



CONTENTS

1	Corporate Profile
4	Statement from the Chairman
5	Statement from the Group Managing Director
10	HKT in Numbers
12	Significant Events in 2019
14	Awards
31	Board of Directors
36	Combined Corporate Governance Report
58	Management's Discussion and Analysis
67	Financial Information
203	Corporate Information

CORPORATE PROFILE

HKT is Hong Kong's premier telecommunications service provider and leading operator in fixed-line, broadband and mobile communication services. It meets the needs of the Hong Kong public and local and international businesses with a wide range of services including local telephony, local data and broadband, international telecommunications, mobile, enterprise solutions, and other telecommunications businesses such as customer premises equipment sales, outsourcing, consulting, and contact centers.

HKT offers a unique quadruple-play experience in Hong Kong delivering media content on its fixed-line, broadband Internet access and mobile platforms jointly with its parent company, PCCW Limited.

HKT also provides a range of innovative and smart living services beyond connectivity to make the daily lives of customers smarter, whether they are at home, in the workplace, or on the go. Consumers and merchants alike may also enjoy HKT's financial-related services such as mobile payment, smart mobile point-of-sale solutions, and insurance.

For enterprises, HKT delivers end-to-end integrated solutions employing emerging technologies such as cloud computing, Internet of Things (IoT) and Artificial Intelligence (AI) to accelerate their digital transformation, contributing to Hong Kong's development into a smart city.

The Club is HKT's loyalty program and one of the largest of its kind in Hong Kong, not only offering a variety of privileges and benefits to enrich the lifestyle of members, but also increasingly amalgamating merchants and becoming an integral part of a new digital ecosystem connecting consumers and merchants.

Employing over 17,500 staff, HKT is headquartered in Hong Kong and maintains a presence in mainland China as well as other parts of the world.

The share stapled units of the HKT Trust and HKT Limited are listed on The Stock Exchange of Hong Kong Limited (SEHK: 6823).

To learn more about some of our brands and our services, please turn over the page.



Fixed Line

HKT's fixed line service provides reliable local and international call services for its residential and business users. **eye** Smart Communications Service is a comprehensive service including audio and video call functionality, and access to more than 100 educational and infotainment apps which are suitable for all family members.



netvigator

HKT Premier

HKT is Hong Kong's largest broadband service provider with its territory-wide fiber network covering 88% of homes. We meet customers' different needs through the HKT Premier, NETVIGATOR and LiKE 100 brands. We provide an array of value added services such as home Wi-Fi solutions to ensure a high-quality and safe online experience, as well as to meet customers' aspirations for a smarter home.



cs.



CSL Mobile provides comprehensive mobile voice and data services via the **cs.** and **1010** brands. **cs.** provides superior mobile service that enables customers to enjoy unlimited voice calls, value-added services and smartphone workshops. **1010** provides a supreme mobile lifestyle experience to meet the needs of discerning customers requiring service excellence. In addition, **SUN Mobile** is a joint venture offering mobile voice and data services at affordable prices.



HKT Enterprise Solutions

In addition to connectivity services, HKT provides digital solutions leveraging latest technologies such as Artificial Intelligence, Internet of Things, cloud computing, and data analytics to assist enterprises in transforming their businesses. Powered by our best-in-class fixed and mobile networks, HKT Enterprise Solutions enables companies to enhance operational efficiency and gain business insights.



PCCW Global

PCCW Global operates a Tier-1 global Internet backbone driven by a software-defined interconnection platform, Console Connect, which provides enterprises and service providers with easy on-demand access to cloud-based, business critical applications.

Our global network has 125 points of presence across 76 cities and encompasses over 60 cable systems worldwide. PCCW Global maintains regional centers in 11 countries worldwide.



THE CLUB CLUB Travel CLUB Like

Tap & Go

HKT Merchant Services

With more than 800 merchants as coalition and redemption partners, HKT's loyalty program The Club helps retain customers and provides us with insights to personalize offerings to its members. We will explore to build different verticals on this platform. Club Travel is an airline and hotel booking and tour service for consumers and corporate customers. Club Like is an online shopping platform for customers to make purchases with Clubpoints and in cash.

HKT Financial Services offers Tap & Go mobile payment service and HKT Merchant Services point-of-sale solutions.

STATEMENT FROM THE CHAIRMAN

I am pleased to report that HKT recorded solid operational results for the year ended December 31, 2019 amid a very challenging local economic environment in Hong Kong triggered by social unrest.

The events which started last summer took a heavy toll on the economy, especially impacting small to medium sized companies and the retail and hospitality sectors. As a result, we experienced some price pressure on the impacted segments of our commercial telecom services. Despite this, our overall commercial business registered an encouraging performance for the full year underpinned by the momentum of projects for large enterprises and in the public sector.

Both the consumer broadband and mobile businesses demonstrated resilience during the period. As some retail outlets suspended operations on a number of occasions, we productively redeployed resources on digital channels and call centers.

We also kept our eye on long-term opportunities and focused on innovation and service excellence. HKT successfully bid for a total of 120 MHz of 5G mobile spectrum at government auctions in the fourth quarter. We are making final preparations for the launch of our 5G service in April.

The Hong Kong economy experienced its first recession in a decade last year, and more recently we have been unexpectedly challenged with the novel coronavirus (COVID-19) outbreak. It will take some time for the city to recover economically and socially. As Hong Kong's leading operator of fixed lines, broadband and mobile

communications, Hong Kong depends on us to meet critical connectivity needs all across the territory. HKT will remain steadfast in its role to provide customers with quality services and the best user experience. We expect that larger scale infrastructure projects in the public and private sectors will continue, as they are needed to meet the needs of the digital economy. These investments will bode well for HKT given our enterprise solutions capabilities and reputation as a trusted business partner.

We are pleased to record a steady growth in AFF (adjusted funds flow) for 2019. Going forward, HKT's principal objective continues to be the delivery of a stable return for unitholders.



Richard Li

Chairman

February 12, 2020

STATEMENT FROM THE GROUP MANAGING DIRECTOR

In 2019, large-scale, prolonged social unrest in Hong Kong adversely affected almost every aspect of business activities and people's daily lives. The local economic situation was compounded by the trade rift between China and the U.S. For the first time in 10 years, Hong Kong recorded a recession.

Against the above backdrop, we are glad that HKT continued to record a growth in AFF last year which was a testament to our resilient operations. Below, I will outline the company's major achievements in 2019 and the progress in our business.

5G IS NOW, AND THE FUTURE

Last year, the Government made available new radio spectrum for 5G mobile communications services via administrative assignment and auctions. The new 5G bands consist of mid-bands in 3.3 GHz, 3.5 GHz and 4.9 GHz, and high band in 28 GHz. HKT will have a total of 520 MHz of 5G new spectrum upon completion of the assignment in April 2020, including 120 MHz of spectrum acquired at auctions at reasonable costs. Our 5G spectrum holding will be as follows:

Spectrum band	3.3 GHz	3.5 GHz	4.9 GHz	28 GHz
Amount	30 MHz	50 MHz	40 MHz	400 MHz

Our spectrum holding across all bands will enable us to offer a differentiated 5G user experience with comprehensive coverage.

The principal 5G mid-band spectrum is 3.5 GHz band which provides a good outdoor coverage and reasonable indoor penetration. However, the use of this band is currently prohibited in the restriction zones in Tai Po and Stanley areas due to the interference with the satellite stations. The 4.9 GHz band is therefore strategically important for providing 5G services to the population in these areas. The 3.3 GHz band is also valuable for supplementing 3.5 GHz band to provide extra capacity at heavily loaded indoor environments. Complementing the mid-band spectrum, the high 28 GHz band, of which we hold a vast amount of 400 MHz in total, would be very useful for providing ultra-high data speed in hotspot areas and providing private campus solutions.

With a substantial holding of 5G spectrum and a robust, extensive fiber-backed network infrastructure, HKT is finalizing its monetization model for the launch of our 5G service in Hong Kong in April 2020. 5G is the technology inspiring an immersive experience to our consumers, and also accelerating the digital transformation in various industry sectors. In preparation of the 5G launch, we are also actively exploring the deployment of 5G in various consumer and enterprise applications. Examples include:

Consumer Applications

- VR (virtual reality) 4K/8K content with 360-degree immersive experience for UEFA EURO 2020™
- AR (augmented reality) experience with virtual content everywhere, i.e. Geo AR
- 5G mobile gaming interactive with Cloud VR
- Virtual assistant and other services in financial services

Enterprise Applications

- Entertainment: VR broadcasting and multi-view content
- Healthcare: Remote tele-medicine or consultation between hospital and clinic
- Transport: Autonomous driving and C-V2X
- Industrial automation: smart grid, remote machinery control and robotics automation

Together with spectrum in other bands, HKT will also continue to hold the largest amount of overall mobile radio spectrum in Hong Kong, totaling more than 700 MHz. HKT is uniquely positioned to showcase the benefits of 5G technology while maintaining a high quality experience for existing 4G users.

Because many mobile users preferred to wait for 5G phones, and in light of poor consumer sentiment in the last few months, overall mobile handset sales fell last year despite the launch of the new iPhone model in September that was relatively well received. As we introduce the 5G network, we expect that more 5G phones will be available on the market in the coming months. In the meantime, CSL Mobile has offered special plans that will make it easier for customers to upgrade to 5G phones and services in the future without any hassles.

During the second half of 2019, HKT's retail outlet operation was also affected by the occasional suspension of service due to the social unrest. We have since scaled up other channels such as our call center and direct sales for our consumer broadband and mobile businesses to minimize the impact of customer foot traffic disruptions. We also enhanced our digital channels, which have proven especially convenient for customers to purchase VAS such as mobile data roaming pass, travel insurance, and entertainment content from our affiliates Now TV and Viu.

MAINTAINING BROADBAND MARKET LEADERSHIP

HKT continued to lead the broadband market in Hong Kong with its unparalleled extensive network, superior connectivity, value-added services, and a multi-brand strategy to meet the needs of different customer segments. Our FTTH (fiber-to-the-home) footprint covers 88% of households. HKT also supports the Government's scheme to extend fiber connectivity to remote villages, and has been awarded contracts on the infrastructure build-out.

Despite intense market competition, NETVIGATOR registered a steady performance in 2019, maintaining a stable subscription base and stable ARPU (average revenue per user). This was attributable to the continued connectivity upgrades and the adoption of our smart living services by residential customers as we upsell. Some 300,000 homes in Hong Kong are now using our Wi-Fi solutions. At the same time, we continue to work with property developers of new estates and buildings to pre-install smart home and automation features to make modern day living more convenient and enjoyable. In 2019, we saw a significant increase in B2B (business-to-business) smart living contracts over the previous year.

TRUSTED BUSINESS PARTNER

As general consumer sentiment was dampened by the social unrest, many commercial activities suffered a serious setback, with retail sales in particular suffering some of their worst monthly declines ever. In Hong Kong, HKT serves the telecommunications needs of the whole spectrum of the commercial segment, from small to medium sized operations to multinational conglomerates across different industries. Although there was some revenue pressure on our services for companies that bore the brunt of the economic downturn, we are pleased that the overall impact on HKT was not pronounced.

This is in part due to the fact that HKT has in recent years transformed into a technology company, offering solutions that help enterprises improve their operational efficiencies, gain business insights and enhance product delivery and customer service. We deploy the latest technologies like Artificial Intelligence (AI), Internet of Things (IoT), data analytics, and cloud services to assist customers in their digital transformation journey. One of the more notable wins by HKT Enterprise Solutions during the year was Hong Kong's new generation parking meter system, which aims to enhance on-street parking experience and city management. As another example, we also provide Fintech solutions for digital banks and financial institutions to enhance customer experience and cybersecurity protection.

UNPARALLELED LOCAL AND INTERNATIONAL NETWORK

Last December, HKT officially launched the Ultra Express Link (UEL), a submarine super highway with 2,016 fiber cores linking data centers in Tseung Kwan O Industrial Estate (TKOIE) and Chai Wan. As the shortest cable route between two data center hubs, the UEL also provides an additional route for diversity connectivity and an ultra-low latency of 15 micro seconds. Together with HKT's other fiber infrastructure, the UEL will meet the rising demand for high speed and high capacity connectivity requirements from operators and facilitate the development of Hong Kong to become one of Asia's major data center hubs.

Our international business unit, PCCW Global, continued to optimize its software defined interconnection platform, Console Connect, to provide a Tier-1 global Internet backbone and on-demand access to cloud, services and applications. Its international connectivity network has 125 Points of Presence (PoPs) across 76 cities throughout Europe, Asia, Africa and the Americas.

PCCW Global has rich experience in the construction and maintenance of submarine cables. A new route JUPITER (connecting Japan and the U.S.) will become operational in 2020. Another system, PEACE (Pakistan and East Africa Connecting Europe), will be completed in 2021 offering the shortest routes from China to Europe and Africa to address growing data demands in the Belt and Road countries.

GROWING NEW BUSINESSES

Tap & Go is HKT's mobile payment service in Hong Kong and a key component of our expanding financial services. It is operated by HKT Payment Limited, a Stored Value Facilities (SVF) License holder. The service recorded a steady growth in transaction values during the year and the number of accounts in service reached 2.5 million at the end of 2019.

Complementing the mobile wallet, HKT has also introduced a series of merchant services and solutions to facilitate payment and other ancillary services of restaurants, shops, and even schools and building management offices. Our smart POS (point-of-sale) device can accept all commonly used electronic payments.

HKT is a partner in a joint venture which was granted a virtual banking license by the Hong Kong Monetary Authority last year. The other partners include parent company PCCW Limited, Standard Chartered Bank and Ctrip Financial Management. The joint venture is set to launch its services in the first half of 2020 and will look to offer a suite of retail financial services as well as lifestyle benefits.

CUSTOMER LOYALTY

Over the years, HKT has endeavored to retain customers by delivering excellent service quality and user experience. Our loyalty scheme, The Club, has taken this further by offering members events, special offers and redemption items from HKT and our array of merchant partners. This forms the basis of an ecosystem of consumers and merchants, which continued to grow last year to more than 2.95 million members and 800 coalition partners and merchants who provide over 4,300 redemption items.

The loyalty program has proven to be able to help uplift customer ARPU and reduce churn, as well as a more cost-effective way to acquire new customers. Riding on the momentum of our growing member base, we broadened the breadth and depth of our services to e-commerce, travel booking and related services last year. Through analytics and direct engagement with target members, HKT has the potential to capture a share of the customer wallet beyond just telecommunications related spending.

LOOKING AHEAD

First and foremost, HKT is working towards the introduction in April of a differentiated 5G service for Hong Kong's early adopters, offering unique consumer applications in VR/AR, gaming and other immersive content. More importantly, we believe 5G will open the door to numerous opportunities in commercial applications given its ultra-high speed, massive connectivity, and ultra-low latency.

Although investment sentiment in the commercial segment has been blunted, we expect large enterprises, public bodies and the Government to continue their digital transformation in order to stay more competitive and be more efficient. HKT has the advantage of a proven track record as a reliable partner in major ICT projects.

As our digital ecosystem – including The Club, new verticals such as travel and virtual bank – continues to evolve and mature, we will be bringing customers a myriad of more exciting services this year.

Before I conclude, I would like to express my gratitude to our colleagues for ensuring that HKT has been able to serve our customers exceptionally well and safeguard our leading market position while Hong Kong is going through a difficult time. The economic and social repercussions of last year's events and the recent

outbreak of the novel coronavirus COVID-19 are not to be underestimated; we will therefore exercise extra caution on investment and costs as we seek to grow new revenue streams. I am confident that HKT will continue to perform as a formidable team in 2020, as Hong Kong recovers and works towards the return of peace and prosperity.



Susanna Hui

Group Managing Director
February 12, 2020

2.598M



exchange lines including
1.358M residential lines and
1.240M business lines

1.620M

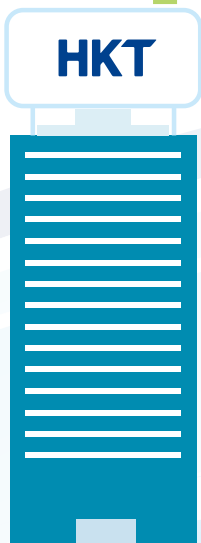


broadband access lines
including 1.450M consumer
lines (with 833K FTTH lines)
and 159K business lines

17,500+ staff



HKT



Fiber-rich integrated network
covers 88% of homes and
23,900+ Wi-Fi Hotspots.



1,325

learning and
development
programs
and
seminars



20,105



volunteer service hours in
41 ongoing and special
community service
programs

Global network



has 125 points of presence
across 76 cities and
encompasses 60+ cable
systems worldwide.

4.679M

mobile subscribers
including 3.250M
post-paid subscribers



2.953M

members of
The Club and
800+ coalition and
redemption partners



Total revenue

HK\$33.103 billion

Total EBITDA

HK\$12.817 billion

Profit attributable to holders of
Share Stapled Units

HK\$5.217 billion

Adjusted funds flow

HK\$5.329 billion

Total distribution per
Share Stapled Unit

70.38 HK cents

2.476M

**Tap
&Go**

Tap & Go accounts
in service

SIGNIFICANT EVENTS IN 2019

JANUARY

PCCW Global collaborates with TierPoint to extend Console Connect's data center footprint in the U.S.

FEBRUARY

HKT reports financial results for the year ended December 31, 2018.

MARCH

HKT is the title sponsor of the Formula E HKT Hong Kong E-Prix.



HKT Payment launches Tap & Go Marketplace for customers to purchase online games virtual gift cards in Tap & Go mobile wallet.



A joint venture comprising HKT, PCCW, Standard Chartered Bank and Ctrip Financial Management is granted a virtual bank license by the Hong Kong Monetary Authority.



HKT is assigned 400 MHz of spectrum in the 28 GHz band by the Communications Authority for the provision of 5G services.

MAY

Club Travel offers a new one-stop online travel portal to provide flight booking and other services.



HKT wins Government contracts for the new generation of parking meter system in Hong Kong.



HKT Smart Living introduces Samsung SmartThings Wifi in Hong Kong.



HKT Payment starts offering a smart point-of-sale device for merchant customers.

JUNE

An online shopping platform, Club Like, is introduced for customers to make purchases with Clubpoints and in cash.



HKT showcases 5G and other innovative technologies at the HKT 5G Tech Carnival.



JULY

PCCW Global and Global Switch jointly operate a new Console Connect point-of-presence in Singapore.

AUGUST

HKT reports financial results for the six months ended June 30, 2019.

PCCW Global and Mauritius Telecom collaborate to launch the first mobile payment solution of Mauritius.

HKT Education introduces three new STEM+ courses for students to learn outside classrooms.

SEPTEMBER



NETVIGATOR offers NETVIGATOR SHIELD cyber security service to protect customers' IoT and other devices from online threats.

OCTOBER

PCCW Global collaborates with DE-CIX in Germany and NAVER Business Platform in South Korea to extend the reach of Console Connect SDI platform.

NOVEMBER

HKT secures 120 MHz of mid-band 5G spectrum in government spectrum auctions.

DECEMBER



HKT launches the Ultra Express Link, connecting data centers in Tseung Kwan O Industrial Estate and Chai Wan.

AWARDS

Award	Awardee	Scheme Organizer
5 Years Plus Caring Company Logo	HKT	The Hong Kong Council of Social Service
51th Distinguished Salesperson Award Programme <ul style="list-style-type: none"> Distinguished Salesperson Award Outstanding Young Salesperson Award Outstanding Young Salesperson Award – Best Presentation Award Outstanding Young Salesperson Award (Top 5) 	1010, csl, HKT Call Center Services, HKT Consumer Group, HKT Consumer Group Call Center Sales, HKT Consumer Group Direct Sales, HKT Customer Service Center, HKT shop, HKT Smart Living and The Club staff members HKT Consumer Group, HKT Consumer Group Call Center Sales, HKT Customer Service Center, HKT shop and HKT Smart Living staff members HKT – Customer Service Center staff member HKT Consumer Group – Call Center Sales staff member	Hong Kong Management Association
Award for Excellence in Training and Development 2019 <ul style="list-style-type: none"> Campaign Awards – Bronze Award Individual Awards – Outstanding New Trainer Award 	HKT Commercial Group HKT and csl staff members	Hong Kong Management Association
Award of 10,000 Hours for Volunteer Service	Volunteer Team of HKT and PCCW	Steering Committee on Promotion of Volunteer Service, Social Welfare Department



At the 51th Distinguished Salesperson Award Programme, HKT scoops a total of 41 awards.

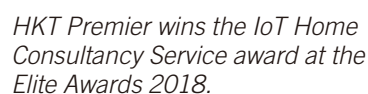
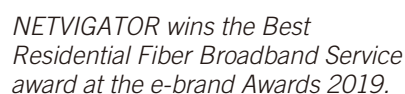
Award	Awardee	Scheme Organizer
Best of I.T. Awards 2018 <ul style="list-style-type: none"> My Favorite Broadband Service My Favorite Mobile Service My Favorite Non-contract SIM Service The Best Business Internet Service Provider 	NETVIGATOR csl Club SIM HKT	PCM
Boss of the SOC (BOTS) 2019 <ul style="list-style-type: none"> First Place 	HKT	Splunk
CAHK STAR Awards 2019 <ul style="list-style-type: none"> Best Fixed Network Operator – Gold Best Mobile Network Operator – Silver Smart City Award – Gold Digital Transformation Award – Gold Innovative International Carrier – Gold 	HKT PCCW Global	Communications Association of Hong Kong
CAPITAL Best of the Best Choice for Executive 2019 <ul style="list-style-type: none"> Telecommunications 	1010	CAPITAL WEEKLY
Caring Company Logo <ul style="list-style-type: none"> 2018-2019 Caring Company Logo 	CSL	The Hong Kong Council of Social Service
Carrier Community Global Awards 2019 <ul style="list-style-type: none"> The Best 'Cloud' Innovative Operator 	PCCW Global	Carrier Community
CCM Award China 2019	HKT Teleservices	Customer Care & Management World
Charter on External Lighting <ul style="list-style-type: none"> Platinum Award 	HKT	The Environment Bureau
Cisco FY18 <ul style="list-style-type: none"> Hong Kong Partner of the Year Sales Champion in Cisco FY18 Service Provider Partner of the Year – Greater China 	HKT	Cisco



HKT Commercial Group wins the Campaign Awards – Bronze Award at the Award for Excellence in Training and Development 2019.



HKT Teleservices wins the CCM Award China 2019.



Award	Awardee	Scheme Organizer
2019 "Friends of EcoPark"	HKT	Environmental Protection Department
Global Carrier Awards 2019 <ul style="list-style-type: none"> • Best Asian Project • Best CSR Initiative • Best Network Technology Innovation 	PCCW Global	<i>Capacity</i>
2018 Gold Award for Volunteer Service <ul style="list-style-type: none"> • Organization 	Volunteer Team of HKT and PCCW	Steering Committee on Promotion of Volunteer Service, Social Welfare Department
Headline No.1 Awards 2019 <ul style="list-style-type: none"> • No.1 Business Broadband Service • No.1 Home Broadband Service • No.1 Loyalty Program • No.1 Mobile Service 	HKT NETVIGATOR The Club 1010	<i>Headline Daily</i>
Highest Service Hour Award 2018 <ul style="list-style-type: none"> • Private Organisations – Category 1 – Merit 	Volunteer Team of HKT and PCCW	Steering Committee on Promotion of Volunteer Service, Social Welfare Department
HKACE Customer Service Excellence Award 2018 <ul style="list-style-type: none"> • Outstanding Customer Service Program Award – Silver • Service Appreciation Award – Merit • Service Appreciation Award – Silver • Service Innovation Award – Gold • Service Innovation Award – Merit • Team Award – Contact Centre Service – Merit • Team Award – Contact Centre Service – Silver • Team Award – Internal Support Service – Silver 	HKT shop HKT Consumer Group – Appreciation Program for CCS – Training & QA HKT csl – Mobile Lifestyle Service HKT Consumer Group – Customer Care Office csl Sales Hotline HKT Consumer Group – Quality Assurance Team	Hong Kong Association for Customer Service Excellence



At the Global Carrier Awards 2019, PCCW Global wins the Best Asian Project, the Best CSR Initiative and the Best Network Technology Innovation awards.

Award	Awardee	Scheme Organizer
<ul style="list-style-type: none"> Individual Award – Contact Centre Service – Silver Individual Award – Counter Service – Gold Individual Award – Internal Support Service – Gold Individual Award – Internal Support Service – Merit Individual Award – Contact Centre Service – Merit 	<p>HKT Consumer Group staff members</p> <p>csl Call Center staff member</p>	
HKRMA Mystery Shopper Programme <ul style="list-style-type: none"> Service Category Leaders – Quality Living Category (Jan – Mar 2019) Service Category Leaders – Quality Living Category (Apr – Jun 2019) Service Category Leaders – Telecommunications Category (Jan – Mar 2019) Service Category Leaders – Telecommunications Category (Apr – Jun 2019) Service Category Leaders – Quality Living Category (Jul – Sep 2019) Service Category Leaders – Telecommunications Category (Jul – Sep 2019) 	<p>HKT – Customer Service Center</p> <p>1010</p> <p>HKT shop</p>	Hong Kong Retail Management Association
Hong Kong Awards for Environmental Excellence 2018 <ul style="list-style-type: none"> Silver Award – Media and Communication 	HKT	Environmental Campaign Committee, Environment Protection Department and nine organizations
Hong Kong Call Centre Association Awards 2019 <ul style="list-style-type: none"> Best Contact Centre Campaign – Silver Best Contact Centre Campaign – Bronze Best Contact Centre in Quality Assurance – Bronze 	<p>HKT Consumer Group – Best Contact Centre Campaign</p> <p>HKT Consumer Group – We Smile, We Engage</p> <p>HKT Engineering – Diamond Commercial Contact Centre & Enterprise Contact Centre</p>	Hong Kong Call Centre Association



HKT wins the Silver Award – Media and Communication at the Hong Kong Awards for Environmental Excellence 2018.



HKT sweeps a total of 60 awards at the Hong Kong Call Centre Association Awards 2019.

Award	Awardee	Scheme Organizer
<ul style="list-style-type: none"> • Best Contact Centre in Technology Application – Bronze • Best Contact Centre in Training and People Development – Bronze • Outbound Contact Centre of the Year (Over 100 Seats) – Bronze • Inbound Contact Centre of the Year (20-50 Seats) – Gold (Consecutive 3rd Year) • Mystery Caller Assessment Award – Telecommunications – Gold (Consecutive 5th Year) • Inbound Contact Centre of the Year (20-50 Seats) – Silver • Mystery Caller Assessment Award – Telecommunications – Gold (Consecutive 3rd Year) • Inbound Contact Centre of the Year (20-50 Seats) – Bronze • Mystery Caller Assessment Award – Telecommunications – Gold • Inbound Contact Centre of the Year (20-50 Seats) – Bronze • Inbound Contact Centre of the Year (20-50 Seats) – Bronze • Inbound Contact Centre of the Year (50-100 Seats) – Gold • Mystery Caller Assessment Award – Telecommunications – Gold (Consecutive 5th Year) • Inbound Contact Centre of the Year (Below 20 Seats) – Silver • Inbound Contact Centre of the Year (Below 20 Seats) – Bronze • Mystery Caller Assessment Award – Telecommunications – Best-in-class • Mystery Caller Assessment Award – Telecommunications – Gold (Consecutive 5th Year) • Mystery Caller Assessment Award – Telecommunications – Best IVRS • Mystery Caller Assessment Award – Telecommunications – Gold 	<p>HKT Consumer Group – System Development and Support Team</p> <p>csl</p> <p>HKT Engineering – Enterprise Contact Centre</p> <p>HKT Consumer Group – Digital Sales</p> <p>csl Sales Hotline (Inbound)</p> <p>HKT Teleservices</p> <p>The Club</p> <p>HKT Engineering – Diamond Commercial Contact Centre</p> <p>HKT Consumer Group – Now E Customer Service</p> <p>csl – 1010 Personal Assistant Service</p> <p>HKT Consumer Group – Now TV Call Centre Sales</p> <p>HKT Consumer Group – Language Center</p>	

Award	Awardee	Scheme Organizer
<ul style="list-style-type: none"> • Mystery Caller Assessment Award – Telecommunications – Gold • Outbound Contact Centre of the Year (20-50 Seats) – Bronze • Mystery Caller Assessment Award – Telecommunications – Gold • Outbound Contact Centre of the Year (50-100 Seats) – Bronze • Mystery Caller Assessment Award – Telecommunications – Gold (Consecutive 3rd Year) • Mystery Caller Assessment Award – Telecommunications – Gold (Consecutive 4th Year) • Mystery Caller Assessment Award – Telecommunications – Gold • Mystery Caller Assessment Award – Telecommunications – Gold • Mystery Caller Assessment Award – Telecommunications – Gold • Mystery Caller Assessment Award – Telecommunications – Gold • Mystery Caller Assessment Award – Telecommunications – Gold • Mystery Caller Assessment Award – Telecommunications – Gold (Consecutive 3rd Year) • Mystery Caller Assessment Award – Telecommunications – Gold (Consecutive 5th Year) • Mystery Caller Assessment Award – Telecommunications – Gold (Consecutive 5th Year) 	<ul style="list-style-type: none"> csl Call Centre (1010 Outbound) csl Call Centre (csl Outbound) csl – 1010 Corporate Account Service HKT Consumer Group – Corp Staff Program Hotline HKT Consumer Group – eye Dedicated Sales Hotline HKT Consumer Group – eye Upgrade Hotline HKT Consumer Group – Fixed Line Customer Service HKT Consumer Group – Fixed Line Retention Hotline HKT Consumer Group – Fixed Line Technical Support HKT Consumer Group – NETVIGATOR Broadband Hotline HKT Consumer Group – NETVIGATOR Broadband Upgrade Hotline HKT Consumer Group – NETVIGATOR Customer Service 	

Award	Awardee	Scheme Organizer
<ul style="list-style-type: none"> • Mystery Caller Assessment Award – Telecommunications – Gold (Consecutive 3rd Year) • Mystery Caller Assessment Award – Telecommunications – Gold • Mystery Caller Assessment Award – Telecommunications – Gold (Consecutive 5th Year) • Mystery Caller Assessment Award – Telecommunications – Gold • Mystery Caller Assessment Award – Telecommunications – Gold • Mystery Caller Assessment Award – Telecommunications – Gold (Consecutive 5th Year) • Off-shore Contact Center of the Year – Bronze • Outbound Contact Centre of the Year (Below 20 Seats) – Silver • Contact Centre Quality Assurance Professional of the Year – Silver • Contact Centre Technical Support Professional of the Year – Bronze • Contact Center Workforce Management Professional of the Year – Silver • Digital Channel Management Professional of the Year – Gold • Digital Contact Centre Representative of the Year – Silver • Digital Contact Centre Representative of the Year – Bronze • Inbound Contact Centre Manager of the Year – Gold • Inbound Contact Centre Manager of the Year – Merit 	<ul style="list-style-type: none"> HKT Consumer Group – NETVIGATOR Customer Service Live Chat HKT Consumer Group – NETVIGATOR Technical Support Live Chat HKT Consumer Group – Now TV Technical Support HKT Consumer Group – Premier Customer Service HKT Consumer Group – Premier Technical Support HKT Consumer Group – Smart Living Dedicated Hotline HKT Consumer Group – Inbound Sales Team HKT Consumer Group – PCD Proactive Retention Team HKT Teleservices staff member HKT Consumer Group staff members 	

Award	Awardee	Scheme Organizer
<ul style="list-style-type: none"> Inbound Contact Centre Representative of the Year – Silver Inbound Contact Centre Team Leader of the Year – Bronze Outbound Contact Centre Manager of the Year – Gold Outbound Contact Centre Representative of the Year – Silver Contact Centre Recruitment Professional of the Year – Silver Contact Center Trainer of the Year – Bronze Outbound Contact Centre Team Leader of the Year – Silver 	csl Training Team staff members csl Call Centre staff member	
Hong Kong Gadget Award 2018 <ul style="list-style-type: none"> “City Frenzy” Social Media Network 2018 Most Popular (Online) Network Service Provider 	csl	RingHK
Hong Kong Green Organisation	HKT	Environmental Campaign Committee, Environmental Protection Department and nine organizations
Hong Kong ICT Awards 2019 <ul style="list-style-type: none"> FinTech (Emerging Solution) Award – Silver Award 	HKT Payment	Office of the Government Chief Information Officer and The Hong Kong Institute of Bankers
Hong Kong Retail Innovation Award 2019 <ul style="list-style-type: none"> Best Retail Innovation (Application) Award – Market Potential & Performance 	1010	Hong Kong Retail Technology Industry Association



HKT Payment wins the FinTech (Emerging Solution) Award – Silver Award at the Hong Kong ICT Awards 2019.

Award	Awardee	Scheme Organizer
Hong Kong Service Awards 2019 <ul style="list-style-type: none"> • Internet Service Provider • Long Distance Call • Mobile Service • Smart Living • The Best Loyalty Program 	NETVIGATOR IDD 0060 csl HKT Smart Living The Club	<i>East Week</i>
2018 – 2019 Hong Kong Smiling Enterprise Award <ul style="list-style-type: none"> • Smiling Employer Award • Smiling Enterprise Outstanding Award – Service Center • Smiling Employer Award • Smiling Enterprise Award – Telecommunications • Smiling Employer Outstanding Award • Smiling Enterprise Merit Award – Mobile • Smiling Employer Outstanding Award • Smiling Enterprise Outstanding Award – Mobile • Smiling Staff Award • Smiling Staff Outstanding Award • Smiling Supervisor Award • Smiling Supervisor Outstanding Award • Smiling Staff Award • Smiling Supervisor Award • Smiling Supervisor Outstanding Award • Smiling Staff Award • Smiling Staff Outstanding Award • Smiling Supervisor Award • Smiling Staff Award • Smiling Supervisor Award 	HKT Customer Service Center HKT shop csl 1010 1010 Center staff members csl shop staff members HKT Customer Service Center staff members HKT shop staff members	Mystery Shopper Service Association
Hong Kong Sustainability Award 2018/19 <ul style="list-style-type: none"> • Certificate of Excellence – Large-sized Organizations 	HKT	Hong Kong Management Association

Award	Awardee	Scheme Organizer
iChoice Awards 2019 <ul style="list-style-type: none"> Supreme Marketing Award (Digital) The Most Favourite LTE Service Provider The Most Favourite Mobile Network Service Provider The Most Favourite Membership Program The Most Favourite Mobile Service 	csl The Club Club SIM	discuss.com
2019 International Customer Relationship Excellence Awards <ul style="list-style-type: none"> Best Customer Experience Management of the Year 2019 (Mobile) Contact Center of the Year 2019 (Mobile – Under 300 Seats) Corporate Employer of the Year 2019 (Mobile) Customer Service Analyst of the Year 2019 (Mobile – T&D Center) Customer Service Manager of the Year 2019 (Mobile – T&D Center) Customer Service Professional of the Year 2019 (Mobile – T&D Center) Customer Service Supervisor of the Year 2019 (Mobile – T&D Center) Customer Service Manager of the Year 2019 (Mobile – Contact Center) Customer Service Professional of the Year 2019 (Mobile – Contact Center) Customer Service Supervisor of the Year 2019 (Mobile – Contact Center) Customer Service Team Leader of the Year 2019 (Mobile – Contact Center) Merit Certificate Customer Service Manager of the Year 2019 (Contact Center) Merit Certificate Customer Service Professional of the Year 2019 (Contact Center) 	csl csl Training Team staff members csl Call Centre staff members	Asia Pacific Customer Service Consortium



Club SIM receives the Most Favourite Mobile Service award at the iChoice Awards 2019.



HKT and csl win 43 awards at the 2019 International Customer Relationship Excellence Awards.

Award	Awardee	Scheme Organizer
<ul style="list-style-type: none"> • Merit Certificate Customer Service Supervisor of the Year 2019 (Contact Center) • Merit Certificate Customer Service Team Leader of the Year 2019 (Contact Center) • Customer Service Analyst of the Year 2019 (IoT Smart Home – Service Center) • Customer Service Analyst of the Year 2019 (IoT Smart Home – T&D Center) • Customer Service Manager of the Year 2019 (IoT Smart Home – Contact Center) • Customer Service Manager of the Year 2019 (IoT Smart Home – Service Center) • Customer Service Manager of the Year 2019 (IoT Smart Home – T&D Center) • Customer Service Professional of the Year 2019 (IoT Smart Home – Contact Center) • Customer Service Professional of the Year 2019 (IoT Smart Home – Service Center) • Customer Service Professional of the Year 2019 (IoT Smart Home – T&D Center) • Customer Service Supervisor of the Year 2019 (IoT Smart Home – Contact Center) • Customer Service Supervisor of the Year 2019 (IoT Smart Home – Service Center) • Customer Service Supervisor of the Year 2019 (IoT Smart Home – T&D Center) • Customer Service Team Leader of the Year 2019 (IoT Smart Home – Service Center) • Customer Service Team Leader of the Year 2019 (IoT Smart Home – T&D Center) 	HKT Customer Service Center staff members	
IT PRO Corporate Choice 2019 <ul style="list-style-type: none"> • CIO Choice 	1010	<i>IT PRO</i>
Jockey Club Age-friendly City Partnership Scheme <ul style="list-style-type: none"> • Age-friendly Business Award 	csl	Hong Kong Jockey Club
Leadership Business Award 2019 <ul style="list-style-type: none"> • Banking & Financial Services – Digital Payment Platform Award of Excellence • Telecommunications & Entertainment Technology – Broadband Service Provider Award of Excellence • Telecommunications & Entertainment Technology – Loyalty & Rewards Program Award of Excellence • Telecommunications & Entertainment Technology – Mobile Network Provider Award of Excellence 	HKT Payment (Tap & Go / HKT Merchant Services) NETVIGATOR The Club 1010	Now Business News Channel

Award	Awardee	Scheme Organizer
Marketing Excellence Awards 2019 <ul style="list-style-type: none"> Excellence in Data-Driven Marketing – Silver Excellence in Programmatic Marketing – Silver 	csl NETVIGATOR	Marketing
Market Leadership Award 2018/2019 <ul style="list-style-type: none"> Enterprise Market Leadership Award – Market Leadership in Mobile Telecommunications Triple Crown Enterprise Market Leadership Award – Market Leadership in Telecommunications 	1010 HKT	Hong Kong Institute of Marketing
Mastercard's Partners Annual Awards 2018 <ul style="list-style-type: none"> The Highest Market Share of Prepaid Card Spend 	HKT Payment	Mastercard HK
MEF Awards 2019 <ul style="list-style-type: none"> Wholesale Service Provider of the Year – Global 	PCCW Global	MEF
MEF 3.0 Proof of Concept Awards <ul style="list-style-type: none"> Automated Inter-Carrier Credit Ratings Using Blockchain Dynamic Connectivity and Commerce Enabled by MEF 3.0 and Blockchain 	PCCW Global	MEF
Metro Awards For Brand Excellence 2018 <ul style="list-style-type: none"> Best Home Broadband Service Provider Best Lifestyle Product Best Loyalty Program Best Mobile Service Provider Best Smart Living Communications Service 	NETVIGATOR HKT Smart Living The Club 1010 eye	Metro Daily and Metro Prosperity
Metro Pop 13th Anniversary Award	csl	Metro Pop
2018 MTR Malls Total Service Assurance Regime – Quality Service Scheme <ul style="list-style-type: none"> Household, Electrical Appliances & Telecommunications Category – Top Award 	Telford Plaza HKT shop	MTR Corporation Limited



The Club wins the Best Loyalty Program award at the Metro Awards For Brand Excellence 2018.

