

GENERAL ANNOUNCEMENT::ANNOUNCEMENT RELATING TO HKT LIMITED

Issuer & Securities

Issuer/ Manager

PACIFIC CENTURY REGIONAL DEVELOPMENTS LIMITED

Securities

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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 51.94% subsidiary of the Company's 22.69% 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 2020.

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

By Order of the Board

Lim Beng Jin

Company Secretary

4 February 2021

Attachments

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



HKT Trust

(a trust constituted on November 7, 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 DECEMBER 31, 2020

The directors of HKT Management Limited (the “Trustee-Manager”, in its capacity as the trustee-manager of the HKT Trust) 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 December 31, 2020.

- Despite the challenging conditions during the year, Adjusted Funds Flow increased by 1% to HK\$5,384 million reflecting the benefits of the scale and breadth of our Telecommunications Services segment as well as improvements in operational efficiencies and savings from our retail network consolidation;
- Total revenue excluding Mobile product sales rose slightly to HK\$29,780 million due to a significant surge in demand for data and broadband services coupled with an encouraging take-up of our 5G services albeit offset by the decline in roaming revenue;
- Total revenue decreased by 2% to HK\$32,389 million following softer Mobile product sales;
- Total EBITDA decreased to HK\$12,527 million with the 2% decline cushioned by steps to improve operational efficiencies including digitizing business processes and optimizing online-to-offline sales channels;
- Profit attributable to holders of Share Stapled Units increased by 2% to HK\$5,303 million; basic earnings per Share Stapled Unit was 70.01 HK cents; and
- Final distribution per Share Stapled Unit is 40.97 HK cents, resulting in a total distribution of 71.07 HK cents representing the full payout of Adjusted Funds Flow per Share Stapled Unit for the year.

MANAGEMENT REVIEW

We are pleased to announce that HKT delivered a resilient set of financial results for the year ended December 31, 2020 underpinned by the scale and breadth of our Telecommunications Services (“TSS”) segment. While COVID-19 shook the global economy and deepened Hong Kong’s recession, HKT remained focused on its customers by offering innovative value-added services and a personalized experience on multiple fronts that helped to deepen customer engagement. Incorporating Now TV in the fourth quarter of 2020 has since made HKT the only true quadruple-play services provider in Hong Kong with offerings that cut across product and service lines and utilize common assets.

During the year, international travel was severely curtailed, causing HKT’s mobile roaming revenue to drop precipitously and delaying many of its information and communications technology (“ICT”) projects in the private and public sectors. These project delays coupled with poor market sentiment also depressed business equipment sales. HKT’s retail stores saw less foot traffic due to the social distancing measures implemented in Hong Kong throughout 2020, which in turn dampened Mobile product sales.

While the Mobile segment was lackluster, the TSS segment put up a solid performance. TSS revenue increased by 2% to HK\$22,357 million, as more people stayed home and sought reliable, high-speed home broadband services to accommodate their work, study and entertainment needs. The pandemic has also forced many businesses no matter big or small, especially those in retail, travel and hospitality, to downsize or even shut down. To counter this impact, HKT took steps to improve operational efficiencies including digitizing business processes and optimizing online-to-offline sales channels and exercised stringent cost control throughout the year in discretionary areas such as publicity and promotions as well as travel and entertainment, resulting in a 1% increase in EBITDA to HK\$8,412 million.

Mobile services revenue fell by 8% to HK\$7,757 million, primarily due to the sharp decline in mobile roaming. However, the core local revenue held steady, benefitting from the uplift in the average revenue per user (“ARPU”) from upgrades to 5G services which offset the revenue pressures from the stiff price competition in the low-end segment of the market. Subdued consumer confidence put downward pressure on Mobile product sales, which fell to HK\$2,609 million. EBITDA from the Mobile segment declined by 6% to HK\$4,747 million, with the overall margin increasing to 46%.

Consequently, total EBITDA for the year came to HK\$12,527 million, down 2% over the previous year.

As a result of savings in finance costs, lower tax expense and one-time other gains, profit attributable to holders of the share stapled units of the HKT Trust and HKT (“Share Stapled Units”) was HK\$5,303 million, up 2% from a year ago. Basic earnings per Share Stapled Unit was 70.01 HK cents.

Adjusted funds flow for the year ended December 31, 2020 increased by 1% to HK\$5,384 million due to savings in rental payments and more prudent capex investments. Annual adjusted funds flow per Share Stapled Unit was 71.07 HK cents.

The board of directors of the Trustee-Manager has recommended the payment of a final distribution of 40.97 HK cents per Share Stapled Unit for the year ended December 31, 2020. This brings the 2020 full-year distribution to 71.07 HK cents per Share Stapled Unit (comprising 30.10 HK cents as interim distribution and 40.97 HK cents as final distribution) representing the full payout of the annual adjusted funds flow per Share Stapled Unit.

OUTLOOK

While Hong Kong embarks on a bumpy path to recovery, we are hopeful that the arrival of vaccines will bring new impetus to the journey. Externally, development of China-US relations under the new US administration and how it may impact on the recovery process, however, remains to be seen.

5G will remain a focus area in 2021 as we believe there is not only significant upside potential in consumer adoption, but also enormous scope for applications in the commercial and public sectors. With our successful track record of implementing large-scale government and commercial ICT projects, HKT will make every effort to help enterprises go digital and assist Hong Kong's transformation into a smart city.

