order of the Board

Lim Beng Jin

Company Secretary

23 February 2023

Attachments

[HKT 2022 Annual Results Announcement.pdf](#)

Total size =463K MB

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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 2022

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 2022.

- Total revenue excluding Mobile product sales increased by 2% to HK\$30,501 million, reflecting continued strong demand for our reliable, high-speed broadband services, further momentum in 5G adoption and the delivery of digital transformation projects for enterprise customers; total revenue remained resilient at HK\$34,125 million with the growth in services revenue moderated by softer Mobile product sales;
- Total EBITDA increased by 3% to HK\$13,064 million year on year spurred by cost efficiency initiatives across the Group;
- Adjusted funds flow increased by 2.4% to HK\$5,648 million year on year;
- Profit attributable to holders of Share Stapled Units increased by 2% year on year to HK\$4,901 million; basic earnings per Share Stapled Unit was 64.71 HK cents;
- Final distribution per Share Stapled Unit is 43.15 HK cents, resulting in a total distribution of 74.51 HK cents representing the full payout of Adjusted Funds Flow per Share Stapled Unit for the year.

MANAGEMENT REVIEW

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

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

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

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

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

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

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

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

OUTLOOK

In 2023, the group is poised for growth, despite the backdrop of China-US tensions and the Federal Reserve's hawkish tone. We believe that our agility, diversified portfolio and long-term investment in technology, innovation and talent will help us mitigate risks and drive sustainable development.

FINANCIAL REVIEW BY SEGMENT

For the year ended 31 December HK\$ million	2021			2022			Better/ (Worse)
	H1	H2	Full Year	H1	H2	Full Year	y-o-y
Revenue							
TSS	11,030	12,369	23,399	11,596	12,376	23,972	2%
- Local TSS Services	7,713	8,680	16,393	7,968	8,535	16,503	1%
- International Telecommunications Services	3,317	3,689	7,006	3,628	3,841	7,469	7%
Mobile	5,108	6,640	11,748	4,936	6,630	11,566	(2)%
- Mobile Services	3,577	4,241	7,818	3,647	4,295	7,942	2%
- Mobile Product Sales	1,531	2,399	3,930	1,289	2,335	3,624	(8)%
Other Businesses	408	464	872	567	314	881	1%
Eliminations	(903)	(1,155)	(2,058)	(942)	(1,352)	(2,294)	(11)%
Total revenue	15,643	18,318	33,961	16,157	17,968	34,125	–
Total revenue (excluding Mobile Product Sales)	14,112	15,919	30,031	14,868	15,633	30,501	2%
Cost of sales	(7,550)	(9,179)	(16,729)	(8,134)	(8,960)	(17,094)	(2)%
Operating costs before depreciation, amortisation, and gains/(losses) on disposal of property, plant and equipment and right-of-use assets, net	(2,378)	(2,121)	(4,499)	(2,189)	(1,778)	(3,967)	12%
EBITDA¹							
TSS	4,036	4,913	8,949	4,104	5,036	9,140	2%
Mobile	2,072	2,708	4,780	2,122	2,766	4,888	2%
- Mobile Services	2,058	2,643	4,701	2,107	2,705	4,812	2%
- Mobile Product Sales	14	65	79	15	61	76	(4)%
Other Businesses	(393)	(603)	(996)	(392)	(572)	(964)	3%
Total EBITDA¹	5,715	7,018	12,733	5,834	7,230	13,064	3%
TSS EBITDA¹ Margin	37%	40%	38%	35%	41%	38%	
Mobile EBITDA¹ Margin	41%	41%	41%	43%	42%	42%	
- Mobile Services EBITDA ¹ Margin	58%	62%	60%	58%	63%	61%	
Total EBITDA¹ Margin	37%	38%	37%	36%	40%	38%	
Total EBITDA¹ Margin (excluding Mobile Product Sales)	40%	44%	42%	39%	46%	43%	
Depreciation and amortisation	(2,751)	(2,901)	(5,652)	(2,825)	(2,982)	(5,807)	(3)%
Gains/(Losses) on disposal of property, plant and equipment and right-of-use assets, net	2	22	24	–	(3)	(3)	NA
Other (losses)/gains, net	–	(8)	(8)	3	(11)	(8)	–
Finance costs, net	(561)	(587)	(1,148)	(627)	(962)	(1,589)	(38)%
Share of results of associates and joint ventures	(63)	(67)	(130)	(38)	(59)	(97)	25%
Profit before income tax	2,342	3,477	5,819	2,347	3,213	5,560	(4)%