Award	Awardee	Scheme Organizer
Octopus Partner Awards 2018 <ul style="list-style-type: none"> Retail Acquirer Award – Highest Number of Merchants Acquired Retail Acquirer Award – Highest Usage 	HKT	Octopus
Outstanding QTS Merchant Awards 2019 <ul style="list-style-type: none"> AV, Computer & Telecom Products – Bronze Merit QTS Merchant Award – Retail 	csl 1010	Hong Kong Tourism Board
Outstanding QTS Merchant Service Staff Award 2019 <ul style="list-style-type: none"> Front-line Staff – AV, Computer & Telecom Products – Gold Front-line Staff – AV, Computer & Telecom Products – Silver Supervisory – AV, Computer & Telecom Products – Gold Supervisory – AV, Computer & Telecom Products – Silver Front-line Staff – AV, Computer & Telecom Products – Silver Supervisory – AV, Computer & Telecom Products – Bronze 	HKT shop staff members 1010 Center staff members	Hong Kong Tourism Board
PC3 Platinum Brand Award 2019 <ul style="list-style-type: none"> Smart Living Application – e-Parking Service Telecommunications 	1010 csl	PC3
Price Consumer Choice Award 2019 <ul style="list-style-type: none"> Brand of Mobile Network 	csl	Price.com.hk
2018 Security Services Best Training Awards <ul style="list-style-type: none"> Type III – Gold 	HKT	Vocational Training Council and Hong Kong Police Force Crime Prevention Bureau
2019 Service & Courtesy Award <ul style="list-style-type: none"> Company Award – Retail Excellence Award – Merit Excellent Service Star Individual Award – New Participating Brands – Junior Frontline Level – Bronze Award Individual Award – New Participating Brands – Supervisory Level – Gold Award Individual Award – Telecommunications – Junior Frontline Level – Silver Award Individual Award – Telecommunications – Junior Frontline Level – Outstanding Performance Award 	HKT CS Center HKT shop, HKT Service Center staff members HKT Service Center staff member HKT shop staff members	Hong Kong Retail Management Association

Award	Awardee	Scheme Organizer
Sing Tao Parents' Choice Brand Awards 2019 <ul style="list-style-type: none"> Mobile Service Family Plan 	csl	<i>Sing Tao Daily</i>
Sing Tao Service Awards 2018 <ul style="list-style-type: none"> Local Telecoms Service 	csl	<i>Sing Tao Daily</i>
SME Partner Awards of Excellence 2019 <ul style="list-style-type: none"> Distinguished Commercial Broadband Service Distinguished Information and Communications Technologies Distinguished Corporate Mobile Communications Service 	HKT 1010	<i>Hong Kong Economic Journal Finance</i>
Telecom Asia Awards 2019 <ul style="list-style-type: none"> Most Innovative Customer Service Project 	PCCW Global	Telecom Asia
Telecom Review Excellence Awards <ul style="list-style-type: none"> Best Global Carrier 2019 Best Smart City Platform 2019 	PCCW Global	Telecom Review
2019 Telecoms World Awards <ul style="list-style-type: none"> Virtualization & Cloud Infrastructure Award 	PCCW Global	Terrapinn
The 10th Hong Kong Outstanding Corporate Citizenship <ul style="list-style-type: none"> Volunteer Team – Merit Award 	Volunteer Team of HKT and PCCW	The Hong Kong Productivity Council
The 14th Top Ranking Performers Awards in the Asia Pacific (APAC) Region <ul style="list-style-type: none"> Company Awards – Best Contact Center – Small (Inhouse) – Ranked #1 Company Awards – Best Contact Center – Small (Inhouse) – Runner-Up Company Awards – Best Customer Loyalty Program (Inhouse) – Ranked #2 Company Awards – Best In Customer Service – Medium (Inhouse) – Ranked #2 Company Awards – Best In Customer Service – Small (Inhouse) – Runner-Up Company Awards – Best Incentive Scheme (Inhouse) – Ranked #1 Company Awards – Best Outbound Campaign (Inhouse) – Ranked #3 Company Awards – Best Sales Campaign – Inbound or Outbound (Inhouse) – Ranked #1 Company Awards – Best Use of Social Media in the Contact Center (Inhouse) – Ranked #1 Company Awards – Best Use of Social Media in the Contact Center (Inhouse) – Runner-Up DREAM Team 	HKT	ContactCenterWorld

Award	Awardee	Scheme Organizer
The 19th CAPITAL Outstanding Enterprise Awards <ul style="list-style-type: none"> Outstanding Digital Technology Solution Outstanding Fixed Line Service Provider 	HKT	CAPITAL
The Best SME Partners 2019 <ul style="list-style-type: none"> ICT Service Provider Internet Service Provider Mobile Communications Service Provider 	HKT 1010	Economic Digest
The Outstanding Brand Awards 2019 <ul style="list-style-type: none"> The Excellence Award The Outstanding Brand Awards – Best Corporate Mobile Services Provider The Outstanding Brand Awards – Best Network and Digital Technology Service Provider 	1010 HKT Enterprise Solutions	Economic Digest
Tiptop Service Award 2018 – 2019 <ul style="list-style-type: none"> Persistently Outstanding Service Company of the Year Persistently Outstanding Service Outlet of the Year – Service Center 	HKT Customer Service Center HKT Customer Service Center – Kwun Tong	Tiptop Consultants Ltd.
Top Service Awards 2019 <ul style="list-style-type: none"> Internet Service Provider Loyalty Program – Best of the Best Mobile Network Service Operators – Grand Award Best Staff Award 	NETVIGATOR The Club csl 1010 Center staff member	Next Magazine
UnionPay International Awards 2018 <ul style="list-style-type: none"> Issuing Innovative Award (Dual Currency Prepaid Card) – Gold Award 	HKT Payment	UnionPay International
World Communication Awards 2019 <ul style="list-style-type: none"> Smart Cities Award 	PCCW Global	Total Telecom



HKT wins the Outstanding Digital Technology Solution award and the Outstanding Fixed Line Service Provider award at the 19th CAPITAL Outstanding Enterprise Awards.

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

LI Tzar Kai, Richard

Executive Chairman

Mr Li, aged 53, was appointed the Executive Chairman and an Executive Director of HKT Limited (HKT) and HKT Management Limited, the trustee-manager of the HKT Trust, in November 2011. He is the Chairman of HKT's Executive Committee and a member of the Nomination Committee of the HKT Board. Mr Li has also been an Executive Director and the Chairman of PCCW Limited (PCCW) since August 1999, the Chairman of PCCW's Executive Committee and a member of the Nomination Committee of the board of directors of PCCW. He is also the Chairman and Chief Executive of the Pacific Century Group, an Executive Director of Pacific Century Premium Developments Limited (PCPD), the Chairman of PCPD's Executive Committee, a member of PCPD's Remuneration Committee and Nomination Committee, the Chairman and an Executive Director of Singapore-based Pacific Century Regional Developments Limited (PCRD), and the Chairman of PCRD's Executive Committee.

Mr Li is a member of the Center for Strategic and International Studies' International Councillors' Group in Washington, D.C., and a member of the Global Information Infrastructure Commission. Mr Li was awarded the Lifetime Achievement Award by the Cable & Satellite Broadcasting Association of Asia in November 2011.

HUI Hon Hing, Susanna

Group Managing Director

Ms Hui, aged 55, is the Group Managing Director of HKT Limited (HKT) and HKT Management Limited (Trustee-Manager), the trustee-manager of the HKT Trust, since September 2018. She has been an Executive Director of HKT and the Trustee-Manager since November 2011. She is a member of HKT's Executive Committee and holds directorships in various Group companies. She was the Group Chief Financial Officer of HKT from November 2011 to August 2018 primarily responsible for overseeing the financial matters of the Group. Ms Hui is also the Group Chief Financial Officer and Executive Director of PCCW Limited (PCCW), a member of PCCW's Executive Committee, and an Executive Director of Pacific Century Premium Developments Limited (PCPD).

Ms Hui joined Cable & Wireless HKT Limited (which was subsequently acquired by PCCW) in September 1999. Since then, she has served the PCCW Group in various capacities in the past 21 years, including as Director of Group Finance of the PCCW Group from September 2006 to April 2007, and the Director of Finance of the PCCW Group with responsibility for the telecommunications services sector and regulatory accounting. Ms Hui was also the Chief Financial Officer of PCPD from July 2009 to November 2011.

Prior to joining Cable & Wireless HKT Limited, Ms Hui was the chief financial officer of a listed company engaged in hotel and property investment and management.

Ms Hui graduated with a bachelor's degree in social sciences from the University of Hong Kong with first class honours. She is a qualified accountant and a member of both the Hong Kong Institute of Certified Public Accountants and the American Institute of Certified Public Accountants.

NON-EXECUTIVE DIRECTORS

Peter Anthony ALLEN

Non-Executive Director

Mr Allen, aged 64, was appointed a Non-Executive Director of HKT Limited (HKT) and HKT Management Limited (Trustee-Manager), the trustee-manager of the HKT Trust, in November 2011. He is a member of HKT's Audit Committee and the Trustee-Manager's Audit Committee. He is an Executive Director and the Group Managing Director of Pacific Century Regional Developments Limited, an Executive Director and the Chief Financial Officer of the Pacific Century Group, a Director of certain FWD group companies and Senior Advisor to PCCW Limited (PCCW). He is also a Director of certain other companies controlled by Mr Li Tzar Kai, Richard, the Executive Chairman of HKT and the Trustee-Manager. Mr Allen was an Executive Director of PCCW from August 1999 to November 2011.

Prior to joining the Pacific Century Group, Mr Allen joined KPMG in 1976 before taking up an appointment at Occidental International Oil Incorporated in 1980. In 1983, he joined Schlumberger Limited and worked in various countries holding key management positions. In 1989, he moved to Singapore as Regional Financial Director of the Vestey Group.

Mr Allen joined Boustead Singapore Limited as the Group Operations Controller in 1992 before taking up an appointment with Morgan Grenfell Investment Management (Asia) Limited as a Director and Chief Operating Officer in 1995. He joined the Pacific Century Group in 1997.

Mr Allen was educated in England and graduated from the University of Sussex with a degree in economics. He is a Fellow of the Institute of Chartered Accountants in England and Wales, a Fellow Member of CPA Australia, a Fellow of the Hong Kong Institute of Directors and a Fellow of the Institute of Singapore Chartered Accountants.

CHUNG Cho Yee, Mico

Non-Executive Director

Mr Chung, aged 59, was appointed a Non-Executive Director of HKT Limited and HKT Management Limited, the trustee-manager of the HKT Trust, in November 2011. Mr Chung was a Non-Executive Director of PCCW Limited (PCCW) from May 2010 to November 2011. He was an Executive Director of PCCW from November 1996 who was responsible for merger and acquisition activities and was re-designated to a Non-Executive Director of PCCW in May 2010. He joined the Pacific Century Group in March 1999.

Mr Chung graduated from University College, University of London in the United Kingdom, with a law degree in 1983.

Mr Chung is currently the Chairman and an Executive Director of CSI Properties Limited which he joined in 2004. He was an Independent Non-Executive Director of HKC (Holdings) Limited.

LI Fushen

Non-Executive Director

Mr Li, aged 57, was appointed a Non-Executive Director of HKT Limited (HKT) and HKT Management Limited, the trustee-manager of the HKT Trust, in November 2011. He is a member of HKT's Remuneration Committee, Nomination Committee and Executive Committee. Mr Li became a Non-Executive Director of PCCW Limited (PCCW) in July 2007 and the Deputy Chairman of the board of directors of PCCW in September 2018. He is a member of PCCW's Executive Committee.

Mr Li is an Executive Director of China Unicom (Hong Kong) Limited (Unicom HK). He is also a Director of China United Network Communications Group Company Limited (Unicom), China United Network Communications Limited (Unicom A-Share) and China United Network Communications Corporation Limited.

He served as Deputy General Manager of the former Jilin Provincial Telecommunications Company and Jilin Communications Company, General Manager of the Finance Department and Chief Accountant of China Network Communications Group Corporation, Chief Financial Officer, Executive Director and Joint Company Secretary of China Netcom Group Corporation (Hong Kong) Limited, Vice President and Chief Accountant of Unicom, Senior Vice President of Unicom A-Share, and Senior Vice President and Chief Financial Officer of Unicom HK.

Mr Li graduated from the Australian National University with a master's degree in management in 2004, and from the Jilin Engineering Institute with a degree in engineering management in 1988. Mr Li has worked in the telecommunications industry for a long period of time and has extensive management experience.

ZHU Kebing

Non-Executive Director

Mr Zhu, aged 45, was appointed a Non-Executive Director of HKT Limited (HKT) and HKT Management Limited, the trustee-manager of the HKT Trust, in September 2018. He is a member of HKT's Regulatory Compliance Committee. Mr Zhu is also a Non-Executive Director of PCCW Limited (PCCW) and a member of the Nomination Committee of the board of directors of PCCW.

Mr Zhu is an Executive Director and Chief Financial Officer of China Unicom (Hong Kong) Limited, the Chief Accountant of China United Network Communications Group Company Limited, the Chief Financial Officer and Board Secretary of China United Network Communications Limited, and a Director and the Chief Financial Officer of China United Network Communications Corporation Limited.

Mr Zhu previously worked as Deputy Head of the Financial Department, General Manager, Budgeting Controller and Asset Management Controller of the Operation and Financial Department of Baosteel Group Co., Ltd., Chief Financial Officer, Board Secretary and Supervisor of Baoshan Iron and Steel Co., Ltd., General Manager of the Industry Finance Development Center of China Baowu Steel Group Corporation Limited, Director of Shanghai Baosight Software Co., Ltd., Non-Executive director of China Pacific Insurance (Group) Co., Ltd., General Manager of Hwabao Investment Co., Ltd.,

Director of Sailing Capital International Investment Fund (Shanghai) Co., Ltd., Director of Sailing Capital Management Co., Ltd., Director of Siyuanhe Equity Investment Management Co., Ltd. and Vice President of PE Association of Shanghai etc.

Mr Zhu is a Senior Accountant graduated from Northeastern University in 1997 and he received a Professional Accountancy master's degree from Chinese University of Hong Kong in 2011. Mr Zhu has extensive experience in corporate finance and investment management.

Srinivas Bangalore GANGAIAH
(aka BG Srinivas)

Non-Executive Director

Mr Srinivas, aged 59, was appointed a Non-Executive Director of HKT Limited (HKT) and HKT Management Limited (Trustee-Manager), the trustee-manager of the HKT Trust, in August 2014. He is an Executive Director and Group Managing Director of PCCW Limited (PCCW) since July 2014. He is also a member of PCCW's Executive Committee. He is also an Alternate Director of certain FWD group companies controlled by Mr Li Tzar Kai, Richard, the Executive Chairman of HKT and the Trustee-Manager.

As part of the PCCW Group's responsibility, Mr Srinivas is focused to ensure the PCCW Group maintains its leadership position in all its portfolio of business in Hong Kong while crafting strategies to expand each line of business. He has over 30 years of experience and has assisted enterprises in leveraging technology to transform businesses. Prior to joining PCCW, Mr Srinivas had worked for the previous 15 years with Infosys Group, where his last role was the President and Whole-time Director of Infosys Limited. He played distinct role in crafting strategies and driving growth across several industry sectors for Infosys. Prior to that, Mr Srinivas worked for 14 years with Asea Brown Boveri Group, where he held several leadership positions in process automation and power transmission divisions.

Mr Srinivas has been on the panel of judges for the European Business Awards (EBA) for three consecutive years and is a frequent speaker at World Economic Forum, and academic institutions such as INSEAD and Yale University.

Mr Srinivas holds a degree in mechanical engineering from Bangalore University, India, and has participated in executive programs at Wharton Business School, US, and Indian Institute of Management Ahmedabad (IIMA), India.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Professor CHANG Hsin Kang,
FREng, GBS, JP

Independent Non-Executive Director

Professor Chang, aged 79, was appointed an Independent Non-Executive Director of HKT Limited (HKT) and HKT Management Limited (Trustee-Manager), the trustee-manager of the HKT Trust, in November 2011. He is the Chairman of HKT's Regulatory Compliance Committee, a member of HKT's Audit Committee, Remuneration Committee and Nomination Committee, and a member of the Trustee-Manager's Audit Committee. Professor Chang was an Independent Non-Executive Director of PCCW Limited from October 2000 to November 2011.

Professor Chang became an Honorary Professor of Beijing Foreign Studies University in 2005, an Honorary Professor of Peking University in 2006, an Honorary Professor of Tsinghua University in September 2007, and the Honorary President of China Institute of Our Hong Kong Foundation in 2017. He was the President and University Professor of City University of Hong Kong from 1996 to 2007. Prior to that, he was the Dean of the School of Engineering at the University of Pittsburgh in the United States from 1994 to 1996, Founding Dean of the School of Engineering at Hong Kong University of Science and Technology from 1990 to 1994 and the Chairperson of the Department of Biomedical Engineering at the University of Southern California in the United States from 1985 to 1990.

Professor Chang is a Foreign Member of the Royal Academy of Engineering of the United Kingdom, a Member of International Eurasian Academy of Sciences; and Chevalier dans l'Ordre National de la Légion d'Honneur as well as Commandeur dans l'Ordre des Palmes Académiques of France. He was appointed Justice of the Peace in July 1999 and awarded the Gold Bauhinia Star by the Hong Kong Government in July 2002.

Professor Chang obtained his bachelor's degree in civil engineering from the National Taiwan University, a master's degree in structural engineering from Stanford University in the United States and a doctorate in biomedical engineering from Northwestern University in the United States.

Professor Chang is also an Independent Non-Executive Director of Hang Lung Properties Limited and Nanyang Commercial Bank, Limited. He was an Independent Non-Executive Director of Hon Kwok Land Investment Company, Limited and Brightoil Petroleum (Holdings) Limited.

Sunil VARMA

Independent Non-Executive Director

Mr Varma, aged 76, was appointed an Independent Non-Executive Director of HKT Limited (HKT) and HKT Management Limited (Trustee-Manager), the trustee-manager of the HKT Trust, in November 2011. He is also the Chairman of both HKT's Audit Committee and the Trustee-Manager's Audit Committee and a member of HKT's Nomination Committee, Remuneration Committee and Regulatory Compliance Committee.

Mr Varma is a certified chartered accountant as well as a cost and management accountant. He has extensive working experience of over 40 years including with Price Waterhouse Management Consultants and the IBM Consulting Group, specializing in management and business-problem consulting. He was the partner responsible for establishing and developing the Price Waterhouse consulting practice in Indonesia and was the Head of the Price Waterhouse consulting practice in Hong Kong until 1994. Mr Varma was the Vice President and Principal responsible for the IBM Consulting Group in India between 1996 and 1998. He was the Interim Chief Financial Officer and Managing Director of Asia Online, Ltd. from 1999 to 2000 and was the Interim Chief Financial Officer of HCL – Perot Systems in India in 2003.

Mr Varma had previously worked in a number of countries in Africa and the Asia Pacific region including Australia, India, Indonesia, Hong Kong, Thailand and the PRC. He advised large multinationals as well as domestic companies in the areas of corporate governance, financial management, organizational strengthening, efficiency improvement, process re-engineering and business systems. He is experienced in a cross-section of industries including financial services, information technology, energy, fertilizers and steel. He had previously conducted several large assignments for public sector organizations, funded by World Bank, Asian Development Bank and other multi-lateral funding agencies.

Mr Varma is a Lead Independent Director, the Chairman of Audit Committee and a member of various committees of Dr. Lal PathLabs Limited in India.

Mr Varma obtained his Bachelor of Arts degree in mathematics and economics from Panjab University in July 1962. He has been an Associate member of the Institute of Chartered Accountants of India since August 1966 and a Fellow since June 1972, and an associate member of the Institute of Cost and Management Accountants of India since September 1975.

Aman MEHTA

Independent Non-Executive Director

Mr Mehta, aged 73, was appointed an Independent Non-Executive Director of HKT Limited (HKT) and HKT Management Limited, the trustee-manager of the HKT Trust, in May 2014. He is the Chairman of HKT's Nomination Committee. Mr Mehta has been an Independent Non-Executive Director of PCCW Limited (PCCW) since February 2004. He is also the Chairman of the Audit Committee, the Nomination Committee and the Remuneration Committee of the board of directors of PCCW.

Mr Mehta joined the board of directors of PCCW following a distinguished career in the international banking community. Mr Mehta held the position of Chief Executive Officer of The Hongkong and Shanghai Banking Corporation Limited (HSBC) until December 2003, when he retired.

Born in India in 1946, Mr Mehta joined HSBC group in Bombay in 1967. After a number of assignments throughout HSBC group, he was appointed Manager – Corporate Planning at HSBC's headquarters in Hong Kong in 1985. After a three-year posting to Riyadh in Saudi Arabia, he was appointed Group General Manager in 1991, and General Manager – International the following year, with responsibility for overseas subsidiaries. He subsequently held senior positions in the United States, overseeing HSBC group companies in the Americas and later becoming responsible for HSBC's operations in the Middle East.

In 1998, Mr Mehta was reappointed General Manager – International, after which he became Executive Director International. In 1999, he was appointed Chief Executive Officer, a position he held until retirement.

Following his retirement in December 2003, Mr Mehta took up residence in New Delhi. He is an Independent Director on the board of several public companies and institutions in India and internationally. He is an Independent Non-Executive Director of Godrej Consumer Products Limited, Wockhardt Limited, Tata Steel Limited and Vedanta Limited in Mumbai, India; and

Max Financial Services Limited in New Delhi, India. He was an Independent Non-Executive Director of Emaar MGF Land Limited, Jet Airways (India) Limited, Cairn India Limited, Vedanta Resources plc and Tata Consultancy Services Limited; and an Independent Director on the Supervisory Board of ING Groep N.V., a Netherlands company.

Mr Mehta is also a member of the Governing Board of Indian School of Business, Hyderabad.

Frances Waikwun WONG

Independent Non-Executive Director

Ms Wong, aged 58, was appointed an Independent Non-Executive Director of HKT Limited (HKT) and HKT Management Limited, the trustee-manager of the HKT Trust, in May 2015. She is the Chairwoman of HKT's Remuneration Committee. Ms Wong has been an Independent Non-Executive Director of PCCW Limited (PCCW) since March 2012 and is the Chairwoman of the Regulatory Compliance Committee and a member of the Nomination Committee and the Remuneration Committee of the board of directors of PCCW. She is also an Independent Non-Executive Director of Pacific Century Regional Developments Limited.

Ms Wong is currently a financial advisor of Good Harbour Finance Limited. She began her career as a management consultant at McKinsey & Company in the United States. Ms Wong returned to Hong Kong and joined the Hutchison Whampoa group of companies in 1988, taking on various positions. She was managing director of Weatherite Manufacturing Limited, an air conditioning manufacturer. Later, Ms Wong became chief executive officer of Metro Broadcast Corporation Limited. Eventually, she became chief financial officer of Star TV, Asia's first satellite television company. After leaving the Hutchison Whampoa Group, she became group chief financial officer for the Pacific Century Group. After she resigned from the Pacific Century Group, she founded the Independent Schools Foundation in Hong Kong in 2000.

Ms Wong was educated in the United States at Stanford University where she received a Bachelor of Science degree. She holds a Master of Science degree from the Massachusetts Institute of Technology. Ms Wong was a member of the Central Policy Unit, the Government of the Hong Kong Special Administrative Region (think tank). She has served on many educational boards including the Canadian International School of Hong Kong, The Open University of Hong Kong and was a member of the Joint Committee on Student Finance of Student Financial Assistance Agency.

COMBINED CORPORATE GOVERNANCE REPORT

The board of directors of HKT Management Limited (the “Trustee-Manager”, in its capacity as the trustee-manager of the HKT Trust) (the “Trustee-Manager Board”) and the board of directors of HKT Limited (the “Company”) (the “Company Board”) (together, the “Boards” or each, the “Board”) present the corporate governance report of the HKT Trust and the Company on a combined basis for the year ended December 31, 2019.

The HKT Trust is a trust constituted on November 7, 2011 under the laws of Hong Kong and managed by the Trustee-Manager. 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 Boards have adopted a Corporate Responsibility Policy and a Corporate Social Responsibility Policy that apply throughout HKT Trust, HKT Limited and its subsidiaries (together, the “Group”) to all employees, including directors and officers, of the Trustee-Manager and of the Company and its subsidiaries (together, the “HKT Limited Group”).

The Corporate Responsibility Policy sets out standards for the way in which employees should conduct the HKT Limited Group’s business in the following areas: civic responsibilities, equal opportunities, preservation of company information and property, privacy of personal data, prevention of bribery, conflicts of interest and ensuring health and safety at work. This policy also prescribes procedures to enable employees to raise concerns with management and directors on a confidential basis.

The Corporate Social Responsibility Policy sets out standards for the way in which the HKT Limited Group should conduct its business to enhance its positive contribution to society and the environment.

CORPORATE STRATEGY

The Company, in conjunction with its listed parent PCCW Limited (“PCCW”), offers a unique quadruple-play experience in Hong Kong delivering media content on its fixed-line, broadband Internet access and mobile platforms. The Company’s strategy for generating and preserving unitholder value is to invest prudently in its technology and service platforms to ensure that its fixed-line business remains the market leader, its broadband offering delivers increasingly fast connectivity and its mobile network coverage and speed continuously improve – and overall to invest in our people to continuously improve the quality of service that the Company provides to its customers. The Company generates and preserves value by investing in these businesses and pursuing growth opportunities. Its strategy is to continue to be the market leader via innovation and broadening its service offerings in the telecommunications and ancillary businesses.

CORPORATE GOVERNANCE CODE

The HKT Trust and the Company are both listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and are both subject to the provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). The HKT Trust is not a separate legal entity, and can only act through the Trustee-Manager.

Pursuant to the Deed of Trust constituting the HKT Trust dated November 7, 2011 (the “Trust Deed”), (i) the Trustee-Manager shall be responsible for compliance by the HKT Trust with the Listing Rules applicable to the HKT Trust and other relevant rules and regulations; (ii) the Company shall be responsible for compliance by the Company with the Listing Rules applicable to the Company and other relevant rules and regulations; and (iii) each of the Trustee-Manager and the Company must co-operate with each other to ensure that each party complies with the Listing Rules obligations and to co-ordinate disclosure to the Stock Exchange.

The HKT Trust and the Company have adopted the code provisions of the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 to the Listing Rules as the corporate governance code of the HKT Trust and the Company. The HKT Trust and the Company have applied the principles, and complied with all relevant code provisions of the CG Code in each case as set out in Appendix 14 to the Listing Rules during the year ended December 31, 2019, 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.

MODEL CODE SET OUT IN APPENDIX 10 TO THE LISTING RULES

The HKT Trust and the Company have adopted their own code of conduct regarding securities transactions, namely the HKT Trust and HKT Limited Code of Conduct for Securities Transactions (the “HKT Code”), which applies to all directors of the Trustee-Manager and the Company and their employees (where applicable) on terms no less exacting than the required standard indicated by the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules.

Having made specific enquiry of all directors of the Trustee-Manager and the Company, confirmations have been received of compliance with the required standard set out in the Model Code and the HKT Code during the year.

The interests and short positions of the directors and the chief executives of the Trustee-Manager and the Company in the share stapled units (the “Share Stapled Units”) and underlying Share Stapled Units jointly issued by the HKT Trust and the Company; and the shares, underlying shares and debentures of the Company and its associated corporations have been disclosed in the Combined Report of the Directors of this annual report.

BOARDS OF DIRECTORS

Pursuant to the Trust Deed, the directors of the Trustee-Manager shall at all times comprise of the same individuals who serve as directors of the Company; no person shall serve as a director of the Trustee-Manager unless he also serves as a director of the Company at the same time; and no person shall serve as a director of the Company unless he also serves as a director of the Trustee-Manager at the same time.

The Company Board is responsible for the management of the Company. Key responsibilities of the Company Board include formulation of the overall strategies of the HKT Limited Group, the setting of management targets, and supervision of management performance. The Company Board confines itself to making broad policy decisions and exercising a number of reserved powers as mentioned below, delegating responsibility for more detailed considerations to the Company’s Executive Committee under the leadership of the Company’s Executive Chairman:

- those functions and matters as set out in the terms of reference of various committees (as amended from time to time) for which Company Board approval must be sought from time to time;
- those functions and matters for which Company Board approval must be sought in accordance with the HKT Limited Group’s internal policies (as amended from time to time);
- consideration and approval of the HKT Limited Group’s financial statements in the interim and annual reports, and announcements of interim and annual results;
- consideration of dividend amounts in accordance with the distribution policy as adopted by the Boards; and
- monitoring of the corporate governance practices and procedures; and maintenance of appropriate and effective risk management and internal control systems of the HKT Limited Group to ensure compliance with applicable rules and regulations.

The Trustee-Manager Board is responsible for the administration of the HKT Trust (including but not limited to the safe custody of all the property and rights of any kind whatsoever which are held on trust for the holders of Share Stapled Units (the “Trust Property”). Key responsibilities of the Trustee-Manager Board include taking all reasonable steps to ensure that the Trustee-Manager discharges its duties under the Trust Deed, ensuring that the Trust Property is properly accounted for, and being answerable to the holders of units of the HKT Trust for the application or misapplication of any Trust Property. The Trustee-Manager Board confines itself to making broad policy decisions and exercising a number of reserved powers as below:

BOARDS OF DIRECTORS (CONTINUED)

- those functions and matters as set out in the terms of reference of various committees (where applicable) (as amended from time to time) for which Trustee-Manager Board approval must be sought from time to time;
- consideration and approval of the financial statements of the HKT Trust and the Trustee-Manager in the interim and annual reports, and announcements of interim and annual results;
- consideration of distributions to holders of Share Stapled Units; and
- monitoring of the corporate governance practices and procedures; and maintenance of appropriate and effective risk management and internal control systems of the HKT Trust to ensure compliance with applicable rules and regulations.

The Executive Chairman and the Group Managing Director of the Trustee-Manager and the Company are Li Tzar Kai, Richard and Hui Hon Hing, Susanna respectively. The role of the Executive Chairman is separate from that of the Group Managing Director. The Executive Chairman is responsible for ensuring the Boards function effectively, providing leadership for the Boards in setting objectives and strategies, and ensuring good corporate governance practices are enforced. The Group Managing Director is responsible for leading the management of the Trustee-Manager and the Company in conducting their business affairs in accordance with the Group's objectives, and implementing the Group's strategies and policies. The Boards' compositions are set out in the Combined Report of the Directors of this annual report.

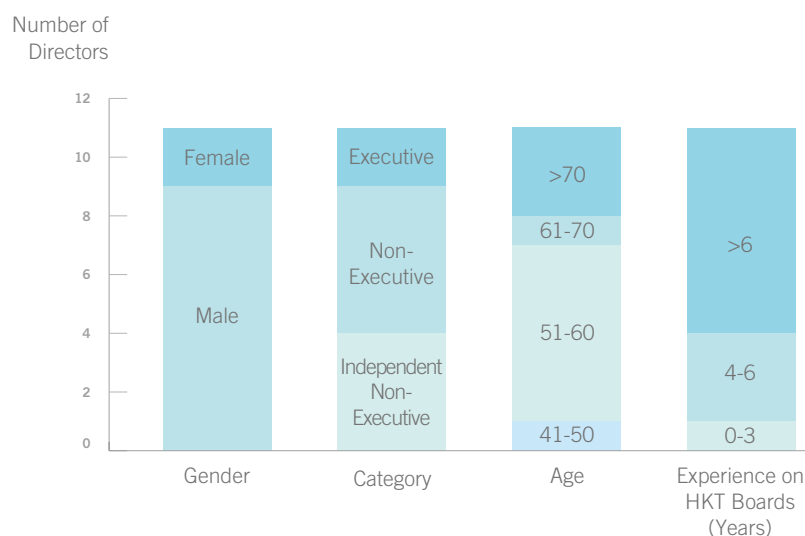
All directors of the Trustee-Manager and the Company have full and timely access to all relevant information, including monthly updates from the management, regular reports from various Boards committees and briefings on significant legal, regulatory or accounting issues affecting the Group. Directors may take independent professional advice, which will be paid for by the Trustee-Manager or the Company, as appropriate.

The directors of the Trustee-Manager and the Company acknowledge their responsibility for preparing the financial statements of the Group, the HKT Limited Group and the Trustee-Manager, as appropriate, for each financial year, which give a true and fair view of the financial position of the Group and of the HKT Limited Group and of the Trustee-Manager, and of the financial performance and cash flows of the Group and of the HKT Limited Group and of the Trustee-Manager, for the year in accordance with Hong Kong Financial Reporting Standards, the Hong Kong Companies Ordinance and the Listing Rules. In preparing the financial statements for the year ended December 31, 2019, the directors of the Trustee-Manager and the Company have selected suitable accounting policies and applied them consistently; made judgements and estimates that are prudent and reasonable; stated the reasons for any significant departure from applicable accounting standards in Hong Kong; and have prepared the financial statements on a going concern basis. The statements of the external auditor relating to its reporting responsibilities on the financial statements of the HKT Trust and HKT Limited, and the Trustee-Manager are respectively set out in the Independent Auditor's Reports of this annual report.

As at the date of this report, each of the Boards is comprised of 11 directors including two executive directors, five non-executive directors and four independent non-executive directors. At least one-third of the Boards are independent non-executive directors and at least one of them has appropriate professional qualifications, or accounting or related financial management expertise. Biographies of all members of the Boards are set out on pages 31 to 35 of this annual report and are available on the Company's website (www.hkt.com). The relationships (including financial, business, family or other material or relevant relationships), if any, among members of the Boards have also been disclosed in the Combined Report of the Directors of this annual report.

BOARDS OF DIRECTORS (CONTINUED)

Board Composition

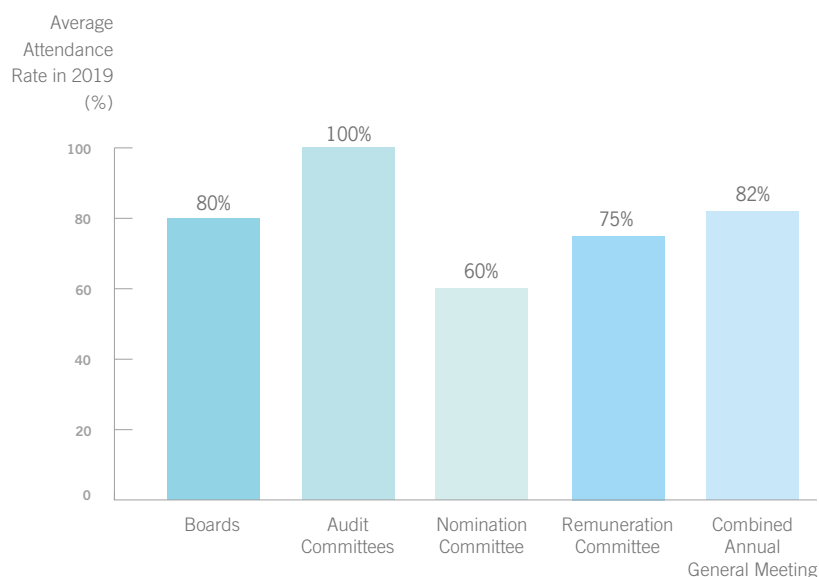


The Trustee-Manager and the Company have arranged appropriate directors and officers liability insurance cover for their directors and officers.

Biographies of senior corporate executives and heads of business units of the HKT Limited Group as at the date of this report are also available on the Company's website (www.hkt.com).

The Boards each held four meetings in 2019. The combined annual general meeting of unitholders of the HKT Trust and shareholders of the Company (the "Combined Annual General Meeting") was held on May 9, 2019 with the attendance of the external auditor to answer questions.

The following charts show the average meeting attendance rate in 2019 and the attendance of individual directors at the Boards and their respective committee meetings, and the Combined Annual General Meeting held in 2019:



BOARDS OF DIRECTORS (CONTINUED)

Meetings attended/eligible to attend in 2019 <i>(Note 1)</i>							
Name	Company				Trustee-Manager		Combined Annual General Meeting
	Board	Audit Committee <i>(Note 2)</i>	Nomination Committee <i>(Note 2)</i>	Remuneration Committee <i>(Note 2)</i>	Board	Audit Committee <i>(Note 3)</i>	
Executive Directors							
Li Tzar Kai, Richard	4/4	N/A	1/1	N/A	4/4	N/A	1/1
Hui Hon Hing, Susanna	4/4	N/A	N/A	N/A	4/4	N/A	1/1
Non-Executive Directors							
Peter Anthony Allen	4/4	3/3	N/A	N/A	4/4	3/3	1/1
Chung Cho Yee, Mico	4/4	N/A	N/A	N/A	4/4	N/A	1/1
Li Fushen	0/4	N/A	0/1	0/2	0/4	N/A	0/1
Zhu Kebing	0/4	N/A	N/A	N/A	0/4	N/A	0/1
BG Srinivas	4/4	N/A	N/A	N/A	4/4	N/A	1/1
Independent Non-Executive Directors							
Professor Chang Hsin Kang	4/4	3/3	1/1	2/2	4/4	3/3	1/1
Sunil Varma	4/4	3/3	1/1	2/2	4/4	3/3	1/1
Aman Mehta	3/4	N/A	0/1	N/A	3/4	N/A	1/1
Frances Waikwun Wong	4/4	N/A	N/A	2/2	4/4	N/A	1/1

Notes:

- Directors may attend meetings in person or by means of telephone or other audio communications equipment in accordance with the Company's Amended and Restated Articles of Association (the "Company Articles") and the Trustee-Manager's Articles of Association (the "Trustee-Manager Articles").
- For the composition of and the number of meetings held in 2019 by the Audit Committee, Nomination Committee and Remuneration Committee of the Company, please refer to the section headed "**Committees of the Company Board**" in this Combined Corporate Governance Report.
- For the composition of and the number of meetings held in 2019 by the Audit Committee of the Trustee-Manager, please refer to the section headed "**Committee of the Trustee-Manager Board**" in this Combined Corporate Governance Report.

The Company and the Trustee-Manager together have received from each of their independent non-executive directors an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules and consider that all four independent non-executive directors as at the date of this report, namely, Professor Chang Hsin Kang, Sunil Varma, Aman Mehta and Frances Waikwun Wong remain independent having regard to the independence criteria as set out in Rule 3.13 of the Listing Rules. Please also refer to the details disclosed in the section headed "**Independent Non-Executive Directors**" in the Combined Report of the Directors of this annual report.

BOARDS OF DIRECTORS (CONTINUED)

According to the Company Articles and the Trust Deed, any director so appointed by the Company Board either to fill a casual vacancy or as an addition shall also be appointed as a director of the Trustee-Manager. Any director of the Company and the Trustee-Manager appointed to fill the casual vacancy shall hold office only until the next following general meeting of the Company or the next following general meeting of the HKT Trust (as the case may be) and shall be eligible for re-election at that meeting. In the case of an addition, the additional director of the Company and the Trustee-Manager shall hold office only until the next following annual general meeting of the Company or the next following annual general meeting of the HKT Trust (as the case may be) and shall be eligible for re-election at that meeting.

In addition, according to the Company Articles, at each annual general meeting of the Company no less than one-third of the directors for the time being shall retire from office by rotation provided that every director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. Apart from retirement by rotation pursuant to the Company Articles, each non-executive director has a term of three years. Under the Trust Deed, the directors of the Trustee-Manager must be the same individuals who serve as directors of the Company at the relevant time; no person shall serve as a director of the Trustee-Manager unless he also serves as a director of the Company at the same time; and the office of a director of the Trustee-Manager shall be vacated if the relevant person ceases to be a director of the Company. These provisions are also contained in the Trustee-Manager Articles. Accordingly, the retirement by rotation provisions are also applicable, indirectly, in relation to the Trustee-Manager Board. Therefore, no director of either the Company or the Trustee-Manager will remain in office for a term of more than three years. The directors who shall retire from office of both the Company and the Trustee-Manager at the forthcoming Combined Annual General Meeting are set out in the Combined Report of the Directors of this annual report.

The Boards have a structured process to evaluate their own performance and directors' contribution on an annual basis including a self-evaluation questionnaire which is completed by all directors. The objectives of the evaluation are to assess whether the Boards and the committees, as well as the directors have adequately and effectively performed their roles and fulfilled their responsibilities; have devoted sufficient time commitment to the Company's and Trustee-Manager's affairs; and to recommend areas for improvement. The evaluation process has confirmed that the Boards and committees continue to operate effectively and that the performance of the directors and the time commitment in discharging their duties as directors of the Company and the Trustee-Manager for the year ended December 31, 2019 were generally satisfactory.

DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT

Every newly appointed director of the Company and the Trustee-Manager will meet with fellow directors and senior management to assist him/her in understanding the Group's operations and business, and he/she will receive a tailored induction handbook containing the Group's governance structure, key policies and an overview of director's responsibilities, as well as a briefing by qualified professional on the general and specific duties of director under legal and regulatory requirements.