As a true quadplay provider following the incorporation of Now TV, HKT is ready to deliver an enriched total offering of superb connectivity, premium content including live sports programming, and other value-added services to better serve customer needs and interests.

We will continue to grow our digital ecosystem which comprises HKT's substantial customer base and an expanding number of merchants and partners. We will be seeking to enhance our revenue streams in the longer term, as we cater to the evolving customer needs under the new normal, through prudent investment in the digital businesses.

HKT embraces challenges for the betterment of our performance. We will remain agile and highly vigilant to changes in the macro-environment such as technology advancement, social trends and development of geopolitical relations. We will prudently control spending without sacrificing the quality of our services. Our missions are to continue to support the people of Hong Kong through the provision of resilient and innovative services, as well as bringing stable returns to our valued investors.

FINANCIAL REVIEW BY SEGMENT

For the year ended December 31, HK\$ million	2019			2020			Better/ (Worse)
	H1	H2	Full Year	H1	H2	Full Year	y-o-y
Revenue							
TSS	10,209	11,744	21,953	10,386	11,971	22,357	2%
Mobile	5,222	6,592	11,814	4,543	5,823	10,366	(12)%
- Mobile Services	3,881	4,533	8,414	3,573	4,184	7,757	(8)%
- Mobile Product Sales	1,341	2,059	3,400	970	1,639	2,609	(23)%
Pay TV	—	—	—	—	647	647	NA
Other Businesses	103	133	236	106	135	241	2%
Eliminations	(425)	(475)	(900)	(429)	(793)	(1,222)	(36)%
Total revenue	15,109	17,994	33,103	14,606	17,783	32,389	(2)%
Total revenue (excluding Mobile Product Sales)	13,768	15,935	29,703	13,636	16,144	29,780	0%
Cost of sales	(6,950)	(8,837)	(15,787)	(6,941)	(8,762)	(15,703)	1%
Operating costs before depreciation, amortization, and gain/(loss) on disposal of property, plant and equipment, net	(2,426)	(2,073)	(4,499)	(2,119)	(2,040)	(4,159)	8%
EBITDA¹							
TSS	3,828	4,532	8,360	3,801	4,611	8,412	1%
Mobile	2,206	2,862	5,068	2,050	2,697	4,747	(6)%
- Mobile Services	2,222	2,879	5,101	2,057	2,639	4,696	(8)%
- Mobile Product Sales	(16)	(17)	(33)	(7)	58	51	NA
Pay TV	—	—	—	—	174	174	NA
Other Businesses	(301)	(310)	(611)	(305)	(501)	(806)	(32)%
Total EBITDA¹	5,733	7,084	12,817	5,546	6,981	12,527	(2)%
TSS EBITDA¹ Margin	37%	39%	38%	37%	39%	38%	
Mobile EBITDA¹ Margin	42%	43%	43%	45%	46%	46%	
- Mobile Services EBITDA ¹ Margin	57%	64%	61%	58%	63%	61%	
Pay TV EBITDA¹ Margin	—	—	—	—	27%	27%	
Total EBITDA¹ Margin	38%	39%	39%	38%	39%	39%	
Total EBITDA¹ Margin (excluding Mobile Product Sales)	42%	45%	43%	41%	43%	42%	
Depreciation and amortization	(2,371)	(2,750)	(5,121)	(2,491)	(2,850)	(5,341)	(4)%
Gain/(loss) on disposal of property, plant and equipment, net	1	(3)	(2)	2	—	2	NA
Other gains/(losses), net	1	2	3	(50)	411	361	>500%
Finance costs, net	(662)	(710)	(1,372)	(658)	(638)	(1,296)	6%
Share of results of associates and joint ventures	(23)	(28)	(51)	(30)	(49)	(79)	(55)%
Profit before income tax	2,679	3,595	6,274	2,319	3,855	6,174	(2)%

ADJUSTED FUNDS FLOW³

For the year ended December 31, HK\$ million	2019			2020			Better/ (Worse) y-o-y
	H1	H2	Full Year	H1	H2	Full Year	
Total EBITDA¹	5,733	7,084	12,817	5,546	6,981	12,527	(2)%
Less cash outflows in respect of capital expenditures, customer acquisition costs and licence fees ² :							
Capital expenditures	(1,292)	(1,350)	(2,642)	(1,169)	(1,208)	(2,377)	10%
Customer acquisition costs and licence fees	(401)	(796)	(1,197)	(411)	(921)	(1,332)	(11)%
Fulfillment costs	(273)	(222)	(495)	(289)	(228)	(517)	(4)%
Right-of-use assets	(849)	(795)	(1,644)	(764)	(826)	(1,590)	3%
Adjusted funds flow³ before tax paid, net finance costs paid and changes in working capital	2,918	3,921	6,839	2,913	3,798	6,711	(2)%
Adjusted for:							
Net finance costs paid	(473)	(420)	(893)	(378)	(372)	(750)	16%
Tax payment	(185)	–	(185)	(149)	(367)	(516)	(179)%
Changes in working capital	12	(444)	(432)	(106)	45	(61)	86%
Adjusted funds flow³	2,272	3,057	5,329	2,280	3,104	5,384	1%
Annual adjusted funds flow per Share Stapled Unit (HK cents)⁴			70.38			71.07	