ADJUSTED FUNDS FLOW³

For the year ended 31 December HK\$ million	2021			2022			Better/ (Worse) y-o-y
	H1	H2	Full Year	H1	H2	Full Year	
Total EBITDA¹	5,715	7,018	12,733	5,834	7,230	13,064	3%
Less cash outflows in respect of capital expenditures, customer acquisition costs and licence fees ² :							
Capital expenditures	(1,170)	(1,208)	(2,378)	(1,140)	(1,113)	(2,253)	5%
Customer acquisition costs and licence fees	(534)	(1,166)	(1,700)	(595)	(970)	(1,565)	8%
Fulfilment costs	(227)	(260)	(487)	(309)	(258)	(567)	(16)%
Right-of-use assets	(809)	(815)	(1,624)	(687)	(702)	(1,389)	14%
Adjusted funds flow³ before tax paid, net finance costs paid and changes in working capital	2,975	3,569	6,544	3,103	4,187	7,290	11%
Adjusted for:							
Net finance costs paid	(281)	(319)	(600)	(353)	(528)	(881)	(47)%
Tax payment	(180)	(194)	(374)	(75)	(9)	(84)	78%
Changes in working capital	(188)	131	(57)	(298)	(379)	(677)	>(500)%
Adjusted funds flow³	2,326	3,187	5,513	2,377	3,271	5,648	2.4%
Annual adjusted funds flow per Share Stapled Unit (HK cents)⁴			72.77			74.51	

KEY OPERATING DRIVERS⁵

	2021		2022		Better/ (Worse) y-o-y
	H1	H2	H1	H2	
Exchange lines in service ('000)	2,486	2,443	2,405	2,343	(4)%
Business lines ('000)	1,206	1,195	1,186	1,176	(2)%
Residential lines ('000)	1,280	1,248	1,219	1,167	(6)%
Total broadband access lines ('000) (Consumer, business and wholesale)	1,634	1,637	1,640	1,640	0.2%
Retail consumer broadband access lines ('000)	1,464	1,461	1,464	1,465	0.3%
Retail business broadband access lines ('000)	161	163	163	162	(0.6)%
Mobile subscribers ('000)	4,477	4,770	4,817	4,787	0.4%
Post-paid subscribers ('000)	3,263	3,297	3,305	3,323	0.8%
Prepaid subscribers ('000)	1,214	1,473	1,512	1,464	(0.6)%
Pay TV installed base ('000)	1,352	1,373	1,378	1,398	2%
The Club members ('000)	3,293	3,541	3,630	3,707	5%
Tap & Go accounts in use ('000)	2,774	3,402	3,522	3,634	7%

- 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	2021			2022			Better/ (Worse) y-o-y
	H1	H2	Full Year	H1	H2	Full Year	
TSS Revenue							
Local TSS Services	7,713	8,680	16,393	7,968	8,535	16,503	1%
International Telecommunications Services	3,317	3,689	7,006	3,628	3,841	7,469	7%
Total TSS Revenue	11,030	12,369	23,399	11,596	12,376	23,972	2%
Cost of sales	(5,679)	(6,442)	(12,121)	(6,302)	(6,356)	(12,658)	(4)%
Operating costs before depreciation and amortisation	(1,315)	(1,014)	(2,329)	(1,190)	(984)	(2,174)	7%
Total TSS EBITDA¹	4,036	4,913	8,949	4,104	5,036	9,140	2%
TSS EBITDA¹ margin	37%	40%	38%	35%	41%	38%	

Local TSS Services revenue grew by 1% to HK\$16,503 million for the year ended 31 December 2022, underpinned by an increase of 3% in Local Data Services revenue to HK\$12,077 million. Local Data Services is the largest component of the Local TSS Services segment, comprising 73% of revenue. Pay TV Services revenue increased by 2% to HK\$2,499 million while Local Telephony Services generated a revenue of HK\$2,518 million. Revenue from International Telecommunications Services increased by 7% to HK\$7,469 million during the year. As a result, total TSS revenue rose by 2% to HK\$23,972 million.

Local Data Services. Comprising broadband revenue and local data revenue, Local Data Services revenue rose by 3% to HK\$12,077 million for the year ended 31 December 2022.

The broadband business recorded revenue growth for the 15th consecutive year, with revenue increasing by 2% as demand for our robust and reliable fibre network continued due to the increasingly established switch to digital services at home and ongoing hybrid work arrangements. During the year, we took the opportunity to join our broadband, local telephony, pay TV, lifestyle technology and learning teams to form the single unit of “HKT Home” to better cater for the needs of every family member, boosting customer loyalty and enhancing average revenue per user (“ARPU”) through integrated services. In addition to kicking off the year with our leading “2500M Fibre Service” and introducing the all-round “Stay Home Super Combo”, we have presented a Home Wi-Fi solution utilising the latest definitive “Wi-Fi 6E” standard to deliver an uninterfered, dedicated channel that is smooth and strong enough to accommodate today's hefty wireless traffic. This is complemented by the exceptional stability of our “fibre-to-the-room” (“FTTR”) service as well as the combined strengths of the csl. 5G mobile network and Netvigator's broadband backbone network to empower flexible connectivity services in every corner of the home.