As part of an ongoing process of director's continuous professional development ("CPD") training, the directors of the Company and the Trustee-Manager are regularly briefed on legal and regulatory requirements relevant to their duties through their participation in the training seminars organized by the company secretary, and the operations, organization and governance policies of the Group through regular meetings with management. In addition to receiving regular updates on the Group's business affairs, directors are also provided with reading materials from time to time to help develop and refresh their knowledge and skills. The company secretary organizes seminars presented by qualified professionals on relevant topics with emphasis on directors' duties and responsibilities which count towards their CPD training.

DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT (CONTINUED)

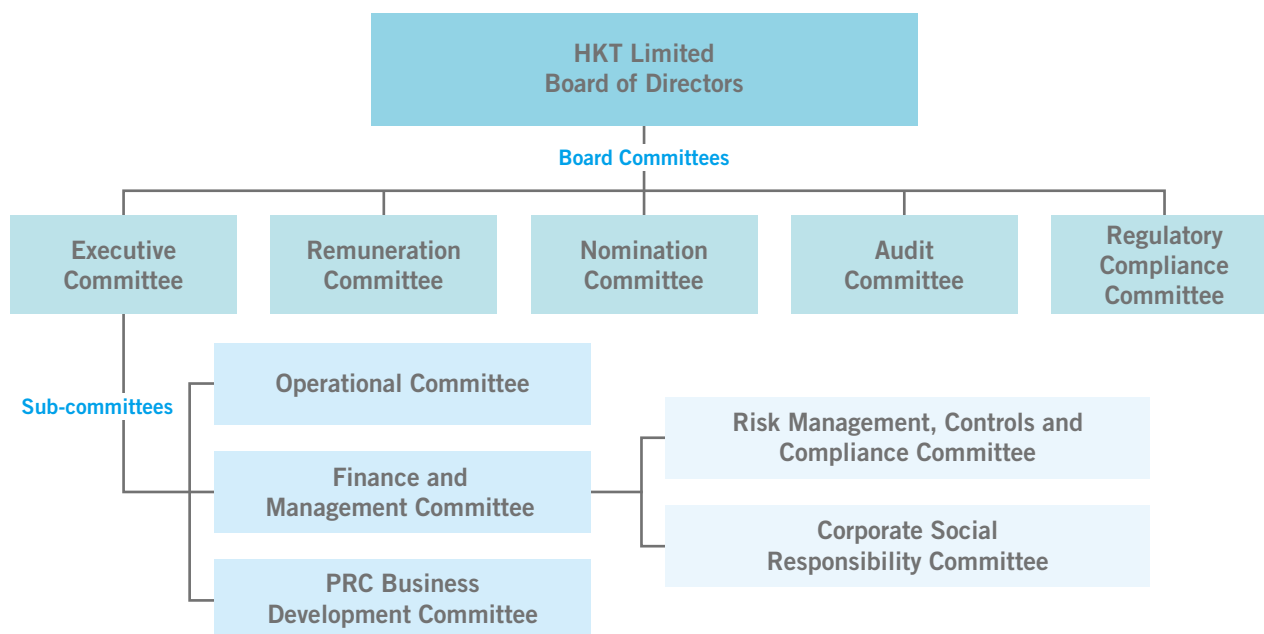
According to the directors' training records provided to the Company and the Trustee-Manager for the year ended December 31, 2019, the CPD training undertaken by all directors during the year is summarized as below:

Name of Director	Type of CPD training (Notes)
Li Tzar Kai, Richard	(a), (b)
Hui Hon Hing, Susanna	(a), (b)
Peter Anthony Allen	(a), (b)
Chung Cho Yee, Mico	(a), (b)
Li Fushen	(a), (b)
Zhu Kebin	(a), (b)
BG Srinivas	(a), (b)
Professor Chang Hsin Kang	(a), (b)
Sunil Varma	(a), (b)
Aman Mehta	(a), (b)
Frances Waikwun Wong	(a), (b)

Notes:

(a) participated in seminars/forums/conferences (including giving speeches)

(b) read seminar materials/journals/articles/business or industry updates

COMMITTEES OF THE COMPANY BOARD

The Company Board has established the following committees with defined terms of reference. The terms of reference of the Remuneration Committee, the Nomination Committee and the Audit Committee are on no less exacting terms than those set out in the CG Code. The Audit Committee, the Nomination Committee, the Regulatory Compliance Committee and the Remuneration Committee have been structured to include a majority of independent non-executive directors.

COMMITTEES OF THE COMPANY BOARD (CONTINUED)

Executive Committee and Sub-committees

The Executive Committee of the Company Board operates as a general management committee with overall delegated authority from the Company Board. The Executive Committee determines the HKT Limited Group's strategies, reviews trading performance, ensures adequate funding, examines major investments and monitors management performance. The Executive Committee reports through the Executive Chairman to the Company Board.

The Executive Committee is comprised of three members, including two executive directors and one non-executive director.

The members of the Executive Committee during 2019 and up to the date of this annual report are:

Li Tzar Kai, Richard (*Chairman*)

Hui Hon Hing, Susanna

Li Fushen

Reporting to the Executive Committee are sub-committees comprising of executive and non-executive directors and members of senior management, who oversee all key operating and functional areas within the HKT Limited Group. Each sub-committee has defined terms of reference covering its authority and duties, meets frequently and reports to the Executive Committee on a regular basis.

The *Finance and Management Committee* was established with effect from the date of listing of the Share Stapled Units on November 29, 2011 (the "Listing Date"). This committee is chaired by the Group Managing Director and meets on a regular basis to review management and strategic matters across the HKT Limited Group and to set overall financial objectives and policies.

The *Operational Committee* was established with effect from the Listing Date. This committee is chaired by the Group Managing Director and meets on a regular basis to direct all of the business units/operations within the HKT Limited Group.

The *Risk Management, Controls and Compliance Committee*, which reports to the Finance and Management Committee, was established with effect from the Listing Date. It is comprised of senior members of the Company's Group Finance, Group Legal Office and Corporate Secretariat, Group Communications, Group Internal Audit, and Group Risk Management and Compliance departments. The committee reviews procedures for the preparation of the annual and interim reports of HKT Trust and HKT Limited and the Group's policies from time to time to ensure compliance with the various rules and obligations imposed under the Listing Rules, and assists directors in the review of the effectiveness of the risk management and internal control systems of the Group on an ongoing basis.

The *Corporate Social Responsibility Committee*, which reports to the Finance and Management Committee, was established with effect from the Listing Date. It is comprised of senior members of the Company's Group Communications, Group Human Resources, Group Legal Office and Corporate Secretariat, Group Finance, Group Risk Management and Compliance, Network Planning and Operations, Investor Relations, and Group Purchasing and Supply departments, as well as management from individual business units. The committee ensures that the Company operates in a manner that enhances its positive contribution to society and the environment. The committee is also responsible for reviewing the Company's corporate social responsibility strategy, principles and policies; setting guidance, direction and overseeing practices and procedures; and monitoring progress on the Company's corporate social responsibility and related activities.

The *PRC Business Development Committee* was established with effect from the Listing Date to advise on possible opportunities for expanding the HKT Limited Group's operations in the PRC and monitoring the use of funds allocated and approved by the Company Board or relevant committee for PRC opportunities.

COMMITTEES OF THE COMPANY BOARD (CONTINUED)

Remuneration Committee

The Company Board established the Remuneration Committee with effect from the Listing Date. The primary responsibility of the Remuneration Committee is to assist the Board in achieving its objectives of attracting, retaining and motivating high-caliber directors and senior management of the Company and other members of the HKT Limited Group who will underpin the success of the Company and enhance the value of the Company for the benefit of the holders of Share Stapled Units.

The Remuneration Committee is responsible for overseeing the establishment and operation of formal and transparent procedures for developing the remuneration packages of directors and senior management of the Company and other members of the HKT Limited Group and determining, with delegated responsibility, the remuneration packages of individual executive directors and senior management of the Company and to make recommendations to the Company Board on the remuneration of non-executive directors. In addition, the committee provides effective supervision and administration of the HKT Trust and the Company's Share Stapled Units option scheme, as well as other Share Stapled Units incentive schemes. The committee's authority and duties are set out in written terms of reference that are posted on the Company's website at www.hkt.com/ir and the website of Hong Kong Exchanges and Clearing Limited ("HKEX") at www.hkexnews.hk. This committee is comprised of four members, including three independent non-executive directors and one non-executive director, and is chaired by an independent non-executive director.

The members of the Remuneration Committee during 2019 and up to the date of this annual report are:

Frances Waikwun Wong (*Chairperson*)

Professor Chang Hsin Kang

Sunil Varma

Li Fushen

The objective of the Company's remuneration policy is to help establish fair and competitive remuneration packages based on our business requirements and industry practice. In order to determine the level of remuneration and fees paid to members of the Company Board, market rates and factors such as each director's workload, responsibility and job complexity are taken into account. The following factors are considered when determining the remuneration packages of directors and senior management of the Company:

- business requirements;
- individual performance and contribution to results;
- company performance and profitability;
- retention considerations and the potential of individuals;
- corporate goals and objectives;
- changes in relevant markets, including supply and demand fluctuations and changes in competitive conditions; and
- general economic situation.

During the review process, no individual director is involved in decisions relating to his/her own remuneration.

The Remuneration Committee met twice in 2019. The attendance of individual directors at the committee meetings is set out on page 40 of this annual report.

COMMITTEES OF THE COMPANY BOARD (CONTINUED)

Remuneration Committee (continued)

The work performed by the Remuneration Committee during 2019 included:

- (i) review of the terms of reference of the Remuneration Committee;
- (ii) review and approval of the emoluments of executive directors and senior management, including 2018 performance bonus;
- (iii) review of the non-executive directors' fees; and
- (iv) review and approval of the 2019 business key performance indicators and performance bonus scheme for executive directors and senior management.

Details of emoluments of each director and senior executives are set out in note 11 to the consolidated financial statements of the HKT Trust and the Company.

Nomination Committee

The Company Board established the Nomination Committee with effect from the Listing Date. The primary objective of the Nomination Committee is to assist the Company Board in ensuring a fair and transparent procedure for the appointment and re-appointment of directors to the Company Board, and maintaining a balance of skills, knowledge, experience and diversity of perspectives on the Company Board which are appropriate to the requirements of the Company's business. The duties of the Nomination Committee are set out in its terms of reference which are posted on the websites of the Company and HKEX.

The Boards jointly adopted a board diversity policy (the "Board Diversity Policy") with a primary objective to enhance the effectiveness of the Boards and the corporate governance standard through promoting and achieving diversity on the Boards. The Group recognizes the importance of having a diverse team of Board members, which is an essential element in maintaining an effective Board.

The Boards also jointly adopted a nomination policy (the "Nomination Policy") which sets out the procedures and criteria to be used by the Nomination Committee for the selection, appointment and re-appointment of directors.

The Nomination Committee is delegated with the authority to review and assess the diversity of perspectives of the Company Board and monitor the implementation of the Board Diversity Policy and the Nomination Policy as appropriate. Both the Board Diversity Policy and the Nomination Policy are available on the Company's website.

In assessing the suitability of a candidate, the Nomination Committee will give consideration to the Nomination Policy and the Board Diversity Policy. Candidates will be selected based on merit against objective criteria and with due regard to the benefits of diversity on the Company Board and other factors which are relevant to the Company. The Nomination Committee will consider, amongst other things, the accomplishment, expertise, experience and diversity of perspective that the candidate can bring to the Boards, and the candidate's commitment in respect of available time and relevant interests. The Nomination Committee will make recommendations to the Company Board on the selection of candidate(s) nominated for directorships. In the case of the appointment and re-appointment of independent non-executive directors, the Nomination Committee will assess the independence of the appointees having regard to the criteria set out in the Listing Rules and make recommendations to the Company Board with respect to their re-election by shareholders at general meetings.

COMMITTEES OF THE COMPANY BOARD (CONTINUED)

Nomination Committee (continued)

The Nomination Committee is comprised of five members, including one executive director, one non-executive director and three independent non-executive directors. It is chaired by an independent non-executive director.

The members of the Nomination Committee during 2019 and up to the date of this annual report are:

Aman Mehta (*Chairman*)

Professor Chang Hsin Kang

Li Tzar Kai, Richard

Li Fushen

Sunil Varma

On February 12, 2020, the Nomination Committee, having reviewed the Company Board's structure, size and composition, nominated Li Tzar Kai, Richard, Chung Cho Yee, Mico, Srinivas Bangalore Gangaiah and Aman Mehta to the Company Board for it to consider and recommend to shareholders, their re-election at the forthcoming annual general meeting. The nominations were made in accordance with the Nomination Policy and the Board Diversity Policy. The Nomination Committee was satisfied that Aman Mehta has the required integrity, skills and knowledge to continue acting in an independent capacity and contributing to the diversity on the Company Board with his unique combination of experience and knowledge as described in his biography set out in this annual report. The Nomination Committee formed the view that the Company Board has maintained an appropriate mix and balance of skills, knowledge, experience and diversity of perspectives appropriate to the requirements of the Company's business.

The Nomination Committee met once in 2019. The attendance of individual directors at the committee meeting is set out on page 40 of this annual report.

The work performed by the Nomination Committee during 2019 included:

- (i) review of the terms of reference of the Nomination Committee;
- (ii) review and assessment of the independence of all independent non-executive directors of the Company;
- (iii) recommendation to the Company Board for approval the list of retiring directors of the Company for re-election at the Combined Annual General Meeting on May 9, 2019; and
- (iv) annual review of the structure, size and composition of the Company Board taking into account the Board Diversity Policy and the Nomination Policy, with a recommendation to the Company Board for approval.

Audit Committee

The Company Board established the Audit Committee with effect from the Listing Date. The Audit Committee is responsible for assisting the Company Board to ensure objectivity and credibility of financial reporting of the HKT Limited Group, and that the directors have exercised the care, diligence and skills prescribed by law when presenting the HKT Limited Group's results to the holders of Share Stapled Units. The Audit Committee is also responsible for assisting the Company Board to ensure that effective risk management and internal control systems of the HKT Limited Group are in place and good corporate governance standards and practices are maintained by the HKT Limited Group. The committee's authority and duties are set out in written terms of reference that are posted on the websites of the Company and HKEX.

COMMITTEES OF THE COMPANY BOARD *(CONTINUED)*

Audit Committee *(continued)*

The Audit Committee's responsibilities also include the appointment, compensation and supervision of the external auditors. To oversee the external auditors' independence, procedures have been adopted by the Audit Committee for the monitoring and approval of all audit and permitted non-audit services to be undertaken by the external auditors.

The HKT Limited Group's external auditor is PricewaterhouseCoopers (Certified Public Accountants and Registered Public Interest Entity Auditor). PricewaterhouseCoopers has written to the Audit Committee confirming that they are independent with respect to the Company and that there is no relationship between PricewaterhouseCoopers and the Company which may reasonably be thought to bear on their independence. In order to maintain the external auditor's independence, it would only be employed for non-audit work if the work does not compromise the external auditor's independence and has been approved by the Audit Committee.

During the year, the external auditor provided audit, audit related and permissible non-audit services to the HKT Limited Group. Audit services include services provided in connection with the audit of the HKT Limited Group's consolidated financial statements. Audit related services include services such as issuance of special audit or assurance reports for regulatory purposes, where the external auditor is best placed to undertake in its capacity as auditor. Permissible non-audit services include services such as tax compliance and tax planning, services relating to bond issuance and non-financial reporting information systems consultation, which require specific review and approval by the Audit Committee.

For the year ended December 31, 2019, the fees paid or payable in respect of audit, audit related and permissible non-audit services provided to the HKT Limited Group by the external auditor amounted to approximately HK\$13 million, HK\$2 million and HK\$3 million, respectively.

On February 12, 2020, the Audit Committee recommended to the Company Board the re-appointment of PricewaterhouseCoopers to conduct statutory audits in respect of the Company for the financial year 2020 at the forthcoming Combined Annual General Meeting. Pursuant to the terms of the Trust Deed, the HKT Trust, the Company and the Trustee-Manager must have the same auditor.

The Audit Committee is comprised of three members, including two independent non-executive directors and one non-executive director, and is chaired by an independent non-executive director.

The members of the Audit Committee during 2019 and up to the date of this annual report are:

Sunil Varma *(Chairman)*
Professor Chang Hsin Kang
Peter Anthony Allen

The Audit Committee is provided with sufficient resources to discharge its duties and meets regularly with management, the internal auditor and external auditor and also reviews their reports. During 2019, the committee met three times. The attendance of individual directors at the committee meetings is set out on page 40 of this annual report.

The work performed by the Audit Committee during 2019 included:

- (i) review of the terms of reference of the Audit Committee;
- (ii) review of the draft annual report and the draft annual results announcement for the year ended December 31, 2018, with a recommendation to the Company Board for approval;

COMMITTEES OF THE COMPANY BOARD (CONTINUED)

Audit Committee (continued)

- (iii) review and approval of PricewaterhouseCoopers' confirmation of independence, its report to the Audit Committee and the draft management representation letter for the year ended December 31, 2018, with a recommendation to the Company Board for the re-appointment of PricewaterhouseCoopers at the 2019 Combined Annual General Meeting;
- (iv) review and assessment of effectiveness of the risk management and internal control systems under the CG Code for the year ended December 31, 2018, with a recommendation to the Company Board for approval;
- (v) review of the continuing connected transactions with the PCCW Limited Group (including PricewaterhouseCoopers' report on the continuing connected transactions) for the year ended December 31, 2018, with a recommendation to the Company Board for approval;
- (vi) review and approval of the Group Internal Audit reports (including the internal audit workplan) and the progress of the internal audit function made during 2019;
- (vii) review of the continuing connected transactions with the PCCW Limited Group for the year ending December 31, 2019 and the three years ending December 31, 2022, and of the related announcement by HKT Trust and HKT Limited, with a recommendation to the Company Board for approval;
- (viii) review of the draft interim report and the draft interim results announcement for the six months ended June 30, 2019, with a recommendation to the Company Board for approval;
- (ix) review and approval of PricewaterhouseCoopers' confirmation of independence and its report to the Audit Committee for the six months ended June 30, 2019;
- (x) review and approval of the audit strategy memorandum for the year ending December 31, 2019;
- (xi) review and approval of PricewaterhouseCoopers' draft letters of engagement for the year ending December 31, 2019;
- (xii) review and assessment of effectiveness of the risk management and internal control systems during 2019;
- (xiii) review and approval of PricewaterhouseCoopers' pre-year end report to the Audit Committee for the year 2019;
- (xiv) consideration and approval of the 2019 audit and non-audit services and the 2020 annual budget for audit and non-audit services;
- (xv) review of the draft corporate governance report and practices for the year ended December 31, 2018 and the corporate governance disclosure for the six months ended June 30, 2019, in each case with a recommendation to the Company Board for approval;
- (xvi) review of the draft environmental, social and governance report for the year ended December 31, 2018, with a recommendation to the Company Board for approval;
- (xvii) review of the results of the directors' self-evaluation and the board's self-assessment exercise for the year ended December 31, 2018 to evaluate the performance of the Company Board, its committees, and directors' contribution, with a recommendation to the Company Board for approval; and
- (xviii) review and monitoring of training and CPD for directors and senior management.

Subsequent to the year end, the Audit Committee reviewed the draft annual report and the draft annual results announcement, the effectiveness of the risk management and internal control systems, as well as the draft environmental, social and governance report for the year ended December 31, 2019, with recommendations to the Company Board for approval.

COMMITTEES OF THE COMPANY BOARD (CONTINUED)

Regulatory Compliance Committee

The Regulatory Compliance Committee is comprised of three members, including two independent non-executive directors and one non-executive director. It primarily reviews and monitors the HKT Limited Group's dealings with the CK Hutchison Holdings Limited Group, CK Asset Holdings Limited Group and Hong Kong Economic Journal Company Limited to ensure that all dealings with these entities are conducted on an arm's-length basis. The Regulatory Compliance Committee is chaired by an independent non-executive director. The committee's authority and duties are set out in written terms of reference that are posted on the websites of the Company and HKEX.

The members of the Regulatory Compliance Committee during 2019 and up to the date of this annual report are:

Professor Chang Hsin Kang (*Chairman*)

Sunil Varma

Zhu Kebing

COMMITTEE OF THE TRUSTEE-MANAGER BOARD



The Trustee-Manager Board has established an Audit Committee (the "Trustee-Manager Audit Committee") with defined terms of reference which are on no less exacting terms than those set out in the CG Code. The Trustee-Manager Audit Committee has been structured to include a majority of independent non-executive directors of the Trustee-Manager.

The Trustee-Manager Audit Committee is responsible for assisting the Trustee-Manager Board to ensure objectivity and credibility of financial reporting of the HKT Trust and the Trustee-Manager, and that the directors of the Trustee-Manager have exercised the care, diligence and skills prescribed by law when presenting the HKT Trust's and the Trustee-Manager's results to the holders of Share Stapled Units. The Trustee-Manager Audit Committee is also responsible for assisting the Trustee-Manager Board to ensure that effective risk management and internal control systems of each of the HKT Trust and the Trustee-Manager (where applicable) are in place and good corporate governance standards and practices are maintained by the HKT Trust and the Trustee-Manager. The committee's authority and duties are set out in written terms of reference that are posted on the websites of the Company and HKEX.

The Trustee-Manager Audit Committee's responsibilities also include the appointment, compensation and supervision of the external auditors. To oversee the external auditors' independence, procedures have been adopted by the Trustee-Manager Audit Committee for the monitoring and approval of all audit and permitted non-audit services to be undertaken by the external auditors.

The external auditor of the HKT Trust and the Trustee-Manager is PricewaterhouseCoopers (Certified Public Accountants and Registered Public Interest Entity Auditor). PricewaterhouseCoopers has written to the Trustee-Manager Audit Committee confirming that they are independent with respect to the HKT Trust and the Trustee-Manager and that there is no relationship between PricewaterhouseCoopers and the HKT Trust and the Trustee-Manager which may reasonably be thought to bear on their independence. In order to maintain the external auditor's independence, it would only be employed for non-audit work if the work does not compromise the external auditor's independence and has been approved by the Trustee-Manager Audit Committee.

During the year, the external auditor provided audit services to the HKT Trust and the Trustee-Manager. Audit services include services provided in connection with the audit of the consolidated financial statements of the HKT Trust and the HKT Limited Group and the financial statements of the Trustee-Manager. No audit related services or non-audit services have been provided by the external auditor.

For the year ended December 31, 2019, the fees paid or payable in respect of audit services provided to the HKT Trust and the Trustee-Manager by the external auditor amounted to approximately HK\$0.05 million.

COMMITTEE OF THE TRUSTEE-MANAGER BOARD (CONTINUED)

On February 12, 2020, the Trustee-Manager Audit Committee recommended to the Trustee-Manager Board the re-appointment of PricewaterhouseCoopers to conduct statutory audits in respect of the HKT Trust and the Trustee-Manager for the financial year 2020 at the forthcoming Combined Annual General Meeting. Pursuant to the terms of the Trust Deed, the HKT Trust, the Company and the Trustee-Manager must have the same auditor. Furthermore, the fees and expenses of the auditors of the HKT Trust and the Trustee-Manager in connection with the audit of the financial statements of the HKT Trust and the Trustee-Manager are to be paid out of the Trust Property (as defined in the Trust Deed). The Trust Deed also requires that the membership of the Trustee-Manager Audit Committee must be the same as the membership of the Audit Committee of the Company Board.

The Trustee-Manager Audit Committee is comprised of three members, including two independent non-executive directors and one non-executive director and each of them is a member of the Audit Committee of the Company Board. The Trustee-Manager Audit Committee is chaired by an independent non-executive director.

The members of the Trustee-Manager Audit Committee during 2019 and up to the date of this annual report are:

Sunil Varma (*Chairman*)

Professor Chang Hsin Kang

Peter Anthony Allen

The Trustee-Manager Audit Committee is provided with sufficient resources to discharge its duties and meets regularly with management, the internal auditor and external auditor and also reviews their reports. During 2019, the committee met three times. The attendance of individual directors at the committee meetings is set out on page 40 of this annual report.

The Trustee-Manager Audit Committee reviewed and noted the resolutions passed and matters approved and confirmed at the Audit Committee of the Company, whose work performed during 2019 and subsequent to the year end is set out under the heading of “**Audit Committee**” on pages 46 to 48 of this annual report, and where appropriate, approved and confirmed those items specific to the HKT Trust and the Trustee-Manager. Other work performed by the Trustee-Manager Audit Committee during 2019 included:

- (i) review of the terms of reference of the Trustee-Manager Audit Committee;
- (ii) review of the draft financial statements of the Trustee-Manager for the year ended December 31, 2018, with a recommendation to the Trustee-Manager Board for approval;
- (iii) review and approval of PricewaterhouseCoopers’ confirmation of independence, its report to the Trustee-Manager Audit Committee and the draft management representation letter for the year ended December 31, 2018, with a recommendation to the Trustee-Manager Board for the re-appointment of PricewaterhouseCoopers at the 2019 Combined Annual General Meeting;
- (iv) review and assessment of effectiveness of the risk management and internal control systems under the CG Code for the year ended December 31, 2018, with a recommendation to the Trustee-Manager Board for approval;
- (v) review of the continuing connected transactions with the PCCW Limited Group (including PricewaterhouseCoopers’ report on the continuing connected transactions) for the year ended December 31, 2018, with a recommendation to the Trustee-Manager Board for approval;
- (vi) review and approval of the Group Internal Audit reports (including the internal audit workplan) and the progress of the internal audit function made during 2019;
- (vii) review of the continuing connected transactions with the PCCW Limited Group for the year ending December 31, 2019 and the three years ending December 31, 2022, and of the related announcement by HKT Trust and HKT Limited, with a recommendation to the Trustee-Manager Board for approval;
- (viii) review of the draft financial information of the Trustee-Manager for the six months ended June 30, 2019, with a recommendation to the Trustee-Manager Board for approval;

COMMITTEE OF THE TRUSTEE-MANAGER BOARD *(CONTINUED)*

- (ix) review and approval of PricewaterhouseCoopers' confirmation of independence and its report to the Trustee-Manager Audit Committee for the six months ended June 30, 2019;
- (x) review and approval of the audit strategy memorandum for the year ending December 31, 2019;
- (xi) review and approval of PricewaterhouseCoopers' draft letters of engagement for the year ending December 31, 2019;
- (xii) review and assessment of effectiveness of the risk management and internal control systems during 2019; and
- (xiii) review and approval of PricewaterhouseCoopers' pre-year end report to the Trustee-Manager Audit Committee for the year 2019.

Subsequent to the year end, the Trustee-Manager Audit Committee reviewed the draft annual report and the draft annual results announcement of the HKT Trust (including the financial statements of the Trustee-Manager), the effectiveness of the risk management and internal control systems, as well as the draft environmental, social and governance report for the year ended December 31, 2019, with recommendations to the Trustee-Manager Board for approval.

The Trustee-Manager has not established a separate Remuneration Committee and Nomination Committee as its directors are not entitled to any remuneration under the Trust Deed, and as the Trust Deed requires that the directors of the Company and the directors of the Trustee-Manager must always be the same individuals given the unique circumstances of the HKT Trust.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Boards acknowledge their responsibility for overseeing the risk management and internal control systems of the Group and reviewing their effectiveness at least annually through the Trustee-Manager Audit Committee and the Company Audit Committee (collectively the "Audit Committees") respectively. The Audit Committees assist the Boards in fulfilling their oversight and corporate governance roles in the Group's financial, operational, compliance, risk management and internal controls, and the resourcing of the finance and internal audit functions.

The Group has established an organizational structure with defined levels of responsibility and reporting procedures. The Risk Management, Controls and Compliance Committee and Group Internal Audit assist the Boards and/or the Audit Committees in the review of the effectiveness of the Group's risk management and internal control systems on an ongoing basis. The directors through these committees are kept regularly apprised of significant risks that may impact the Group's performance.

Appropriate policies and controls have been designed and established by the Group to ensure that assets are safeguarded against improper use or disposal, relevant rules and regulations are adhered to and complied with, reliable financial and accounting records are maintained in accordance with relevant accounting standards and regulatory reporting requirements, and key risks that may impact the Group's performance are appropriately identified and managed. The systems and internal controls can only provide reasonable and not absolute assurance against material misstatement or loss, as they are designed to mitigate, rather than eliminate the risk of failure to achieve business objectives.

RISK MANAGEMENT AND INTERNAL CONTROLS (CONTINUED)

The Group's risk management framework is guided by the "Three Lines of Defence" model as shown below:



The first line functions are responsible for identifying and managing risk as part of their accountability for achieving business and operational objectives where they also design and execute the internal control measures on a daily basis. Being the risk owners, the first line functions have the responsibility to review and update the risk profiles on an ongoing basis which are measured against a pre-defined set of likelihood and impact criteria.

The second line functions provide the policies, frameworks, tools, techniques and advisory support to enable risk and compliance oversight of the first line while ascertaining the embedded controls in the operating areas are effective, as well as ensuring the consistency of categorization and measurement of risk attributes. The risk management process integrates both top-down and bottom-up approach to enable the identification, evaluation and management of risks. Mitigation controls are recognized where opportunities for the enhancement of the existing control environment will be implemented. This process is reviewed regularly by the Audit Committees and the Risk Management, Controls and Compliance Committee such that any material findings will be reported to the Boards.

The third line functions provide assurance to the Boards, executive and senior management of the Group. This assurance work covers how effectively the Company assesses and manages its risks and will include assurance on the effectiveness of the first and second lines of defence.

Group Risk Management and Compliance, which co-ordinates enterprise risk management activities and reviews significant aspects of risk management for the Group, reports to the Audit Committees at each regularly scheduled meeting, and other sub-committees as appropriate, including amongst other things, significant risks of the HKT Limited Group and the appropriate mitigation and/or transfer of identified risks. The operating units of the HKT Limited Group, as risk owners, identify, evaluate, mitigate and monitor their own risks, and report such risk management activities to Group Risk Management and Compliance on a regular basis. Group Risk Management and Compliance assesses and presents regular reports to the Risk Management, Controls and Compliance Committee at each regularly scheduled meeting.

Group Internal Audit reports to the Audit Committees at each regularly scheduled meeting throughout the year the results of their activities during the preceding period pertaining to the adequacy and effectiveness of internal controls, including but not limited to, any indications of failings or material weaknesses in those controls.

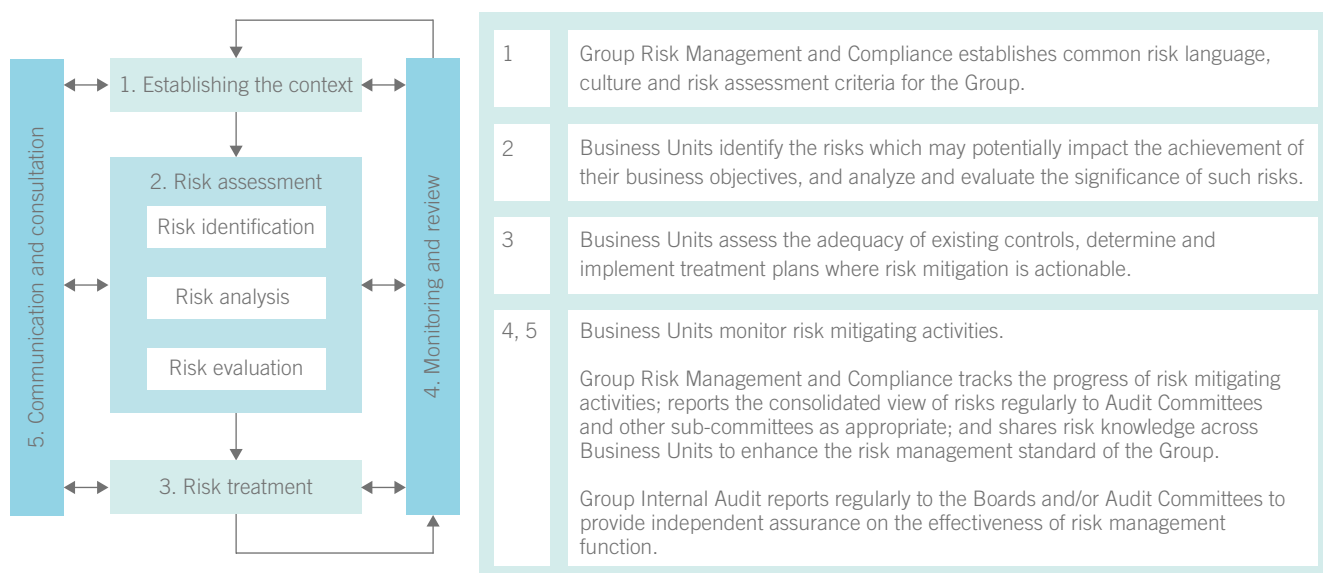
Group Internal Audit adopts a risk-and-control-based audit approach. The annual work plan of Group Internal Audit covers major activities and processes of the Group's operations, businesses and service units. Special reviews are also performed at management's request. The results of these audit activities are communicated to the Audit Committees and key members of executive and senior management of the Group. Audit issues are tracked, followed up for proper implementation, and their progress are reported to the Audit Committees and executive and senior management of the Group (as the case may be) periodically.

RISK MANAGEMENT AND INTERNAL CONTROLS (CONTINUED)

Group Internal Audit provides independent assurance to the Boards, the Audit Committees and the executive management of the Group on the adequacy and effectiveness of internal controls for the Group. The Head of Group Internal Audit reports directly to the Chairmen of the Audit Committees, the Group Managing Director and the Chief Financial Officer of the Group.

The senior management of the Group, supported by the Risk Management, Controls and Compliance Committee, Group Risk Management and Compliance and Group Internal Audit, is responsible for the design, implementation and monitoring of the risk management and internal control systems, and for providing regular reports to the Boards and/or the Audit Committees on the effectiveness of these systems.

The Group adopts the principles of ISO 31000:2018 Risk Management – Principles and Guidelines as its approach to manage its business and operational risks. The following diagram illustrates the key processes used to identify, evaluate and manage the Group's significant risks:



The Group has adopted policies and procedures for assessing and, where prudent, improving the effectiveness of its risk management and internal control systems, including requiring the executive management of the Group to regularly assess and at least annually to personally certify that such matters are appropriate and functioning effectively in the belief that this will enhance the corporate governance of the Group and its business practices in the future.

The Group has embedded its risk management systems into the core operating practices of the business. On an ongoing basis, the respective operating units of the Company review and assess the status of potential risks which may impact on their ability to achieve their business objectives and/or those of the Company. This review process includes assessment as to whether the existing system of internal controls continues to remain relevant and effective, adequately addresses potential risks, and/or should be supplemented. The results of these reviews are recorded in the operating units risk registers for monitoring and incorporated into the Group's consolidated risk register for analysis of potential strategic implications and for regular reporting to the senior management and directors of the Company.

RISK MANAGEMENT AND INTERNAL CONTROLS (CONTINUED)

The Audit Committees have established and oversee a whistleblower policy and a set of comprehensive procedures whereby employees, customers, suppliers and other concerned parties can report any actual or suspected occurrence of improper conduct involving the Company, and for such matters to be investigated and dealt with efficiently in an appropriate and transparent manner. The Chairmen of the respective Audit Committees have designated the Head of Group Internal Audit to receive on their behalf any such reports, to oversee the conduct of subsequent investigations, and to provide information, including recommendations arising from any investigations to them for consideration by the Audit Committees.

The Group regulates the handling and dissemination of inside information as set out in the Corporate Responsibility Policy and various subsidiary procedures to ensure inside information remains confidential until the disclosure of such information is appropriately approved, and the dissemination of such information is efficiently and consistently made.

The Company has implemented processes to undertake extensive detailed testing of its internal controls, as well as annual certification as to these matters by the management of the Company, to support its assessment of the effectiveness of its risk management and internal control systems.

During 2019, Group Risk Management and Compliance has worked closely with the operating units, senior management, and the directors to enhance the risk management systems. Such activities have included, amongst other matters, increasing the number of training sessions and risk workshops; further standardization of risk reporting language, classification, and quantification; more closely aligning the assessment of internal controls with their potential risks; and increasing the depth and frequency of interaction with the designated directors on the Company's risk management system's design, operation, and findings. Group Risk Management and Compliance has presented update reports to the Audit Committees, which then reviewed and reported the same to the Boards, on the monitoring of the risk management and assisted the directors in the review of the effectiveness of the risk management and internal control systems of the Group during the year.

During 2019, Group Internal Audit conducted selective reviews of the effectiveness of the systems of risk management and internal controls of the Group over financial, operational and compliance controls with emphasis on information technology and security, data privacy and protection, business continuity management and procurement. Additionally, the heads of major business and corporate functions of the HKT Limited Group were required to evaluate their internal controls through the process of updating their operating units' risk registers. These results were assessed by Group Risk Management and Compliance and reported to the Audit Committees, which then reviewed and reported the same to the Boards. Group Internal Audit will review these risk registers as part of its annual workplan to determine the validity and appropriateness of the risk assessments.

The Audit Committees and the Boards were not aware of any areas of concern that would have a material impact on the financial position or results of operations of the Group (including the Trustee-Manager) and considered the risk management and internal control systems to be generally effective and adequate including the adequacy of resources, staff qualifications and experience, training programs and budget of the accounting, internal audit and financial reporting functions.

In addition to the review of risk management and internal controls undertaken within the Group, the external auditor also assessed the adequacy and effectiveness of certain key risk management and internal controls as part of their statutory audits. Where appropriate, the external auditor's recommendations are adopted and enhancements to the risk management and internal controls will be made.

Further information on risk management and internal controls adopted and implemented by the Group is available under the "Corporate governance" section on the Company's website.

POTENTIAL CONFLICTS OF INTERESTS

The Trustee-Manager and the Company have instituted the following procedures and established the following measures to deal with potential conflicts of interest issues, including:

- if a director has a conflict of interest in a matter to be considered by the Company Board or the Trustee-Manager Board which the relevant Board has determined to be material, the matter will be dealt with by a physical board meeting rather than a written resolution, and independent non-executive directors who, and whose close associates, have no material interest in the transaction must be present at that board meeting.
- in respect of matters in which PCCW and/or its subsidiaries have an interest, direct or indirect, any nominees appointed by PCCW and/or its subsidiaries to the Company Board or the Trustee-Manager Board to represent PCCW's (or its subsidiaries') interests will abstain from voting. In such matters, the quorum must comprise of a majority of the independent non-executive directors and must exclude any nominee directors appointed by PCCW and/or its subsidiaries.
- where matters concerning the HKT Limited Group relate to transactions entered into or to be entered into with a related party of the Trustee-Manager (which would include relevant associates thereof), the HKT Trust or the Company, the relevant Board is required to consider the terms of the transactions to satisfy itself that the transactions are conducted on normal commercial terms, are not prejudicial to the interests of the HKT Limited Group and the holders of Share Stapled Units and are in compliance with applicable requirements of the Listing Rules and the Trust Deed relating to the transaction in question. The relevant Board will also review these contracts to ensure that they comply with the provisions of the Listing Rules and the Trust Deed relating to connected transactions (as may be amended from time to time) as well as any other guidelines as may from time to time be prescribed by the Securities and Futures Commission of Hong Kong and the Stock Exchange that are applicable to the HKT Trust.
- a regime for all of the existing continuing connected transactions has already been established, with the ongoing requirement that all such transactions (other than those qualifying for an exemption) be reviewed and reported on annually by the independent non-executive directors and the external auditor.
- the HKT Trust and the Company has each established an Audit Committee in accordance with the Listing Rules to, amongst other matters, regularly review their respective risk management and internal control systems and internal audit reports.

COMPANY SECRETARY

Ms Bernadette M. Lomas has been appointed as the Group General Counsel and Company Secretary of the Trustee-Manager and the Company since August 2016. She is also the Group General Counsel and Company Secretary of PCCW. All directors of the Trustee-Manager and the Company have access to the advice and services of the company secretary, who is responsible for ensuring that the board procedures are followed, advising the Boards on all corporate governance matters, and arranging induction programs including briefings on the general and specific duties of directors under legal and regulatory requirements for newly appointed directors. The company secretary facilitates the induction and professional development of directors.

During the year ended December 31, 2019, Ms Lomas has received no less than 15 hours of relevant professional training to refresh her skills and knowledge.

RIGHTS OF HOLDERS OF SHARE STAPLED UNITS

Procedures to convene an extraordinary general meeting of the Company and the HKT Trust and put forward proposals at general meetings

General meetings of the Company shall be convened on the written requisition of any two or more shareholders of the Company deposited at the principal office of the Company in Hong Kong specifying the objects of the meeting and signed by the requisitionists holding as at the date of deposit of the requisition not less than, for as long as the Trust Deed remains in force, 5% or, thereafter, one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company.