KEY OPERATING DRIVERS⁵

	2019		2020		Better/ (Worse) y-o-y
	H1	H2	H1	H2	
Exchange lines in service ('000)	2,616	2,598	2,564	2,522	(2.9)%
Business lines ('000)	1,247	1,240	1,227	1,212	(2.3)%
Residential lines ('000)	1,369	1,358	1,337	1,310	(3.5)%
Total broadband access lines ('000) (Consumer, business and wholesale)	1,615	1,620	1,622	1,627	0.4%
Retail consumer broadband access lines ('000)	1,446	1,450	1,454	1,457	0.5%
Retail business broadband access lines ('000)	158	159	157	160	0.6%
Mobile subscribers ('000)	4,592	4,679	4,372	4,605	(1.6)%
Post-paid subscribers ('000)	3,247	3,250	3,250	3,252	0.1%
Prepaid subscribers ('000)	1,345	1,429	1,122	1,353	(5.3)%
Pay TV installed base ('000)	–	–	–	1,348	NA
The Club members ('000)	2,845	2,953	3,043	3,178	7.6%
Tap & Go accounts in service ('000)	2,086	2,476	2,629	2,744	10.8%

- Note 1 EBITDA represents earnings before interest income, finance costs, income tax, depreciation and amortization, gain/loss 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. Fulfillment 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 December 31, HK\$ million	2019			2020			Better/ (Worse) y-o-y
	H1	H2	Full Year	H1	H2	Full Year	
TSS Revenue							
Local Telephony Services	1,612	1,648	3,260	1,532	1,552	3,084	(5)%
Local Data Services	3,619	4,168	7,787	3,696	4,521	8,217	6%
International Telecommunications Services	3,440	3,906	7,346	3,764	3,880	7,644	4%
Other Services	1,538	2,022	3,560	1,394	2,018	3,412	(4)%
Total TSS Revenue	10,209	11,744	21,953	10,386	11,971	22,357	2%
Cost of sales	(4,864)	(5,975)	(10,839)	(5,346)	(6,539)	(11,885)	(10)%
Operating costs before depreciation and amortization	(1,517)	(1,237)	(2,754)	(1,239)	(821)	(2,060)	25%
Total TSS EBITDA¹	3,828	4,532	8,360	3,801	4,611	8,412	1%
TSS EBITDA¹ margin	37%	39%	38%	37%	39%	38%	

Leveraging its solid fundamentals, TSS recorded a 2% increase in revenue to HK\$22,357 million during the year versus HK\$21,953 million a year earlier.

Local Telephony Services. Local telephony services revenue amounted to HK\$3,084 million for the year ended December 31, 2020 versus HK\$3,260 million a year ago. Total fixed lines in service at the end of December 2020 were 2.522 million, compared to 2.598 million a year earlier. The drop was primarily due to the continued migration of local fixed-line customers to our broadband and mobile services, coupled with the reduction in business lines from the closures and downsizing of small and medium-sized enterprises during the year.

Local Data Services. Comprising broadband network revenue and local data revenue, local data services revenue rose by 6% to HK\$8,217 million for the year ended December 31, 2020.

Broadband network revenue exhibited growth for the 13th successive year. The fierce price competition notwithstanding, the total number of broadband access lines edged up from 1.62 million as at the end of December 2019 to 1.627 million by the end of 2020. Of these broadband access lines, 892,000 belonged to the fiber-to-the-home (“FTTH”) category, which represented a net increase of 59,000 or 7% from a year earlier. In addition, penetration of our Home Wi-Fi solutions continued to grow during the year and exceeded 21% of our entire consumer broadband base, reaching a total of 307,000 customers, up 7% compared to the previous year. Central to the growth along these lines was HKT’s multi-pronged strategy of offering FTTH service across Hong Kong, catering to different market segments through the “HKT Premier”, “NETVIGATOR” and “LiKE100” brands, and cross-selling quality services and value-added solutions such as Home Wi-Fi and Smart Living. The results also clearly reflect the boom in demand for dependable broadband services and related solutions as customers stayed home longer and spent more time online under the pandemic.

Telecommunications Services (*Continued*)

The new normal of remote office led to heightened bandwidth requirements from enterprise customers keen to ensure operational continuity, which fueled a substantial growth in local data services revenue. The growth was also partially derived from private-sector projects where we assisted our enterprise customers to migrate to the cloud as part of their digital transformation journey and from the delivery of Government projects key to Hong Kong's smart mobility ambitions.

International Telecommunications Services. International telecommunications services revenue for the year ended December 31, 2020 climbed 4% to HK\$7,644 million from HK\$7,346 million a year earlier. Two main factors contributed to this growth: higher revenue from the international voice wholesale business and the increased demand for data connectivity services induced by the global lockdowns.

Other Services. Other services revenue mainly derives from the sale of network equipment and customer premises equipment ("CPE") and the provision of technical and maintenance subcontracting services and contact center services ("Teleservices"). Owing to lower CPE sales and project delays arising from the general business slowdown, other services revenue for the year ended December 31, 2020 eased 4% to HK\$3,412 million.

TSS EBITDA increased by 1% to HK\$8,412 million, primarily due to increased operational efficiencies and an ongoing focus on cost initiatives throughout the year, partially offset by a shift in the mix of revenue. The EBITDA margin remained steady at 38%.