Despite robust competition and the impact of emigration, the broadband business achieved an overall net gain in customers, with total broadband access lines growing to 1.64 million as at the end of December 2022. Of these, 969,000 were FTTH connections which represented a net increase of 25,000 or 3% growth from a year earlier and 66% of consumer broadband lines. Penetration of our Home Wi-Fi solutions also continued to rise steadily, which helped lift overall ARPU. As at year end, a total of 346,000 customers have subscribed to our Home Wi-Fi solutions, up 4% from the previous year and representing 24% of the consumer broadband base.

Telecommunications Services (Continued)

On the enterprise side, local data revenue achieved a solid growth of 3%, reflecting the growing demand for our unique integrated fixed-mobile solutions across different industries that incorporate 5G connectivity with smart city solutions including blockchain, artificial intelligence (“AI”), machine learning and the Internet of Things (“IoT”) in Hong Kong and the Greater Bay Area. Amidst project delays and contracted spending in the SME sector, we continued to assist in the digital transformation of enterprises and smart city initiatives in the public sector, including a number of telecom-related projects to support the Hong Kong Government’s anti-pandemic efforts. Across the border, despite stringent social distancing measures, the local data business registered growth in the mainland where revenue expanded by 57% year on year, as we empowered our enterprise customers such as Hong Kong retailers who sought to remotely manage their mainland operations during the epidemic. Although the business was impacted by periodic lockdowns, multinational and regional enterprise customers continued to choose our well-established HKT Enterprise Solutions for its high-quality, reliable connectivity solutions including MPLS, premium internet, SD-WAN and enterprise managed services (“EMS”) to support their expansion in mainland China. As borders reopen, we are committed to helping enterprises expand their operations into the Greater Bay Area and beyond.

Pay TV Services. Pay TV Services revenue increased by 2% to HK\$2,499 million for the year ended 31 December 2022 versus HK\$2,456 million a year earlier. Now TV continued to enrich its content slate with comprehensive and compelling world-class offerings focused on the sports, kids and entertainment segments. As a result, it continued to grow its installed base by 2% to 1.398 million versus 1.373 million a year earlier.

Undoubtedly, one of the highlights was the exclusive broadcast of FIFA World Cup Qatar 2022™, in partnership with PCCW Limited’s ViuTV, which helped drive both subscription and advertising revenue in the second half of the year. With 4K broadcasting and added features such as the Now AR – FIFA World Cup™ app and Watch Party, we further enhanced the viewer experience, attracting increased service subscription. The commercial segment also recorded meaningful contribution in subscription revenue as the kick-off of the tournament coincided with the relaxation of social distancing regulations in October 2022. Now TV continued to provide a wide choice of entertainment content for every family member, including VOD content from popular Asian and Western drama series, Hong Kong and Hollywood blockbuster movies, Japanese animation and award-winning documentaries. To better serve households with children, Now TV continued to expand the Now Kids Ecosystem with fun and STEM learning content from the eye AI Interactive Robot learning companion and the opening of the Sooper Yoo indoor playground in Island West.

Local Telephony Services. Local Telephony Services revenue registered a decline of 11% to HK\$2,518 million for the year ended 31 December 2022 versus HK\$2,826 million a year earlier. This reflected the increased terminations caused by emigration, the closure and contraction of the SME segment due to COVID as well as continued mobile and broadband substitution. As such, the total number of fixed lines in service at the end of December 2022 dropped to 2.343 million from 2.443 million a year earlier.

International Telecommunications Services. Revenue from International Telecommunications Services increased by 7% to HK\$7,469 million for the year ended 31 December 2022 versus HK\$7,006 million a year earlier. The revenue growth was driven by increased global voice revenue which generate a thin margin, resilient data revenue and increasing adoption and usage on Console Connect, a software-defined, on-demand platform facilitating secure interconnections to data centres, partners, clouds, applications and infrastructures.

The TSS business registered an increase of 2% in EBITDA to HK\$9,140 million, resulting in an EBITDA margin of 38%.