The Trustee-Manager may (and the Trustee-Manager shall at the request in writing of registered holders of units of the HKT Trust holding not less than 5% of the units of the HKT Trust for the time being in issue and outstanding) at any time convene a meeting of registered holders of units of the HKT Trust at such time or place in Hong Kong.

Shareholders of the Company and the holders of units of the HKT Trust can refer to the detailed requirements and procedures as set forth in the relevant sections of the Company Articles and the Trust Deed when making any requisitions or proposals for transaction at the general meetings of the Company and the HKT Trust.

Procedures by which enquiries may be put to the Boards

Holders of Share Stapled Units may send enquiries to the Boards in writing c/o the Corporate Secretariat with the following contact details:

Attention: Company Secretary
Address: 39th Floor, PCCW Tower, Taikoo Place,
979 King's Road, Quarry Bay, Hong Kong
Fax: +852 2962 5926
Email: cosec@hkt.com

INVESTOR RELATIONS AND COMMUNICATION WITH THE HOLDERS OF SHARE STAPLED UNITS

The HKT Trust (including the Trustee-Manager) and the Company are committed to promoting and maintaining effective communication with the holders of Share Stapled Units (both individual and institutional) and other stakeholders. A Unitholders Communication Policy has been adopted for ensuring the HKT Trust and the Company provide the holders of Share Stapled Units and the investment community with appropriate and timely information about the HKT Trust and the Company in order to enable the holders of Share Stapled Units to exercise their rights in an informed manner, and to allow the investment community to engage actively with the HKT Trust and the Company. The Unitholders Communication Policy is available on the Company's website (www.hkt.com/ir).

The Boards approved and adopted a distribution policy in November 2018 which sets out their respective overall objective to deliver steady and sustainable returns to the holders of Share Stapled Units. In proposing any distribution payment, the Boards will take into account a number of factors which include the Group's Adjusted Funds Flow, after adjusting for potential debt repayment, if required, the Group's financial position and results of operation, and other factors the Boards may consider relevant and appropriate. In general, the distribution payment for a financial year will be made on a semi-annual basis. Under the Trust Deed, the HKT Trust is required to distribute 100% of the amounts received from the HKT Limited Group, after deduction of all amounts permitted to be deducted or paid under the Trust Deed. The policy states the current intention of the Company Board which is subject to change.

The Company and the Trustee-Manager encourage two-way communications with institutional and retail investors, as well as financial and industry analysts. Extensive information on the Group's activities is provided in the annual and interim reports and circulars which are sent to the holders of Share Stapled Units and are also available on the websites of the Company and HKEX.

In addition to dispatching this annual report to the holders of Share Stapled Units, financial and other information relating to the Group, HKT Limited Group and the Trustee-Manager and their respective business activities is disclosed on the Company's website in order to promote effective communication.

Regular dialogue takes place with the investment community. Inquiries from individuals on matters relating to their holdings in the Share Stapled Units, the business of the Company and the HKT Trust are dealt with in an informative and timely manner. The relevant contact information is provided on page 203 of this annual report and also provided in the Unitholders Communication Policy.

INVESTOR RELATIONS AND COMMUNICATION WITH THE HOLDERS OF SHARE STAPLED UNITS *(CONTINUED)*

Holders of Share Stapled Units are encouraged to attend the forthcoming Combined Annual General Meeting of the Company and the HKT Trust for which at least 20 clear business days' notice is given. At the meeting, directors will be available to answer questions on the business relating to HKT Limited Group and external auditor will be available to answer questions about the conduct of the audit, the preparation and content of the auditor's reports, the accounting policies and the auditor independence.

CONSTITUTIONAL DOCUMENTS

During the year ended December 31, 2019, there were no changes made to the Company Articles and the Trust Deed. Copies of these constitutional documents are available on the websites of the Company and HKEX.

By order of the boards of
HKT Management Limited and
HKT Limited

Bernadette M. Lomas

Group General Counsel and Company Secretary

Hong Kong, February 12, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

- Total revenue excluding Mobile product sales increased by 1% to HK\$29,703 million; total revenue decreased by 6% to HK\$33,103 million
- Total EBITDA increased by 2% to HK\$12,817 million
- Profit attributable to holders of Share Stapled Units increased by 8% to HK\$5,217 million; basic earnings per Share Stapled Unit was 68.91 HK cents
- Adjusted funds flow for the year increased by 3% to HK\$5,329 million; adjusted funds flow per Share Stapled Unit was 70.38 HK cents
- Final distribution per Share Stapled Unit of 40.37 HK cents, resulting in a total distribution of 70.38 HK cents

MANAGEMENT REVIEW

We are pleased to announce that HKT delivered a solid financial performance in 2019 despite a weak global economic environment and challenging local market conditions. HKT remained focused on deepening its customer engagement, providing innovative value-added services and a better user experience for customers – all of which reinforce our position as the leading integrated telecommunications service provider to both consumer and business customers in Hong Kong.

Total revenue excluding Mobile product sales for the year ended December 31, 2019 increased by 1% to HK\$29,703 million, underpinned by steady growth in Telecommunications Services ("TSS") and Mobile Services revenue even as competition remained intense. Revenue from Mobile product sales of HK\$3,400 million was recorded during the year, as compared to HK\$5,757 million a year earlier, reflecting a longer handset replacement cycle especially in view of the impending arrival of 5G handsets and poor consumer sentiment.

Total EBITDA for the year was HK\$12,817 million, an increase of 2% over the previous year, as we continued to drive operating efficiencies across all lines of our business.

Profit attributable to holders of the share stapled units of the HKT Trust and HKT ("Share Stapled Units") was HK\$5,217 million, an increase of 8% over the previous year. Basic earnings per Share Stapled Unit was 68.91 HK cents.

Adjusted funds flow for the year ended December 31, 2019 expanded by 3% to HK\$5,329 million. Annual adjusted funds flow per Share Stapled Unit correspondingly grew by 3% to 70.38 HK cents.

The board of directors of the Trustee-Manager has recommended the payment of a final distribution of 40.37 HK cents per Share Stapled Unit for the year ended December 31, 2019. This brings the 2019 full-year distribution to 70.38 HK cents per Share Stapled Unit (comprising 30.01 HK cents as interim distribution and 40.37 HK cents as final distribution) representing the full payout of the annual adjusted funds flow per Share Stapled Unit.

OUTLOOK

First and foremost, HKT is working towards the introduction in April of a quality 5G service for Hong Kong's early adopters, offering unique consumer applications in VR/AR, gaming and other immersive content. More importantly, we believe 5G will open the door to numerous opportunities in commercial applications given its ultra-high speed, massive connectivity, and ultra-low latency.

Although investment sentiment in the commercial segment has been blunted, we expect large enterprises, public bodies and the Government to continue their digital transformation and infrastructure projects in order to stay more competitive and be more efficient. HKT has the advantage of a proven track record as a reliable partner in major Information and Communications Technology ("ICT") projects.

As our digital ecosystem – including The Club, new verticals such as travel and financial services – continues to evolve and mature, we will be bringing customers more comprehensive and exciting services this year.

HKT has been able to serve our customers exceptionally well and safeguard our leading market position while Hong Kong is going through a difficult time. The economic and social repercussions of last year's events and the recent outbreak of a novel coronavirus are not to be underestimated; we will therefore exercise extra caution on investment and costs as we seek to grow new revenue streams. We are confident that HKT will continue to perform as a formidable team in 2020, as Hong Kong recovers and works towards the return of peace and prosperity.

FINANCIAL REVIEW BY SEGMENT

For the year ended December 31, HK\$ million	2018			2019			Better/ (Worse) y-o-y
	H1	H2	Full Year	H1	H2	Full Year	
Revenue							
TSS	10,155	11,619	21,774	10,209	11,744	21,953	1%
Mobile	7,212	6,797	14,009	5,222	6,592	11,814	(16)%
– Mobile Services	3,838	4,414	8,252	3,881	4,533	8,414	2%
– Mobile Product Sales	3,374	2,383	5,757	1,341	2,059	3,400	(41)%
Other Businesses	77	163	240	103	133	236	(2)%
Eliminations	(422)	(414)	(836)	(425)	(475)	(900)	(8)%
Total revenue	17,022	18,165	35,187	15,109	17,994	33,103	(6)%
Total revenue (excluding Mobile Product Sales)	13,648	15,782	29,430	13,768	15,935	29,703	1%
Cost of sales	(8,858)	(9,122)	(17,980)	(6,950)	(8,837)	(15,787)	12%
Operating costs before depreciation, amortization, and gain/(loss) on disposal of property, plant and equipment, net	(2,525)	(2,124)	(4,649)	(2,426)	(2,073)	(4,499)	3%
EBITDA¹							
TSS	3,762	4,442	8,204	3,828	4,532	8,360	2%
Mobile	2,170	2,789	4,959	2,206	2,862	5,068	2%
– Mobile Services	2,201	2,833	5,034	2,222	2,879	5,101	1%
– Mobile Product Sales	(31)	(44)	(75)	(16)	(17)	(33)	56%
Other Businesses	(293)	(312)	(605)	(301)	(310)	(611)	(1)%
Total EBITDA¹	5,639	6,919	12,558	5,733	7,084	12,817	2%
TSS EBITDA¹ Margin	37%	38%	38%	37%	39%	38%	
Mobile EBITDA¹ Margin	30%	41%	35%	42%	43%	43%	
– Mobile Services EBITDA ¹ Margin	57%	64%	61%	57%	64%	61%	
Total EBITDA¹ Margin	33%	38%	36%	38%	39%	39%	
Total EBITDA¹ Margin (excluding Mobile Product Sales)	42%	44%	43%	42%	45%	43%	
Depreciation and amortization	(2,701)	(2,642)	(5,343)	(2,371)	(2,750)	(5,121)	4%
Gain/(loss) on disposal of property, plant and equipment, net	2	(1)	1	1	(3)	(2)	NA
Other (losses)/gains, net	(2)	4	2	1	2	3	50%
Finance costs, net	(626)	(724)	(1,350)	(662)	(710)	(1,372)	(2)%
Share of results of associates and joint ventures	(6)	(10)	(16)	(23)	(28)	(51)	(219)%
Profit before income tax	2,306	3,546	5,852	2,679	3,595	6,274	7%

ADJUSTED FUNDS FLOW

For the year ended December 31, HK\$ million	2018			2019			Better/ (Worse) y-o-y
	H1	H2	Full Year	H1	H2	Full Year	
Total EBITDA¹	5,639	6,919	12,558	5,733	7,084	12,817	2%
Less cash outflows in respect of capital expenditures, customer acquisition costs and licence fees ² :							
Capital expenditures	(1,322)	(1,214)	(2,536)	(1,292)	(1,350)	(2,642)	(4)%
Customer acquisition costs and licence fees	(444)	(804)	(1,248)	(401)	(796)	(1,197)	4%
Fulfillment costs	(180)	(195)	(375)	(273)	(222)	(495)	(32)%
Right-of-use assets	(847)	(818)	(1,665)	(849)	(795)	(1,644)	1%
Adjusted funds flow³ before tax paid, net finance costs paid and changes in working capital	2,846	3,888	6,734	2,918	3,921	6,839	2%
Adjusted for:							
Net finance costs paid	(436)	(411)	(847)	(473)	(420)	(893)	(5)%
Tax payment	(174)	(524)	(698)	(185)	–	(185)	73%
Changes in working capital	(31)	13	(18)	12	(444)	(432)	>(500)%
Adjusted funds flow³	2,205	2,966	5,171	2,272	3,057	5,329	3%
Annual adjusted funds flow per Share Stapled Unit (HK cents)⁴			68.29			70.38	

KEY OPERATING DRIVERS⁵

	2018		2019		Better/ (Worse) y-o-y
	H1	H2	H1	H2	
Exchange lines in service ('000)	2,636	2,631	2,616	2,598	(1)%
Business lines ('000)	1,251	1,251	1,247	1,240	(1)%
Residential lines ('000)	1,385	1,380	1,369	1,358	(2)%
Total broadband access lines ('000) (Consumer, business and wholesale)	1,606	1,615	1,615	1,620	–
Retail consumer broadband access lines ('000)	1,439	1,445	1,446	1,450	–
Retail business broadband access lines ('000)	155	158	158	159	1%
Mobile subscribers ('000)	4,232	4,324	4,592	4,679	8%
Post-paid subscribers ('000)	3,242	3,247	3,247	3,250	–
Prepaid subscribers ('000)	990	1,077	1,345	1,429	33%
The Club members ('000)	2,527	2,729	2,845	2,953	8%
Tap & Go accounts in service ('000)	1,245	1,756	2,086	2,476	41%

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	2018			2019			Better/ (Worse) y-o-y
	H1	H2	Full Year	H1	H2	Full Year	
TSS Revenue							
Local Telephony Services	1,634	1,706	3,340	1,612	1,648	3,260	(2)%
Local Data Services	3,372	4,000	7,372	3,619	4,168	7,787	6%
International Telecommunications Services	3,637	3,839	7,476	3,440	3,906	7,346	(2)%
Other Services	1,512	2,074	3,586	1,538	2,022	3,560	(1)%
Total TSS Revenue	10,155	11,619	21,774	10,209	11,744	21,953	1%
Cost of sales	(4,839)	(5,818)	(10,657)	(4,864)	(5,975)	(10,839)	(2)%
Operating costs before depreciation and amortization	(1,554)	(1,359)	(2,913)	(1,517)	(1,237)	(2,754)	5%
Total TSS EBITDA¹	3,762	4,442	8,204	3,828	4,532	8,360	2%
TSS EBITDA¹ margin	37.0%	38.2%	37.7%	37.5%	38.6%	38.1%	

TSS revenue for the year ended December 31, 2019 increased by 1% to HK\$21,953 million. EBITDA for the year increased by 2% to HK\$8,360 million, with the margin improving to 38.1% from 37.7% a year earlier benefiting from a 5% savings in operating expenses during the year.

Local Telephony Services. Local telephony services revenue was HK\$3,260 million for the year ended December 31, 2019, as compared to HK\$3,340 million a year earlier, reflecting the gradual transition of local telephony customers to HKT's broadband and mobile services as well as a decline in lines in service from the SME segment due to the economic slowdown. Total fixed lines in service at the end of December 2019 were 2.598 million, as compared to 2.631 million a year earlier.

Local Data Services. Local data services revenue, comprising broadband network revenue and local data revenue, increased by 6% to HK\$7,787 million for the year ended December 31, 2019.

Broadband network revenue sustained a growth of 2% during the year, marking the 12th consecutive year of growth. This achievement stems from the competitive differentiation of our territory-wide fiber-to-the-home ("FTTH") service, multi-brand customized services through "HKT Premier", "NETVIGATOR" and "LiKE100", and comprehensive range of service offerings and value-added solutions such as Home Wi-Fi to meet our customers' smart living needs. At the end of December 2019, the total number of broadband access lines expanded to 1.62 million from 1.615 million as at the end of December 2018, with a blended churn rate of 0.8%. Notably, of those broadband access lines,

there were 833,000 FTTH access lines, which represented a net increase of 52,000 or 7% from a year earlier.

To better serve its enterprise customers, HKT is leveraging its technology capabilities and partnerships to provide unmatched total solution offerings that support digital transformation. As a result, the local data business delivered strong revenue growth of 13% for the year ended December 31, 2019, benefiting from the growing digital transformation initiatives particularly in industries experiencing rapid digital adoption such as the public and financial services sectors. We are also seeing continued demand for our managed network facilities and cloud services as well as high-speed private IP networks during the year.

International Telecommunications Services. International telecommunications services revenue for the year ended December 31, 2019 was HK\$7,346 million, as compared to HK\$7,476 million a year earlier. The continued demand for data connectivity services from international carriers and enterprise customers has been offset by the industry-wide contraction of global wholesale voice and IDD businesses during the year.

Other Services. Other services revenue primarily comprises revenue from the sales of network equipment and customer premises equipment ("CPE"), provision of technical and maintenance subcontracting services and contact centre services ("Teleservices"). Other services revenue for the year ended December 31, 2019 marginally declined to HK\$3,560 million due to lower CPE sales amid more cautious customer spending in the second half of 2019, which was partly offset by an increase in Teleservices revenue.

Mobile

For the year ended December 31, HK\$ million	2018			2019			Better/ (Worse) y-o-y
	H1	H2	Full Year	H1	H2	Full Year	
Mobile Revenue							
Mobile Services	3,838	4,414	8,252	3,881	4,533	8,414	2%
Mobile Product Sales	3,374	2,383	5,757	1,341	2,059	3,400	(41)%
Total Mobile Revenue	7,212	6,797	14,009	5,222	6,592	11,814	(16)%
Mobile EBITDA¹							
Mobile Services	2,201	2,833	5,034	2,222	2,879	5,101	1%
Mobile Product Sales	(31)	(44)	(75)	(16)	(17)	(33)	56%
Total Mobile EBITDA¹	2,170	2,789	4,959	2,206	2,862	5,068	2%
Mobile EBITDA¹ margin	30%	41%	35%	42%	43%	43%	
<i>Mobile Services EBITDA¹ margin</i>	<i>57%</i>	<i>64%</i>	<i>61%</i>	<i>57%</i>	<i>64%</i>	<i>61%</i>	

The Mobile business recorded continued growth in services revenue for the year ended December 31, 2019 which expanded by 2% to HK\$8,414 million from HK\$8,252 million a year earlier. This growth was driven by a 13% expansion in our premium 1010 customer base, higher subscription of value-added services, as well as an increased revenue contribution from mobile enterprise solutions in the corporate segment. Competition in the value seeking segment of the market intensified during the year and exerted more pricing pressure in that segment. During the year, Mobile services revenue was also underpinned by an increase in roaming revenue, reflecting the increased adoption of our easy-to-use and affordable roaming data passes by customers through mobile apps.

The post-paid exit average revenue per user ("ARPU") as at December 2019 was HK\$200, which represented a 1% increase from HK\$198 as at December 2018. As at December 31, 2019, our post-paid customer base expanded slightly to 3.25 million, as compared to 3.247 million a year earlier. Total customer base was 4.679 million as at December 31, 2019, an increase of 8% from 4.324 million a year earlier.

The churn rate for post-paid customers remained steady at 1.0% in 2019. This reflects the effectiveness of our multi-brand strategy, network leadership and enhanced customer retention efforts through The Club.

Mobile product sales recorded revenue of HK\$3,400 million during the year, as compared to HK\$5,757 million a year earlier. The sluggish performance in Mobile product sales reflected the continued lengthening of the handset replacement cycle especially in view of the impending arrival of 5G handsets and poor consumer sentiment amidst the social unrest in the second half of the year.

Mobile services EBITDA for the year increased by 1% to HK\$5,101 million, benefiting from the 2% savings in operating expenses, thereby yielding a steady margin of 61%. Total Mobile EBITDA for the year increased by 2% to HK\$5,068 million, as compared to HK\$4,959 million a year earlier. Total EBITDA margin improved to 43% from 35% a year earlier reflecting the reduced contribution from lower margin Mobile product sales.

Other Businesses

Other Businesses primarily comprises new business areas such as The Club and HKT Financial Services, and corporate support functions. Revenue from Other Businesses held steady at HK\$236 million for the year ended December 31, 2019, as compared to HK\$240 million a year earlier. Leveraging on its growing membership base of 2.95 million – an increase of 8% from 2.73 million a year earlier, The Club expanded its range of coalition partners and redemption items to help strengthen engagement across the membership base.

Eliminations

Eliminations were HK\$900 million for the year ended December 31, 2019, as compared to HK\$836 million a year earlier. This reflects the continued collaboration amongst HKT's various business segments to seamlessly integrate our capabilities and offer comprehensive products and services to consumer and enterprise customers.

Cost of Sales

Cost of sales for the year ended December 31, 2019 was lower by 12% to HK\$15,787 million, reflecting the lower Mobile product sales during the year.

General and Administrative Expenses

For the year ended December 31, 2019, the Group continued to focus on maximizing efficiencies across our business operations, namely increased staff efficiency through automation and digitalization of business processes, increased distribution channel efficiency through online sales channels as well as reduced operational costs from the rationalization of retail shops. As such, operating costs before depreciation, amortization, and gain/(loss) on disposal of property, plant and equipment, net, ("operating costs") decreased by 3% to HK\$4,499 million for the year ended December 31, 2019, as compared to HK\$4,649 million a year earlier. The operating costs to Mobile Services revenue ratio for the Mobile business improved to 16.5% from 17.1% a year earlier, while the operating costs to revenue ratio for the TSS business improved to 12.5% from 13.4% a year earlier. Overall operating costs to revenue ratio was 13.6% for the year, as compared to 13.2% a year earlier.

Amortization expenses remained steady for the year, while depreciation expenses decreased by 8% as a result of the reduction in the depreciation charge associated with right-of-use assets following our retail shop rationalization, and the Group's ongoing periodic review of the useful lives of network assets. Total depreciation and amortization expenses, therefore, decreased by 4% to HK\$5,121 million for the year ended December 31, 2019.

As a result, general and administrative expenses decreased by 4% to HK\$9,622 million for the year ended December 31, 2019, as compared to HK\$9,991 million a year earlier.

EBITDA¹

As a result of the steady performance in the TSS and Mobile businesses and sustained operating efficiencies, overall EBITDA increased by 2% to HK\$12,817 million for the year ended December 31, 2019. The overall EBITDA margin improved to 39% in 2019, as compared to 36% a year earlier, reflecting the lower Mobile product sales during the year. Excluding Mobile product sales, the EBITDA margin was steady at 43% for the year.

Finance Costs, Net

Net finance costs for the year ended December 31, 2019 increased by 2% to HK\$1,372 million from HK\$1,350 million a year earlier, mainly due to the increase in HIBOR during the year. The average cost of debt increased to 3.2% during the year, as compared to 3.0% 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, 2019 was HK\$1,037 million, as compared to HK\$1,010 million a year earlier. The increase in income tax expense was mainly due to higher operating profit during the year. The effective tax rate for the year was 16.5%, as compared to 17.3% a year earlier.

Non-controlling Interests

Non-controlling interests of HK\$20 million (2018: HK\$17 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, 2019 increased by 8% to HK\$5,217 million (2018: HK\$4,825 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 September 2019, HKT took advantage of a favorable market window and raised US\$500 million 10-year guaranteed notes at a coupon of 3.25%. The proceeds were used for general corporate purposes including the repayment of existing indebtedness.

HKT's gross debt⁶ was HK\$40,713 million as at December 31, 2019 (December 31, 2018: HK\$40,387 million). Cash and short-term deposits totaled HK\$2,903 million as at December 31, 2019 (December 31, 2018: HK\$3,057 million). HKT's gross debt⁶ to total assets was 41% as at December 31, 2019 (December 31, 2018: 41%).

As at December 31, 2019, HKT had ample liquidity as evidenced by committed banking facilities totaling HK\$28,348 million, of which HK\$9,190 million remained undrawn.

CREDIT RATINGS OF HONG KONG TELECOMMUNICATIONS (HKT) LIMITED

As at December 31, 2019, Hong Kong Telecommunications (HKT) Limited, an indirect wholly-owned subsidiary of the Company, had investment grade ratings with Moody's Investors Service (Baa2) and Standard & Poor's Ratings Services (BBB).

CAPITAL EXPENDITURE²

Capital expenditure including capitalized interest for the year ended December 31, 2019 was HK\$2,702 million (2018: HK\$2,588 million). Capital expenditure relative to revenue was 8.2% for the year ended December 31, 2019 (2018: 7.4%).

Capital expenditure for the Mobile business remained steady in 2019 with spending focused on critical infrastructure enhancements, network capacity expansion and preparation for 5G rollout. Capital expenditure for the TSS business increased during the year, mainly due to the investment in the Ultra Express Link, a submarine cable connecting Tseung Kwan O Industrial Estate and Chai Wan which was launched into service in December 2019, as well as to support customized solutions for enterprises and continued demand for FTTH services.

HKT will continue to invest in building new infrastructure and emerging technologies to 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 3% to HK\$5,329 million for the year ended December 31, 2019. This growth was driven by the expansion in EBITDA, and further efficiencies in customer acquisition and retention efforts as well as right-of-use assets which primarily relate to our retail shops. These positive factors were partially offset by increases in capital expenditures for certain undersea cable investments and fulfillment costs to serve our growing base of consumer and enterprise customers, as well as increase in net finance costs.

Due to the different timing of the receipt of tax assessments for all Hong Kong companies for the financial year ended December 31, 2018, the amount of cash tax payments in 2019 by HKT has been reduced as compared with 2018. Nevertheless, the appropriate tax payments have been estimated and 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 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 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.

HEDGING (CONTINUED)

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, 2019, all 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, 2019, no assets of the Group (2018: nil) were pledged to secure loans and banking facilities of HKT.

CONTINGENT LIABILITIES

As at December 31, HK\$ million	2018	2019
Performance guarantees	249	740
Others	64	63
	313	803

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 17,500 employees as at December 31, 2019 (2018: 17,200) located in 48 countries and cities. About 64% of these employees work in Hong Kong and the others are based mainly in mainland China, the United States 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 40.37 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, 2019 (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 40.37 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 30.01 HK cents per Share Stapled Unit/ordinary share of the Company for the six months ended June 30, 2019 was paid to holders of Share Stapled Units/shareholder of the Company in September 2019.

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.

FINANCIAL INFORMATION

- 68 Combined Report of the Directors of HKT Trust,
HKT Limited, and HKT Management Limited

HKT Trust and HKT Limited

- 95 Independent Auditor's Report
- 101 Consolidated Income Statement
- 102 Consolidated Statement of Comprehensive Income
- 103 Consolidated Statement of Changes in Equity
- 105 Consolidated Statement of Financial Position
- 107 Consolidated Statement of Cash Flows
- 108 Notes to the Consolidated Financial Statements
- 191 Five Year Financial Summary

HKT Management Limited

- 192 Independent Auditor's Report
- 194 Income Statement
- 195 Statement of Comprehensive Income
- 196 Statement of Financial Position
- 197 Statement of Changes in Equity
- 198 Statement of Cash Flows
- 199 Notes to the Financial Statements

COMBINED REPORT OF THE DIRECTORS

The board of directors of HKT Management Limited (the “Trustee-Manager”, in its capacity as the trustee-manager of the HKT Trust) (the “Trustee-Manager Board”) and the board of directors of HKT Limited (the “Company” or “HKT”) (the “Company Board”) present their combined report together with the audited consolidated financial statements of (i) the HKT Trust and the Company and its subsidiaries (collectively the “Group”) and (ii) the Company and its subsidiaries (collectively the “HKT Limited Group”) (the consolidated financial statements of the Group and the HKT Limited Group are presented together and referred to as the “HKT Trust and HKT Limited consolidated financial statements”) for the year ended December 31, 2019.

The Trustee-Manager Board also presents its audited financial statements for the year ended December 31, 2019, which are set out in the accompanying financial statements on pages 192 to 202.

PRINCIPAL ACTIVITIES

The HKT Trust, a trust constituted on November 7, 2011 under the laws of the Hong Kong Special Administrative Region (“Hong Kong”) and managed by the Trustee-Manager, has been established as a fixed single investment trust, with its activities being limited to investing in the Company and anything necessary or desirable for or in connection with investing in the Company.

The principal activity of the Company is investment holding, and the principal activities of the HKT Limited Group are the provision of telecommunications and related services which include local telephony, local data and broadband, international telecommunications, mobile, 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.

The principal activities of the Company’s principal subsidiaries and the Group’s principal joint venture are set out in notes 24 and 21 respectively to the HKT Trust and HKT Limited consolidated financial statements.

An analysis of the Group’s performance for the year by operating segment is set out in note 7 to the HKT Trust and HKT Limited consolidated financial statements.

The Trustee-Manager, an indirect wholly-owned subsidiary of PCCW Limited (“PCCW”), has a specific and limited role which is to administer the HKT Trust. The Trustee-Manager is not actively engaged in running the businesses managed by the HKT Limited Group. The Trustee-Manager itself does not beneficially own any subsidiary.

BUSINESS REVIEW

A fair review of the business of the Group during the year and particulars of important events affecting the Group that have occurred since the end of the financial year 2019 as well as a discussion on the Group’s future business development are provided in the Statement from the Chairman, the Statement from the Group Managing Director and the Management’s Discussion and Analysis on page 4, pages 5 to 9 and pages 58 to 66 respectively. The above discussions form part of this report.

Description of the principal risks and uncertainties facing the Group can be found in the paragraphs below.

Principal Risks and Uncertainties

The Company Board has overall accountability for ensuring that risks are effectively managed across the Group and, on behalf of the Company Board, the Audit Committee coordinates and reviews the effectiveness of the Group’s adopted risk management framework and processes. Group Risk Management and Compliance is responsible for the maintenance of the business risk registers while working with the Audit Committee to ensure the registers are kept current, factual and consistent across all Group operating areas. Both the Company Board and the Audit Committee remain satisfied that the internal risk control framework implemented by the Group continues to provide the necessary elements of enabling business flexibility without compromising the integrity of risk management and internal control systems. The ability of the Group to manage risk is continually evolving through the focus on risk management capability ensuring that it remains robust where risks are being identified, assessed and mitigated effectively.

The significant risks and uncertainties the Group encounters are set out below. They may adversely and/or materially affect the overall business performance, financial conditions, results of operations and growth prospects of the Group if they are not managed effectively. These key risks are by no means exhaustive or comprehensive, and there may be other risks, in addition to those shown below, which are not known to the Group or which may not be material now but could turn out to be material in the future. Due to the pace and nature at which risks evolve, the Group remains vigilant in addressing these areas of concern and developing appropriate control measures.

BUSINESS REVIEW (CONTINUED)

Principal Risks and Uncertainties (continued)

Key risks related to the Group's businesses and to the industries in which the Group operates along with corresponding mitigation strategies:

Risk	Description	Impact	Key mitigation strategies
Technology Risk <i>Vulnerability of Cyber Security</i>	The Group relies on a sound IT infrastructure and operating environment in supporting all aspects of its business.	Any significant system failure or outage, caused by external factors, computer viruses/malwares or human negligence could result in a prolonged service interruption and potential financial and/or reputational losses.	Group Information and Cyber Security Council (GICSC) is set up to keep abreast of any emerging cyber security threats by identifying and implementing security measures intended to reduce the occurrence likelihood and/or the consequences of such risks being realized. A series of controls are also implemented such as deploying next generation anti-malware solution to servers and endpoints through implementing network behavior tools for alerting abnormal network activities while restricting access to unmanaged cloud storage.
Technology Risk <i>Data Breach</i>	The Group handles significant amounts of customer data, personal information and other sensitive commercial data which are susceptible to cyber threats.	The business operations, reputation and financial performance would be adversely impacted if the Group sustains severe cyber-attacks and/or other data security breaches that disrupt its operations.	A holistic approach to data governance is adopted since cyber-attacks have become more sophisticated and thus the reliance on safeguarding information assets is of utmost importance. This includes Data Protection Impact Analysis (DPIA) being conducted before entering into any new country or introducing any new product or service while reinforcing appropriate staff training and awareness in relation to data protection and security.

BUSINESS REVIEW (CONTINUED)**Principal Risks and Uncertainties** (continued)

Risk	Description	Impact	Key mitigation strategies
Technology Risk			
<i>Technology Trend</i>	Rapid speed of disruptive innovations enabled by new and emerging technologies and other market forces may outpace the ability of the Group to compete and manage the risk appropriately.	The Group cannot be certain that technologies will be developed in time to meet changing market conditions, that they will perform according to expectations or that the technologies it adopts will achieve commercial acceptance. Additionally, any sustained failure of the Group's network, its servers, or any link in the delivery chain, whether from operational disruption, natural disaster, or otherwise, could have an effect on the Group's businesses, financial conditions and results of operations.	The Group is continuously searching for ways in which technologies can provide opportunities to grow and develop its market segment while staying vigilant on identifying potential vulnerabilities, and exercising effective governance and oversight in risk management, as well as any mitigation required during innovation.
Market Risk			
<i>Changes in Macroeconomic and Political Conditions</i>	A slowdown in global economies arising from geopolitical uncertainty, social instability, international sanctions and trade war.	This may result in a significant decline in demand for the Group's services globally in both consumer and corporate sectors.	Ongoing supplier/vendor risk management and diversification of supply chain and technologies deployment through sourcing and working with multi-vendors operating in different jurisdictions to mitigate the macroeconomic and geopolitical risk exposure.
People Risk			
<i>Retention and Motivation of Employees</i>	As a prominent multi-service and technologies provider, retaining and motivating the best people with the right skills and attitudes, at all levels of the organization, is key to the long-term success of the Group.	The loss of key personnel, or the inability to find additional qualified personnel, could materially and adversely affect the prospects and results of the Group.	The Group has established training, performance management and reward programs to retain, develop and motivate staff members. Furthermore, the Group has continued to develop succession planning to avoid any major disruption from arising if a key person is lost. This is to ensure business strategy continues to operate and be able to breed a culture of strength.
Regulatory and Legal Risk			
<i>Non-Compliance with Laws and Regulations</i>	The Group operates in markets and industries requiring compliance with many regulations such as telecommunications, personal data, financial related etc.	Ineffective management of compliance with applicable laws and regulations may adversely affect the reputation, goodwill and franchise value of the Group and its performance if significant financial penalties are levied or a criminal action is brought against the Group or any of its directors.	The Group has appropriate practices in place to help monitoring changes in applicable laws and regulations and strive to ensure compliance.

BUSINESS REVIEW (CONTINUED)

Principal Risks and Uncertainties (continued)

Risk	Description	Impact	Key mitigation strategies
Market Risk			
<i>Increasing Competition</i>	The Group operates in markets and industries where the regulatory environment promotes competition and consumer protection.	This has led to intense competition, pricing pressure, higher promotional marketing and customer acquisition expenditures. Meanwhile, aggressive pricing from competitors could also drive revenues and profit margins lower.	The Group has operated in this competitive landscape for over twenty years and continues to strive to compete primarily based on attributes such as functionality, coverage, time to market, ease of integration, pricing, and quality of products and services, as well as longstanding market experience, goodwill and reputation.
Financial Risk			
<i>Currency/Interest Rate Fluctuation</i>	The Group operates in several jurisdictions where there are certain levels of mismatch in assets and liabilities denominated in foreign currencies from time to time. It is exposed to financial risks such as foreign currency risk, interest rate risk and liquidity risk.	Currency and interest rate fluctuations may lead to larger foreign currency exposure and liquidity risk while changing interest rate regime may also impact the cost of financing for the Group.	<p>The Group is regularly monitoring (including sensitivity analysis) to gain more thorough understanding of the potential impact of interest rate and exchange rate movements on the liquidity risk profile of the Group.</p> <p>In addition, the Group actively and frequently performs review while managing its capital structure to maintain balance between shareholder return and sound capital position. Adjustments are made, when deemed necessary, to maintain an optimal capital structure after considering changes in economic conditions and to reduce the cost of capital. As for financing, a significant portion of debts held by the Group is denominated in foreign currencies including United States dollars. Hedging instruments such as foreign exchange forward and/or interest rate swap contracts are used to mitigate the risk exposure due to adverse fluctuations in foreign currency exchange rates and interest rates.</p>

BUSINESS REVIEW (CONTINUED)**Principal Risks and Uncertainties** (continued)

Risk	Description	Impact	Key mitigation strategies
Strategic Risk			
<i>Failure of Strategy</i>	The current business model envisages growth, whether by way of organic growth or through new business amalgamation or strategic investments, in telecommunications and/or technology sectors.	<p>Failure to identify suitable targets, or failure to successfully integrate them, would adversely impact the corporate growth plans. If market conditions change or if operations do not generate sufficient cash flows or for any other reasons, the Group may decide to delay, change, modify or relinquish certain aspects of its business progression strategies.</p> <p>In addition, the Group continues to expand its operations in overseas markets. This increases its exposure to multiple and occasionally conflicting regulatory regimes, including an increasing number of which that include extra-territorial provisions. The lack of familiarity with such overseas markets, in particularly lacking clarity in the interpretation of constantly changing laws and regulations, increases the operational risk of the Group in achieving further success in those markets.</p>	To mitigate any risk, there is considerable internal knowledge and subject matter expertise across the Group, together with the use of external advisors where deemed appropriate, who are able to provide any necessary information and guidance on relevant matters and pending changes that may have adverse impact on the franchise value of the Group.

In addition, discussions on the Group's environmental policies and performance, relationships with its key stakeholders and compliance with relevant laws and regulations which have a significant impact on the Group are provided in the paragraphs below.

Environmental Policies and Performance

As a responsible corporate citizen, HKT recognizes the importance of good environmental stewardship. In this connection, HKT has in place a Corporate Social Responsibility ("CSR") Policy and other related policies and procedures. A CSR Committee sets forth and promulgates the Company's environmental strategy and other CSR initiatives. An Environmental Advisory Group comprising group unit heads provide suggestions on our sustainability agenda.

The Company actively participates in various external environmental working groups. HKT's parent company PCCW is a council member of Business Environment Council and a corporate member of Food Grace. HKT is a member of The Green Earth.

To minimize light nuisance, HKT has been supporting the WWF's annual Earth Hour campaign for years. HKT is a signatory to the Charter on External Lighting scheme of the Environment Bureau and in 2019 received the Platinum Award for switching off external lighting at selected shops at designated hours. Last year, HKT signed the Energy Saving Charter of the Environment Bureau and has pledged to adopt energy-saving practices in our exchange buildings, and the shops of csl, 1010 and HKT.

The Group incorporates environmentally friendly considerations into sustainable business operations. Electric vehicle charging solutions are provided through an equal joint venture, Smart Charge (HK) Limited, with CLP Holdings Limited to encourage electric mobility for a cleaner environment. The Group has been investing in modernizing air-conditioning systems and equipment at the exchange buildings with better energy efficiency to reduce energy consumption.

BUSINESS REVIEW *(CONTINUED)*

Environmental Policies and Performance *(continued)*

We have well-established practices in recycling scrap metals which include copper, iron and steel as well as scrap materials.

In accordance with the Producer Responsibility Scheme on waste electrical and electronic equipment (WPRS), removal services for waste electrical and electronic equipment (WEEE) are provided to our customers.

The Group has adopted paperless systems and practices in its daily operations such as human resources and procurement as appropriate, as well as in retail shops and for customer services. E-billing is also offered to customers in a bid to reduce paper consumption. We utilize PEFC (Programme for the Endorsement of Forest Certification) certified paper made with forest materials from a sustainable source for copy paper and printing of bills.

In 2019, all our canteens replaced plastic stirrers with wooden ones to reduce the consumption of single-use plastics. Upcycling DIY workshops were also organized periodically. Our internal newsletter publishes a regular Green Matters column which provides information on environmental issues and the Group's green initiatives.

In 2019, HKT won the Silver Award in the media and communication sector at the Hong Kong Awards for Environmental Excellence. HKT was also granted the Certificate of Excellence at the Hong Kong Management Association's Hong Kong Sustainability Award 2018/19. In addition, we received the Friends of EcoPark 2019 award for our contributions to waste recycling and recovery.

Environmental-related key performance indicators have been included in the HKT Environmental, Social and Governance Report 2019. In 2019, HKT also continued to voluntarily disclose its carbon emissions data to the Environmental Protection Department's Carbon Footprint Repository for Listed Companies in Hong Kong.

Relationships with Stakeholders

HKT is committed to operating in a sustainable manner while balancing the interests of our various stakeholders including our employees, customers, suppliers, business partners and the community.

We strive to provide a fair, inclusive and high performing work culture for our employees globally. We believe that human capital is a core organization capability that powers our long-term success. Our comprehensive employment policies protect employees' rights and benefits while offering competitive pay and career progression opportunities.

In 2019, we signed the Joyful@Healthy Workplace Charter, which was launched by the Department of Health and the Occupational Safety and Health Council to promote staff well-being. We launched a series of health and well-being programs and improved our maternity leave and paternity leave benefits.

Endeavoring to be the Employer of Choice, we have devised talent strategies that drive towards enabling the best employee experience and sustaining a diverse and vibrant team. Our workforce now comprises employees of over 60 nationalities with a diverse range of expertise and background. In 2019, we signed the Racial Diversity and Inclusion Charter for Employers under the Equal Opportunities Commission.