Mobile

For the year ended December 31, HK\$ million	2019			2020			Better/ (Worse)
	H1	H2	Full Year	H1	H2	Full Year	y-o-y
Mobile Revenue							
Mobile Services	3,881	4,533	8,414	3,573	4,184	7,757	(8)%
Mobile Product Sales	1,341	2,059	3,400	970	1,639	2,609	(23)%
Total Mobile Revenue	<u>5,222</u>	<u>6,592</u>	<u>11,814</u>	<u>4,543</u>	<u>5,823</u>	<u>10,366</u>	(12)%
Mobile EBITDA¹							
Mobile Services	2,222	2,879	5,101	2,057	2,639	4,696	(8)%
Mobile Product Sales	(16)	(17)	(33)	(7)	58	51	NA
Total Mobile EBITDA¹	<u>2,206</u>	<u>2,862</u>	<u>5,068</u>	<u>2,050</u>	<u>2,697</u>	<u>4,747</u>	(6)%
Mobile EBITDA¹ margin	<u>42%</u>	<u>43%</u>	<u>43%</u>	<u>45%</u>	<u>46%</u>	<u>46%</u>	
<i>Mobile Services EBITDA¹ margin</i>	<u>57%</u>	<u>64%</u>	<u>61%</u>	<u>58%</u>	<u>63%</u>	<u>61%</u>	

Amid intense competition, the post-paid customer base of the Mobile business still registered a slight increase to 3.252 million in the second half of 2020 compared to the first half. The churn rate for post-paid customers narrowed further to 0.9% during the year. This improved churn rate attests to the effectiveness of our customer retention strategy, which leverages our loyalty platform The Club to create a smooth customer experience and realize more effective digital marketing. As of the end of 2020, 264,000 customers had taken up our 5G services. A combination of gloomy consumer sentiment and limited choice of handsets (5G or otherwise) put a damper on Mobile product sales, which amounted to HK\$2,609 million, down from HK\$3,400 million a year earlier. The release of a greater variety of 5G handsets to suit different budgets in 2021 is expected to further stimulate 5G adoption and hopefully drive Mobile product sales up again.

With many flights in and out of Hong Kong grounded as well as significantly reduced cross-border traffic, our roaming revenue slumped. Consequently, Mobile services revenue decreased to HK\$7,757 million from HK\$8,414 million a year earlier. However, the core local component of Mobile services revenue remained steady during the year, reflecting the benefits of customers upgrading to 5G plans which compensated for the continued price competition in the low-end segment of the market.

The post-paid exit ARPU as at December 2020 was HK\$184 versus HK\$181 as at June 2020. The growth was primarily driven by the 5G ARPU uplift, and would have been higher if not for the fierce competition in the low-end market.

Mobile services EBITDA for the year fell to HK\$4,696 million. However, the margin was stable at 61% as savings on network costs and cuts in publicity and promotions spending together yielded lower operating expenses. Total Mobile EBITDA for the year declined by 6% to HK\$4,747 million from HK\$5,068 million a year earlier. However, with Mobile product sales contributing less, the margin improved to 46% from 43% a year earlier.

Pay TV

The transfer of the Now TV business from PCCW Limited to HKT was completed on September 30, 2020. The business generated revenue of HK\$647 million for the 3 months after the completion date up to December 31, 2020. Overall, the revenue softened primarily due to the suspension of sporting events around the world throughout much of the year and the intermittent closure of bars and pubs that stream live sports on their TVs. Nevertheless, new subscriptions from hotels and offices together with growth both in advertising revenue particularly in the fourth quarter and in revenue of Now E – a streaming service targeting digital natives and the mobile population – helped us regain some of the lost ground. As at December 31, 2020, Now TV's installed base was 1.348 million.

EBITDA for the 3-month period came to HK\$174 million, representing a margin of 27%, aided by content cost streamlining and improved operational efficiencies.

The Now TV business is expected to regain momentum in 2021 with the exclusive broadcast of the highly anticipated UEFA EURO 2020TM which was postponed due to the pandemic. Aside from sports, Now TV's stellar content slate for this year also includes a suite of self-curated content relevant to the Hong Kong audience and brand new content through the recently launched Now True. The creation of a new home page supporting up to five user profiles as well as personalized program recommendations in late 2020 will take the customer experience to the next level. We have further enhanced the value of a single subscription by offering concurrent access to Now TV content for up to three family members whether on TV or via the Now Player app. Now TV is also newly leveraging HKT's loyalty platform The Club to attract and retain customers by offering Clubpoints for new subscriptions or renewals. In addition, by providing Asian, Hollywood and sports content with flexible pricing, Now E will also help drive the momentum of the Now TV business as the latter integrates more deeply within HKT.

Other Businesses

Primarily comprising new business areas such as The Club and HKT Financial Services, and corporate support functions. Other Businesses recorded a steady revenue of HK\$241 million for the year ended December 31, 2020 versus HK\$236 million a year earlier. The Club's membership base expanded by 8% to 3.18 million from 2.95 million a year ago. By adding more coalition partners and redemption items, The Club succeeded not only in attracting new members but also in helping HKT to retain its customers.

Eliminations

Eliminations were HK\$1,222 million for the year ended December 31, 2020 versus HK\$900 million a year earlier, reflecting the increased collaboration across all of HKT's business segments.

Cost of Sales

Cost of sales for the year ended December 31, 2020 narrowed by 1% to HK\$15,703 million, primarily due to the lower cost associated with Mobile product sales, which was nonetheless partially offset by the higher cost incurred in the generation of international voice revenues and in carrying out enterprise projects.