Mobile

For the year ended 31 December HK\$ million	2021			2022			Better/ (Worse) y-o-y
	H1	H2	Full Year	H1	H2	Full Year	
Mobile Revenue							
Mobile Services	3,577	4,241	7,818	3,647	4,295	7,942	2%
Mobile Product Sales	1,531	2,399	3,930	1,289	2,335	3,624	(8)%
Total Mobile Revenue	<u>5,108</u>	<u>6,640</u>	<u>11,748</u>	<u>4,936</u>	<u>6,630</u>	<u>11,566</u>	(2)%
Mobile EBITDA¹							
Mobile Services	2,058	2,643	4,701	2,107	2,705	4,812	2%
Mobile Product Sales	14	65	79	15	61	76	(4)%
Total Mobile EBITDA¹	<u>2,072</u>	<u>2,708</u>	<u>4,780</u>	<u>2,122</u>	<u>2,766</u>	<u>4,888</u>	2%
Mobile EBITDA¹ margin	<u>41%</u>	<u>41%</u>	<u>41%</u>	<u>43%</u>	<u>42%</u>	<u>42%</u>	
<i>Mobile Services EBITDA¹ margin</i>	<u>58%</u>	<u>62%</u>	<u>60%</u>	<u>58%</u>	<u>63%</u>	<u>61%</u>	

The Mobile business recorded a 2% growth in services revenue to HK\$7,942 million for the year ended 31 December 2022. The expansion in services revenue benefited from higher 5G adoption and growth in our post-paid customer base, as well as higher revenue contribution from smart enterprise solutions. The roaming and IDD business remained weak during the year. However, it exhibited initial signs of recovery, with roaming usage rebounding in the fourth quarter of 2022 as the borders reopened. Our roaming revenue soared by 41% between the third quarter and fourth quarter of the year, which led to the full-year growth in roaming and IDD revenue of 6%. On top of its differentiated customer service, the Mobile business is offering quality 5G roaming at popular overseas destinations to cater for travel resumption, with tailored packages ranging from pay-as-you-go, pre-purchase day passes to monthly plans for distinct types of user groups.

Despite intense market competition, the Mobile business reported a net gain of 26,000 year on year to 3.323 million in post-paid customers. Our 5G customer base increased to 1.061 million at the end of December 2022 and surpassed our forecast to reach 32% of our post-paid base. During the year, HKT became the first mobile operator to extend its 5G service to the MTR East Rail Line Cross-Harbour Extension, and the first to provide full 5G coverage along all MTR lines.

The post-paid exit ARPU as at 31 December 2022 rose to HK\$188 versus HK\$187 as at 31 December 2021, as the ARPU uplift from the 5G service plan was partially offset by competition in the price-conscious segment of the market. The churn rate for post-paid customers was 0.8% during the year, affected by the challenging economic environment and emigration impact.

Mobile product sales of HK\$3,624 million for the year ended 31 December 2022 was comparatively lower due to supply chain disruptions in 2022 and a supply spike in 2021 from the delayed launch of popular handset models.

Mobile services EBITDA for the year rose by 2% to HK\$4,812 million with a margin of 61%, reflecting 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 also increased by 2% to HK\$4,888 million from HK\$4,780 million a year earlier. The overall EBITDA margin also improved to 42% from 41% a year earlier.

Other Businesses

Other Businesses primarily comprise new business areas such as HKT Digital Ventures, and corporate support functions, which recorded a steady revenue of HK\$881 million for the year ended 31 December 2022 versus HK\$872 million a year earlier.

The Club's membership base expanded by 5% to 3.71 million as at 31 December 2022 from 3.54 million a year earlier. During the year, The Club deepened its market penetration and enhanced the customer experience by diversifying its product offerings to cater for the varying needs of target audiences, including families, travellers, and gamers. With conscious efforts to diversify our product offerings in the face of mobile handset supply shortages, non-phone gross merchandise value ("GMV") on The Club platform for the year increased by 16% from a year earlier, while total GMV grew by 2%.

In April 2022, Tap & Go took part in the Consumption Voucher Scheme for a second year. With the sustained adoption of mobile payments fostered by the scheme as well as its growing popularity particularly amongst the Gen Z and Millennial market segment, Tap & Go's number of accounts rose to 3.63 million, an increase of 7% from 3.40 million a year earlier. During the year, Tap & Go also witnessed a 55% growth in customer spending year on year. In order to drive further adoption and usage, Tap & Go has been focused on merchant acquisition, with over 8,000 subscriptions to its merchant payment solutions at the end of 2022 and recorded a 68% growth in processed merchant transaction volume.

Eliminations

Eliminations were HK\$2,294 million for the year ended 31 December 2022 versus HK\$2,058 million a year earlier, reflecting the increased collaboration across all HKT's business segments.

Cost of Sales

Cost of sales for the year ended 31 December 2022 increased by 2% to HK\$17,094 million, reflecting the relatively higher costs associated with international voice revenues.