We have in place a fair and effective performance appraisal system and incentive bonus schemes designed to motivate and reward employees at all levels to deliver at their optimal level to achieve business performance targets.

HKT believes direct and effective communication is essential to building up a strong partnership between management and employees. We have established channels for employees to share feedback and suggestions with senior management, and to understand company and business development. These include face-to-face meetings and forums, Let's Chat sessions and town hall style gatherings.

We have established robust succession and strong talent pipeline, comprehensive training and leadership programs to nurture the talents we need to fuel business growth. We offer opportunities for employees to participate in projects which equip them with state-of-the-art technology or overseas work exposure. In addition, we embark on continual development initiatives to ensure our staff's knowledge and skills remain current with advances in technology and business acumen. The Company also offers fresh graduates opportunities to build a career in the fast-paced technology sector through a well-structured Graduate Trainee Program.

BUSINESS REVIEW (CONTINUED)

Relationships with Stakeholders (continued)

Employee safety is of paramount importance and we make every effort to provide a safe working environment. Accident prevention is an important factor for consideration when selecting new designs, procedures and equipment. To maintain high occupational health and safety standard across the Group, safety training is provided regularly to new and existing staff.

The Group is Hong Kong's premier telecommunications service provider with large customer bases across various services. Customer related key performance indicators are set out in the Management's Discussion and Analysis of this annual report.

As a customer-focused service provider, we consider customers as one of the most important stakeholders. With a commitment to transforming customers' lifestyle through continuous innovation, HKT has extended service offerings beyond connectivity into areas such as Smart Living to help customers build a modern and convenient home.

HKT is introducing 5G mobile communication services in 2020. A joint venture comprising HKT, PCCW and other partners is also set to launch a new virtual bank in Hong Kong, offering customers an option to manage their finances easily and promoting financial inclusion.

The Group has in place a customer loyalty and rewards program, The Club, offering a wide variety of privileges to customers. It helps retain customers and provides us with insights to personalize offerings to its members.

To ensure a high level of customer satisfaction, our customer service representatives can be reached via service hotlines, live webchat, online enquiry in My HKT portal, or at retail shops and customer service centers. We also conduct Customer Satisfaction Survey, Customer Transaction Survey, Net Promoter Score Survey and mystery shopper program to evaluate the service quality and gain customer feedback.

In recognition of its outstanding customer service, among other awards, the Group won more than 170 awards throughout 2019 in different categories at the Contact Center World, Hong Kong Association for Customer Service Excellence, Hong Kong Call Centre Association, Hong Kong Retail Management Association, and Mystery Shopper Service Association. HKT received over 63,000 customer compliments in 2019.

With the increased public awareness of the need to protect personal data, we have strengthened our internal policies, procedures and compliance guidelines that govern how we collect, use and manage customer information. The Group set up a Group Information and Cyber Security Council (GICSC) in 2019 to oversee all cybersecurity-related initiatives, investments and ongoing maintenance pertaining to the protection of the Group's core network, servers and endpoints. Certain applicable business units or functions have attained ISO 27001 accreditation for its information security management system, enabling us to align our data security practices in accordance with international standards.

HKT is committed to upholding the highest ethical and professional standards when dealing with suppliers and contractors. The Group maintains relationship with around 3,150 suppliers globally. To integrate CSR principles throughout our supply chain, the Company has in place the Group Purchasing Policy and Principles, and a Supplier Code of Conduct to facilitate a common means whereby we can better communicate with our business partners regarding their compliance with local regulations governing labor, health and safety, and the environment. In order to have a better and close monitoring of supplier performance, our buying units conduct performance reviews and supplier visits throughout the year, targeting our major suppliers and contractors, and will communicate with the suppliers with unsatisfactory rating for rectification or improvements.

Since 2018, we have attained the ISO 9001:2015 quality management system certification which enables us to continuously improve our procurement process and achieve the highest standard of business practices and service offering. HKT is one of the founding members of the Sustainable Procurement Charter launched by the Green Council.

Together with PCCW, HKT supports the Hong Kong community through a diverse range of initiatives serving the elderly, students and youth, children, people with disabilities and other groups. Being the premier telecommunications service provider in Hong Kong, the Group provides hardware and communications services for charities and various community groups in need. We also strive to connect elderly people with technologies that promote active and smart aging.

BUSINESS REVIEW *(CONTINUED)*

Relationships with Stakeholders *(continued)*

In 2019, we set up a one-stop HKT hotline for senior citizens aged 65 or above. It offers timely technical support to the elderly, helps with contracts and bills, as well as service relocation. Special concessions for home phone, broadband and mobile services are available for eligible applicants from low-income families.

To equip students and youth with skills and resources to excel in the digital age, HKT and PCCW have been sponsoring the Youth IT Exchange Tour (previously Youth IT Summer Camp) and providing annual scholarships and bursaries to university students of computer science, information technology, and other disciplines. We employ our competencies to promote STEM (Science, Technology, Engineering and Mathematics) education.

The Group's corporate volunteer team, comprising employees, their family members and company retirees, last year ran 27 ongoing programs and 14 special programs for various charities and social services groups. In 2019, the volunteer team was once again given the Award of 10,000 Hours for Volunteer Service and the Merit of Highest Service Hour Award 2018 (Private Organizations – Category 1) by the Steering Committee on Promotion of Volunteer Service of the Social Welfare Department for contributing more than 10,000 hours of volunteer service to the community in 2018. The volunteer team also won the Merit Award in the volunteer team category of the Hong Kong Corporate Citizenship Programme organized by the Hong Kong Productivity Council and the Committee on the Promotion of Civic Education in 2019. In appreciation of the commitment of staff volunteers, HKT operates a Volunteer Appreciation Scheme whereby employees participating in community services may be entitled to volunteer leave days.

HKT is awarded the 5 Years Plus Caring Company Logo from Hong Kong Council of Social Service's Caring Company Scheme, in recognition of our having been a caring company for over 5 years.

Compliance with the Applicable Laws and Regulations which have a Significant Impact on the Group

The Group and its activities are subject to requirements under various laws and regulations. These include, among others, the Telecommunications Ordinance (Cap. 106), the Trade Descriptions Ordinance (Cap. 362), the Competition Ordinance (Cap. 619), the Personal Data (Privacy) Ordinance (Cap. 486), the Payment Systems and Stored Value Facilities Ordinance (Cap. 584), the Employment Ordinance (Cap. 57), and the applicable regulations, guidelines, policies and licence terms issued or promulgated under or in connection with these statutes. In addition, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") apply to the HKT Trust, HKT and the Trustee-Manager. The Company seeks to ensure compliance with these requirements through various measures such as internal controls and approval procedures, trainings and oversight of various business units with the designated resources at different levels of the Group. While these measures require considerable internal resources and result in additional operational cost, the Group highly values the importance of ensuring compliance with applicable legal and regulatory requirements.

Telecommunications Ordinance ("TO")

The Hong Kong Government's policies relating to liberalization of the telecommunications industry has led to increased competition for the Group. Under the TO, the Group has certain obligations and the Communications Authority ("CA") has certain powers to direct the Group to take specified actions (for example, to undertake and provide certain interconnection services and facilities) and to impose the terms and conditions of interconnection. It may also direct its licensees to co-operate and share any facilities owned by them in the public interest. Under the TO, licensees may be fined up to HK\$1 million for repeated breaches or a higher amount if allowed by the court. In extreme cases, it may revoke licences.

Trade Descriptions Ordinance ("TDO")

The enforcement of the TDO is generally undertaken by the Customs and Excise Department, although the CA has concurrent jurisdiction as to telecommunications licensees. To ensure compliance with the TDO, the Group conducts training sessions for all new employees involved in sales and marketing as well as annual refresher training. In addition, all sales and marketing materials are reviewed to ensure compliance with the TDO. Under the TDO, misrepresentations as to the sale of goods or services, inappropriate sales practices and the omission of relevant information may be a criminal offence, with a fine of up to HK\$500,000 and imprisonment for 5 years. Liability may extend to the Group as well as relevant employees.

BUSINESS REVIEW (CONTINUED)

Compliance with the Applicable Laws and Regulations which have a Significant Impact on the Group (continued)

Competition Ordinance (“CO”)

The CO came into effect in December 2015 and is generally consistent with other competition laws. The enforcement of the CO is generally undertaken by the Competition Commission (“CC”), although the CA has concurrent jurisdiction with the CC as to telecommunications licensees. To ensure compliance with the CO and various guidelines issued under the CO, the Group conducts training sessions for all staff involved in sales, marketing, bids, pricing, contracts, strategy formation, management etc. Under the CO, serious anti-competitive conduct carries a maximum penalty of 10% of annual turnover obtained in Hong Kong (up to 3 years). Potential personal liability of up to the same amounts may also apply. Individuals can also be disqualified from being a director of a company.

Personal Data (Privacy) Ordinance (“PDPO”)

The PDPO aims to protect data privacy rights by regulating the collection, retention and handling of personal data. Non-compliance with the data protection principles or any specific provisions in PDPO could lead to issuance of enforcement notice by the Privacy Commissioner or even constitute an offence punishable by fine and imprisonment. The Group maintains various internal policies and procedures as well as regular reviews, training and audits to ensure that personal data is properly handled and managed with due care and in accordance with the legal requirements. For effective communications with the regulator and also for complying with the requirement in General Data Protection Regulation, a Group Privacy Compliance Officer has been appointed to monitor all works in relation to data privacy compliance.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (“ESG”) REPORT

A separate ESG report for 2019 will be published on the websites of the Company and Hong Kong Exchanges and Clearing Limited in due course in compliance with the ESG Reporting Guide as set out in Appendix 27 to the Listing Rules.

RESULTS, APPROPRIATIONS AND DISTRIBUTIONS

The results of the Group for the year ended December 31, 2019 are set out in the consolidated income statement of HKT Trust and of HKT Limited on page 101.

The results of the Trustee-Manager for the year ended December 31, 2019 are also set out in the income statement of HKT Management Limited on page 194.

An interim distribution/dividend of 30.01 HK cents per share stapled unit of HKT Trust and the Company (the “Share Stapled Unit”)/ordinary share of the Company for the six months ended June 30, 2019 was paid to holders of Share Stapled Units/shareholder of the Company in September 2019.

The Trustee-Manager Board has recommended the payment of a final distribution by the HKT Trust in respect of the Share Stapled Units, of 40.37 HK cents per Share Stapled Unit (after deduction of any operating expenses permissible under the Trust Deed (as defined below)), in respect of the year ended December 31, 2019 (and in order to enable the HKT Trust to pay that distribution, the Company Board has recommended the payment of a final dividend in respect of the ordinary shares in the Company held by the Trustee-Manager, of 40.37 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”).

The Trustee-Manager Board does not recommend the payment of a final dividend for the year ended December 31, 2019 to CAS Holding No. 1 Limited, the sole member of the Trustee-Manager.

FINANCIAL SUMMARY

A summary of the consolidated results and of the assets and liabilities of the Group for the last five financial years is set out on page 191.

FIXED ASSETS

Details of movements in the Group's property, plant and equipment, and interests in leasehold land during the year are set out in notes 15 and 17 respectively to the HKT Trust and HKT Limited consolidated financial statements.

BORROWINGS

Particulars of the Group's borrowings are set out in note 27 to the HKT Trust and HKT Limited consolidated financial statements.

SHARE STAPLED UNITS/SHARES ISSUED

There were no new Share Stapled Units/shares of the Company issued during the year ended December 31, 2019. Details of the share capital of the Company for the year ended December 31, 2019 are set out in note 30 to the HKT Trust and HKT Limited consolidated financial statements.

There were no new shares of the Trustee-Manager issued during the year ended December 31, 2019. Details of the share capital of the Trustee-Manager for the year ended December 31, 2019 are set out in note 7 to the financial statements of HKT Management Limited.

DEBENTURES ISSUED

During the year, HKT Capital No. 5 Limited, an indirect wholly-owned subsidiary of the Company, issued US\$500 million 3.25% guaranteed notes due 2029 at a price of 99.4% of the principal amount with net proceeds of approximately US\$495 million (approximately HK\$3,880 million) for the Group's general corporate purposes, including the repayment of existing indebtedness.

RESERVES

Details of movements in reserves of the Company and the Group during the year are set out in notes 30 and 31 respectively to the HKT Trust and HKT Limited consolidated financial statements.

The statement of changes in equity of HKT Management Limited during the year is set out on page 197.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended December 31, 2019, less than 30% of the Group's revenue from sales of goods or rendering of services was attributable to the Group's five largest customers, and less than 30% of the Group's purchases were attributable to the Group's five largest suppliers.

DIRECTORS

The directors of the Company (the “Company Directors”) and the directors of the Trustee-Manager (the “Trustee-Manager Directors”) (the Company Directors and the Trustee-Manager Directors collectively referred to as the “Directors”) who held office during the year and up to the date of this report are:

Executive Directors

Li Tzar Kai, Richard (*Executive Chairman*)

Hui Hon Hing, Susanna (*Group Managing Director*)

Non-Executive Directors

Peter Anthony Allen

Chung Cho Yee, Mico

Li Fushen

Zhu Kebin

Srinivas Bangalore Gangaiah (aka BG Srinivas)

Independent Non-Executive Directors

Professor Chang Hsin Kang, FREng, GBS, JP

Sunil Varma

Aman Mehta

Frances Waikwun Wong

Under the trust deed dated November 7, 2011 constituting the HKT Trust entered into between the Trustee-Manager and the Company as supplemented, amended or substituted from time to time (the “Trust Deed”), the Trustee-Manager Directors must be the same individuals who serve as the Company Directors. Accordingly, the retirement by rotation provisions are also applicable, indirectly, in relation to the Trustee-Manager Directors.

In accordance with the Company's amended and restated articles of association and the Trust Deed, Li Tzar Kai, Richard, Chung Cho Yee, Mico, Srinivas Bangalore Gangaiah and Aman Mehta shall retire from office of both the Company and the Trustee-Manager at the forthcoming AGM and, being eligible, offer themselves for re-election.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Trustee-Manager and the Company together have received from each of their independent non-executive Directors an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules and consider that all four independent non-executive Directors as at the date of this report, namely, Professor Chang Hsin Kang, Sunil Varma, Aman Mehta and Frances Waikwun Wong remain independent having regard to the independence guidelines set out in Rule 3.13 of the Listing Rules.

With respect to Aman Mehta, on February 15, 2013, Pacific Century Regional Developments Limited (“PCRD”, a substantial shareholder of PCCW) announced the execution of a term sheet between PCRD Services Pte Ltd (“PCRD Services”, a wholly-owned subsidiary of PCRD) and, amongst the others, KSH Distriparks Private Limited (“KSH Distriparks”), Pasha Ventures Private Limited (“Pasha Ventures”), Aman Mehta (an independent non-executive Director) and Akash Mehta (the adult son of Aman Mehta) (together, the “Mehta Family”) and Sky Advance Associates Limited (“Sky Advance”, a company controlled by Akash Mehta) in relation to a proposed restructuring (the “Restructuring”) of their respective interests in Pasha Ventures and KSH Distriparks by way of a scheme of amalgamation.

As of March 11, 2012, PCRD Services, Aman Mehta and Akash Mehta held 74%, 21% and 5% of the paid up issued equity capital of Pasha Ventures respectively. KSH Distriparks is an Indian private limited logistics company with an inland container depot located in Pune, India and owned at that time as to 25.94% and 5.19% respectively by PCRD Services and Sky Advance. As a result of the Restructuring, Pasha Ventures was amalgamated with KSH Distriparks and Pasha Ventures ceased to be a subsidiary of PCRD and was dissolved in June 2013. Accordingly, the shareholdings of PCRD Services, Sky Advance and the Mehta Family in KSH Distriparks were approximately 49.87%, 2.61% and 12.94% respectively. Pursuant to a scheme of demerger filed with, and sanctioned by, the High Court at Bombay, KSH Infra Private Limited (“KSH Infra”), a wholly-owned subsidiary of KSH Distriparks was demerged from KSH Distriparks with effect from January 31, 2016 (the “Demerger”) with KSH Infra shareholders holding the same percentage shareholdings in the share capital of KSH Infra as those percentage shareholdings in KSH Distriparks at the time of the Demerger. Interests held by PCRD Services, Sky Advance and the Mehta Family in KSH Infra were disposed of in January 2019. As at December 31, 2019, PCRD Services, Sky Advance and the Mehta Family’s shareholdings in KSH Distriparks were approximately 49.87%, 2.61% and 7.72% respectively. Aman Mehta is a passive investor in KSH Distriparks and does not hold any directorship in KSH Distriparks. Save as disclosed above, Aman Mehta is not in any way connected to PCRD, PCRD Services, PCCW, the Company or the Trustee-Manager.

Notwithstanding Aman Mehta’s investment in KSH Distriparks, the Company and the Trustee-Manager are of the view that Aman Mehta’s continued independence in accordance with the terms of the independence guidelines set out in Rule 3.13 of the Listing Rules is not affected by this investment for the following reasons: (i) Aman Mehta’s investment in KSH Distriparks is a purely passive personal investment; he does not hold any directorship in KSH Distriparks nor has he any involvement or participation in the daily operations and management of KSH Distriparks; (ii) the businesses of KSH Distriparks do not overlap or conflict with the businesses of the Company; and (iii) save as disclosed above, neither Aman Mehta nor Akash Mehta hold any interest, direct or indirect in PCRD and/or its subsidiaries.

DIRECTORS’ SERVICE CONTRACTS

No Director proposed for re-election at the forthcoming AGM has an unexpired service contract with the HKT Limited Group which is not determinable by the HKT Limited Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARE STAPLED UNITS AND UNDERLYING SHARE STAPLED UNITS, AND THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at December 31, 2019, the Directors, the chief executives of the Company and the Trustee-Manager (collectively referred to as the "Chief Executives") and their respective close associates had the following interests or short positions in the Share Stapled Units and underlying Share Stapled Units, and the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register(s) required to be kept under Section 352 of the SFO or as otherwise notified to the Company, the Trustee-Manager and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules:

1. Interests in HKT Trust and HKT Limited

The table below sets out the aggregate long positions in the Share Stapled Units held by the Directors and the Chief Executives:

Name of Director/Chief Executive	Personal interests	Number of Share Stapled Units held			Approximate percentage of the total number of Share Stapled Units in issue
		Corporate interests	Other interests	Total	
Li Tzar Kai, Richard	–	66,247,614 (Note 1(a))	158,764,423 (Note 1(b))	225,012,037	2.97%
Hui Hon Hing, Susanna	3,484,532	–	561,589 (Note 2)	4,046,121	0.05%
Peter Anthony Allen (Note 3)	21,530	–	–	21,530	0.0003%
Srinivas Bangalore Gangaiah	50,000	–	–	50,000	0.0007%

Each Share Stapled Unit confers an interest in:

- (a) one voting ordinary share of HK\$0.0005 in the Company; and
- (b) one voting preference share of HK\$0.0005 in the Company,

for the purposes of Part XV of the SFO, in addition to an interest in one unit in the HKT Trust.

Under the Trust Deed and the Company's amended and restated articles of association, the number of ordinary shares and preference shares of the Company in issue must be the same at all times and must also, in each case, be equal to the number of units of the HKT Trust in issue; and each of them is equal to the number of Share Stapled Units in issue.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARE STAPLED UNITS AND UNDERLYING SHARE STAPLED UNITS, AND THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS (CONTINUED)

1. Interests in HKT Trust and HKT Limited (continued)

Notes:

1. (a) Of these Share Stapled Units, Pacific Century Diversified Limited ("PCD"), a wholly-owned subsidiary of Chiltonlink Limited ("Chiltonlink"), held 20,227,614 Share Stapled Units and Eisner Investments Limited ("Eisner") held 46,020,000 Share Stapled Units. Li Tzar Kai, Richard owned 100% of the issued share capital of Chiltonlink and Eisner.
- (b) These interests represented:
 - (i) a deemed interest in 13,159,619 Share Stapled Units held by Pacific Century Group Holdings Limited ("PCGH"). Li Tzar Kai, Richard was the founder of certain trusts which held 100% interests in PCGH. Accordingly, Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the 13,159,619 Share Stapled Units held by PCGH; and
 - (ii) a deemed interest in 145,604,804 Share Stapled Units held by PCRD, a company in which PCGH had, through itself and certain wholly-owned subsidiaries being Anglang Investments Limited, Pacific Century Group (Cayman Islands) Limited, Pacific Century International Limited and Borsington Limited, an aggregate of 88.58% interest. Li Tzar Kai, Richard was the founder of certain trusts which held 100% interests in PCGH. Accordingly, Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the 145,604,804 Share Stapled Units held by PCRD. Li Tzar Kai, Richard was also deemed to be interested in 1.06% of the issued share capital of PCRD through Hopestar Holdings Limited, a company wholly-owned by Li Tzar Kai, Richard.
2. These interests represented awards made to Hui Hon Hing, Susanna, which were subject to certain vesting conditions pursuant to the relevant award schemes of the Company and PCCW, namely the HKT Share Stapled Units Purchase Scheme and the Purchase Scheme. Details of the HKT Share Stapled Units Purchase Scheme are set out in the section below headed "Share Stapled Units Award Schemes".
3. As disclosed in the previous annual and interim reports of HKT Trust and HKT Limited, a private company owned by Li Tzar Kai, Richard has provided an interest-free loan facility not exceeding the amount of S\$25,000,000 (equivalent to approximately HK\$148,000,000) to Peter A. Allen at his request and for personal reasons. The loan is repayable upon written request by the said private company giving six months' prior notice. This private arrangement is not connected with and does not conflict with Peter A. Allen's duties at HKT Trust and HKT Limited.

2. Interests in the Associated Corporations of the Company

A. PCCW (the holding company of the HKT Trust and the Company)

The table below sets out the aggregate long positions in the shares of PCCW held by the Directors and the Chief Executives:

Name of Director/Chief Executive	Number of ordinary shares of PCCW held				Approximate percentage of the total number of shares of PCCW in issue
	Personal interests	Corporate interests	Other interests	Total	
Li Tzar Kai, Richard	–	307,694,369 (Note 1(a))	1,928,842,224 (Note 1(b))	2,236,536,593	28.97%
Hui Hon Hing, Susanna	6,345,555	–	1,373,579 (Note 2)	7,719,134	0.10%
Peter Anthony Allen	272,208	–	–	272,208	0.004%
Srinivas Bangalore Gangaiah	800,000	–	2,113,737 (Note 2)	2,913,737	0.04%

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARE STAPLED UNITS AND UNDERLYING SHARE STAPLED UNITS, AND THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS (CONTINUED)

2. Interests in the Associated Corporations of the Company (continued)

A. PCCW (the holding company of the HKT Trust and the Company) (continued)

Notes:

1. (a) Of these shares of PCCW, PCD held 269,471,956 shares and Eisner held 38,222,413 shares.
- (b) These interests represented:
 - (i) a deemed interest in 175,312,270 shares of PCCW held by PCGH. Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the 175,312,270 shares of PCCW held by PCGH; and
 - (ii) a deemed interest in 1,753,529,954 shares of PCCW held by PCRD. Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the 1,753,529,954 shares of PCCW held by PCRD.
2. These interests represented awards made to these Directors, which were subject to certain vesting conditions pursuant to an award scheme of PCCW, namely the Purchase Scheme.

B. PCPD Capital Limited (an indirect subsidiary of PCCW)

Frances Waikwun Wong, in the capacity as founder of a discretionary trust, held the 4.75% bonds due 2022 issued by PCPD Capital Limited, an associated corporation of the Company, in the principal amount of US\$500,000.

C. Silvery Sky Holdings Limited (an indirect subsidiary of PCCW)

Radiant Talent Holdings Limited ("RTH", an indirect wholly-owned subsidiary of CSI Properties Limited ("CSI")) entered into a sale and purchase agreement with Silvery Sky Holdings Limited ("SSH", an indirect wholly-owned subsidiary of Pacific Century Premium Developments Limited) and CSI on January 15, 2018 ("SPA") and pursuant to which, one non-voting participating share of SSH was allotted and issued to RTH credited as fully paid up at an issue price of US\$1.00 as part of the consideration paid to RTH on completion of the SPA which took place on March 23, 2018. Chung Cho Yee, Mico is a controlling shareholder and director of CSI.

Save as disclosed in the foregoing, as at December 31, 2019, none of the Directors or the Chief Executives or their respective close associates had any interests or short positions in any Share Stapled Units or underlying Share Stapled Units, or in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register(s) required to be kept under Section 352 of the SFO or as otherwise notified to the Company, the Trustee-Manager and the Stock Exchange pursuant to the Model Code of the Listing Rules.

SHARE STAPLED UNITS OPTION SCHEME

The HKT Trust and the Company conditionally adopted on November 7, 2011 (the "Adoption Date") a Share Stapled Units option scheme (the "2011-2021 Option Scheme") which became effective upon listing of the Share Stapled Units. Under the 2011-2021 Option Scheme, the Trustee-Manager Board and the Company Board shall be entitled to offer to grant a Share Stapled Unit option to any eligible participant whom the Trustee-Manager Board and the Company Board may, at their absolute discretion, select. The major terms of the 2011-2021 Option Scheme are set out below:

- (1) The purpose of the 2011-2021 Option Scheme is to enable the HKT Trust and the Company, acting jointly by mutual agreement between them, to grant options to the eligible participants as incentives or rewards for their contribution to the growth of the Group and to provide the Group with a more flexible means to reward, remunerate, compensate and/or provide benefits to the eligible participants.
- (2) Eligible participants include (a) any full time or part time employee of the Company and/or any of its subsidiaries; (b) any director (including executive, non-executive or independent non-executive director) of the Company and/or any of its subsidiaries; and (c) any consultant or adviser (whether professional or otherwise and whether on an employment or contractual or honorary basis or otherwise and whether paid or unpaid), distributor, contractor, supplier, service provider, agent, customer and business partner of the Company and/or any of its subsidiaries. The Trustee-Manager is not an eligible participant under the 2011-2021 Option Scheme.

SHARE STAPLED UNITS OPTION SCHEME (CONTINUED)

- (3) (i) Notwithstanding any other provisions of the 2011-2021 Option Scheme, no options may be granted under the 2011-2021 Option Scheme if the exercise of the options may result in PCCW ceasing to hold at least 51% of the Share Stapled Units in issue (on a fully diluted basis assuming full conversion or exercise of all outstanding options and other rights of subscription, conversion and exchange for Share Stapled Units).
- (ii) Subject to the further limitation in (i) above, as required by the Listing Rules, the total number of Share Stapled Units which may be issued upon exercise of all options to be granted under the 2011-2021 Option Scheme and any other share option schemes of the HKT Trust and the Company must not, in aggregate, exceed 10% of the issued Share Stapled Units as at November 29, 2011 unless the approval of holders of Share Stapled Units has been obtained.
- (iii) In addition, as prescribed by the Listing Rules, the maximum aggregate number of Share Stapled Units which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2011-2021 Option Scheme and any other share option schemes of the HKT Trust and the Company must not exceed 30% of the issued Share Stapled Units from time to time. No options may be granted under the 2011-2021 Option Scheme if this will result in such limit being exceeded.

As at the date of this annual report, the total number of Share Stapled Units available for issue in respect of which options may be granted under the 2011-2021 Option Scheme is 641,673,079, representing approximately 8.47% of the Share Stapled Units in issue as at that date.

- (4) The total number of Share Stapled Units issued and to be issued upon exercise of options granted and to be granted to any single eligible participant (other than a substantial holder of Share Stapled Units or an independent non-executive director of the Company, or any of their respective associates) under the 2011-2021 Option Scheme (including exercised, cancelled and outstanding options under the 2011-2021 Option Scheme) in any 12-month period shall not exceed 1% of the Share Stapled Units in issue at the relevant time. For options granted or to be granted to a substantial holder of Share Stapled Units or an independent non-executive director of the Company, or any of their respective associates, the said limit is reduced to 0.1% of the Share Stapled Units in issue and HK\$5 million in aggregate value based on the closing price of the Share Stapled Units on the date of each grant. Any further grant of Share Stapled Unit options in excess of such limits is subject to the approval of registered holders of Share Stapled Units at general meeting.
- (5) The 2011-2021 Option Scheme does not specify a minimum period for which an option must be held nor a performance target which must be achieved before an option can be exercised. The terms and conditions under and the period within which an option may be exercised under the 2011-2021 Option Scheme shall be determined by the Trustee-Manager Board and the Company Board, provided that such terms and conditions shall not be inconsistent with the 2011-2021 Option Scheme and no option may be exercised 10 years after the date of grant.
- (6) Upon acceptance of the offer, the grantee shall pay HK\$1.00 to the Company by way of consideration for the grant and the date on which the option is offered shall be deemed to be the date of grant of the relevant option, except in determining the date of grant for the purpose of calculating the subscription price for grants requiring approval of holders of Share Stapled Units in accordance with the provisions of the 2011-2021 Option Scheme.
- (7) The subscription price for Share Stapled Units in respect of any particular option shall not be less than the highest of (i) the closing price per Share Stapled Unit on the main board as stated in the Stock Exchange's daily quotation sheet on the date of grant, which must be a business day; (ii) the average closing price per Share Stapled Unit on the main board as stated in the Stock Exchange's daily quotation sheet for the 5 business days immediately preceding the date of grant; and (iii) the aggregate of the nominal values of the preference share and ordinary share components of a Share Stapled Unit.
- (8) Subject to the early termination by an ordinary resolution in general meeting of registered holders of Share Stapled Units or resolutions of the Company Board and the Trustee-Manager Board, the 2011-2021 Option Scheme shall be valid and effective for a period of 10 years commencing from the Adoption Date, after which period no further options shall be granted but the provisions of the 2011-2021 Option Scheme shall remain in full force and effect in all other respects.

No Share Stapled Unit options have been granted under the 2011-2021 Option Scheme since its adoption and up to and including December 31, 2019.

SHARE STAPLED UNITS AWARD SCHEMES

On October 11, 2011, the Company adopted two award schemes pursuant to which awards of Share Stapled Units may be made, namely the HKT Share Stapled Units Purchase Scheme and the HKT Share Stapled Units Subscription Scheme (collectively the “Share Stapled Units Award Schemes”). The purposes of the Share Stapled Units Award Schemes are to incentivize and reward participants for their contribution to the growth of the HKT Limited Group and to provide the HKT Limited Group with a more flexible means to reward, remunerate, compensate and/or provide benefits to the participants.

Participants of the Share Stapled Units Award Schemes include any director or employee of the Company or any of its subsidiaries.

The Share Stapled Units Award Schemes are administered by the Company Board, any committee or sub-committee of the Company Board and/or any person delegated with the power and authority to administer all or any aspects of the respective Share Stapled Units Award Schemes (the “Approving Body”) and an independent trustee (the “Trustee”) appointed to hold the relevant Share Stapled Units until such time as the Share Stapled Units vest in the selected participants.

Pursuant to the scheme rules, no sum of money shall be set aside and no Share Stapled Units shall be purchased or subscribed (as the case may be), nor any amounts paid to the Trustee for the purpose of making such a purchase or subscription, if, as a result of such purchase or subscription, the number of Share Stapled Units administered under the respective schemes would represent in excess of 1% of the total number of Share Stapled Units in issue from time to time, excluding the Share Stapled Units which have been transferred to selected participants on vesting. In addition, under the HKT Share Stapled Units Subscription Scheme, no sum of money shall be set aside and no Share Stapled Units shall be subscribed nor any amounts paid to the Trustee for the purpose of making such a subscription if:

- (i) as a result of such subscription, PCCW's aggregate holding of Share Stapled Units would on a fully-diluted basis (which shall take into account the relevant subscription(s) proposed to be made under the HKT Share Stapled Units Subscription Scheme, the amount of all outstanding options in respect of Share Stapled Units as granted pursuant to the 2011-2021 Option Scheme, and all other rights or entitlements granted by the Company concerning the prospective allotment of new Share Stapled Units) represent less than 51% of the total number of Share Stapled Units as would exist were all such commitments to allot new Share Stapled Units to be duly fulfilled; or
- (ii) the Company does not have a relevant general mandate or specific mandate from holders of the Share Stapled Units necessary to effect the allotment and issue of Share Stapled Units pursuant to the scheme.

In respect of the HKT Share Stapled Units Purchase Scheme, the Approving Body shall either (i) set aside a sum of money; or (ii) determine a number of Share Stapled Units which it wishes to be the subject of a bonus award or set aside certain Share Stapled Units. Where a sum of money has been set aside (or a number of Share Stapled Units has been determined) by the Approving Body, it shall pay (or cause to be paid) that amount or an amount sufficient to purchase that number of Share Stapled Units from the HKT Limited Group's resources, and the Trustee will then apply the same towards the purchase of the relevant Share Stapled Units on the Stock Exchange pursuant to the trust deed.

In respect of the HKT Share Stapled Units Subscription Scheme, the Approving Body shall either (i) determine a notional cash amount; or (ii) determine a number of Share Stapled Units which it wishes to be the subject of a bonus award or set aside certain Share Stapled Units. Where a notional cash amount has been determined by the Approving Body, the Approving Body shall determine the maximum number of Share Stapled Units, rounded down to the nearest whole number, which could be acquired with such notional cash amount on the Stock Exchange. The Approving Body shall pay (or cause to be paid) an amount equal to the aggregate subscription price for either (i) the maximum number of Share Stapled Units, rounded down to the nearest whole number, which could be acquired with such notional cash amount on the Stock Exchange (where the Approving Body has determined a notional cash amount); or (ii) the number of Share Stapled Units (where the Approving Body has determined such number) which amount shall be as directed by the Company but is expected only to be a nominal amount per Share Stapled Unit, or such other amount as may be required to effect the allotment pursuant to the relevant general mandate of the Company from the HKT Limited Group's resources, and the Trustee shall then apply the same towards the subscription of Share Stapled Units, provided always that no Share Stapled Units shall be allotted in respect of such subscription unless and until the Company shall have received from the Stock Exchange a grant of the listing of, and permission to deal in, such Share Stapled Units and unless and until such allotment shall have been approved by the Approving Body and the holders of the Share Stapled Units (where required).

SHARE STAPLED UNITS AWARD SCHEMES (CONTINUED)

Subject to the relevant scheme rules, each scheme provides that prior to the vesting of the awards under the relevant scheme to selected participants, the relevant Share Stapled Units will be held in trust by the Trustee for such selected participants, and will be vested over a period of time determined by the Approving Body, provided that each selected participant shall remain at all times up to and including the relevant vesting date (or, as the case may be, each relevant vesting date) an employee or director of the HKT Limited Group, and satisfies any other conditions specified at the time the award is made, notwithstanding that the Approving Body shall be at liberty to waive such conditions. Other than satisfying the vesting conditions, selected participants are not required to provide any consideration in order to acquire the Share Stapled Units awarded to him/her under the schemes.

The Share Stapled Units Award Schemes, unless terminated earlier, shall be valid and effective for a term of 10 years commencing from October 11, 2011, being the date of adoption. The Approving Body may also by resolution terminate the operation of the schemes at any time subject to the terms of the schemes.

In respect of the HKT Share Stapled Units Purchase Scheme, during the year ended December 31, 2019, an aggregate of 417,685 Share Stapled Units were awarded pursuant to the HKT Share Stapled Units Purchase Scheme subject to certain vesting conditions, including an award in respect of 231,121 Share Stapled Units made to Hui Hon Hing, Susanna (a director of the Company and the Trustee-Manager). Additionally, 38,922 Share Stapled Units have lapsed and/or been forfeited and 1,858,323 Share Stapled Units have vested during the year. As at December 31, 2019, an aggregate of 1,427,904 Share Stapled Units awarded pursuant to the HKT Share Stapled Units Purchase Scheme remained unvested.

In respect of the HKT Share Stapled Units Subscription Scheme, during the year ended December 31, 2019, an aggregate of 1,137,199 Share Stapled Units were awarded pursuant to the HKT Share Stapled Units Subscription Scheme subject to certain vesting conditions and compliance with the applicable requirements of the Listing Rules. Additionally, 31,382 Share Stapled Units have lapsed and/or been forfeited and no Share Stapled Units have vested during the year. As at December 31, 2019, an aggregate of 1,105,817 Share Stapled Units awarded pursuant to the HKT Share Stapled Units Subscription Scheme remained unvested.

As at the date of this annual report, an aggregate of 2,533,721 Share Stapled Units awarded pursuant to the Share Stapled Units Award Schemes remained unvested, which represents approximately 0.03% of the total number of Share Stapled Units in issue as at that date.

Further details of the Share Stapled Units Award Schemes, including the fair values of the Share Stapled Units on the respective dates of award, are set out in note 29(b) to the HKT Trust and HKT Limited consolidated financial statements.

Save as disclosed above, at no time during the year under review was the Trustee-Manager, the Company or any of their subsidiaries, holding companies or fellow subsidiaries a party to any arrangement that may enable the Directors to acquire benefits by means of the acquisition of Share Stapled Units in HKT Trust and the Company, or shares in, or debentures of, the Company or any other body corporate and none of the Directors or the Chief Executives or their spouses or children under 18 years of age had any right to subscribe for equity or debt securities of the HKT Trust and/or the Company or any of its associated corporations or had exercised any such right during the year under review.

EQUITY-LINKED AGREEMENTS

Details of the 2011-2021 Option Scheme adopted by the HKT Trust and the Company are set out in the section above headed “Share Stapled Units Option Scheme” and note 29(b) to the HKT Trust and HKT Limited consolidated financial statements.

Details of the Share Stapled Units Award Schemes adopted by the Company are also set out in the section above headed “Share Stapled Units Award Schemes” and note 29(b) to the HKT Trust and HKT Limited consolidated financial statements.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL HOLDERS OF SHARE STAPLED UNITS

As at December 31, 2019, the following persons (other than Directors or Chief Executives) were substantial holders of Share Stapled Units, and of ordinary shares and preference shares in the Company, and had interests or short positions in the Share Stapled Units and underlying Share Stapled Units, and in the shares and underlying shares of the Company as recorded in the register(s) required to be kept under Section 336 of the SFO:

Name	Capacity	Number of Share Stapled Units held	Approximate percentage of the total number of Share Stapled Units in issue	Note
PCCW	Interest in controlled entity	3,934,967,681	51.97%	1
CAS Holding No. 1 Limited	Beneficial interest	3,934,967,681	51.97%	

Each Share Stapled Unit confers an interest in:

- (a) one voting ordinary share of HK\$0.0005 in the Company; and
- (b) one voting preference share of HK\$0.0005 in the Company,

for the purposes of Part XV of the SFO, in addition to an interest in one unit in the HKT Trust.

Under the Trust Deed and the Company's amended and restated articles of association, the number of ordinary shares and preference shares of the Company in issue must be the same at all times and must also, in each case, be equal to the number of units of the HKT Trust in issue; and each of them is equal to the number of Share Stapled Units in issue.

Notes:

The Trustee-Manager held all of the issued ordinary shares of the Company in its capacity as trustee and manager of the HKT Trust, upon and subject to the terms and conditions of the Trust Deed.

1. PCCW indirectly held these interests through its direct wholly-owned subsidiary, CAS Holding No. 1 Limited.

Save as disclosed above in this section, the Trustee-Manager and the Company have not been notified of any other persons (other than Directors or Chief Executives) who had an interest or a short position in the Share Stapled Units or underlying Share Stapled Units, or in the shares, underlying shares or debentures of the Company as recorded in the register(s) required to be kept under Section 336 of the SFO as at December 31, 2019.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

Details of the connected transaction and continuing connected transactions; and significant related party transactions are disclosed in this report and in note 6 to the HKT Trust and HKT Limited consolidated financial statements, as well as in note 4 to the financial statements of HKT Management Limited.

Save for the above, no other transactions, arrangements or contracts of significance in relation to the Group's business to which the Trustee-Manager, the Company, or any of its subsidiaries, fellow subsidiaries or parent company was a party, and in which a Director or his/her connected entity had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACTS

The Trustee-Manager has the necessary powers under the Trust Deed to perform its function of administering the HKT Trust.