General and Administrative Expenses

During 2020, HKT took several steps to alleviate the impact of the difficult market conditions on our performance. These included digitizing business processes to improve operational efficiencies and optimizing online-to-offline sales channels to enhance distribution efficiency. Reduced spending on publicity and promotions as well as travel and entertainment and government anti-epidemic relief also helped to keep our expenses down.

As such, HKT achieved savings of 8% in operating costs before depreciation, amortization, and gain/(loss) on disposal of property, plant and equipment, net (“operating costs”) to HK\$4,159 million for the year ended December 31, 2020 from HK\$4,499 million a year earlier. The ratio of overall operating costs to revenue, therefore, improved to 12.8% for the year versus 13.6% a year ago.

Depreciation expenses decreased by 2% during the year. Amortization expenses increased by 11% due to the amortization of 5G spectrum licences following the commercial launch in April and ongoing investments in backend, business-enabling platforms to enhance the customer experience. As such, total depreciation and amortization expenses increased by 4% to HK\$5,341 million for the year ended December 31, 2020.

As a result of the above, general and administrative expenses decreased by 1% to HK\$9,498 million for the year ended December 31, 2020 versus HK\$9,622 million a year earlier.

EBITDA¹

Total EBITDA declined by 2% to HK\$12,527 million for the year ended December 31, 2020. The overall EBITDA margin was stable at 39%, reflecting the effectiveness of our cost control measures that were taken to mitigate the impact of the unfavorable external environment on our performance. Excluding Mobile product sales, the EBITDA margin held steady at 42% for the year.

Other Gains, Net

Net other gains were HK\$361 million for the year ended December 31, 2020 mainly represented the accounting gain/loss upon the acquisition of the Now TV business and disposal of non-core businesses including the Teleservices business in the United States.

Finance Costs, Net

Net finance costs for the year ended December 31, 2020 decreased by 6% to HK\$1,296 million from HK\$1,372 million a year earlier, mainly due to a lower HIBOR prevailing during the year. The average cost of debt decreased to 2.9% during the year, as compared to 3.2% a year earlier. We will continue to closely monitor the interest rate environment to optimize the ratio of floating to fixed rate debt.

Income Tax

Income tax expense for the year ended December 31, 2020 was HK\$855 million, as compared to HK\$1,037 million a year earlier. The effective tax rate for the year was 13.8%, as compared to 16.5% a year earlier, mainly due to increase in tax benefits enjoyed, as well as certain capital gains and other non-taxable income recognized during the year.

Non-controlling Interests

Non-controlling interests of HK\$16 million (2019: HK\$20 million) primarily comprised the net profit attributable to the minority shareholders of Sun Mobile Limited.

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 December 31, 2020 increased by 2% to HK\$5,303 million (2019: HK\$5,217 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 debt⁶ was HK\$42,493 million as at December 31, 2020 (December 31, 2019: HK\$40,713 million). Cash and short-term deposits totaled HK\$2,630 million as at December 31, 2020 (December 31, 2019: HK\$2,903 million). HKT's gross debt⁶ to total assets was 41% as at December 31, 2020 (December 31, 2019: 41%).

As at December 31, 2020, HKT had ample liquidity as evidenced by banking facilities totaling HK\$30,007 million, of which HK\$9,069 million remained undrawn.

CREDIT RATINGS OF HONG KONG TELECOMMUNICATIONS (HKT) LIMITED

As at December 31, 2020, 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 capitalized interest for the year ended December 31, 2020 was HK\$2,437 million (2019: HK\$2,702 million). Capital expenditure relative to revenue was 7.5% for the year ended December 31, 2020 (2019: 8.2%).

Capital expenditure for HKT's Mobile business was steady in 2020, as the spending on the 5G rollout and critical infrastructure enhancements replaced the prior spending on the 4G network. Requirements for TSS capital expenditure shrank during the year, reflecting the extensive coverage of local fiber backbone and international cable investments already made in the past years.

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 building a 5G network taking into account the prevailing market conditions, and using assessment criteria including internal rate of return, net present value and payback period.

ADJUSTED FUNDS FLOW³

Adjusted funds flow increased by 1% to HK\$5,384 million for the year ended December 31, 2020 from HK\$5,329 for the year ended December 31, 2019. Although there was a slight decline in EBITDA, this was offset by more disciplined capex investments which fell by 10%, as well as savings from lease payments due to the continued rationalization of our retail shops. There was an increase in customer acquisition costs and licence fees arising from the launch of our 5G network on April 1, 2020 and the integration of Now TV on September 30, 2020. There was also a 16% reduction in net finance costs paid during the year. Tax payments and changes in working capital normalized during the year as the prior period reflected the delay in the receipt of tax assessments.

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 recognized in the consolidated income statement due to various reasons such as non-cash items recognized 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 borrowings. 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.

As for financing, a significant portion of HKT's debt 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 December 31, 2020, the majority of the forward and swap contracts were designated as cash flow hedges for the related borrowings of HKT.

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

CHARGE ON ASSETS

As at December 31, 2020, no assets of the Group (2019: nil) were pledged to secure loans and banking facilities of HKT.