General and Administrative Expenses

For the year ended 31 December 2022, operating costs before depreciation, amortisation, and gains/(losses) on disposal of property, plant and equipment and right-of-use assets, net ("operating costs") improved by 12% to HK\$3,967 million, reflecting the Group's continued focus on operating efficiency across each of the business lines through digitalising business processes as well as optimising O2O sales channels and retail footprint to drive higher sales efficiency. Overall operating costs-to-revenue ratio for the year further improved to 11.6% versus 13.2% a year earlier.

Depreciation and amortisation expenses increased by 3% to HK\$5,807 million for the year ended 31 December 2022, largely due to an increase in the amortisation of the 1800MHz mobile spectrum licences arising from the reassignment in 2021.

As a result of the above, general and administrative expenses decreased by 3% to HK\$9,777 million for the year ended 31 December 2022 versus HK\$10,127 million a year earlier.

EBITDA¹

With the steady growth in the TSS and Mobile businesses and further operating efficiencies, total EBITDA increased by 3% to HK\$13,064 million for the year ended 31 December 2022 versus HK\$12,733 million a year earlier. The overall EBITDA margin improved to 38% in 2022 versus 37% a year earlier. Excluding Mobile product sales, the EBITDA margin improved to 43% for the year versus 42% a year earlier, reflecting the effectiveness of our continuous cost control measures taken during the year.

Finance Costs, Net

Net finance costs for the year ended 31 December 2022 increased by 38% to HK\$1,589 million from HK\$1,148 million a year earlier, mainly due to the rise in HIBOR in the fourth quarter of 2022. The average cost of debt was less than 3% during the year, compared to 2.4% a year earlier due to our prudent mix of fixed and floating rate debt. We will continue to closely monitor the interest rate environment to optimise the ratio.

Income Tax

Income tax expense for the year ended 31 December 2022 was HK\$641 million, as compared to HK\$997 million a year earlier. The effective tax rate for the year was 11.5%, compared to 17.1% a year earlier. The decrease in the tax expense was mainly due to recognition of a deferred income tax asset resulting from a loss-making company turning profitable.

Non-controlling Interests

Non-controlling interests of HK\$18 million (2021: HK\$14 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 2022 increased by 2% to HK\$4,901 million (2021: HK\$4,808 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.

In January 2022, HKT took advantage of a favourable market window and raised US\$650 million 10-year guaranteed notes at an annual coupon of 3.00%. The proceeds were for general corporate purposes including repayment of existing indebtedness.

HKT's gross debt⁶ was HK\$44,179 million as at 31 December 2022 (31 December 2021: HK\$43,886 million). Cash and short-term deposits totalled HK\$2,113 million as at 31 December 2022 (31 December 2021: HK\$2,883 million). HKT's gross debt⁶ to total assets was 40% as at 31 December 2022 (31 December 2021: 40%).

As at 31 December 2022, HKT had ample liquidity as evidenced by banking facilities totalling HK\$32,013 million, of which HK\$14,459 million remained undrawn.

CREDIT RATINGS OF HONG KONG TELECOMMUNICATIONS (HKT) LIMITED

As at 31 December 2022, 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 EXPENDITURE²

Capital expenditure including capitalised interest for the year ended 31 December 2022 was HK\$2,346 million (2021: HK\$2,458 million). Capital expenditure relative to revenue was 6.9% for the year ended 31 December 2022 (2021: 7.2%).

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

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 FLOW³

Adjusted funds flow increased by 2.4% to HK\$5,648 million for the year ended 31 December 2022 from HK\$5,513 million for the year ended 31 December 2021. This growth was driven by the 3% expansion in EBITDA, disciplined capex investments, lower customer acquisition costs and licence fees due to improved sales channel efficiencies, savings from the continued rationalisation of our retail shops as well as lower tax payment during the year. These positive factors were partially offset by increases in fulfilment costs to serve our growing base of consumer and enterprise customers and the rise in net finance costs due to recent interest rate increases.

Following the delayed receipt of tax demand notes pertaining to the financial year ended 31 December 2021, the amount of cash tax payments in 2022 declined as compared with 2021. Nevertheless, the relevant tax payments have been estimated and a corresponding provision has been included as part of the changes in working capital for 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 2022, 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 2022, no assets of the Group (2021: nil) were pledged to secure loans and banking facilities of HKT.

CONTINGENT LIABILITIES

As at 31 December HK\$ million	2021	2022
Performance guarantees	994	1,053
Others	2	6
	996	1,059

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 14,900 employees as at 31 December 2022 (2021: 15,400) located in 21 countries and cities. About 67% 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 43.15 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 2022 (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 43.15 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 31.36 HK cents per Share Stapled Unit/ordinary share of the Company for the six months ended 30 June 2022 was paid to holders of Share Stapled Units/shareholders of the Company in September 2022.