Save for the Trust Deed, no contracts, other than employment contracts, concerning the management and administration of the whole or any substantial part of any business of the HKT Trust, the Company and the Trustee-Manager were entered into or subsisted during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended December 31, 2019, the interests of the Directors in competing business required to be disclosed pursuant to Rule 8.10 of the Listing Rules were as follows:

Li Tzar Kai, Richard

Li Tzar Kai, Richard has a personal interest in 75,240 shares in CK Hutchison Holdings Limited ("CK Hutchison"), and is one of the discretionary beneficiaries of certain discretionary trusts which hold units in unit trusts which in turn are interested in certain shares of CK Hutchison. CK Hutchison and its subsidiaries are involved in the core businesses of ports and related services, retail, infrastructure, energy and telecommunications. Certain businesses of CK Hutchison may compete with certain aspects of the businesses of the HKT Limited Group during the year.

Li Fushen and Zhu Kebing

Li Fushen is an executive director of China Unicom (Hong Kong) Limited ("Unicom HK"). He is also a director of China United Network Communications Group Company Limited ("Unicom"), China United Network Communications Limited ("Unicom A-Share") and China United Network Communications Corporation Limited ("CUCL").

Zhu Kebing is an executive director and Chief Financial Officer of Unicom HK, the Chief Accountant of Unicom, the Chief Financial Officer and Board Secretary of Unicom A-Share, and a director and the Chief Financial Officer of CUCL.

Unicom HK is a company listed on the New York Stock Exchange and the main board of the Stock Exchange. Unicom is the ultimate parent company of Unicom HK and Unicom A-Share is a shareholder of Unicom HK. CUCL is a subsidiary of Unicom HK. Unicom A-Share is a company listed on the Shanghai Stock Exchange. Save for Li Fushen and Zhu Kebing, each of these companies has its own management team separate from the HKT Limited Group. These companies are engaged in telecommunications business and other related businesses and compete with certain aspects of the businesses of the HKT Limited Group.

Other than as disclosed above, none of the Directors is interested in any business, apart from the HKT Limited Group's businesses, which competes or is likely to compete, either directly or indirectly, with the HKT Limited Group's businesses.

PERMITTED INDEMNITY

As permitted by the Trust Deed, the Trustee-Manager and any director of the Trustee-Manager shall be indemnified out of, and shall be entitled for the purpose of indemnity to have recourse to, the Trust Property (as defined in the Trust Deed) or any part thereof against any action, costs, claims, damages, expenses, penalties or demands to which it or he/she may be put as Trustee-Manager of the HKT Trust and as director of the Trustee-Manager.

According to the Company's amended and restated articles of association, every director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him/her as a director of the Company in defending any proceedings, whether civil or criminal, in which judgment is given in his/her favour, or in which he/she is acquitted.

According to the articles of association of the Trustee-Manager and subject to the provisions of the Companies Ordinance (Cap. 622), every director and managing director for the time being of the Trustee-Manager shall be indemnified out of the assets of the Trustee-Manager (excluding, for the avoidance of doubt, the Trust Property) against any liability incurred by him/her in relation to the Trustee-Manager in defending any proceedings, whether civil or criminal, in which judgment is given in his/her favour or in which he/she is acquitted.

In addition, PCCW has maintained appropriate directors and officers liability insurance cover for the directors and officers of its subsidiaries (including the HKT Limited Group and the Trustee-Manager).

DONATIONS

During the year, the Group made donations for charitable and other purposes of approximately HK\$3,600,000 (2018: HK\$1,100,000).

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, 2019, none of the HKT Trust (including the Trustee-Manager), the Company or the Company's subsidiaries purchased, sold or redeemed any Share Stapled Units.

CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTIONS

Connected Transaction

On March 27, 2019, the wholly-owned subsidiaries of HKT and PCCW, respectively, entered into a share subscription agreement (the "Subscription Agreement") and a shareholders' agreement (the "Shareholders' Agreement") with SC Digital Solutions Limited ("SC Digital"), Standard Chartered Bank (Hong Kong) Limited and Ctrip Financial Management (Hong Kong) Co., Limited, for the formation of a joint venture to undertake the business of operating a virtual bank in Hong Kong. Under the Subscription Agreement, the wholly-owned subsidiaries of HKT and PCCW, respectively, have agreed to subscribe for 15% and 10% of the total issued share capital of SC Digital at the closing of the share subscriptions thereunder, for the respective aggregate price of approximately HK\$241.6 million and HK\$161.1 million. Under the Shareholders' Agreement, the parties would invest further in SC Digital on a pro-rata basis in accordance with the requirements of its initial business plan over a period of five years, and the wholly-owned subsidiaries of HKT and PCCW, respectively, have agreed to invest up to a further amount of approximately HK\$239.3 million and HK\$159.5 million.

As PCCW owns approximately 51.97% of the total number of the Share Stapled Units in issue, PCCW is a connected person of the HKT Trust and HKT under Chapter 14A of the Listing Rules. Therefore, the establishment of the joint venture by the subscriptions for shares in SC Digital in accordance with the terms of the Subscription Agreement and the entry into of the Shareholders' Agreement is a connected transaction (as defined in the Listing Rules) for the HKT Trust and HKT and details of which can be found in the joint announcement of the HKT Trust and HKT and PCCW dated March 27, 2019.

Continuing Connected Transactions

During the year ended December 31, 2019, members of the HKT Limited Group entered into continuing connected transactions (as defined in the Listing Rules) under various agreements as described below with certain members of PCCW and its subsidiaries (excluding the HKT Limited Group) (collectively, the "PCCW Group") for operational needs.

As disclosed in the previous announcements dated December 23, 2016, December 14, 2017 and July 18, 2019 jointly issued by the HKT Trust and the Company, the existing annual caps for 2019 in respect of certain continuing connected transactions with the PCCW Group were revised. Furthermore, certain existing continuing connected transactions were renewed with new annual caps for a term of three years ending December 31, 2022.

PCCW is the controlling holder of the Share Stapled Units in issue and therefore a connected person (as defined in the Listing Rules) of the HKT Trust and the Company. It is considered that the entering into of the continuing connected transaction agreements with the PCCW Group will enable the HKT Limited Group to meet the demand of the continuing growth and development of its businesses and operations, help to achieve business continuity and efficiency, to minimize any potential disruption to the daily operation of the HKT Limited Group, as well as to further strengthen the HKT Limited Group's position as a premier telecommunications service provider in Hong Kong.

Set out below are the continuing connected transactions between the HKT Limited Group and the PCCW Group during the year ended December 31, 2019 under the relevant agreements with a term of not exceeding three years. The Trustee-Manager and the Company have complied with the applicable requirements under Chapter 14A of the Listing Rules with respect to the below continuing connected transactions during the year.

CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

Continuing Connected Transactions (continued)

Products and services and floor space supplied by the HKT Limited Group to PCCW Media Holdings Limited and its subsidiaries (collectively the “Media Group”)

(1) Provision of carriage services

On December 23, 2016, Hong Kong Telecommunications (HKT) Limited (“HK Telecom”), an indirect wholly-owned subsidiary of the Company, and PCCW Media Limited (“PCCW Media”), an indirect wholly-owned subsidiary of PCCW, entered into a carriage services agreement (as subsequently amended and renewed on July 18, 2019 for a term of three years ending December 31, 2022), pursuant to which HK Telecom has agreed to provide or procure the provision of carriage services to the Media Group to facilitate the Media Group’s delivery of its pay television, free TV and other services to its customers.

(2) Provision of marketing and sales services

On December 23, 2016, HK Telecom and PCCW Media entered into a marketing and sales services agreement (as subsequently renewed on July 18, 2019 for a term of three years ending December 31, 2022), pursuant to which HK Telecom has agreed to market and sell Media Group’s products and services through the HKT Limited Group’s direct marketing staff, front-line (i.e. on the street) sales teams, shops and via its call centres; and to provide a unified call-centre support service. This agreement is the reciprocal arrangement of the agreement referred to in paragraph (7) below, on like terms, governing sales by the Media Group’s dedicated sales staff of the HKT Limited Group’s products and services.

(3) Provision of internal (specialist telecom) services

On December 23, 2016, HK Telecom and PCCW Media entered into an internal (specialist telecom) services agreement (as subsequently amended and renewed on July 18, 2019 for a term of three years ending December 31, 2022), pursuant to which HK Telecom has agreed to procure that relevant members of the HKT Limited Group provide to the Media Group a range of specialized support services that are integral to the operation of the Media Group’s business.

(4) Provision of customer premises equipment (CPE) solutions and networking services

On December 14, 2017, HK Telecom and PCCW Media entered into a customer premises equipment (CPE) services agreement (as subsequently renewed on July 18, 2019 for a term of three years ending December 31, 2022), pursuant to which HK Telecom has agreed to provide customer premises equipment and solutions, network connectivity relocation and set-up and other related services to Media Group so as to meet demand from Media Group for its plan of ongoing infrastructure upgrade and expansion. In particular, this covers PCCW Media’s office relocation project that requires set-up of relevant equipment and facilities, provision of new fixed and broadband lines and IT infrastructure set-up (inclusive of cable networks and security systems) by the HKT Limited Group.

(5) Licensed access to floor space

Under the licence agreement dated December 23, 2016 (as subsequently renewed on July 18, 2019 for a term of three years ending December 31, 2022), PCCW Media has been afforded certain limited access rights to floor space for it and members of the Media Group at a number of premises of PCCW-HKT Telephone Limited (“HKTC”, an indirect wholly-owned subsidiary of PCCW) (“HKTC’s Premises”). Pursuant to a licence agreement signed between HK Telecom and HKTC, HKTC granted to HK Telecom a licence to, among other things, install, store, operate and maintain equipment, machinery, chattels and installations at HKTC’s Premises. HKTC continues to meet and defray all costs, expenses and outgoings of HKTC’s Premises but HK Telecom is responsible for reimbursing HKTC the outgoings on a periodic basis. HKTC is also required to pay the amount of any income or profit received or to be received by HKTC to HK Telecom in respect of HKTC’s Premises. Accordingly, the licence fees paid by the Media Group are passed on by HKTC to HK Telecom pursuant to the aforesaid arrangement. In effect, therefore, these licensing arrangements are akin to direct arrangements between HK Telecom and the Media Group.

CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

Continuing Connected Transactions (continued)

Products and services supplied by the Media Group to the HKT Limited Group

(6) Provision of service and product/Provision of service and product packaging

On December 23, 2016, HK Telecom and PCCW Media entered into a service and product provision agreement (as subsequently amended and renewed on July 18, 2019 for a term of three years ending December 31, 2022), comprising two aspects:

- a mutual commitment to package the HKT Limited Group's products and services and the Media Group's products and services from time to time, from which results a dynamic and ongoing series of promotional packages (e.g. certain channels tied to a particular broadband purchasing commitment); and
- a commitment by the Media Group to provide the HKT Limited Group and/or its customers with certain services and products, the composition of which is agreed between the parties from time to time.

(7) Provision of marketing and sales services

On December 23, 2016, HK Telecom and PCCW Media entered into a marketing and sales services agreement (as subsequently amended and renewed on July 18, 2019 for a term of three years ending December 31, 2022), which represents the reciprocal arrangement to that provided for in the agreement described in paragraph (2) above. By this agreement, PCCW Media agrees to procure that relevant members of the Media Group will market the products and services of the HKT Limited Group.

(8) Content provision arrangements

On December 23, 2016, HK Telecom and PCCW Media entered into a media content services agreement (as subsequently amended and renewed on July 18, 2019 for a term of three years ending December 31, 2022), pursuant to which PCCW Media has a first right of supply and agreed to supply, procure the supply of or provide content management and production support services to the HKT Limited Group for distribution through its various platforms including eye and mobile platforms or other platforms.

Services and floor space supplied by the HKT Limited Group to HKT Solutions Holdings Limited and its subsidiaries (collectively the "Solutions Group")

(9) Provision of managed services and other telecommunications related services

On December 23, 2016, HK Telecom and PCCW Solutions Limited ("PCCW Solutions"), an indirect wholly-owned subsidiary of PCCW, entered into a managed wavelength service agreement whereby HK Telecom has agreed to provide certain connectivity services to PCCW Solutions, linking the Solutions Group's data centre(s) in Hong Kong and certain designated sites based on an agreed bandwidth capacity and in accordance with other agreed services levels. The managed wavelength service agreement was not renewed upon the expiry of its term on December 31, 2019.

On December 23, 2016, HK Telecom and PCCW Solutions also entered into a telecommunications and other miscellaneous services agreement (as subsequently amended and renewed on July 18, 2019 for a term of three years ending December 31, 2022) whereby HK Telecom and its specified affiliates in the HKT Limited Group have agreed to provide certain agreed telecommunications and related services to the Solutions Group on normal commercial terms.

(10) Licensed access to floor space

Under the licence agreement dated December 23, 2016 (as subsequently amended and renewed on July 18, 2019 for a term of three years ending December 31, 2022), PCCW Solutions has been afforded certain limited access rights to floor space for it and members of the Solutions Group at a number of HKTC's Premises. Pursuant to a licence agreement signed between HK Telecom and HKTC, HKTC granted to HK Telecom a licence to, among other things, install, store, operate and maintain equipment, machinery, chattels and installations at HKTC's Premises. HKTC continues to meet and defray all costs, expenses and outgoings of HKTC's Premises but HK Telecom is responsible for reimbursing HKTC the outgoings on a periodic basis. HKTC is also required to pay the amount of any income or profit received or to be received by HKTC to HK Telecom in respect of HKTC's Premises. Accordingly, the licence fees paid by the Solutions Group are passed on by HKTC to HK Telecom pursuant to the aforesaid arrangement. In effect, therefore, these licensing arrangements are akin to direct arrangements between HK Telecom and the Solutions Group.

CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

Continuing Connected Transactions (continued)

Services supplied by the Solutions Group to the HKT Limited Group

(11) Provision of solutions services (information technology, logistic and other contractor services)

On December 23, 2016, HK Telecom and PCCW Solutions entered into a consolidated agreement for information technology, logistic and other contractor services (as subsequently amended and renewed on July 18, 2019 for a term of three years ending December 31, 2022), whereby PCCW Solutions and/or its affiliates have agreed to provide certain solutions services (e.g. bureau services, application management services, system development services, business processing, order fulfillment and logistical services) to the HKT Limited Group.

(12) Sub-contracting agreement

On December 23, 2016, PCCW (Macau), Limitada ("PCCW Macau"), a company within the HKT Limited Group, and Pacific Century CyberWorks Solutions (Macau) Limited ("PCCS"), an indirect wholly-owned subsidiary of PCCW, entered into a sub-contracting agreement (as subsequently renewed on July 18, 2019 for a term of three years ending December 31, 2022). PCCW Macau has contracted with various third parties for the provision of solutions services with various operators in Macau such as information technology related systems within hotels and casinos. Rather than performing the work itself, PCCW Macau or its affiliates have sub-contracted the work to PCCS or its affiliates. Accordingly, the work is carried out by PCCS or its affiliates and all fees received in respect of the work are passed on by PCCW Macau to PCCS after PCCW Macau has deducted certain sub-contracting fees. Where appropriate, works for other places than Macau may also be subcontracted.

Other transactions between the HKT Limited Group and the PCCW Group

(13) Provision of corporate shared services

On December 23, 2016, HKT Services Limited ("HKT Services"), a company within the HKT Limited Group, and PCCW Services Limited, a direct wholly-owned subsidiary of PCCW, entered into a shared services agreement (as subsequently renewed on July 18, 2019 for a term of three years ending December 31, 2022), pursuant to which HKT Services and its affiliates have agreed to provide certain members of the PCCW Group a range of corporate support services that are integral to the operation of both groups, including managerial support.

(14) Provision of marketing and promotion services

On December 23, 2016, HK Telecom and PCCW-HKT Limited, an indirect wholly-owned subsidiary of PCCW, entered into a marketing and promotion services agreement (as subsequently renewed on July 18, 2019 for a term of three years ending December 31, 2022), pursuant to which HK Telecom has agreed to provide marketing and promotion services to members of the PCCW Group for the marketing and promotion of the PCCW Group's products and services.

(15) Provision of capacity access rights

On July 18, 2019, PCCW Global Limited, an indirect wholly-owned subsidiary of the Company, and Seamless Industries Limited ("Seamless Industries"), a direct wholly-owned subsidiary of PCCW, entered into a capacity access agreement pursuant to which Seamless Industries agreed to provide, upon the HKT Limited Group's request, rights of capacity access to third party mobile networks in the United Kingdom. These may include, for example, the rights of capacity access to the mobile network of Hutchison 3G UK Limited ("Three UK") obtained by Seamless Industries as part of the consideration for the sale of the entire issued share capital of Transvision Investments Limited to Three UK in 2017 as disclosed in the announcements issued by PCCW dated February 6, 2017 and May 31, 2017.

CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTIONS (CONTINUED)**Continuing Connected Transactions** (continued)

The approximate aggregate value and the existing/revised annual cap for each category of continuing connected transactions as described in paragraphs (1) to (15) above for the financial year ended December 31, 2019 are set out below:

Agreement/Service description	Approximate aggregate values for the financial year ended December 31, 2019 (HK\$'000, except otherwise indicated)	Existing/Revised annual caps for the financial year ended December 31, 2019 (HK\$'000, except otherwise indicated)
Products and services and floor space supplied by the HKT Limited Group to the Media Group		
(1) Provision of carriage services	161,123	167,300
(2) Provision of marketing and sales services	244,549	379,900
(3) Provision of internal (specialist telecom) services	32,195	34,300
(4) Provision of customer premises equipment (CPE) solutions and networking services	55,598	160,000
(5) Licensed access to floor space	4,000	4,000
Products and services supplied by the Media Group to the HKT Limited Group		
(6) Provision of service and product/Provision of service and product packaging	712,559	915,300
(7) Provision of marketing and sales services	37,520	121,100
(8) Content provision arrangements	451,469	664,000
Services and floor space supplied by the HKT Limited Group to the Solutions Group		
(9) Provision of managed services and other telecommunications related services	1,385,195	1,509,400
(10) Licensed access to floor space	3,400	3,800
Services supplied by the Solutions Group to the HKT Limited Group		
(11) Provision of solutions services (information technology, logistic and other contractor services)	1,525,800	1,585,300
(12) (a) Contracted service cost from PCCW Macau to PCCS	43,000	150,000
(b) Sub-contracting fees from PCCS to PCCW Macau	1,500	7,500
Other transactions between the HKT Limited Group and the PCCW Group		
(13) Provision of corporate shared services	148,603	298,100
(14) Provision of marketing and promotion services	28,576	201,400
(15) Provision of capacity access rights	£19.2 million (Note 1)	£42.5 million (Note 2)

Notes:

(1) equivalent to approximately HK\$190 million based on the exchange rate of £1 = HK\$9.9279.

(2) equivalent to approximately HK\$422 million based on the exchange rate of £1 = HK\$9.9278 (translation of currency value was disclosed in the previous announcement dated July 18, 2019 jointly issued by the HKT Trust and HKT).

CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

Continuing Connected Transactions (continued)

Annual Review of Continuing Connected Transactions

The Company's external auditor was engaged to report on the continuing connected transactions described in paragraphs (1) to (15) above entered into between the HKT Limited Group and the PCCW Group for the year ended December 31, 2019 in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The external auditor has issued their unqualified letter containing their findings and conclusions in respect of the above continuing connected transactions in accordance with Rule 14A.56 of the Listing Rules. A copy of the external auditor's letter has been provided by the Trustee-Manager and the Company jointly to the Stock Exchange.

The Trustee-Manager Board and the Company Board, including the independent non-executive Directors, have reviewed and confirmed that the continuing connected transactions described in paragraphs (1) to (15) above were entered into:

- (i) in the ordinary and usual course of business of the HKT Limited Group;
- (ii) on normal commercial terms or better; and
- (iii) according to the relevant agreements governing them on terms that are fair and reasonable and in the interests of the holders of the Share Stapled Units as a whole.

The Trustee-Manager Board has also confirmed that the charges paid or payable out of the Trust Property (as defined in the Trust Deed) of the HKT Trust to the Trustee-Manager are in accordance with the Trust Deed; and they are not aware of any violation of duties of the Trustee-Manager which would have a materially adverse effect on the business of the HKT Trust or on the interests of all the holders of the Share Stapled Units as a whole.

RELATED PARTY TRANSACTIONS

The significant related party transactions which were undertaken in the normal course of business are set out in note 6 to the HKT Trust and HKT Limited consolidated financial statements and in note 4 to the financial statements of HKT Management Limited. For those related party transactions that constituted connected transactions or continuing connected transactions (as the case may be) (other than those described in the section above headed "**Connected Transaction and Continuing Connected Transactions**") under the Listing Rules, these transactions are exempt from reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's amended and restated articles of association or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PUBLIC FLOAT

As at the date of this report, the HKT Trust (including the Trustee-Manager) and the Company have complied with the prescribed public float requirement under the Listing Rules, based on the information that is publicly available to the Trustee-Manager and the Company and within the knowledge of the Directors.

AUDITOR

The HKT Trust and HKT Limited consolidated financial statements for the financial year ended December 31, 2019 and the financial statements of the Trustee-Manager for the financial year ended December 31, 2019 have been audited by PricewaterhouseCoopers who will retire and, being eligible, offer themselves for re-appointment at the forthcoming AGM. A resolution for the re-appointment of PricewaterhouseCoopers as auditor of the HKT Trust, the Company and the Trustee-Manager is to be proposed at the forthcoming AGM.

By order of the boards of
HKT Management Limited and
HKT Limited

Bernadette M. Lomas

Group General Counsel and Company Secretary
Hong Kong, February 12, 2020

INDEPENDENT AUDITOR'S REPORT



羅兵咸永道

TO THE HOLDERS OF SHARE STAPLED UNITS OF HKT TRUST AND HKT LIMITED

(HKT Trust is a trust constituted under the laws of Hong Kong; HKT Limited is incorporated in the Cayman Islands with limited liability)

Opinion

What we have audited

The consolidated financial statements of HKT Trust, HKT Limited (the “Company”) and its subsidiaries (together the “Group”) and of HKT Limited and its subsidiaries (the “HKT Limited Group”) set out on pages 101 to 190 (together referred to as the “HKT Trust and HKT Limited consolidated financial statements”). As explained in note 1 to the HKT Trust and HKT Limited consolidated financial statements, the consolidated financial statements of the HKT Trust and the consolidated financial statements of HKT Limited are presented together. The HKT Trust and HKT Limited consolidated financial statements together comprise:

- the consolidated statement of financial position as at December 31, 2019;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of principal accounting policies.

Our opinion

In our opinion, the HKT Trust and HKT Limited consolidated financial statements give a true and fair view of the consolidated financial position of the Group and of the HKT Limited Group as at December 31, 2019, and of their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSAs”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the HKT Trust and HKT Limited Consolidated Financial Statements section of our report.

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

Independence

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the HKT Trust and HKT Limited consolidated financial statements of the current period. These matters were addressed in the context of our audit of the HKT Trust and HKT Limited consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarized as follows:

- Revenue recognition
- Impairment assessments for cash generating units ("CGUs") containing goodwill
- Income taxes

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Revenue recognition</p> <p><i>Refer to notes 7 and 8 to the HKT Trust and HKT Limited consolidated financial statements</i></p> <p>The Group and the HKT Limited Group recognized revenue of HK\$33,103 million for the year ended December 31, 2019, including external revenue from Telecommunications Services ("TSS") Business and Mobile Business of HK\$21,265 million and HK\$11,612 million, respectively.</p> <p>The Group and the HKT Limited Group enter into bundled sale contracts with customers in which, apart from the provision of telecommunications services, the Group and the HKT Limited Group have certain other performance obligations to customers such as the delivery of handsets, equipment and gifts.</p> <p>Significant management's judgements were needed to appropriately identify the number of performance obligations included in the multiple-element arrangements, to estimate the stand-alone selling price of each performance obligation, and to allocate the total transaction prices from customers to each performance obligation of multiple-element arrangements based on its relative stand-alone selling price.</p> <p>Significant effort was spent auditing the revenue recognized by TSS Business and Mobile Business due to the large volume of transactions, the complexity of the systems used, the significant judgements involved in the identification of performance obligations and the estimation of the stand-alone selling price of each performance obligation to allocate the total transaction prices to multiple-element arrangements.</p>	<p>Our procedures in relation to the judgements and estimates used in the recognition of revenue included:</p> <ul style="list-style-type: none"> • Obtaining an understanding of and evaluating the internal controls, and validating key controls in place on revenue recognition; • Assessing the appropriateness of management's assessments on the identification of performance obligations based on the contractual agreements and our knowledge of the business; • Assessing the reasonableness of management's judgements and estimates used to determine the stand-alone selling price of each performance obligation and to allocate revenue to multiple-element arrangements with reference to observable market data; • Testing, on a sample basis, the revenue transactions by tracing the transactions from the billing systems to supporting documents, such as underlying invoices, contractual agreements and evidence of cash receipts; and • Testing, on a sample basis, the calculation and allocation of total transaction prices to each performance obligation of multiple-element arrangements and the related journal entries posting. <p>We found the judgements and estimates used in the recognition of revenue to be supported by the available evidence.</p>

PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong

Key Audit Matter	How our audit addressed the Key Audit Matter
<p><i>Impairment assessments for CGUs containing goodwill</i> <i>Refer to note 18 to the HKT Trust and HKT Limited consolidated financial statements</i></p> <p>As at December 31, 2019, the Group and the HKT Limited Group had goodwill amounting to HK\$49,814 million.</p> <p>Goodwill was allocated to CGUs, and the recoverable amount of each CGU was determined by management based on value-in-use calculation using cash flow projections. In carrying out the impairment assessments, significant management's judgements were used to appropriately identify CGUs and to determine the key assumptions, including revenue growth rates, EBITDA growth rates, terminal growth rates and discount rates used in the value-in-use calculations. Management has concluded that there is no impairment in respect of the goodwill in the current year.</p>	<p>Our procedures in relation to the judgements and assumptions used in the impairment assessments included:</p> <ul style="list-style-type: none"> Assessing the reasonableness of management's identification of CGUs based on the Group's and the HKT Limited Group's accounting policies and our understanding of the Group's and the HKT Limited Group's businesses; Assessing the value-in-use calculation methodology in accordance with HKAS 36 <i>Impairment of Assets</i>; Assessing the reasonableness of the key assumptions, including revenue growth rates, EBITDA growth rates, terminal growth rates and discount rates, based on our knowledge of the business and the observable market data of the industry; Comparing the data in the cash flow projections to the relevant CGUs' historical performance, financial budgets and forecasts, and assessing the reasonableness of the cash flow projections based on the key assumptions; and Performing sensitivity analyses on the key assumptions to which the recoverable amounts are the most sensitive. <p>We found the judgements and assumptions used in the impairment assessments to be supported by the available evidence.</p>

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Income taxes</p> <p>Refer to notes 12 and 32 to the HKT Trust and HKT Limited consolidated financial statements</p> <p>The Group and the HKT Limited Group operate across several jurisdictions and are subject to Hong Kong and overseas taxes. From time to time, there are queries raised by relevant tax authorities in respect of the tax treatments of certain matters. Significant judgements were used to estimate the outcome of these matters and the appropriate amount of current income tax liabilities.</p> <p>The Group and the HKT Limited Group recognized deferred income tax assets of HK\$430 million related to available tax losses as at December 31, 2019. In assessing the amount of deferred income tax assets to be recognized, the Group and the HKT Limited Group have considered the future taxable profits and tax planning strategies.</p>	<p>Our procedures in relation to the judgements and assumptions used in the recognition of current income tax provisions and deferred income tax assets included:</p> <ul style="list-style-type: none"> • Enquiring with management and assessing management's basis used to compute the current income tax liabilities and the estimated outcome of queries raised by relevant tax authorities; • Assessing the appropriateness of the current income tax computation for the current year, according to the tax rules in the respective jurisdictions; • Testing, on a sample basis, available tax losses to the relevant financial statements and tax assessments; and • Assessing the reasonableness of the recognition of deferred income tax assets and the future taxable profits by comparing the data in the future taxable profits projections to the historical performance and considering the reasonableness of the key assumptions, including revenue growth rates and EBITDA growth rates, based on our knowledge of the business and the observable market data of the industry. <p>We found the judgements and assumptions used in the recognition of current income tax provisions and deferred income tax assets to be supported by the available evidence.</p>

Other Information

The directors of HKT Management Limited (the "Trustee-Manager", in its capacity as the trustee-manager of the HKT Trust) and the directors of the Company are responsible for the other information. The other information comprises all of the information included in the HKT Trust and HKT Limited 2019 annual report other than the HKT Trust and HKT Limited consolidated financial statements, the financial statements of HKT Management Limited and our auditor's reports thereon.

Our opinion on the HKT Trust and HKT Limited consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the HKT Trust and HKT Limited consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the HKT Trust and HKT Limited consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong

Responsibilities of Directors and the Audit Committee for the HKT Trust and HKT Limited Consolidated Financial Statements

The directors of the Trustee-Manager and the directors of the Company are responsible for the preparation of the HKT Trust and HKT Limited consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of the HKT Trust and HKT Limited consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

The Audit Committee assists the directors in discharging their responsibilities for overseeing the Group's and the HKT Limited Group's financial reporting process.

Auditor's Responsibilities for the Audit of the HKT Trust and HKT Limited Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the HKT Trust and HKT Limited consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the HKT Limited Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the HKT Limited Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the HKT Trust and HKT Limited consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the HKT Limited Group to cease to continue as a going concern.

Auditor's Responsibilities for the Audit of the HKT Trust and HKT Limited Consolidated Financial Statements
(continued)

- Evaluate the overall presentation, structure and content of the HKT Trust and HKT Limited consolidated financial statements, including the disclosures, and whether the HKT Trust and HKT Limited consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group and the HKT Limited Group to express an opinion on the HKT Trust and HKT Limited consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the HKT Trust and HKT Limited consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Ng Ka Ho.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, February 12, 2020

PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong

CONSOLIDATED INCOME STATEMENT OF HKT TRUST AND OF HKT LIMITED

For the year ended December 31, 2019

In HK\$ million (except for earnings per Share Stapled Unit/share of the Company)	Note(s)	2018	2019
Revenue	7, 8	35,187	33,103
Cost of sales	9(b)	(17,980)	(15,787)
General and administrative expenses	9(c)	(9,991)	(9,622)
Other gains, net		2	3
Finance costs, net	10	(1,350)	(1,372)
Share of results of associates		–	(33)
Share of results of joint ventures		(16)	(18)
Profit before income tax	7, 9	5,852	6,274
Income tax	12	(1,010)	(1,037)
Profit for the year		4,842	5,237
Attributable to:			
Holders of Share Stapled Units/shares of the Company		4,825	5,217
Non-controlling interests		17	20
Profit for the year		4,842	5,237
Earnings per Share Stapled Unit/share of the Company			
Basic	14	63.73 cents	68.91 cents
Diluted	14	63.71 cents	68.89 cents

The notes on pages 108 to 190 form part of the consolidated financial statements. As explained in note 1, the consolidated financial statements of the HKT Trust and the consolidated financial statements of HKT Limited are presented together.

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

For the year ended December 31, 2019

In HK\$ million	2018	2019
Profit for the year	4,842	5,237
Other comprehensive (loss)/income		
Items that have been reclassified or may be reclassified subsequently to consolidated income statement:		
Exchange differences on translating foreign operations	(73)	(2)
Cash flow hedges:		
– effective portion of changes in fair value	(137)	257
– transfer from equity to consolidated income statement	35	152
Costs of hedging	39	11
Other comprehensive (loss)/income for the year	(136)	418
Total comprehensive income for the year	4,706	5,655
Attributable to:		
Holders of Share Stapled Units/shares of the Company	4,689	5,635
Non-controlling interests	17	20
Total comprehensive income for the year	4,706	5,655

The notes on pages 108 to 190 form part of the consolidated financial statements. As explained in note 1, the consolidated financial statements of the HKT Trust and the consolidated financial statements of HKT Limited are presented together.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF HKT TRUST AND OF HKT LIMITED

For the year ended December 31, 2019

In HK\$ million	Note	2018		Total equity
		Attributable to holders of Share Stapled Units/shares of the Company	Non-controlling interests	
At January 1, 2018		37,850	40	37,890
Total comprehensive income for the year				
Profit for the year		4,825	17	4,842
Other comprehensive (loss)/income				
Items that have been reclassified or may be reclassified subsequently to consolidated income statement:				
Exchange differences on translating foreign operations		(73)	–	(73)
Cash flow hedges:				
– effective portion of changes in fair value	28(c)	(137)	–	(137)
– transfer from equity to consolidated income statement	28(c)	35	–	35
Costs of hedging	28(c)	39	–	39
Other comprehensive loss		(136)	–	(136)
Total comprehensive income for the year		4,689	17	4,706
Transactions with equity holders				
Contributions by and distributions to equity holders:				
Purchase of Share Stapled Units under the HKT Share Stapled Units Purchase Scheme		(21)	–	(21)
Employee share-based compensation		25	–	25
Distribution/dividend paid in respect of the previous year	13	(2,783)	–	(2,783)
Interim distribution/dividend declared and paid in respect of the current year	13	(2,205)	–	(2,205)
Dividends declared and paid to non-controlling shareholders of subsidiaries		–	(20)	(20)
Total contributions by and distributions to equity holders		(4,984)	(20)	(5,004)
Contribution from a non-controlling shareholder of a subsidiary		–	2	2
Total transactions with equity holders		(4,984)	(18)	(5,002)
At December 31, 2018		37,555	39	37,594

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF HKT TRUST AND OF HKT LIMITED (CONTINUED)

For the year ended December 31, 2019

		2019		
In HK\$ million	Note	Attributable to holders of Share Stapled Units/shares of the Company	Non-controlling interests	Total equity
At January 1, 2019		37,555	39	37,594
Total comprehensive income for the year				
Profit for the year		5,217	20	5,237
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)	–	(2)
Cash flow hedges:				
– effective portion of changes in fair value		28(c) 257	–	257
– transfer from equity to consolidated income statement		28(c) 152	–	152
Costs of hedging		28(c) 11	–	11
Other comprehensive income		418	–	418
Total comprehensive income for the year		5,635	20	5,655
Transactions with equity holders				
Contributions by and distributions to equity holders:				
Purchase of Share Stapled Units under the HKT Share Stapled Units Purchase Scheme		(38)	–	(38)
Employee share-based compensation		17	–	17
Distribution/dividend paid in respect of the previous year		13 (2,966)	–	(2,966)
Interim distribution/dividend declared and paid in respect of the current year		13 (2,272)	–	(2,272)
Dividends declared and paid to non-controlling shareholders of subsidiaries		–	(13)	(13)
Total contributions by and distributions to equity holders		(5,259)	(13)	(5,272)
Acquisition of a subsidiary		–	1	1
Change in ownership interests in a subsidiary that does not result in a loss of control		(19)	11	(8)
Total changes in ownership interests in subsidiaries that do not result in a loss of control		(19)	12	(7)
Total transactions with equity holders		(5,278)	(1)	(5,279)
At December 31, 2019		37,912	58	37,970

The notes on pages 108 to 190 form part of the consolidated financial statements. As explained in note 1, the consolidated financial statements of the HKT Trust and the consolidated financial statements of HKT Limited are presented together.

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

As at December 31, 2019

In HK\$ million	Note	2018	2019
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	20,601	22,177
Right-of-use assets	16	2,808	2,436
Interests in leasehold land	17	227	215
Goodwill	18	49,805	49,814
Intangible assets	19	8,691	10,118
Fulfillment costs		1,336	1,342
Customer acquisition costs		632	592
Contract assets		295	346
Interests in associates	20	–	209
Interests in joint ventures	21	678	643
Financial assets at fair value through other comprehensive income	22	77	124
Financial assets at fair value through profit or loss	23	8	32
Derivative financial instruments	28	148	284
Deferred income tax assets	32	465	410
Other non-current assets	25	1,065	1,106
		86,836	89,848
Current assets			
Inventories	26(a)	1,080	803
Prepayments, deposits and other current assets	26(b)	2,033	1,811
Contract assets		630	576
Trade receivables, net	26(c)	3,727	3,600
Amounts due from related companies	6(c)	102	95
Financial assets at fair value through profit or loss	23	12	12
Derivative financial instruments	28	–	6
Restricted cash	26(d)	88	115
Short-term deposits		523	486
Cash and cash equivalents	34(d)	2,534	2,417
		10,729	9,921
Current liabilities			
Trade payables	26(e)	(1,787)	(2,342)
Accruals and other payables		(4,771)	(3,904)
Carrier licence fee liabilities	33	(173)	(195)
Amount due to a fellow subsidiary	6(c)	(1,675)	(2,855)
Advances from customers		(266)	(291)
Contract liabilities		(1,415)	(1,361)
Lease liabilities		(1,293)	(1,065)
Current income tax liabilities		(761)	(1,078)
		(12,141)	(13,091)

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

As at December 31, 2019

In HK\$ million	Note	2018	2019
Non-current liabilities			
Long-term borrowings	27	(40,169)	(40,358)
Derivative financial instruments	28	(152)	(38)
Deferred income tax liabilities	32	(3,393)	(3,874)
Carrier licence fee liabilities	33	(357)	(527)
Contract liabilities		(1,010)	(1,001)
Lease liabilities		(1,900)	(1,697)
Other long-term liabilities		(849)	(1,213)
		(47,830)	(48,708)
Net assets		37,594	37,970
CAPITAL AND RESERVES			
Share capital	30(a)	8	8
Reserves	31	37,547	37,904
Equity attributable to holders of			
Share Stapled Units/shares of the Company		37,555	37,912
Non-controlling interests	24(b)	39	58
Total equity		37,594	37,970

Approved and authorized for issue by the boards of directors of HKT Management Limited and HKT Limited (collectively, the "Boards") on February 12, 2020 and signed on behalf of the Boards by

Li Tzar Kai, Richard
Director

Hui Hon Hing, Susanna
Director

The notes on pages 108 to 190 form part of the consolidated financial statements. As explained in note 1, the consolidated financial statements of the HKT Trust and the consolidated financial statements of HKT Limited are presented together.

CONSOLIDATED STATEMENT OF CASH FLOWS OF HKT TRUST AND OF HKT LIMITED

For the year ended December 31, 2019

In HK\$ million	Note	2018	2019
NET CASH GENERATED FROM OPERATING ACTIVITIES	34(a)	10,659	11,084
INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		3	4
Purchases of property, plant and equipment		(2,536)	(2,642)
Purchases of intangible assets		(2,137)	(2,487)
Net outflow of cash and cash equivalents in respect of business combination		(3)	(4)
Investment in an associate		–	(242)
Investment in a joint venture		(30)	(35)
Investment in a financial asset at fair value through other comprehensive income		–	(47)
Investments in financial assets at fair value through profit or loss		–	(31)
Loans to an associate		(12)	(46)
Loans to a joint venture		(72)	(50)
Repayment of loan from an associate		–	34
Repayment of loan from a joint venture		15	–
Cash received from lease receivables		56	71
(Increase)/decrease in short-term deposits with maturity more than three months		(73)	37
NET CASH USED IN INVESTING ACTIVITIES		(4,789)	(5,438)
FINANCING ACTIVITIES			
New borrowings raised	34(b)	13,616	12,948
Finance costs paid	34(b)	(886)	(928)
Repayments of borrowings	34(b)	(12,543)	(12,570)
Payment for lease liabilities (including interest)	34(b)	(1,665)	(1,644)
Movement in amount due to a fellow subsidiary		(57)	1,698
Contribution from a non-controlling shareholder of a subsidiary		2	–
Distributions/dividends paid to holders of Share Stapled Units/shareholders of the Company		(4,988)	(5,238)
Dividends paid to non-controlling shareholders of subsidiaries		(20)	(13)
NET CASH USED IN FINANCING ACTIVITIES		(6,541)	(5,747)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(671)	(101)
Exchange differences		(12)	(16)
CASH AND CASH EQUIVALENTS			
Beginning of year		3,217	2,534
End of year	34(d)	2,534	2,417

The notes on pages 108 to 190 form part of the consolidated financial statements. As explained in note 1, the consolidated financial statements of the HKT Trust and the consolidated financial statements of HKT Limited are presented together.

NOTES TO THE HKT TRUST AND HKT LIMITED CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019

1 BASIS OF PRESENTATION

In accordance with the Trust Deed (as defined below), HKT Trust (the “HKT Trust”) and HKT Limited (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, 2019 comprise the consolidated financial statements of the HKT Trust, HKT Limited 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, 2019 comprise the consolidated financial statements of HKT Limited 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 HKT Limited and the sole activity of the HKT Trust during the year ended December 31, 2019 was investing in HKT Limited. 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 HKT Limited with the only differences being disclosures of the capital of HKT Limited. The directors of the Trustee-Manager (as defined below) 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 HKT Limited 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 HKT Limited consolidated financial statements also include the stand-alone statement of financial position of HKT Limited as shown in note 5, and the relevant explanatory information in note 30 where information specific to the Company are disclosed separately.