CONTINGENT LIABILITIES

As at December 31, HK\$ million	2019	2020
Performance guarantees	740	955
Others	63	18
	<u>803</u>	<u>973</u>

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 16,300 employees as at December 31, 2020 (2019: 17,500) located in 48 countries and cities. About 67% of these employees work in Hong Kong and the others are based mainly in mainland China, the Philippines, the United States and the United Kingdom. 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 40.97 HK cents per Share Stapled Unit (after deduction of any operating expenses permissible under the trust deed dated November 7, 2011 constituting the HKT Trust (the “Trust Deed”)), in respect of the year ended December 31, 2020 (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 40.97 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 characterized as an annual general meeting of registered holders of Share Stapled Units (“AGM”). An interim distribution/dividend of 30.10 HK cents per Share Stapled Unit/ordinary share of the Company for the six months ended June 30, 2020 was paid to holders of Share Stapled Units/shareholder of the Company in September 2020.

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 fulfill, 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 Friday, May 14, 2021. 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 Thursday, May 13, 2021 to Friday, May 14, 2021 (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 Wednesday, May 12, 2021. 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, June 1, 2021.

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 Friday, May 7, 2021, will be Monday, May 3, 2021. 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 Monday, May 3, 2021.

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 December 31, 2020, 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 December 31, 2020 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 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 December 31, 2020, 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 B.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 for the Trustee-Manager as required by code provision A.5.1 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 annual general meeting of unitholders of the HKT Trust and of shareholders of the Company on May 8, 2020 by video/audio conferencing, and such directors, including the Chairman of the board of directors and the chairpersons of the board committees, were available to answer questions at the meeting pursuant to code provision E.1.2 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 2020 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
Bernadette M. Lomas
Group General Counsel and Company Secretary

Hong Kong, February 4, 2021

AUDITED CONSOLIDATED INCOME STATEMENT OF HKT TRUST AND OF HKT LIMITED

For the year ended December 31, 2020

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

	Note(s)	2019	2020
Revenue	2, 3	33,103	32,389
Cost of sales		(15,787)	(15,703)
General and administrative expenses		(9,622)	(9,498)
Other gains, net	4	3	361
Finance costs, net		(1,372)	(1,296)
Share of results of associates		(33)	(68)
Share of results of joint ventures		(18)	(11)
Profit before income tax	2, 5	6,274	6,174
Income tax	6	(1,037)	(855)
Profit for the year		<u>5,237</u>	<u>5,319</u>
Profit attributable to:			
Holders of Share Stapled Units/shares of the Company		5,217	5,303
Non-controlling interests		20	16
Profit for the year		<u>5,237</u>	<u>5,319</u>
Earnings per Share Stapled Unit/share of the Company	8		
Basic		<u>68.91 cents</u>	<u>70.01 cents</u>
Diluted		<u>68.89 cents</u>	<u>70.00 cents</u>

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

For the year ended December 31, 2020

(In HK\$ million)

	2019	2020
Profit for the year	5,237	5,319
Other comprehensive (loss)/income		
Items that have been reclassified or may be reclassified subsequently to consolidated income statement:		
Exchange differences on translating foreign operations	(2)	75
Reclassification of currency translation reserve on disposal of subsidiaries	—	5
Cash flow hedges:		
- effective portion of changes in fair value	257	(268)
- transfer from equity to consolidated income statement	152	(82)
Costs of hedging	11	181
Other comprehensive income/(loss) for the year	418	(89)
Total comprehensive income for the year	5,655	5,230
Attributable to:		
Holders of Share Stapled Units/shares of the Company	5,635	5,216
Non-controlling interests	20	14
Total comprehensive income for the year	5,655	5,230

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

As at December 31, 2020

(In HK\$ million)

	Note	As at December 31, 2019	As at December 31, 2020
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		22,177	24,019
Right-of-use assets		2,436	2,430
Interests in leasehold land		215	202
Goodwill		49,814	49,816
Intangible assets		10,118	11,408
Fulfillment costs		1,342	1,418
Customer acquisition costs		592	670
Contract assets		346	354
Interests in associates		209	211
Interests in joint ventures		643	602
Financial assets at fair value through other comprehensive income		124	124
Financial assets at fair value through profit or loss		32	49
Derivative financial instruments		284	214
Deferred income tax assets		410	841
Other non-current assets		1,106	1,076
		89,848	93,434
Current assets			
Inventories		803	820
Prepayments, deposits and other current assets		1,811	2,209
Contract assets		576	657
Trade receivables, net	9	3,600	3,253
Amounts due from related companies		95	40
Financial assets at fair value through profit or loss		12	16
Derivative financial instruments		6	–
Tax recoverable		–	5
Restricted cash		115	107
Short-term deposits		486	538
Cash and cash equivalents		2,417	2,092
		9,921	9,737

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

As at December 31, 2020

(In HK\$ million)

	Note	As at December 31, 2019	As at December 31, 2020
Current liabilities			
Short-term borrowings		—	(1,552)
Trade payables	10	(2,342)	(3,945)
Accruals and other payables		(3,904)	(4,084)
Derivative financial instruments		—	(24)
Carrier licence fee liabilities		(195)	(215)
Amount due to a fellow subsidiary		(2,855)	(1,585)
Amount due to a related company		—	(42)
Advances from customers		(291)	(247)
Contract liabilities		(1,361)	(1,423)
Lease liabilities		(1,065)	(1,251)
Current income tax liabilities		(1,078)	(1,001)
		(13,091)	(15,369)
Non-current liabilities			
Long-term borrowings		(40,358)	(40,719)
Derivative financial instruments		(38)	(128)
Deferred income tax liabilities		(3,874)	(4,253)
Carrier licence fee liabilities		(527)	(627)
Contract liabilities		(1,001)	(1,074)
Lease liabilities		(1,697)	(1,458)
Other long-term liabilities		(1,213)	(1,643)
		(48,708)	(49,902)
Net assets		37,970	37,900
CAPITAL AND RESERVES			
Share capital		8	8
Reserves		37,904	37,830
Equity attributable to holders of			
Share Stapled Units/shares of the Company		37,912	37,838
Non-controlling interests		58	62
Total equity		37,970	37,900

NOTES

1. BASIS OF PREPARATION

The HKT Trust (the “HKT Trust”) is constituted by a Hong Kong law governed trust deed and as supplemented, amended or substituted from time to time (the “Trust Deed”), entered into between HKT Management Limited (the “Trustee-Manager”, in its capacity as the trustee-manager of the HKT Trust) 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 December 31, 2020 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 December 31, 2020 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 December 31, 2020 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 (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622).