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 Wednesday, 7 June 2023. 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 Tuesday, 6 June 2023 to Wednesday, 7 June 2023 (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 4:30 p.m. on Monday, 5 June 2023. 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 Tuesday, 20 June 2023.

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 Wednesday, 31 May 2023, will be Wednesday, 24 May 2023. 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 4:30 p.m. on Wednesday, 24 May 2023.

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 2022, 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 2022 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 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited during the year ended 31 December 2022, 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.

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

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the websites of the Company (www.hkt.com/ir) and Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk). The 2022 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, 23 February 2023

AUDITED CONSOLIDATED INCOME STATEMENT OF HKT TRUST AND OF HKT LIMITED

For the year ended 31 December 2022

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

	Note(s)	2021	2022
Revenue	2, 3	33,961	34,125
Cost of sales		(16,729)	(17,094)
General and administrative expenses		(10,127)	(9,777)
Other losses, net		(8)	(8)
Finance costs, net		(1,148)	(1,589)
Share of results of associates		(115)	(106)
Share of results of joint ventures		(15)	9
Profit before income tax	2, 4	5,819	5,560
Income tax	5	(997)	(641)
Profit for the year		4,822	4,919
Profit attributable to:			
Holders of Share Stapled Units/shares of the Company		4,808	4,901
Non-controlling interests		14	18
Profit for the year		4,822	4,919
Earnings per Share Stapled Unit/share of the Company	7		
Basic		63.49 cents	64.71 cents
Diluted		63.48 cents	64.70 cents

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

For the year ended 31 December 2022

(In HK\$ million)

	2021	2022
Profit for the year	4,822	4,919
Other comprehensive (loss)/income		
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	(30)	(74)
- exchange differences on translating foreign operations of joint ventures	(8)	(24)
Cash flow hedges:		
- effective portion of changes in fair value	(2)	(46)
- transfer from equity to consolidated income statement	8	101
Costs of hedging	(55)	(114)
Other comprehensive loss for the year	(87)	(157)
Total comprehensive income for the year	4,735	4,762
Attributable to:		
Holders of Share Stapled Units/shares of the Company	4,721	4,744
Non-controlling interests	14	18
Total comprehensive income for the year	4,735	4,762

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

As at 31 December 2022

(In HK\$ million)

	Note	As at 31 December 2021	As at 31 December 2022
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		25,198	26,286
Right-of-use assets		2,139	1,897
Interests in leasehold land		189	177
Goodwill		49,809	49,803
Intangible assets		15,617	16,415
Fulfilment costs		1,512	1,658
Customer acquisition costs		858	864
Contract assets		300	285
Interests in associates		360	410
Interests in joint ventures		555	493
Financial assets at fair value through other comprehensive income		124	147
Financial assets at fair value through profit or loss		38	34
Derivative financial instruments		131	27
Deferred income tax assets		758	968
Other non-current assets		889	571
		98,477	100,035
Current assets			
Inventories		1,218	1,607
Prepayments, deposits and other current assets		2,141	3,079
Contract assets		699	637
Trade receivables, net	8	3,953	3,254
Amounts due from related companies		31	25
Financial assets at fair value through profit or loss		15	12
Derivative financial instruments		—	58
Tax recoverable		8	—
Restricted cash		187	375
Short-term deposits		472	116
Cash and cash equivalents		2,411	1,997
		11,135	11,160

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

As at 31 December 2022

(In HK\$ million)

	Note	As at 31 December 2021	As at 31 December 2022
Current liabilities			
Short-term borrowings		(61)	(3,950)
Trade payables	9	(5,250)	(5,500)
Accruals and other payables		(4,221)	(5,973)
Derivative financial instrument		—	(98)
Carrier licence fee liabilities		(315)	(331)
Amount due to a fellow subsidiary		(1,962)	(2,049)
Amount due to a related company		(65)	(54)
Advances from customers		(270)	(286)
Contract liabilities		(1,513)	(1,410)
Lease liabilities		(1,023)	(1,049)
Current income tax liabilities		(1,523)	(1,909)
		(16,203)	(22,609)
Non-current liabilities			
Long-term borrowings		(43,628)	(39,888)
Derivative financial instruments		(128)	(223)
Deferred income tax liabilities		(4,674)	(5,048)
Carrier licence fee liabilities		(3,449)	(3,340)
Contract liabilities		(1,159)	(1,031)
Lease liabilities		(1,162)	(925)
Other long-term liabilities		(2,012)	(1,702)
		(56,212)	(52,157)
Net assets		37,197	36,429
CAPITAL AND RESERVES			
Share capital		8	8
Reserves		37,133	36,361
Equity attributable to holders of Share Stapled Units/shares of the Company		37,141	36,369
Non-controlling interests		56	60
Total equity		37,197	36,429

NOTES

1. BASIS OF PREPARATION

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 2022 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 2022 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 2022 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, principal 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 2022, but have no material effect on the Groups’ reported results and financial position for the current and prior accounting periods.