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

2 GENERAL INFORMATION

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 the Company. Under the Trust Deed, the Trustee-Manager has been appointed as the trustee and manager of the HKT Trust. The scope of activities of the HKT Trust specified in the Trust Deed is essentially limited to investing in the Company and all the issued and paid-up ordinary shares of the Company are held by the HKT Trust. The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on June 14, 2011. The Company has established a principal place of business in the Hong Kong Special Administrative Region (“Hong Kong”) at 39th Floor, PCCW Tower, Taikoo Place, 979 King’s Road, Quarry Bay, Hong Kong and was registered as a non-Hong Kong company. The HKT Limited Group is principally engaged in the provision of telecommunications and related services which include local telephony, local data and broadband, international telecommunications, mobile, 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.

The share stapled units (the “Share Stapled Units”) structure comprises: (a) a unit in the HKT Trust; (b) a beneficial interest in a specifically identified ordinary share in the Company is “linked” to the unit and held by the Trustee-Manager as legal owner in its capacity as the trustee-manager of the HKT Trust; and (c) a specifically identified preference share in the Company which is “stapled” to the unit. The Share Stapled Units, which are jointly issued by the HKT Trust and the Company, are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The ultimate holding company of both the HKT Trust and the Company is PCCW Limited (“PCCW”), a company incorporated in Hong Kong with its shares listed on the Main Board of the Stock Exchange and traded in the form of American Depositary Receipts on the OTC Markets Group Inc. in the United States.

These financial statements are presented in millions of units of Hong Kong dollars (HK\$ million), unless otherwise stated.

3 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

a. Statement of compliance

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 (“Ints”) 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). A summary of the principal accounting policies adopted by the Groups is set out below.

b. Basis of preparation of the financial statements

The following new or amended Hong Kong Financial Reporting Standards (the “new or amended HKFRSs”) are mandatory for the first time for the financial year beginning January 1, 2019, but have no material effect on the Groups’ reported results and financial position for the current and prior accounting periods.

- HKAS 19 (2011) (Amendments), *Employee Benefits*
- HKAS 28 (2011) (Amendments), *Investments in Associates and Joint Ventures*
- HKFRS 9 (2014) (Amendments), *Financial Instruments*
- HK(IFRIC) – Int 23, *Uncertainty over Income Tax Treatments*
- Annual Improvements to HKFRSs 2015-2017 Cycle issued in February 2018 by the HKICPA

The Groups have not early adopted any new or amended HKFRSs that are not yet effective for the current accounting period, details of which are set out in note 41.

The consolidated financial statements for the year ended December 31, 2019 comprise the financial statements of the Groups, and the Groups’ interests in associates and joint ventures.

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

- financial assets at fair value through profit or loss (see note 3(n));
- financial assets at fair value through other comprehensive income (see note 3(n)); and
- derivative financial instruments (see note 3(p)).

As at December 31, 2019, the current liabilities of the Groups exceeded their current assets by HK\$3,170 million. Included in the current liabilities were current portion of contract liabilities of HK\$1,361 million recognized under HKFRS 15, which will gradually reduce over the contract terms through the satisfaction of performance obligations. Management of the Groups anticipates the net cash inflows from their operations, together with the ability to draw down from available bank loan facilities, would be sufficient to enable the Groups to meet their liabilities as and when they fall due. Accordingly, these consolidated financial statements have been prepared on a going concern basis.

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

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

Judgements made by management in the application of Hong Kong Financial Reporting Standards that have significant effect on the HKT Trust and HKT Limited consolidated financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 4.

3 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (CONTINUED)**c. Subsidiaries and non-controlling interests**

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

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

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

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

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill (see note 3(i)). If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the consolidated income statement. Where businesses are acquired and fair values of the net assets of the acquired business are finalized within 12 months of the acquisition date, all fair value adjustments are recorded with effect from the date of acquisition and consequently may result in the restatement of previously reported financial results.

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

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

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

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

Intra-group balances and transactions and any unrealized profits arising from intra-group transactions are eliminated in full in preparing the HKT Trust and HKT Limited consolidated financial statements. Unrealized losses resulting from intra-group transactions are eliminated in the same way as unrealized profits.

3 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

c. Subsidiaries and non-controlling interests *(continued)*

In the Company's statement of financial position, interests in subsidiaries are stated at cost less impairment losses. Cost includes direct attributable costs of investment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

d. Associates

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

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

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

Unrealized profits and losses resulting from transactions between the Groups and their associates are eliminated to the extent of the Groups' interests in the associates, except where unrealized losses provide evidence of an impairment of the asset transferred, in which case they are recognized immediately in the consolidated income statement.

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

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

e. Joint arrangements

The Groups apply HKFRS 11 to all joint arrangements. Under HKFRS 11, joint arrangements are classified as either joint ventures or joint operations depending on the contractual rights and obligations of each investor.

The Groups classify joint arrangements as joint ventures when the Groups have rights to the net assets of the joint arrangement.

Investments in joint ventures are accounted for in the HKT Trust and HKT Limited consolidated financial statements using the equity method, as described in note 3(d).

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

3 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (CONTINUED)**f. Gaining or losing control**

When the Groups cease to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognized in the consolidated income statement. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint arrangement or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Groups had disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to the consolidated income statement.

g. Property, plant and equipment

The following items of property, plant and equipment are stated in the consolidated statement of financial position at cost less accumulated depreciation and impairment losses (see note 3(o)(ii)):

- buildings held for own use which are situated on leasehold land, where the fair value of the building could be measured separately from the fair value of the leasehold land at the inception of the lease (see note 3(h)); and
- other items of plant and equipment.

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

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

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

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

Buildings	Over the shorter of the unexpired term of land lease and the estimated useful life
Exchange equipment	5 to 25 years
Transmission plant	5 to 40 years
Other plant and equipment	1 to 20 years

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

3 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

h. Leased assets

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

i. Assets leased to the Groups

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

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

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

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

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

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

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

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

3 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (CONTINUED)**h. Leased assets (continued)****ii. Assets leased out by the Groups**

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

Where the Groups lease out right-of-use assets ("sublease"), the Groups as an intermediate lessor classify the sublease as a finance lease or an operating lease by reference to the right-of-use asset arising from the head lease.

Where the Groups lease out assets under operating leases, the assets are included in the consolidated statement of financial position according to their nature and, where applicable, are depreciated in accordance with the Groups' depreciation policies. Impairment losses are accounted for in accordance with the accounting policy as set out in note 3(o)(ii). Revenue arising from operating leases is recognized in the consolidated income statement in equal installments over the accounting periods covered by the lease term. Lease incentives granted are recognized in the consolidated income statement as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognized as income in the accounting period in which they are earned.

Where the Groups lease out assets under finance leases, the present value of lease receipts is recognized as a receivable. Each lease receipt is allocated between the receivable and interest income. The interest element of the lease receipt is recognized in the consolidated income statement over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the receivable for each period.

i. Goodwill

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

Goodwill is stated in the consolidated statement of financial position at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units ("CGUs") and is tested at least annually for impairment (see note 3(o)(ii)). In respect of associates and joint ventures, the carrying amount of goodwill is included in the carrying amount of the interests in associates and joint ventures.

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

j. Intangible assets (other than goodwill)**i. Carrier licences**

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

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

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

3 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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

ii. Software

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

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

- it is technically feasible to complete the software so that it will be available for use;
- adequate technical, financial and other resources are available to complete the development and to use the software;
- the costs attributable to acquisition, development and enhancement of the software can be reliably measured; and
- the Groups have power to obtain future economic benefits flowing from the underlying resource.

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

Capitalized software costs are amortized on a straight-line basis over the estimated useful life of 8 to 10 years.

iii. Other intangible assets

Other intangible assets that are acquired by the Groups are stated in the consolidated statement of financial position at cost less accumulated amortization (where the estimated useful life is finite) and impairment losses (see note 3(o)(ii)). Expenditures on internally generated goodwill and brands are recognized as expenses in the period in which they are incurred.

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

Trademarks	20 years
Customer base	1 to 10 years

The assets' useful lives and their amortization methods are reviewed annually.

k. Fulfillment costs

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

l. Customer acquisition costs

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

3 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (CONTINUED)**m. Contract assets/liabilities**

Customer pays according to a pre-agreed payment schedule. Please refer to note 3(x) for timing of settlement details. If the performance obligations fulfilled by the Groups exceed the total non-refundable payments received and unconditional rights to contract consideration to date, a contract asset is recognized. If the total non-refundable payments received and unconditional rights to contract consideration to date exceed the performance obligation fulfilled, a contract liability is recognized. The contract assets are transferred to receivables when the Groups' rights to the contract consideration become unconditional.

Advances from customers represent refundable customer advances, please refer to note 3(u) for the accounting policies.

n. Investments in debt and equity securities**Classification**

The Groups classify their investments in debt and equity securities, other than interests in subsidiaries, associates, and joint arrangements, as:

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

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

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

The Groups reclassify debt instruments when and only when their business model for managing those assets changes.

Recognition and derecognition

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

Initial measurement

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

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

3 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

n. Investments in debt and equity securities (continued)

Subsequent measurement

Debt instruments

Subsequent measurement of debt instruments depends on the Groups' business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Groups classify their debt instruments:

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

Equity instruments

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

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

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

o. Impairment of assets

i. Investments in debt instruments and trade and other receivables

The Groups assess on forward-looking basis the expected credit losses associated with their debt instruments carried at amortized cost or FVOCI, and trade and other receivables carried at amortized cost.

For investments in debt instruments and other receivables, the Groups consider the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

To assess whether there is a significant increase in credit risk, the Groups compare the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition by considering available reasonable and supportive forward-looking information. Considerations may include:

- internal credit rating;
- external credit rating (as far as available);

3 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (CONTINUED)**o. Impairment of assets (continued)****i. Investments in debt instruments and trade and other receivables (continued)**

- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations;
- actual or expected significant changes in the operating results of the borrower;
- significant increases in credit risk on other financial instruments of the same borrower; and
- significant changes in the expected performance and behavior of the borrower, including changes in the payment status of the borrower in the Groups and changes in the operating results of the borrower.

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

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

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

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

ii. Impairment of other assets

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

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

3 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

o. Impairment of assets (continued)

ii. Impairment of other assets (continued)

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

– Calculation of recoverable amount

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

– Recognition of impairment losses

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

– Reversals of impairment losses

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

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

iii. Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Groups are required to prepare an interim financial report in compliance with HKAS 34 *Interim Financial Reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Groups apply the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 3(o)(i) and 3(o)(ii)).

Impairment losses recognized in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognized had the impairment been assessed only at the end of the financial year to which the interim period relates.

p. Derivative financial instruments

Derivative financial instruments are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value at the end of each reporting period. The gain or loss on remeasurement to fair value is recognized immediately in the consolidated income statement, except where the derivatives are designated and qualify for hedge accounting, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged (see note 3(q)).

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

3 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (CONTINUED)**q. Hedging**

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

Cash flow hedges

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

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

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

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

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

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

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

r. Inventories

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

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

Consumable inventories, held for use in the maintenance and expansion of the Groups' telecommunications systems, are stated at cost less provision for deterioration and obsolescence.

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

3 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES *(CONTINUED)*

s. Trade and other receivables

Trade and other receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing component, when they are recognized at fair value. The Groups hold trade and other receivables with the objective to collect the contractual cash flows and therefore measure them subsequently at amortized cost using the effective interest method, less loss allowance for expected credit losses (see note 3(o)(i)).

t. Cash and cash equivalents

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

u. Trade and other payables

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

v. Borrowings

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

w. Provisions and contingent liabilities

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

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

x. Revenue recognition

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

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

3 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (CONTINUED)**x. Revenue recognition (continued)**

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

The Groups often enter into bundled sale contracts with customers in which, apart from the provision of telecommunications and other services, the Groups have certain other performance obligations to customers such as the delivery of handsets, equipment, gifts and Reward Points. When multiple-element arrangements exist, the total transaction price receivable from customers is allocated among the Groups' performance obligations on a relative stand-alone selling price basis. Management estimates the stand-alone selling price at contract inception mainly based on observable retail prices and observable market data of the respective performance obligations in similar circumstances to similar customers. If a bundled discount is granted, it is allocated to respective performance obligations based on their relative stand-alone selling prices. The costs of respective handsets, equipment and gifts delivered are recognized as cost of sales when the corresponding revenue is recognized.

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

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

When the Reward Points are awarded to the members, such revenue at their relative stand-alone selling price is deferred as a liability until the Reward Points are redeemed. Expected breakage, referring to Reward Points that are expected to expire, is recognized as revenue based on assumptions such as historical experience, future redemption pattern and programme design.

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

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

3 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

y. Interest income

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

z. Dividend income

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

aa. Borrowing costs

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

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

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

ab. Cost of sales and general and administrative expenses

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

ac. Income tax

- i. Income tax for the year comprises current income tax and movements in deferred income tax assets and liabilities. Current income tax and movements in deferred income tax assets and liabilities are recognized in the consolidated income statement except to the extent that they relate to items recognized in other comprehensive income or directly in equity, in which case the relevant amounts are recognized in other comprehensive income or directly in equity, respectively.
- ii. Current income tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to income tax payable in respect of previous years.
- iii. Deferred income tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax bases. Deferred income tax assets also arise from unused tax losses and unused tax credits.

All deferred income tax liabilities, and all deferred income tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilized, are recognized. Future taxable profits that may support the recognition of deferred income tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred income tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred income tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilized.

3 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (CONTINUED)**ac. Income tax (continued)****iii. (continued)**

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

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

- iv. Current income tax balances and deferred income tax balances, and movements therein, are presented separately from each other and are not offset. Current income tax assets are offset against current income tax liabilities, and deferred income tax assets against deferred income tax liabilities, if the Groups have the legally enforceable right to set off current income tax assets against current income tax liabilities and the following additional conditions are met:
- in the case of current income tax assets and liabilities, the Groups intend either to settle on a net basis, or to realize the asset and settle the liability simultaneously; or
 - in the case of deferred income tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred income tax liabilities or assets are expected to be settled or recovered, intend to realize the current income tax assets and settle the current income tax liabilities on a net basis or realize and settle simultaneously.

ad. Employee benefits**i. Short-term employee benefits**

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

ii. Retirement benefits

The Groups operate defined contribution retirement schemes (including the Mandatory Provident Fund) for their employees, the assets of which are generally held in separate trustee-administered funds. The schemes are generally funded by contributions from the relevant companies in the Groups.

For defined contribution retirement schemes, the Groups pay contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Groups have no further payment obligations once the contributions have been paid.

The Groups' contributions to the defined contribution retirement schemes are recognized as an expense in the consolidated income statement in the period to which the contributions relate.

3 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

ad. Employee benefits (continued)

iii. Share-based payments

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

Share Stapled Units may be granted to employees at nil consideration under the Company's Share Stapled Units award schemes, under which the awarded Share Stapled Units are either newly issued at issue price (the “HKT Share Stapled Units Subscription Scheme”) or purchased from the open market (the “HKT Share Stapled Units Purchase Scheme”).

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

PCCW also grants PCCW Shares to employees of PCCW and its participating companies at nil consideration under its share award schemes, under which the awarded PCCW Shares are either newly issued at issue price (the “PCCW Subscription Scheme”) or purchased from the open market (the “PCCW Purchase Scheme”).

3 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (CONTINUED)**ad. Employee benefits (continued)****iii. Share-based payments (continued)**

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

iv. Termination benefits

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

ae. Translation of foreign currencies

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

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

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

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

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

3 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

af. Related parties

For the purposes of the HKT Trust and HKT Limited consolidated financial statements, a party is considered to be related to the Groups if:

- i. the party has the ability, directly or indirectly through one or more intermediaries, to control the Groups or exercise significant influence over the Groups in making financial and operating policy decisions, or has joint control over the Groups;
- ii. the Groups and the party are subject to common control;
- iii. the party is an associate of the Groups or a joint venture in which the Groups are venturers;
- iv. the party is a member of key management personnel of the Groups or the Groups' parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individual;
- v. the party is a close family member of a party referred to in note i above or is an entity under the control, joint control or significant influence of such party;
- vi. the party is a post-employment benefit plan which is for the benefit of employees of the Groups or of any entity that is a related party of the Groups; or
- vii. the entity, or any member of the Groups of which it is a part, provides key management personnel services to the Groups.

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

ag. Segment reporting

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

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

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

ah. Distribution/dividend to the holders of Share Stapled Units/shares of the Company

Distribution/dividend to the holders of Share Stapled Units/shares of the Company is recognized as a liability in the HKT Trust and HKT Limited consolidated financial statements and the Company's financial statements in the period in which the distribution/dividend is approved by the Boards or holders of Share Stapled Units/shares of the Company, where appropriate.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

The Groups make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Notes 18 and 36 contain information about the assumptions and their risk factors relating to goodwill impairment and financial instruments. Management has also made judgements in applying the Groups' accounting policies. These judgements and other key sources of estimation uncertainty are discussed below:

i. Impairment of assets (other than investments in debt instruments and trade and other receivables)

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

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

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

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

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

ii. Revenue recognition

Under certain arrangements, apart from the provision of telecommunications and other services, the Groups have certain other performance obligations to customers such as the delivery of handsets, equipment, gifts and Reward Points. When such multiple-element arrangements exist, the total transaction price receivable from customers is allocated among the Groups' performance obligations on a relative stand-alone selling price basis. Management estimates the stand-alone selling price at contract inception mainly based on observable retail prices and observable market data of the respective performance obligations in similar circumstances to similar customers. If a bundled discount is granted, it is allocated to respective performance obligations based on their relative stand-alone selling prices. The Groups are required to exercise considerable judgement in relation to estimating the stand-alone selling price.

iii. Deferred income tax

While deferred income tax liabilities are provided in full on all taxable temporary differences, deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. In assessing the amount of deferred income tax assets that need to be recognized, the Groups consider future taxable income and ongoing prudent and appropriate tax planning strategies. In the event that the Groups' estimates of projected future taxable income and benefits from available tax strategies are changed, or changes in current income tax regulations are enacted that would impact the timing or extent of the Groups' ability to utilize the tax benefits of net operating loss carry-forwards in the future, adjustments to the recorded amount of net deferred income tax assets and income tax expense would be made.

iv. Current income tax

The Groups make a provision for current income tax based on estimated taxable income for the year. The estimated income tax liabilities are primarily computed based on the tax computations as prepared by the Groups. Nevertheless, from time to time, there are queries raised by the tax authorities of Hong Kong and elsewhere on the tax treatment of items included in the tax computations and certain non-routine transactions. If the Groups consider it probable that these queries or judgements will result in different tax positions, the most likely amounts of the outcome will be estimated and adjustments to the income tax expense and income tax liabilities will be made accordingly.

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

The Groups have significant property, plant and equipment, intangible assets (other than goodwill), fulfillment costs and customer acquisition costs. The Groups are required to estimate the lives of property, plant and equipment, intangible assets (other than goodwill), fulfillment costs and customer acquisition costs in order to ascertain the amount of depreciation and amortization charges for each reporting period.

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

vi. Lease term and discount rate determination

In determining the lease term, management considers facts and circumstances such as conditions of the Groups' existing leases, future technology changes, business development and the Groups' strategies, that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Potential future cash outflows are not included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee. As at December 31, 2019, potential future undiscounted cash outflows of HK\$445 million have not been included in the lease liabilities because it is not reasonably certain that the lease will be extended (or not terminated).

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

December 31, 2019

5 STATEMENT OF FINANCIAL POSITION OF THE COMPANY

In HK\$ million	Note	2018	2019
ASSETS AND LIABILITIES			
Non-current assets			
Interests in subsidiaries		28,143	28,497
		28,143	28,497
Current assets			
Prepayments and deposits		3	2
Amounts due from subsidiaries		7,366	7,140
		7,369	7,142
Current liabilities			
Accruals and other payables		(30)	(4)
Amounts due to subsidiaries		(96)	(107)
Current income tax liabilities		(9)	(32)
		(135)	(143)
Net assets		35,377	35,496
CAPITAL AND RESERVES			
Share capital	30(a)	8	8
Reserves	30(b)	35,369	35,488
Total equity		35,377	35,496

Approved and authorized for issue by the board of directors of the Company on February 12, 2020 and signed on behalf of the board of directors of the Company by

Li Tzar Kai, Richard
Director

Hui Hon Hing, Susanna
Director

6 RELATED PARTY TRANSACTIONS

PCCW is the controlling holder of Share Stapled Units. CAS Holding No. 1 Limited and PCCW are the immediate and ultimate holding companies of the Company respectively.

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

In HK\$ million	Note	2018	2019
Telecommunications service fees received or receivable from a substantial shareholder of PCCW	a	78	71
Telecommunications service fees paid or payable to a substantial shareholder of PCCW	a	87	95
Telecommunications service fees, consultancy service charges and interest income received or receivable from joint ventures	a	42	42
Telecommunications service fees, equipment purchase costs, outsourcing fees and rental charges paid or payable to joint ventures	a	298	292
Consultancy service charges and interest income received or receivable from associates	a	14	6
Telecommunications service fees paid or payable to an associate	a	6	–
Telecommunications service fees, connectivity service fees, equipment sales, insurance premium and other costs recharge received or receivable from related parties under a common holder of Share Stapled Units/shareholder with the Company	a	44	44
Insurance premium and fronting service fees paid or payable to related parties under a common holder of Share Stapled Units/shareholder with the Company	a	16	10
Telecommunications service fees, management fee, equipment sales and other costs recharge received or receivable from fellow subsidiaries	a	1,822	2,109
Telecommunications service fees, IT and logistics charges, system development and integration charges, consultancy service charges, inventories purchase costs, rental and facilities management charges, management fee and other costs recharge paid or payable to fellow subsidiaries	a	2,801	2,968
Key management compensation	b	88	26

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

b. Details of key management compensation

In HK\$ million	2018	2019
Salaries and other short-term employee benefits	44	20
Share-based compensation	23	5
Termination benefits	19	–
Post-employment benefits	2	1
	88	26

c. Balances with related companies and a fellow subsidiary

Other than as specified in notes 20 and 21 and certain unsecured loans included in the amounts due from related companies totaling HK\$19 million (2018: HK\$9 million) which bear interest at 3% per annum (2018: same) and are repayable within 1 year (2018: same), the amount due to a fellow subsidiary and the other amounts due from related companies as at December 31, 2018 and 2019 are unsecured, non-interest bearing, and have no fixed repayment terms.

7 SEGMENT INFORMATION

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.
- Other businesses of the Groups ("Other Businesses") primarily comprises new business areas such as The Club and HKT Financial Services, of which Tap & Go is a component, 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.

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

In HK\$ million	TSS	Mobile	2018 Other Businesses	Eliminations	Total
Revenue					
External revenue	21,128	13,825	234	–	35,187
Inter-segment revenue	646	184	6	(836)	–
Total revenue	21,774	14,009	240	(836)	35,187
External revenue from contracts with customers:					
Timing of revenue recognition					
At a point in time	1,557	5,659	206	–	7,422
Over time	19,510	8,166	27	–	27,703
External revenue from other sources:					
Rental income	61	–	1	–	62
	21,128	13,825	234	–	35,187
Results					
EBITDA	8,204	4,959	(605)	–	12,558
Other information					
Capital expenditure (including property, plant and equipment and interests in leasehold land) incurred during the year	1,572	873	143	–	2,588

7 SEGMENT INFORMATION (CONTINUED)

In HK\$ million	TSS	Mobile	2019 Other Businesses	Eliminations	Total
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
Other information					
Capital expenditure (including property, plant and equipment and interests in leasehold land) incurred during the year	1,675	881	146	–	2,702

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

In HK\$ million	2018	2019
Total segment EBITDA	12,558	12,817
Gain/(loss) on disposal of property, plant and equipment, net	1	(2)
Depreciation and amortization	(5,343)	(5,121)
Other gains, net	2	3
Finance costs, net	(1,350)	(1,372)
Share of results of associates	–	(33)
Share of results of joint ventures	(16)	(18)
Profit before income tax	5,852	6,274

December 31, 2019

7 SEGMENT INFORMATION (CONTINUED)

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	2018	2019
Hong Kong (place of domicile)	29,740	28,201
Mainland and other parts of China	510	544
Others	4,937	4,358
	35,187	33,103

The total of non-current assets, other than financial instruments and deferred income tax assets, located in Hong Kong was HK\$85,692 million as at December 31, 2019 (2018: HK\$82,869 million). The total of these non-current assets located in other countries was HK\$2,909 million as at December 31, 2019 (2018: HK\$2,896 million).

8 REVENUE

In HK\$ million	2018	2019
Revenue from contracts with customers	35,125	33,036
Revenue from other sources: rental income	62	67
	35,187	33,103

a. Revenue recognition in relation to contract liabilities

In HK\$ million	2018	2019
Revenue recognized that was included in the contract liability balance at the beginning of the year	1,288	1,415

b. Unsatisfied long-term fixed-price contracts

In HK\$ million	2018	2019
Aggregate amount of the transaction price allocated to long-term fixed-price contracts that are partially or fully unsatisfied as at December 31,	16,377	16,658

As at December 31, 2019, management expected that 60% and 25% (2018: 63% and 23%) 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 15% (2018: 14%) 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.

9 PROFIT BEFORE INCOME TAX

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

a. Staff costs

In HK\$ million	2018	2019
Salaries, bonuses and other benefits	2,271	2,057
Share-based compensation expenses	55	39
Retirement costs for staff under defined contribution retirement schemes	302	308
	2,628	2,404
Less: staff costs included in cost of sales	(812)	(835)
Staff costs included in general and administrative expenses	1,816	1,569

b. Cost of sales

In HK\$ million	2018	2019
Cost of inventories sold	7,960	5,469
Connectivity costs	6,179	6,386
Staff costs	812	835
Provision for/(write-back of provision for) inventory obsolescence, net	8	(2)
Others	3,021	3,099
	17,980	15,787

c. General and administrative expenses

In HK\$ million	2018	2019
Staff costs	1,816	1,569
Impairment loss for trade receivables	211	222
Depreciation of property, plant and equipment	1,324	1,150
Depreciation of right-of-use assets – land and buildings	1,262	1,259
Depreciation of right-of-use assets – network capacity and equipment	289	234
Amortization of land lease premium – interests in leasehold land	13	12
Amortization of intangible assets	1,186	1,126
Amortization of fulfillment costs	417	489
Amortization of customer acquisition costs	852	851
Exchange gains, net	(6)	(145)
Less: cash flow hedges: transferred from equity	35	160
(Gain)/loss on disposal of property, plant and equipment, net	(1)	2
Remuneration to the Company's auditor		
– audit and audit related services	14	15
– non-audit services	7	3
Remuneration to other auditors		
– audit and audit related services	5	6
– non-audit services	2	2
Short-term leases expenses	84	105
Others	2,481	2,562
	9,991	9,622

December 31, 2019

10 FINANCE COSTS, NET

In HK\$ million	2018	2019
Interest expense, excluding interest expense on lease liabilities	(1,330)	(1,441)
Interest expense on lease liabilities	(96)	(92)
Notional accretion on carrier licence fee liabilities	(44)	(35)
Other finance costs	(6)	(6)
Hedge ineffectiveness: cross currency swap contracts and foreign exchange forward contract		
– cash flow hedges for foreign currency risk	19	48
Hedge ineffectiveness: interest rate swap contracts – cash flow hedges for interest rate risk	2	7
Unwind of a foreign exchange forward contract	–	8
Impact of re-designation of fair value hedges	(16)	(16)
	(1,471)	(1,527)
Interest capitalized in property, plant and equipment and intangible assets (<i>note a</i>)	52	91
Total finance costs	(1,419)	(1,436)
Interest income	60	56
Interest income from net investment in leases	9	8
Total interest income	69	64
Finance costs, net	(1,350)	(1,372)

a. The capitalization rate used to determine the amount of interest eligible for capitalization in property, plant and equipment and intangible assets ranged from 2.97% to 3.47% for the year ended December 31, 2019 (2018: from 3.05% to 3.31%).

11 DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS

a. Directors' emoluments – cash and cash equivalents paid/payable

	2018							
In HK\$ million	Directors' fees	Salaries	Allowances	Benefits in kind ¹	Bonuses ²	Retirement scheme contributions	Share-based compensation ³	Total
Executive directors								
Li Tzar Kai, Richard	–	–	–	–	–	–	–	–
Alexander Anthony Arena ⁴	–	10.95	7.07	0.02	12.26	1.06	31.33	62.69
Hui Hon Hing, Susanna	–	3.78	2.17	0.03	5.31	0.45	5.56	17.30
Non-executive directors								
Srinivas Bangalore Gangaiah	–	–	–	–	–	–	–	–
Peter Anthony Allen	–	–	–	–	–	–	–	–
Chung Cho Yee, Mico	0.24	–	–	–	–	–	–	0.24
Lu Yimin ⁵	0.17 ⁶	–	–	–	–	–	–	0.17
Li Fushen	0.24 ⁷	–	–	–	–	–	–	0.24
Zhu Kebing ⁸	0.07 ⁹	–	–	–	–	–	–	0.07
Independent non-executive directors								
Professor Chang Hsin Kang	0.24	–	–	–	–	–	–	0.24
Sunil Varma	0.36 ¹⁰	–	–	–	–	–	–	0.36
Aman Mehta	0.36 ¹¹	–	–	–	–	–	–	0.36
Frances Waikwun Wong	0.36 ¹²	–	–	–	–	–	–	0.36
	2.04	14.73	9.24	0.05	17.57	1.51	36.89	82.03

Notes:

- 1 Benefits in kind mainly includes medical insurance premium.
- 2 Bonus amounts shown above represent the 2017 bonuses that were paid in 2018. It was determined by reference to the Groups and the individual performance during the year ended December 31, 2017.
- 3 Share-based compensation amounts shown above represent the aggregate fair values at the respective award dates of the PCCW Shares and Share Stapled Units vested (including accelerated vesting by reason of retirement) in 2018 for respective directors under the share award schemes.
- 4 Retired as an executive director with effect from the end of August 31, 2018.
- 5 Resigned as a non-executive director with effect from September 18, 2018.
- 6 Fee receivable as a non-executive director in 2018 was surrendered to a subsidiary of China United Network Communications Group Company Limited in accordance with an arrangement between Mr Lu Yimin and China United Network Communications Group Company Limited.
- 7 Fee receivable as a non-executive director in 2018 was surrendered to a subsidiary of China United Network Communications Group Company Limited in accordance with an arrangement between Mr Li Fushen and China United Network Communications Group Company Limited.
- 8 Appointed as a non-executive director with effect from September 18, 2018.
- 9 Fee receivable as a non-executive director in 2018 was surrendered to a subsidiary of China United Network Communications Group Company Limited in accordance with an arrangement between Mr Zhu Keping and China United Network Communications Group Company Limited.
- 10 Includes HK\$118,450 fee as Chairman of Audit Committee.
- 11 Includes HK\$118,450 fee as Chairman of Nomination Committee.
- 12 Includes HK\$118,450 fee as Chairwoman of Remuneration Committee.

December 31, 2019

11 DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS (CONTINUED)**a. Directors' emoluments – cash and cash equivalents paid/payable (continued)**

In HK\$ million	2019							Total
	Directors' fees	Salaries	Allowances	Benefits in kind ¹	Bonuses ²	Retirement scheme contributions	Share-based compensation ³	
Executive directors								
Li Tzar Kai, Richard	–	–	–	–	–	–	–	–
Hui Hon Hing, Susanna	–	4.57	4.57	0.04	5.73	0.55	5.33	20.79
Non-executive directors								
Srinivas Bangalore Gangaiah	–	–	–	–	–	–	–	–
Peter Anthony Allen	–	–	–	–	–	–	–	–
Chung Cho Yee, Mico	0.25	–	–	–	–	–	–	0.25
Li Fushen	0.25 ⁴	–	–	–	–	–	–	0.25
Zhu Keping	0.25 ⁵	–	–	–	–	–	–	0.25
Independent non-executive directors								
Professor Chang Hsin Kang	0.25	–	–	–	–	–	–	0.25
Sunil Varma	0.37 ⁶	–	–	–	–	–	–	0.37
Aman Mehta	0.37 ⁷	–	–	–	–	–	–	0.37
Frances Waikwun Wong	0.37 ⁸	–	–	–	–	–	–	0.37
	2.11	4.57	4.57	0.04	5.73	0.55	5.33	22.90

Notes:

- 1 Benefits in kind mainly includes medical insurance premium.
- 2 Bonus amounts shown above represent the 2018 bonuses that were paid in 2019. It was determined by reference to the Groups and the individual performance during the year ended December 31, 2018.
- 3 Share-based compensation amounts shown above represent the aggregate fair values at the respective award dates of the PCCW Shares and Share Stapled Units vested in 2019 for respective directors under the share award schemes.
- 4 Fee receivable as a non-executive director in 2019 was surrendered to a subsidiary of China United Network Communications Group Company Limited in accordance with an arrangement between Mr Li Fushen and China United Network Communications Group Company Limited.
- 5 Fee receivable as a non-executive director in 2019 was surrendered to a subsidiary of China United Network Communications Group Company Limited in accordance with an arrangement between Mr Zhu Keping and China United Network Communications Group Company Limited.
- 6 Includes HK\$124,400 fee as Chairman of Audit Committee.
- 7 Includes HK\$124,400 fee as Chairman of Nomination Committee.
- 8 Includes HK\$124,400 fee as Chairwoman of Remuneration Committee.

11 DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS (CONTINUED)

b. Directors' other services

No other emoluments were paid to or receivable by any director in respect of directors' other services in connection with the management of the affairs of the Company or its subsidiary undertakings during the year ended December 31, 2019 (2018: nil).

c. Directors' retirement benefits

No retirement benefits were paid to or receivable by any director during the year ended December 31, 2019 by a defined contribution retirement scheme operated by the Groups in respect of services as a director of the Company and its subsidiaries. For the year ended December 31, 2018, relevant retirement benefits were paid by the Groups to Mr Alexander Anthony Arena upon his retirement.

No other retirement benefits were paid to or receivable by any director in respect of other services in connection with the management of the affairs of the Company or its subsidiary undertakings during the year ended December 31, 2019 (2018: nil).

d. Directors' termination benefits

No payments or benefits in respect of the termination of directors' services were paid to or receivable by the directors during the year ended December 31, 2019. For the year ended December 31, 2018, termination benefits of a total amount of approximately HK\$70 million from both the Company and PCCW were paid to Mr Alexander Anthony Arena upon his retirement.

e. Consideration provided to third parties for making available directors' services

No consideration was provided to or receivable by third parties for making available directors' services during the year ended December 31, 2019 (2018: nil).

f. Information about loans, quasi-loans and other dealings entered into by the Company or subsidiary undertakings of the Company, where applicable, in favour of directors

There were no loans, quasi-loans or other dealings in favour of directors, their controlled bodies corporate and connected entities during the year ended December 31, 2019 (2018: nil).

g. Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Groups' business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the reporting period or at any time during the year ended December 31, 2019 (2018: nil).

December 31, 2019

11 DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS (CONTINUED)**h. Individuals with highest emoluments**

- i. Of the five individuals with the highest emoluments, one (2018: two) is a director of the Company and the Trustee-Manager whose emoluments are disclosed in note 11(a). The emoluments in respect of the four (2018: three) non-director individuals for the year ended December 31, 2019 were as follows:

In HK\$ million	2018	2019
Salaries, share-based compensation, allowances and benefits in kind	13	18
Bonuses	3	3
Retirement scheme contributions	1	1
	17	22

- ii. The emoluments of the four (2018: three) non-director individuals for the year ended December 31, 2019 were within the following emolument ranges:

	Number of individuals	
	2018	2019
HK\$5,000,001 – HK\$5,500,000	2	3
HK\$6,500,001 – HK\$7,000,000	1	1
	3	4

12 INCOME TAX**a. Income tax in the consolidated income statement represents:**

In HK\$ million	2018	2019
Hong Kong profits tax		
– provision for current year	610	484
– over provision in respect of prior years	(14)	(9)
Overseas tax		
– provision for current year	30	32
– over provision in respect of prior years	(23)	(6)
Movement of deferred income tax (note 32(a))	407	536
	1,010	1,037

Hong Kong profits tax is provided at the rate of 16.5% (2018: 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.

12 INCOME TAX (CONTINUED)

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

In HK\$ million	2018	2019
Profit before income tax	5,852	6,274
Notional tax on profit before income tax, calculated at the Hong Kong tax rate of 16.5% (2018: 16.5%)	966	1,035
Effect of different tax rates of subsidiaries operating overseas	7	18
Income not subject to tax	(29)	(25)
Expenses not deductible for tax purposes	60	56
Tax losses not recognized	36	47
Over provision in respect of prior years, net	(37)	(15)
Utilization of previously unrecognized tax losses	(12)	(10)
Recognition of tax losses	(18)	–
Recognition of previously unrecognized temporary differences	34	(11)
Net losses of associates and joint ventures not deductible for tax purposes	3	8
Corporate income tax incentives	–	(66)
Income tax expense	1,010	1,037

13 DISTRIBUTIONS/DIVIDENDS

In HK\$ million	2018	2019
Interim distribution/dividend declared and paid in respect of the current year of 30.01 HK cents (2018: 29.12 HK cents) per Share Stapled Unit/ordinary share of the Company	2,205	2,272
Final distribution/dividend declared in respect of the previous financial year, approved and paid during the year of 39.17 HK cents (2018: 36.75 HK cents) per Share Stapled Unit/ordinary share of the Company	2,783	2,966
	4,988	5,238

For the year ended December 31, 2019, the Company proposed a final dividend of 40.37 HK cents per ordinary share, totaling HK\$3,057 million (2018: 39.17 HK cents per ordinary share, totaling HK\$2,966 million) to HKT Trust after the end of the reporting period.

For the year ended December 31, 2019, HKT Trust proposed a final distribution of 40.37 HK cents per Share Stapled Unit, totaling HK\$3,057 million (2018: 39.17 HK cents per Share Stapled Unit, totaling HK\$2,966 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.

December 31, 2019

14 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:

	2018	2019
Earnings (in HK\$ million)		
Earnings for the purpose of basic and diluted earnings per Share Stapled Unit/share of the Company	4,825	5,217
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	7,571,742,334
Effect of Share Stapled Units held under the Company's Share Stapled Units award schemes	(372,000)	(642,588)
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	7,571,370,334	7,571,099,746
Effect of Share Stapled Units awarded under the Company's Share Stapled Units award schemes	2,364,723	1,775,583
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	7,573,735,057	7,572,875,329

15 PROPERTY, PLANT AND EQUIPMENT

In HK\$ million	2018					Total
	Buildings	Exchange equipment	Transmission plant	Other plant and equipment	Projects under construction	
Cost						
Beginning of year	1,389	22,183	24,808	13,740	1,916	64,036
Additions	–	488	280	211	1,609	2,588
Transfers	–	98	312	493	(903)	–
Disposals	–	(240)	(26)	(167)	–	(433)
Exchange differences	–	(21)	(68)	(24)	–	(113)
End of year	1,389	22,508	25,306	14,253	2,622	66,078
Accumulated depreciation and impairment						
Beginning of year	684	17,552	15,617	10,797	–	44,650
Charge for the year	29	387	479	429	–	1,324
Disposals	–	(240)	(26)	(165)	–	(431)
Exchange differences	–	(17)	(27)	(22)	–	(66)
End of year	713	17,682	16,043	11,039	–	45,477
Net book value						
End of year	676	4,826	9,263	3,214	2,622	20,601
Beginning of year	705	4,631	9,191	2,943	1,916	19,386

December 31, 2019

15 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

In HK\$ million	2019					Total
	Buildings	Exchange equipment	Transmission plant	Other plant and equipment	Projects under construction	
Cost						
Beginning of year	1,389	22,508	25,306	14,253	2,622	66,078
Additions	–	552	399	430	1,321	2,702
Additions upon business combination	–	–	–	15	–	15
Transfers	–	314	762	526	(1,602)	–
Disposals	–	(388)	(3)	(106)	–	(497)
Exchange differences	–	1	30	(18)	–	13
End of year	1,389	22,987	26,494	15,100	2,341	68,311
Accumulated depreciation and impairment						
Beginning of year	713	17,682	16,043	11,039	–	45,477
Charge for the year	29	316	489	316	–	1,150
Disposals	–	(388)	(3)	(100)	–	(491)
Exchange differences	–	–	14	(16)	–	(2)
End of year	742	17,610	16,543	11,239	–	46,134
Net book value						
End of year	647	5,377	9,951	3,861	2,341	22,177
Beginning of year	676	4,826	9,263	3,214	2,622	20,601

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

During the year ended December 31, 2019, the Groups performed a review to reassess the useful lives of certain property, plant and equipment of the Groups, based on the expectations of the Groups' operational management and technological trends. The reassessment resulted in changes in the estimated useful lives of these assets. The Groups considered this to be a change in accounting estimate and therefore accounted for the change on a prospective basis. As a result of this change in accounting estimate, the Groups' profit attributable to the holders of Share Stapled Units/shares of the Company for the year ended December 31, 2019 increased by HK\$204 million and the equity attributable to the holders of Share Stapled Units/shares of the Company as at December 31, 2019 increased by HK\$204 million.