The following new or amended Hong Kong Financial Reporting Standards (the “new or amended HKFRSs”) are adopted for the financial year beginning January 1, 2020, 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 39 (Amendments), *Financial Instruments: Recognition and Measurement*
- HKFRS 3 (Revised) (Amendments), *Business Combinations*
- HKFRS 7 (Amendments), *Financial Instruments: Disclosures*
- HKFRS 9 (2014) (Amendments), *Financial Instruments*
- HKFRS 16 (Amendments), *Leases*
- Conceptual Framework for Financial Reporting 2018

1. BASIS OF PREPARATION (CONTINUED)

The Groups have not early adopted any other new or amended HKFRSs and HKASs that are not yet effective for the current accounting period.

As at December 31, 2020, the current liabilities of the Groups exceeded their current assets by HK\$5,632 million. Included in the current liabilities were (i) short-term borrowings of HK\$1,552 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 twelve-month period and the Groups have arrangements to refinance this balance via long-term borrowings; and (ii) current portion of contract liabilities of HK\$1,423 million recognized 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 the undrawn banking facilities totaling HK\$9,069 million as at December 31, 2020, management considers the Groups are able to meet their liabilities as and when they fall due within the next twelve-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 December 31, 2019 and 2020 included in this preliminary announcement of annual results for the year ended December 31, 2020 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 December 31, 2019 have been delivered to the Registrar of Companies and the Combined Financial Statements for the year ended December 31, 2020 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 telecommunications and related services which include local telephony, local data and broadband, international telecommunications, enterprise solutions, and other telecommunications businesses such as customer premises equipment sales, outsourcing, consulting, and contact centers. 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.
- Pay TV includes interactive pay-TV services in Hong Kong.
- Other businesses of the Groups (“Other Businesses”) primarily comprises new business areas such as The Club 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 amortization (“EBITDA”). EBITDA represents earnings before interest income, finance costs, income tax, depreciation and amortization, gain/loss 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 December 31, 2019

(In HK\$ million)

	TSS	Mobile	Other Businesses	Eliminations	Consolidated
Revenue					
External revenue	21,265	11,612	226	—	33,103
Inter-segment revenue	688	202	10	(900)	—
Total revenue	21,953	11,814	236	(900)	33,103
External revenue from contracts with customers:					
Timing of revenue recognition					
At a point in time	2,324	3,306	72	—	5,702
Over time	18,874	8,306	154	—	27,334
External revenue from other sources:					
Rental income	67	—	—	—	67
	21,265	11,612	226	—	33,103
Results					
EBITDA	8,360	5,068	(611)	—	12,817

For the year ended December 31, 2020

(In HK\$ million)

	TSS	Mobile	Pay TV	Other Businesses	Eliminations	Consolidated
Revenue						
External revenue	21,608	10,130	418	233	—	32,389
Inter-segment revenue	749	236	229	8	(1,222)	—
Total revenue	22,357	10,366	647	241	(1,222)	32,389
External revenue from contracts with customers:						
Timing of revenue recognition						
At a point in time	2,672	2,519	9	61	—	5,261
Over time	18,868	7,611	409	161	—	27,049
External revenue from other sources:						
Rental income	68	—	—	11	—	79
	21,608	10,130	418	233	—	32,389
Results						
EBITDA	8,412	4,747	174	(806)	—	12,527

2. SEGMENT INFORMATION (CONTINUED)

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

In HK\$ million	2019	2020
Total segment EBITDA	12,817	12,527
(Loss)/gain on disposal of property, plant and equipment, net	(2)	2
Depreciation and amortization	(5,121)	(5,341)
Other gains, net	3	361
Finance costs, net	(1,372)	(1,296)
Share of results of associates	(33)	(68)
Share of results of joint ventures	(18)	(11)
Profit before income tax	6,274	6,174

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	2019	2020
Hong Kong (place of domicile)	28,201	27,024
Mainland and other parts of China	544	942
Others	4,358	4,423
	33,103	32,389

As at December 31, 2020, the total of non-current assets, other than financial instruments and deferred income tax assets, located in Hong Kong was HK\$88,937 million (2019: HK\$85,692 million), and the total of these non-current assets located in other countries was HK\$2,957 million (2019: HK\$2,909 million).