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

1. BASIS OF PREPARATION (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 2022, the current liabilities of the Groups exceeded their current assets by HK\$11,449 million. Included in the current liabilities were (i) short-term borrowings of HK\$3,950 million, which mainly represented the reclassification of borrowings from non-current liabilities to current liabilities in the current year as their maturity dates fall due within the next 12-month period and the Groups have arrangements to refinance this balance via long-term borrowings; and (ii) current portion of contract liabilities of HK\$1,410 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\$14,459 million as at 31 December 2022, 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 2021 and 2022 included in this preliminary announcement of annual results for the year ended 31 December 2022 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 2021 have been delivered to the Registrar of Companies and the Combined Financial Statements for the year ended 31 December 2022 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, health tech services, and media entertainment. It operates primarily in Hong Kong, and also serves customers in mainland China and other parts of the world.
- Mobile includes the Groups’ mobile telecommunications businesses in Hong Kong.
- Other businesses of the Groups (“Other Businesses”) primarily comprise new business areas such as HKT Digital Ventures, 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 2021
(In HK\$ million)

	TSS	Mobile	Other Businesses	Eliminations	Consolidated
Revenue					
External revenue	22,259	10,838	864	—	33,961
Inter-segment revenue	1,140	910	8	(2,058)	—
Total revenue	<u>23,399</u>	<u>11,748</u>	<u>872</u>	<u>(2,058)</u>	<u>33,961</u>
External revenue from contracts with customers: Timing of revenue recognition					
At a point in time	2,872	3,367	667	—	6,906
Over time	19,332	7,471	197	—	27,000
External revenue from other sources: Rental income	55	—	—	—	55
	<u>22,259</u>	<u>10,838</u>	<u>864</u>	<u>—</u>	<u>33,961</u>
Results					
EBITDA	<u>8,949</u>	<u>4,780</u>	<u>(996)</u>	<u>—</u>	<u>12,733</u>

For the year ended 31 December 2022
(In HK\$ million)

	TSS	Mobile	Other Businesses	Eliminations	Consolidated
Revenue					
External revenue	22,705	10,556	864	—	34,125
Inter-segment revenue	1,267	1,010	17	(2,294)	—
Total revenue	<u>23,972</u>	<u>11,566</u>	<u>881</u>	<u>(2,294)</u>	<u>34,125</u>
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
	<u>22,705</u>	<u>10,556</u>	<u>864</u>	<u>—</u>	<u>34,125</u>
Results					
EBITDA	<u>9,140</u>	<u>4,888</u>	<u>(964)</u>	<u>—</u>	<u>13,064</u>

2. SEGMENT INFORMATION (CONTINUED)

The CODM assesses the Pay TV business together with the TSS reportable segment upon the consolidation of the consumer retail business and Pay TV business. To conform with the current year's presentation, relevant revenue of HK\$2,456 million with corresponding eliminations and EBITDA of HK\$481 million are reclassified to "TSS" for the year ended 31 December 2021.

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

In HK\$ million	2021	2022
Total segment EBITDA	12,733	13,064
Gains/(Losses) on disposal of property, plant and equipment and right-of-use assets, net	24	(3)
Depreciation and amortisation	(5,652)	(5,807)
Other losses, net	(8)	(8)
Finance costs, net	(1,148)	(1,589)
Share of results of associates	(115)	(106)
Share of results of joint ventures	(15)	9
Profit before income tax	<u>5,819</u>	<u>5,560</u>

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	2021	2022
Hong Kong (place of domicile)	28,303	28,120
Mainland and other parts of China	1,166	1,231
Others	4,492	4,774
	<u>33,961</u>	<u>34,125</u>

As at 31 December 2022, the total of non-current assets, other than financial instruments and deferred income tax assets, located in Hong Kong was HK\$95,899 million (2021: HK\$94,304 million), and the total of these non-current assets located in other geographical locations was HK\$2,840 million (2021: HK\$3,012 million).

3. REVENUE

In HK\$ million	2021	2022
Revenue from contracts with customers	33,906	34,049
Revenue from other sources: rental income	55	76
	<u>33,961</u>	<u>34,125</u>

3. REVENUE (CONTINUED)

a. Revenue recognition in relation to contract liabilities

In HK\$ million	2021	2022
Revenue recognised that was included in the contract liability balance at the beginning of the year	1,423	1,513

b. Unsatisfied long-term fixed-price contracts

In HK\$ million	2021	2022
Aggregate amount of the transaction price allocated to long-term fixed-price contracts that are partially or fully unsatisfied as at 31 December	20,107	20,078

As at 31 December 2022, management expected that 55% and 27% (2021: 57% and 24%) 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 18% (2021: 19%) 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	2021	2022
Cost of inventories sold	6,648	6,509
Cost of sales, excluding inventories sold	10,081	10,585
Depreciation of property, plant and equipment	1,234	1,240
Depreciation of right-of-use assets – land and buildings	1,338	1,264
Depreciation of right-of-use assets – network capacity and equipment	139	116
Amortisation of land lease premium – interests in leasehold land	13	12
Amortisation of intangible assets	1,500	1,652
Amortisation of fulfilment costs	393	421
Amortisation of customer acquisition costs	1,035	1,102

5. INCOME TAX

In HK\$ million	2021	2022
Current income tax:		
Hong Kong profits tax	477	463
Overseas tax	15	15
Movement of deferred income tax	505	163
	997	641

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

6. DISTRIBUTIONS/DIVIDENDS

In HK\$ million	2021	2022
Interim distribution/dividend declared and paid in respect of the current year of 31.36 HK cents (2021: 30.70 HK cents) per Share Stapled Unit/ordinary share of the Company	2,326	2,377
Less: distribution/dividend for Share Stapled Units/ordinary shares of the Company held by the Share Stapled Units award schemes	(1)	(2)
	2,325	2,375
Final distribution/dividend declared in respect of the previous financial year, approved and paid during the year of 42.07 HK cents (2021: 40.97 HK cents) per Share Stapled Unit/ordinary share of the Company	3,104	3,189
Less: distribution/dividend for Share Stapled Units/ordinary shares of the Company held by the Share Stapled Units award schemes	(1)	(3)
	3,103	3,186
	5,428	5,561

For the year ended 31 December 2022, the Company proposed a final dividend of 43.15 HK cents per ordinary share, totalling HK\$3,271 million (2021: 42.07 HK cents per ordinary share, totalling HK\$3,189 million) to the HKT Trust after the end of the reporting period.

For the year ended 31 December 2022, the HKT Trust proposed a final distribution of 43.15 HK cents per Share Stapled Unit, totalling HK\$3,271 million (2021: 42.07 HK cents per Share Stapled Unit, totalling HK\$3,189 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:

	2021	2022
Earnings (in HK\$ million)		
Earnings for the purpose of basic and diluted earnings per Share Stapled Unit/share of the Company	4,808	4,901
Number of Share Stapled Units/shares of the Company		
Weighted average number of Share Stapled Units/ordinary shares of the Company	7,575,742,334	7,578,460,142
Effect of Share Stapled Units held under the Share Stapled Units award schemes	(2,967,769)	(4,744,087)
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	7,572,774,565	7,573,716,055
Effect of Share Stapled Units awarded under the Share Stapled Units award schemes	1,443,288	1,410,043
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	7,574,217,853	7,575,126,098

8. TRADE RECEIVABLES, NET

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

In HK\$ million	2021	2022
1 – 30 days	2,829	2,135
31 – 60 days	440	489
61 – 90 days	180	193
91 – 120 days	92	114
Over 120 days	575	469
	4,116	3,400
Less: loss allowance	(163)	(146)
	3,953	3,254

As at 31 December 2022, included in trade receivables, net were amounts due from related parties of HK\$55 million (2021: HK\$39 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	2021	2022
1 – 30 days	2,318	2,009
31 – 60 days	696	1,105
61 – 90 days	879	1,205
91 – 120 days	547	517
Over 120 days	810	664
	5,250	5,500

As at 31 December 2022, included in trade payables were amounts due to related parties of HK\$325 million (2021: HK\$22 million).

**AUDITED INCOME STATEMENT OF
HKT MANAGEMENT LIMITED**

For the year ended 31 December 2022
(In HK\$'000)

	2021	2022
Management fee income	54	55
General and administrative expenses	(54)	(55)
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 2022
(In HK\$'000)

	2021	2022
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 2022

(In HK\$'000)

	As at 31 December 2021	As at 31 December 2022
ASSET AND LIABILITIES		
Current asset		
Amount due from a fellow subsidiary	492	547
	492	547
Current liabilities		
Accruals and other payables	(52)	(54)
Amounts due to fellow subsidiaries	(440)	(493)
	(492)	(547)
Net assets	—	—
CAPITAL AND RESERVES		
Share capital	—	—
Reserves	—	—
Total equity	—	—

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 and Wang Fang

Independent Non-Executive Directors:

Professor Chang Hsin Kang, FREng, GBS, JP; Sunil Varma; Aman Mehta and Frances Waikwun Wong

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.