3. REVENUE

In HK\$ million	2019	2020
Revenue from contracts with customers	33,036	32,310
Revenue from other sources: rental income	67	79
	33,103	32,389

a. Revenue recognition in relation to contract liabilities

In HK\$ million	2019	2020
Revenue recognized that was included in the contract liability balance at the beginning of the year	1,415	1,361

3. REVENUE (CONTINUED)

b. Unsatisfied long-term fixed-price contracts

In HK\$ million	2019	2020
Aggregate amount of the transaction price allocated to long-term fixed-price contracts that are partially or fully unsatisfied as at December 31,	16,658	18,670

As at December 31, 2020, management expected that 58% and 25% (2019: 60% and 25%) of the transaction price allocated to the unsatisfied long-term fixed-price contracts would be recognized as revenue during the first and second year respectively after the end of the reporting period. The remaining 17% (2019: 15%) would be recognized as revenue in the periods afterwards. 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. OTHER GAINS, NET

In HK\$ million	2019	2020
Negative goodwill on acquisition of subsidiaries	—	692
Write-off of intangible assets	—	(302)
Loss on disposal of subsidiaries, net	—	(35)
Others	3	6
	3	361

5. PROFIT BEFORE INCOME TAX

Profit before income tax was stated after charging the following:

In HK\$ million	2019	2020
Cost of inventories sold	5,469	5,130
Cost of sales, excluding inventories sold	10,318	10,573
Depreciation of property, plant and equipment	1,150	1,118
Depreciation of right-of-use assets – land and buildings	1,259	1,302
Depreciation of right-of-use assets – network capacity and equipment	234	175
Amortization of land lease premium – interests in leasehold land	12	13
Amortization of intangible assets	1,126	1,327
Amortization of fulfillment costs	489	481
Amortization of customer acquisition costs	851	925

6. INCOME TAX

In HK\$ million	2019	2020
Current income tax:		
Hong Kong profits tax	475	417
Overseas tax	26	17
Movement of deferred income tax	536	421
	1,037	855

Hong Kong profits tax is provided at the rate of 16.5% (2019: 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.

7. DISTRIBUTIONS/DIVIDENDS

In HK\$ million	2019	2020
Interim distribution/dividend declared and paid in respect of the current year of 30.10 HK cents (2019: 30.01 HK cents) per Share Stapled Unit/ordinary share of the Company	2,272	2,280
Less: distribution/dividend for Share Stapled Units/ordinary shares of the Company held by the Share Stapled Units award schemes	—	(1)
	2,272	2,279
Final distribution/dividend declared in respect of the previous financial year, approved and paid during the year of 40.37 HK cents (2019: 39.17 HK cents) per Share Stapled Unit/ordinary share of the Company	2,966	3,058
Less: distribution/dividend for Share Stapled Units/ordinary shares of the Company held by the Share Stapled Units award schemes	—	(1)
	2,966	3,057
	5,238	5,336

For the year ended December 31, 2020, the Company proposed a final dividend of 40.97 HK cents per ordinary share, totaling HK\$3,104 million (2019: 40.37 HK cents per ordinary share, totaling HK\$3,058 million) to the HKT Trust after the end of the reporting period.

For the year ended December 31, 2020, the HKT Trust proposed a final distribution of 40.97 HK cents per Share Stapled Unit, totaling HK\$3,104 million (2019: 40.37 HK cents per Share Stapled Unit, totaling HK\$3,058 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 recognized as a liability as at the end of the reporting period.

8. 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:

	2019	2020
Earnings (in HK\$ million)		
Earnings for the purpose of basic and diluted earnings per Share Stapled Unit/share of the Company	5,217	5,303
Number of Share Stapled Units/shares of the Company		
Weighted average number of Share Stapled Units/ordinary shares of the Company	7,571,742,334	7,574,922,662
Effect of Share Stapled Units held under the Share Stapled Units award schemes	(642,588)	(195,875)
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	7,571,099,746	7,574,726,787
Effect of Share Stapled Units awarded under the Share Stapled Units award schemes	1,775,583	1,477,218
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	7,572,875,329	7,576,204,005

9. TRADE RECEIVABLES, NET

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

In HK\$ million	2019	2020
1 – 30 days	2,594	2,043
31 – 60 days	346	455
61 – 90 days	272	274
91 – 120 days	98	106
Over 120 days	433	570
	3,743	3,448
Less: loss allowance	(143)	(195)
	3,600	3,253

As at December 31, 2020, included in trade receivables, net were amounts due from related parties of HK\$21 million (2019: HK\$36 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.

10. TRADE PAYABLES

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

In HK\$ million	2019	2020
1 – 30 days	1,269	1,708
31 – 60 days	556	906
61 – 90 days	100	548
91 – 120 days	31	268
Over 120 days	386	515
	2,342	3,945

As at December 31, 2020, included in trade payables were amounts due to related parties of HK\$28 million (2019: HK\$12 million).

**AUDITED INCOME STATEMENT OF
HKT MANAGEMENT LIMITED**

For the year ended December 31, 2020

In HK\$'000	2019	2020
Management fee income	54	54
General and administrative expenses	(54)	(54)
Result before income tax	—	—
Income tax	—	—
Result for the year	—	—

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

For the year ended December 31, 2020

In HK\$'000	2019	2020
Result for the year	—	—
Other comprehensive income	—	—
Total comprehensive income for the year	—	—

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

As at December 31, 2020

In HK\$'000	As at December 31, 2019	As at December 31, 2020
ASSET AND LIABILITIES		
Current asset		
Amount due from a fellow subsidiary	384	438
	384	438
Current liabilities		
Accruals and other payables	(52)	(52)
Amounts due to fellow subsidiaries	(332)	(386)
	(384)	(438)
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; Li Fushen; Zhu Keping and Srinivas Bangalore Gangaiah (aka BG Srinivas)

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.