16 RIGHT-OF-USE ASSETS

In HK\$ million	2018	2019
Land and buildings	2,414	2,164
Network capacity and equipment	394	272
Total	2,808	2,436

The Groups obtain right to control the use of various land and buildings, and network capacity and equipment for a period of time through lease arrangements. Lease arrangements are negotiated on an individual basis and contain a wide range of different terms and conditions including lease payments and lease terms ranging from 1 to 20 years for land and buildings, and from 1 to 6 years for network capacity and equipment. Except for lease covenants mainly related to the maintenance and use of the leased assets that are commonly found in lease arrangements, there are no other covenants or restrictions imposed by the lease agreements. The leased assets may not be used as security for borrowing purposes. The Groups also sublease certain buildings whose lease terms are for the whole of the remaining term of the head lease and have classified the subleases as finance leases.

Additions to the right-of-use assets during the year ended December 31, 2019 were HK\$1,136 million (2018: HK\$2,302 million).

During the year ended December 31, 2019, total cash outflow for leases of HK\$1,644 million (2018: HK\$1,665 million) was included in net cash used in financing activities.

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

17 INTERESTS IN LEASEHOLD LAND

In HK\$ million	2018	2019
Cost		
Beginning and end of year	536	536
Accumulated amortization		
Beginning of year	296	309
Charge for the year	13	12
End of year	309	321
Net book value		
End of year	227	215
Beginning of year	240	227

December 31, 2019

18 GOODWILL

In HK\$ million	2018	2019
Cost		
Beginning of year	49,814	49,805
Additions upon business combination	3	5
Exchange differences	(12)	4
End of year	49,805	49,814

Impairment tests for CGUs containing goodwill

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

In HK\$ million	2018	2019
TSS		
– Local telephony and data services	31,693	31,698
– Global	1,259	1,263
Mobile	16,853	16,853
Total	49,805	49,814

The recoverable amounts of the CGUs are determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management generally covering a 5-year period. Cash flows beyond the projection period are extrapolated using the estimated terminal growth rates stated below.

The key assumptions used for value-in-use calculations in 2019 were as follows:

	2018				2019			
	Revenue growth rate	EBITDA growth rate	Terminal growth rate	Pre-tax discount rate	Revenue growth rate	EBITDA growth rate	Terminal growth rate	Pre-tax discount rate
TSS								
– Local telephony and data services	2%	2%	1%	8%	1%	1%	1%	8%
– Global	1%	3%	3%	13%	1%	2%	3%	13%
Mobile	2%	3%	2%	12%	3%	2%	2%	11%

These assumptions were used for the analysis of each CGU.

There was no impairment required from the review on goodwill. A reasonably possible change in assumptions would not result in impairment and as such disclosure of sensitivity analysis is not considered necessary.

Management determined budgeted revenue and EBITDA growth rates based on past performance and its expectations for market development. The average growth rates used were consistent with the forecasts included in industry reports. The terminal growth rates did not exceed the long-term average growth rates for the businesses in which the CGUs operate.

19 INTANGIBLE ASSETS

In HK\$ million	Trademarks	Carrier licences	2018 Customer base	Software	Total
Cost					
Beginning of year	1,862	5,178	2,767	2,689	12,496
Additions	–	104	–	1,811	1,915
Write-off	–	(730)	–	–	(730)
Exchange differences	(3)	–	(3)	–	(6)
End of year	1,859	4,552	2,764	4,500	13,675
Accumulated amortization					
Beginning of year	476	1,617	1,692	745	4,530
Charge for the year	92	414	460	220	1,186
Write-off	–	(730)	–	–	(730)
Exchange differences	(1)	–	(1)	–	(2)
End of year	567	1,301	2,151	965	4,984
Net book value					
End of year	1,292	3,251	613	3,535	8,691
Beginning of year	1,386	3,561	1,075	1,944	7,966

In HK\$ million	Trademarks	Carrier licences	2019 Customer base	Software	Total
Cost					
Beginning of year	1,859	4,552	2,764	4,500	13,675
Additions	–	421	–	2,132	2,553
Write-off	–	(101)	–	–	(101)
Exchange differences	1	–	–	–	1
End of year	1,860	4,872	2,764	6,632	16,128
Accumulated amortization					
Beginning of year	567	1,301	2,151	965	4,984
Charge for the year	90	412	187	437	1,126
Write-off	–	(101)	–	–	(101)
Exchange differences	–	–	1	–	1
End of year	657	1,612	2,339	1,402	6,010
Net book value					
End of year	1,203	3,260	425	5,230	10,118
Beginning of year	1,292	3,251	613	3,535	8,691

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

As at December 31, 2018 and 2019, no impairment was recognized for the intangible assets. Impairment assessments for intangible assets are performed as part of the impairment assessments for the corresponding CGUs. For details of the accounting policies and the impairment assessments, please refer to notes 3(o)(ii) and 18.

20 INTERESTS IN ASSOCIATES

In HK\$ million	2018	2019
Share of net assets of associates	65	272
Loans due from associates, net	233	233
Provision for impairment	(298)	(296)
	–	209
Investments at cost, unlisted shares	113	353

During the year ended December 31, 2019, no provision for impairment was recognized in the consolidated income statement (2018: nil).

Pursuant to the subscription agreement and the shareholders' agreement, both dated March 27, 2019, for the formation of a joint venture to undertake the business of operating a virtual bank in Hong Kong, the HKT Limited Group subscribed for 15% of the total issued share capital of SC Digital Solutions Limited, a company incorporated in Hong Kong, for an aggregate price for HK\$242 million during the year ended December 31, 2019. SC Digital Solutions Limited is licensed by the Hong Kong Monetary Authority to operate a virtual bank in Hong Kong.

As at December 31, 2019, loans due from associates comprised certain unsecured loans totaling HK\$340 million (2018: HK\$160 million) which bear interest at 3% per annum (2018: same) and are repayable within 1 year (2018: same), and a secured loan amounted to HK\$6 million (2018: HK\$6 million), which bears interest at 8% per annum (2018: same) and is repayable within 1 year (2018: same). Certain secured loans totaling HK\$180 million as at December 31, 2018, bearing interest at 3% per annum and repayable within 1 year had become unsecured in 2019. These loans are considered as equity in nature for which full provision for impairment has been made as at December 31, 2018 and 2019.

a. As at December 31, 2018 and 2019, the Groups considered that there was no principal associate.

b. Contingent liabilities in respect of associates

The Groups' contingent liabilities relating to their associates are disclosed in note 38. As at December 31, 2019, the Groups had no share of contingent liabilities related to the associates (2018: nil).

c. Summarized unaudited financial information of the Groups' associates

For the year ended December 31, 2019, the aggregate net amounts of the Groups' share of loss after income tax, other comprehensive loss and total comprehensive loss of the individually immaterial associates that are accounted for using the equity method were HK\$33 million, nil and HK\$33 million, respectively.

For the year ended December 31, 2018, the Groups had not accounted for any share of loss after income tax, other comprehensive loss and total comprehensive loss of the individually immaterial associates under equity method.

d. Reconciliation of summarized unaudited financial information

As at December 31, 2019, the aggregate carrying amount of interests in individually immaterial associates that are accounted for using the equity method was HK\$209 million (2018: nil).

During the year ended December 31, 2019, the Groups had unrecognized share of losses of associates of HK\$3 million (2018: HK\$7 million). As at December 31, 2019, the Groups had unrecognized accumulated share of losses of the associates of HK\$10 million (2018: HK\$7 million).

21 INTERESTS IN JOINT VENTURES

In HK\$ million	2018	2019
Share of net assets of joint ventures	296	306
Loan due from a joint venture, net	382	337
	678	643
Investments at cost, unlisted shares	308	343

As at December 31, 2019, all balances with joint ventures are unsecured and non-interest bearing, and have no fixed terms of repayment except that the loan due from a joint venture of HK\$337 million (2018: HK\$382 million) bears interest at HIBOR plus 3% per annum (2018: same). The amount is considered as part of the interests in joint ventures.

a. Particulars of the principal joint venture of the Groups as at December 31, 2019 are as follows:

Company name	Principal place of business/place of incorporation	Principal activities	Amount of issued capital	Interest held by the Company		Measurement method
				Directly	Indirectly	
Genius Brand Limited ("GBL")	Hong Kong	Provision of mobile telecommunications services in Hong Kong	HK\$10,000	–	50%	Equity

GBL is a strategic partnership of the Groups, providing access to advanced connectivity services in Hong Kong for the development of mobile business.

GBL is a private company and there is no quoted market price available for its shares.

b. Commitments and contingent liabilities in respect of joint ventures

As at December 31, 2019, the Groups' commitments in respect of joint ventures are as follows:

In HK\$ million	2018	2019
The Groups' commitments to provide funding	73	59
The Groups' share of joint ventures' capital commitments authorized and contracted for acquisition of property, plant and equipment	26	12
The Groups' share of joint ventures' other commitments	–	22

There were no contingent liabilities relating to the Groups' interests in the joint ventures. As at December 31, 2019, the Groups had no share of contingent liabilities related to the joint ventures (2018: nil).

December 31, 2019

21 INTERESTS IN JOINT VENTURES (CONTINUED)**c. Summarized unaudited financial information of the Groups' joint ventures**

Set out below is the summarized unaudited financial information of GBL, the principal joint venture of the Groups and being accounted for using the equity method:

In HK\$ million	As at December 31,	
	2018	2019
Non-current assets	900	801
Current assets		
Cash and cash equivalents	28	6
Other current assets (excluding cash and cash equivalents)	25	31
Total current assets	53	37
Current liabilities		
Financial liabilities (excluding trade payables, accruals and other payables)	(325)	(323)
Other current liabilities (including trade payables, accruals and other payables)	(65)	(72)
Total current liabilities	(390)	(395)
Non-current liabilities		
Financial liabilities	(604)	(494)
Other non-current liabilities	(33)	(33)
Total non-current liabilities	(637)	(527)
Net liabilities	(74)	(84)
Equity attributable to equity holders	(74)	(84)
In HK\$ million	For the year ended December 31,	
	2018	2019
Revenue	254	255
Depreciation and amortization	(102)	(97)
Interest expense	(43)	(41)
Profit before income tax	1	1
Income tax	(12)	(11)
Loss after income tax and total comprehensive loss	(11)	(10)
Dividend received from the joint venture	–	–

The information above reflects the amounts presented in the financial statements of the joint venture (not the Groups' share of those amounts) and adjusted for differences in accounting policies between the Groups and the joint venture, if any.

21 INTERESTS IN JOINT VENTURES (CONTINUED)

c. Summarized unaudited financial information of the Groups' joint ventures (continued)

For the year ended December 31, 2019, the aggregate net amounts of the Groups' share of loss after income tax, other comprehensive loss and total comprehensive loss of individually immaterial joint ventures that are accounted for using the equity method were HK\$13 million (2018: HK\$11 million), HK\$7 million (2018: other comprehensive income of HK\$5 million) and HK\$20 million (2018: HK\$6 million), respectively.

d. Reconciliation of summarized unaudited financial information of the Groups' joint ventures

Reconciliation of the summarized unaudited financial information presented to the carrying amount of the Groups' interest in GBL, the principal joint venture.

In HK\$ million	2018	2019
Net liabilities		
Beginning of year	(63)	(74)
Loss and total comprehensive loss for the year	(11)	(10)
End of year	(74)	(84)
Interest in a joint venture	50%	50%
	(37)	(42)
Loan due from a joint venture	382	337
Carrying amount	345	295

As at December 31, 2019, the aggregate carrying amount of interests in individually immaterial joint ventures that are accounted for using the equity method was HK\$348 million (2018: HK\$333 million).

During the year ended December 31, 2019, the Groups did not have any unrecognized share of losses of joint ventures (2018: nil).

As at December 31, 2019, there was no accumulated share of losses of the joint ventures unrecognized by the Groups (2018: nil).

December 31, 2019

22 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

In HK\$ million	2018	2019
Unlisted securities		
Beginning of year	77	77
Additions	–	47
End of year	77	124

As at December 31, 2019, financial assets at FVOCI comprised unlisted equity investments which are held for strategic purposes (2018: same).

23 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

In HK\$ million	2018	2019
Listed securities	20	13
Less: securities held for employee share award schemes to be vested within one year classified as current assets	(12)	(12)
Listed securities (non-current)	8	1
Unlisted securities (non-current)	–	31
Total non-current portion	8	32

Financial assets at FVPL mainly comprise:

- debt instrument that does not qualify for measurement either at amortized cost or at FVOCI; and
- PCCW Shares acquired and subscribed under the PCCW Purchase Scheme and PCCW Subscription Scheme. Refer to note 29(b)(ii) for details of the share award schemes of PCCW.

During the year ended December 31, 2019, there were additions of unlisted securities recognized as financial assets at FVPL of HK\$31 million (2018: nil).

24 INTERESTS IN SUBSIDIARIES

a. Particulars of the principal subsidiaries of the Company as at December 31, 2019 are as follows:

Company name	Place of incorporation/ operations	Amount of issued capital/ registered capital	Interest held by the Company		Principal activities
			Directly	Indirectly	
HKT Group Holdings Limited ("HKTGH")	Cayman Islands	US\$636,000,019	100%	–	Investment holding
HKT Services Limited	Hong Kong	HK\$1	–	100%	Provision of management services to group companies
Hong Kong Telecommunications (HKT) Limited ("HKTL")	Hong Kong	HK\$9,945,156,001	–	100%	Provision of telecommunications services
電訊盈科科技(北京)有限公司 ³ (PCCW Technology (Beijing) Limited ⁴)	The People's Republic of China (the "PRC")	RMB40,000,000	–	100%	System integration, software development and technical services consultancy
CSL Mobile Limited	Hong Kong	HK\$7,900,280,100 ordinary shares and HK\$1,254,000,000 non-voting deferred shares	–	100%	Provision of mobile services to its customers and the sale of mobile handsets and accessories
Sun Mobile Limited	Hong Kong	HK\$41,600,002	–	60% ¹	Provision of mobile telecommunications services to customers in Hong Kong
Gateway Global Communications Limited	United Kingdom	GBP1	–	100%	Provision of network-based telecommunications services to external customers and related companies
PCCW Global B.V.	Netherlands/ France	EUR18,000	–	100%	Sales, distribution and marketing of telecommunication services and products
PCCW Global, Inc.	Delaware, U.S.	US\$18.01	–	100%	Supply of broadband internet access solutions and web services

December 31, 2019

24 INTERESTS IN SUBSIDIARIES (CONTINUED)**a. Particulars of the principal subsidiaries of the Company as at December 31, 2019 are as follows: (continued)**

Company name	Place of incorporation/ operations	Amount of issued capital/ registered capital	Interest held by the Company		Principal activities
			Directly	Indirectly	
PCCW Global Limited	Hong Kong/ Dubai Media City	HK\$240,016,690.65	–	100%	Provision of network-based telecommunications services
PCCW Global (Japan) K.K.	Japan	JPY10,000,000	–	100%	Provision of telecommunications services
PCCW Global (HK) Limited	Hong Kong	HK\$10	–	100%	Provision of satellite-based and network-based telecommunications services
HKT Global (Singapore) Pte. Ltd.	Singapore/ Malaysia	S\$60,956,485.64	–	100%	Provision of telecommunications solutions related services
PCCW (Macau), Limitada	Macau	MOP2,000,000	–	75% ²	Selling customer premises equipment and related solutions, conducting systems integration projects and providing outsourced call center services
廣州電盈綜合客戶服務技術 發展有限公司 ³ (PCCW Customer Management Technology and Services (Guangzhou) Limited ⁴)	The PRC	HK\$93,240,000	–	100%	Customer service and consultancy
HKT Teleservices International Limited	Hong Kong	HK\$350,000,002	–	100%	Provision of customer relationship management and customer contact management solutions and services

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

Notes:

1. The equity interest held by non-controlling interest is 40% as at December 31, 2019.
2. The equity interest held by non-controlling interest is 25% as at December 31, 2019.
3. Represents a wholly foreign owned enterprise.
4. Unofficial company name.

b. Non-controlling interests of the Groups' subsidiaries

The total of non-controlling interests as at December 31, 2019 was HK\$58 million (2018: HK\$39 million), of which HK\$56 million (2018: HK\$44 million) was mainly attributable to non-controlling interests in Sun Mobile Limited and PCCW (Macau), Limitada.

25 OTHER NON-CURRENT ASSETS

In HK\$ million	2018	2019
Prepayments	692	709
Deposits	129	203
Others	244	194
	1,065	1,106

26 CURRENT ASSETS AND LIABILITIES

a. Inventories

In HK\$ million	2018	2019
Purchased parts and materials	610	414
Finished goods	388	318
Consumable inventories	82	71
	1,080	803

b. Prepayments, deposits and other current assets

In HK\$ million	2018	2019
Prepayments	438	565
Deposits	329	256
Other current assets	1,266	990
	2,033	1,811

c. Trade receivables, net

In HK\$ million	2018	2019
Trade receivables (<i>note i</i>)	3,862	3,743
Less: loss allowance (<i>note ii</i>)	(135)	(143)
Trade receivables, net	3,727	3,600

The balance represents amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days from the date of invoice and therefore are all classified as current. Details about the Groups' impairment policies are provided in note 3(o)(i).

As at December 31, 2019, included in trade receivables, net were amounts due from related parties of HK\$36 million (2018: HK\$47 million).

December 31, 2019

26 CURRENT ASSETS AND LIABILITIES (CONTINUED)**c. Trade receivables, net (continued)****i. The aging of trade receivables based on the date of invoice is set out below:**

In HK\$ million	2018	2019
1 – 30 days	2,889	2,594
31 – 60 days	288	346
61 – 90 days	155	272
91 – 120 days	99	98
Over 120 days	431	433
	3,862	3,743

ii. Impairment for trade receivables

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

To measure the expected credit losses, trade receivables are grouped based on shared credit risk characteristics and the days past due. The expected loss rates are estimated based on the corresponding historical credit losses experienced, adjusted with the expected change between current and forward-looking information on macroeconomic factors, if material. On that basis, the loss allowance as at December 31, 2019 was determined as follows:

Expected credit loss rate	2018	2019
Current	1%	1%
1 – 120 days past due	2%	3%
Over 120 days past due	31%	26%

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

In HK\$ million	2018	2019
Beginning of year	183	135
Net impairment loss recognized	211	222
Uncollectible amounts written off	(259)	(214)
End of year	135	143

d. Restricted cash

As at December 31, 2019, cash balance of HK\$115 million (2018: HK\$88 million) has been received from and restricted for the use of certain customers.

26 CURRENT ASSETS AND LIABILITIES (CONTINUED)

e. Trade payables

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

In HK\$ million	2018	2019
1 – 30 days	1,205	1,269
31 – 60 days	121	556
61 – 90 days	53	100
91 – 120 days	22	31
Over 120 days	386	386
	1,787	2,342

As at December 31, 2019, included in trade payables were amounts due to related parties of HK\$12 million (2018: HK\$32 million).

27 LONG-TERM BORROWINGS

In HK\$ million	2018	2019
Repayable within a period		
– over one year, but not exceeding two years	2,022	5,202
– over two years, but not exceeding five years	24,333	17,619
– over five years	13,814	17,537
	40,169	40,358
Representing:		
US\$500 million 3.75% guaranteed notes due 2023 (note a)	3,818	3,819
US\$300 million zero coupon guaranteed notes due 2030 (note b)	2,335	2,324
US\$500 million 3.625% guaranteed notes due 2025 (note c)	3,878	3,862
EUR200 million 1.65% guaranteed notes due 2027 (note d)	1,761	1,713
US\$750 million 3.00% guaranteed notes due 2026 (note e)	5,840	5,812
US\$500 million 3.25% guaranteed notes due 2029 (note f)	–	3,826
Bank borrowings	22,537	19,002
	40,169	40,358
Secured	–	–
Unsecured	40,169	40,358

a. US\$500 million 3.75% guaranteed notes due 2023

On March 8, 2013, PCCW-HKT Capital No.5 Limited, an indirect wholly-owned subsidiary of the Company, issued US\$500 million 3.75% guaranteed notes due 2023, which are listed on the Singapore Exchange Securities Trading Limited. The notes are irrevocably and unconditionally guaranteed by HKTGH and HKTL and rank pari passu with all other outstanding unsecured and unsubordinated obligations of HKTGH and HKTL.

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

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

27 LONG-TERM BORROWINGS (CONTINUED)**c. US\$500 million 3.625% guaranteed notes due 2025**

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

d. EUR200 million 1.65% guaranteed notes due 2027

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

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

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

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

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

g. Refer to note 39 for details of the Groups' bank loan facilities.

28 DERIVATIVE FINANCIAL INSTRUMENTS

In HK\$ million	2018	2019
Non-current assets		
Cross currency swap contracts and a foreign exchange forward contract		
– cash flow hedges for foreign currency risk (<i>note a</i>)	116	240
Interest rate swap contracts – cash flow hedges for interest rate risk (<i>note b</i>)	32	44
	148	284
Current assets		
Interest rate swap contracts – cash flow hedges for interest rate risk (<i>note b</i>)	–	6
Non-current liabilities		
Cross currency swap contracts and foreign exchange forward contracts		
– cash flow hedges for foreign currency risk (<i>note a</i>)	(152)	(12)
Interest rate swap contract – cash flow hedge for interest rate risk (<i>note b</i>)	–	(26)
	(152)	(38)

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

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

28 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

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

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

a. Cash flow hedges for foreign currency risk

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

The effects of the foreign currency related hedging instruments on the Groups' financial position and performance are as follows:

	2018	2019
Net carrying amount ((liabilities)/assets)	(HK\$36 million)	HK\$228 million
Notional amount	EUR200 million and US\$2,126 million	EUR200 million and US\$2,720 million
Maturity date	January 2020 to April 2027	March 2023 to September 2029
Hedge ratio	1:1*	1:1*
Change [#] in fair value of the hedging instruments during the year	(HK\$107 million)	HK\$293 million
Change [#] in value of the hedged items during the year	HK\$126 million	(HK\$245 million)
Weighted average hedged exchange rate for the year	EUR1:HK\$8.32 US\$1:HK\$7.75	EUR1:HK\$8.32 US\$1:HK\$7.79

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

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

b. Cash flow hedges for interest rate risk

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

The effects of the interest rate related hedging instruments on the Groups' financial position and performance are as follows:

	2018	2019
Net carrying amount (assets)	HK\$32 million	HK\$24 million
Notional amount	HK\$1,500 million	HK\$6,370 million
Maturity date	March 2021	August 2020 to March 2023
Hedge ratio	1:1*	1:1*
Change [#] in fair value of the hedging instruments during the year	(HK\$9 million)	HK\$19 million
Change [#] in value of the hedged items during the year	HK\$11 million	(HK\$12 million)
Weighted average receive leg/pay leg interest ratio	1.47	1.15

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

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

December 31, 2019

28 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)**c. Hedging reserve and costs of hedging reserve**

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

In HK\$ million	Cash flow hedges for foreign currency risk	Cash flow hedges for interest rate risk	Total
Hedging reserve			
As at January 1, 2018	85	46	131
Cash flow hedges:			
– effective portion of changes in fair value	(126)	(11)	(137)
– transfer from equity to consolidated income statement	35	–	35
As at December 31, 2018 and January 1, 2019	(6)	35	29
Cash flow hedges:			
– effective portion of changes in fair value	245	12	257
– transfer from equity to consolidated income statement	152	–	152
As at December 31, 2019	391	47	438

In HK\$ million	Cash flow hedges for foreign currency risk
Costs of hedging reserve	
As at January 1, 2018	(208)
Costs of hedging	39
As at December 31, 2018 and January 1, 2019	(169)
Costs of hedging	11
As at December 31, 2019	(158)

29 EMPLOYEE BENEFITS**a. Employee retirement benefits – Defined contribution retirement schemes**

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

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

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

Forfeited contributions totaling HK\$11 million (2018: HK\$14 million) were utilized during the year ended December 31, 2019 to reduce contributions and no forfeited contribution was available at the end of the reporting period.

29 EMPLOYEE BENEFITS (CONTINUED)

b. Equity compensation benefits

PCCW and the Groups operate the following share option schemes and share award schemes:

Share option schemes

- Share option scheme of PCCW adopted on May 8, 2014 (the “PCCW 2014 Scheme”).
- Share Stapled Units option scheme of the HKT Trust and the Company conditionally adopted on November 7, 2011 (the “2011-2021 Option Scheme”).

Share award schemes

- Share award schemes of PCCW namely the PCCW Purchase Scheme and the PCCW Subscription Scheme (collectively the “PCCW Share Award Schemes”).
- Share Stapled Units award schemes of the Company namely the HKT Share Stapled Units Purchase Scheme and the HKT Share Stapled Units Subscription Scheme (collectively the “Share Stapled Units Award Schemes”).

The details of the 2011-2021 Option Scheme and the Share Stapled Units Award Schemes are disclosed under sections “Share Stapled Units Option Scheme” and “Share Stapled Units Award Schemes” in the Combined Report of the Directors of the 2019 Annual Report of the HKT Trust and the Company.

i. Share option schemes

No share options/Share Stapled Unit options have been granted under the PCCW 2014 Scheme and the 2011-2021 Option Scheme since their adoption and up to and including December 31, 2019.

ii. Share award schemes

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

During the year ended December 31, 2019, share-based compensation expenses in respect of the PCCW Shares Award Schemes of HK\$20 million (2018: HK\$27 million) were recognized in the consolidated income statement and as an obligation in liabilities in the consolidated statement of financial position, respectively.

During the year ended December 31, 2019, share-based compensation expenses in respect of the Share Stapled Units Award Schemes of HK\$19 million (2018: HK\$28 million) were recognized in the consolidated income statement and employee share-based compensation reserve in the consolidated statement of financial position, respectively.

December 31, 2019

29 EMPLOYEE BENEFITS (CONTINUED)**b. Equity compensation benefits (continued)****ii. Share award schemes (continued)**

- (1) Movements in the number of PCCW Shares held by the Groups under the PCCW Share Award Schemes and the Share Stapled Units held under the HKT Share Stapled Units Purchase Scheme

	Number of PCCW Shares	
	2018	2019
PCCW Purchase Scheme:		
Beginning of year	1,143,300	366
Purchase from the market by the trustee at weighted average market price of HK\$4.56 (2018: HK\$4.46) per PCCW Share	3,206,000	2,155,000
PCCW Shares vested	(4,348,934)	(1,073,938)
End of year	366	1,081,428
PCCW Subscription Scheme:		
Beginning of year	6,994,580	4,476,981
PCCW Shares vested	(2,517,599)	(2,679,836)
End of year	4,476,981	1,797,145
	Number of Share Stapled Units	
	2018	2019
HKT Share Stapled Units Purchase Scheme:		
Beginning of year	1,089,787	245
Purchase from the market by the trustee at weighted average market price of HK\$12.45 (2018: HK\$10.13) per Share Stapled Unit	2,038,000	3,086,000
Share Stapled Units vested	(3,127,542)	(1,858,323)
End of year	245	1,227,922

29 EMPLOYEE BENEFITS (CONTINUED)

b. Equity compensation benefits (continued)

ii. Share award schemes (continued)

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

Date of award	Vesting period	Fair value on the date of award HK\$	2018 Number of PCCW Shares/Share Stapled Units				
			At January 1, 2018	Awarded	Forfeited	Vested	At December 31, 2018
PCCW Purchase Scheme (PCCW Shares)							
April 5, 2016	April 5, 2016 to April 5, 2018	5.01	197,791	–	–	(197,791)	–
June 8, 2016	June 8, 2016 to April 5, 2018	5.20	945,266	–	–	(945,266)	–
April 3, 2017	April 3, 2017 to April 3, 2018	4.60	1,203,424	–	–	(1,203,424)	–
April 3, 2017	April 3, 2017 to April 3, 2019	4.60	1,203,415	–	–	(664,338)*	539,077
April 10, 2018	April 10, 2018 to April 10, 2019	4.66	–	1,207,514	–	(669,058)*	538,456
April 10, 2018	April 10, 2018 to April 10, 2020	4.66	–	1,207,501	–	(669,057)*	538,444
Total			3,549,896	2,415,015	–	(4,348,934)	1,615,977
Weighted average fair value on the date of award (HK\$)			4.78	4.66	–	4.77	4.64
PCCW Subscription Scheme (PCCW Shares)							
April 5, 2016	April 5, 2016 to April 5, 2018	5.01	1,163,436	–	(13,221)	(1,150,215)	–
June 8, 2016	June 8, 2016 to April 5, 2018	5.20	1,522	–	–	(1,522)	–
April 3, 2017	April 3, 2017 to April 3, 2018	4.60	1,373,863	–	(13,186)	(1,360,677)	–
April 3, 2017	April 3, 2017 to April 3, 2019	4.60	1,372,938	–	(67,507)	(1,683)*	1,303,748
April 10, 2018	April 10, 2018 to April 10, 2019	4.66	–	1,479,900	(70,799)	(1,751)*	1,407,350
April 10, 2018	April 10, 2018 to April 10, 2020	4.66	–	1,478,862	(70,723)	(1,751)*	1,406,388
Total			3,911,759	2,958,762	(235,436)	(2,517,599)	4,117,486
Weighted average fair value on the date of award (HK\$)			4.72	4.66	4.66	4.79	4.64
HKT Share Stapled Units Purchase Scheme (Share Stapled Units)							
April 5, 2016	April 5, 2016 to April 5, 2018	10.70	613,158	–	(5,951)	(607,207)	–
June 8, 2016	June 8, 2016 to April 5, 2018	11.18	426,187	–	–	(426,187)	–
April 3, 2017	April 3, 2017 to April 3, 2018	10.04	1,175,589	–	(6,013)	(1,169,576)	–
April 3, 2017	April 3, 2017 to April 3, 2019	10.04	1,174,628	–	(31,184)	(303,277)*	840,167
April 10, 2018	April 10, 2018 to April 10, 2019	9.94	–	1,247,635	(32,829)	(310,648)*	904,158
April 10, 2018	April 10, 2018 to April 10, 2020	9.94	–	1,246,543	(32,757)	(310,647)*	903,139
May 4, 2018	May 4, 2018 to April 10, 2019	10.40	–	100,000	–	–	100,000
May 4, 2018	May 4, 2018 to April 10, 2020	10.40	–	100,000	–	–	100,000
October 5, 2018	October 5, 2018 to October 5, 2019	10.34	–	15,000	–	–	15,000
October 5, 2018	October 5, 2018 to October 5, 2020	10.34	–	15,000	–	–	15,000
November 5, 2018	November 5, 2018 to November 5, 2019	10.66	–	15,000	–	–	15,000
November 5, 2018	November 5, 2018 to November 5, 2020	10.66	–	15,000	–	–	15,000
Total			3,389,562	2,754,178	(108,734)	(3,127,542)	2,907,464
Weighted average fair value on the date of award (HK\$)			10.30	9.99	10.02	10.30	10.01

* The PCCW Shares/Share Stapled Units were vested before the respective vesting date pursuant to the delegated authority of the relevant board committees on compassionate grounds.

December 31, 2019

29 EMPLOYEE BENEFITS (CONTINUED)**b. Equity compensation benefits (continued)****ii. Share award schemes (continued)**

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

Date of award	Vesting period	Fair value on the date of award HK\$	2019 Number of PCCW Shares/Share Stapled Units				At December 31, 2019
			At January 1, 2019	Awarded	Forfeited	Vested	
PCCW Purchase Scheme (PCCW Shares)							
April 3, 2017	April 3, 2017 to April 3, 2019	4.60	539,077	–	(3,595)	(535,482)	–
April 10, 2018	April 10, 2018 to April 10, 2019	4.66	538,456	–	–	(538,456)	–
April 10, 2018	April 10, 2018 to April 10, 2020	4.66	538,444	–	–	–	538,444
April 17, 2019	April 17, 2019 to April 17, 2020	4.74	–	542,465	–	–	542,465
April 17, 2019	April 17, 2019 to April 17, 2021	4.74	–	542,457	–	–	542,457
Total			1,615,977	1,084,922	(3,595)	(1,073,938)	1,623,366
Weighted average fair value on the date of award (HK\$)			4.64	4.74	4.60	4.63	4.71
PCCW Subscription Scheme (PCCW Shares)							
April 3, 2017	April 3, 2017 to April 3, 2019	4.60	1,303,748	–	(15,161)	(1,288,587)	–
April 10, 2018	April 10, 2018 to April 10, 2019	4.66	1,407,350	–	(16,101)	(1,391,249)	–
April 10, 2018	April 10, 2018 to April 10, 2020	4.66	1,406,388	–	(49,514)	–	1,356,874
April 17, 2019	April 17, 2019 to April 17, 2020	4.74	–	1,434,666	(40,738)	–	1,393,928
April 17, 2019	April 17, 2019 to April 17, 2021	4.74	–	1,433,531	(40,681)	–	1,392,850
Total			4,117,486	2,868,197	(162,195)	(2,679,836)	4,143,652
Weighted average fair value on the date of award (HK\$)			4.64	4.74	4.69	4.63	4.71
HKT Share Stapled Units Purchase Scheme (Share Stapled Units)							
April 3, 2017	April 3, 2017 to April 3, 2019	10.04	840,167	–	(8,539)	(831,628)	–
April 10, 2018	April 10, 2018 to April 10, 2019	9.94	904,158	–	(7,463)	(896,695)	–
April 10, 2018	April 10, 2018 to April 10, 2020	9.94	903,139	–	(22,920)	–	880,219
May 4, 2018	May 4, 2018 to April 10, 2019	10.40	100,000	–	–	(100,000)	–
May 4, 2018	May 4, 2018 to April 10, 2020	10.40	100,000	–	–	–	100,000
October 5, 2018	October 5, 2018 to October 5, 2019	10.34	15,000	–	–	(15,000)	–
October 5, 2018	October 5, 2018 to October 5, 2020	10.34	15,000	–	–	–	15,000
November 5, 2018	November 5, 2018 to November 5, 2019	10.66	15,000	–	–	(15,000)	–
November 5, 2018	November 5, 2018 to November 5, 2020	10.66	15,000	–	–	–	15,000
April 17, 2019	April 17, 2019 to April 17, 2020	12.38	–	208,846	–	–	208,846
April 17, 2019	April 17, 2019 to April 17, 2021	12.38	–	208,839	–	–	208,839
Total			2,907,464	417,685	(38,922)	(1,858,323)	1,427,904
Weighted average fair value on the date of award (HK\$)			10.01	12.38	9.96	10.02	10.70
HKT Share Stapled Units Subscription Scheme (Share Stapled Units)							
April 17, 2019	April 17, 2019 to April 17, 2020	12.38	–	569,169	(15,718)	–	553,451
April 17, 2019	April 17, 2019 to April 17, 2021	12.38	–	568,030	(15,664)	–	552,366
Total			–	1,137,199	(31,382)	–	1,105,817
Weighted average fair value on the date of award (HK\$)			–	12.38	12.38	–	12.38

29 EMPLOYEE BENEFITS (CONTINUED)

b. Equity compensation benefits (continued)

ii. Share award schemes (continued)

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

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

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

	2018	2019
PCCW Purchase Scheme (PCCW Shares)	0.60 year	0.62 year
PCCW Subscription Scheme (PCCW Shares)	0.61 year	0.63 year
HKT Share Stapled Units Purchase Scheme (Share Stapled Units)	0.64 year	0.44 year
HKT Share Stapled Units Subscription Scheme (Share Stapled Units)	–	0.80 year

30 EQUITY OF HKT LIMITED

a. Share capital of HKT Limited

	2018		2019	
	Number of shares	Nominal value HK\$	Number of shares	Nominal value HK\$
Authorized:				
Ordinary shares of HK\$0.0005 each				
Beginning and end of year	20,000,000,000	10,000,000	20,000,000,000	10,000,000
Preference shares of HK\$0.0005 each				
Beginning and end of year	20,000,000,000	10,000,000	20,000,000,000	10,000,000
Issued and fully paid:				
Ordinary shares of HK\$0.0005 each				
Beginning and end of year	7,571,742,334	3,785,871	7,571,742,334	3,785,871
Preference shares of HK\$0.0005 each				
Beginning and end of year	7,571,742,334	3,785,871	7,571,742,334	3,785,871

December 31, 2019

30 EQUITY OF HKT LIMITED (CONTINUED)**b. Movements in reserves of the Company are as follows:**

In HK\$ million	Share premium	2018	Total
		Retained profits	
At January 1, 2018	35,113	167	35,280
Total comprehensive income for the year	–	5,077	5,077
Dividend paid in respect of the previous year	–	(2,783)	(2,783)
Interim dividend declared and paid in respect of the current year	–	(2,205)	(2,205)
At December 31, 2018	35,113	256	35,369

In HK\$ million	Share premium	2019	Total
		Retained profits	
At January 1, 2019	35,113	256	35,369
Total comprehensive income for the year	–	5,357	5,357
Dividend paid in respect of the previous year	–	(2,966)	(2,966)
Interim dividend declared and paid in respect of the current year	–	(2,272)	(2,272)
At December 31, 2019	35,113	375	35,488

31 RESERVES

In HK\$ million	2018										
	Share Premium	Capital contribution reserve	Currency translation reserve	Merger reserve	Hedging reserve	Costs of hedging reserve	Other reserves	Employee share-based compensation reserve	Treasury stock	Retained profits	Total
At January 1, 2018	7,769	26,250	193	(347)	131	(208)	26	22	(10)	4,016	37,842
Total comprehensive income/(loss) for the year											
Profit for the year	-	-	-	-	-	-	-	-	-	4,825	4,825
Other comprehensive income/(loss)											
Items that have been reclassified or may be reclassified subsequently to consolidated income statement:											
Exchange differences on translating foreign operations	-	-	(73)	-	-	-	-	-	-	-	(73)
Cash flow hedges:											
– effective portion of changes in fair value	-	-	-	-	(137)	-	-	-	-	-	(137)
– transfer from equity to consolidated income statement	-	-	-	-	35	-	-	-	-	-	35
Costs of hedging	-	-	-	-	-	39	-	-	-	-	39
Total comprehensive income/(loss) for the year	-	-	(73)	-	(102)	39	-	-	-	4,825	4,689
Transactions with equity holders											
Contributions by and distributions to equity holders:											
Purchase of Share Stapled Units under the HKT Share Stapled Units Purchase Scheme	-	-	-	-	-	-	-	-	(21)	-	(21)
Employee share-based compensation	-	-	-	-	-	-	-	25	-	-	25
Vesting of Share Stapled Units under the Share Stapled Units Award Schemes	-	-	-	-	-	-	-	(31)	31	-	-
Distribution/dividend paid in respect of the previous year	-	-	-	-	-	-	-	-	-	(2,783)	(2,783)
Interim distribution/dividend declared and paid in respect of the current year	-	-	-	-	-	-	-	-	-	(2,205)	(2,205)
Total transactions with equity holders	-	-	-	-	-	-	-	(6)	10	(4,988)	(4,984)
At December 31, 2018	7,769	26,250	120	(347)	29	(169)	26	16	-	3,853	37,547

December 31, 2019

31 RESERVES (CONTINUED)

In HK\$ million	2019										Total
	Share Premium	Capital contribution reserve	Currency translation reserve	Merger reserve	Hedging reserve	Costs of hedging reserve	Other reserves	Employee share-based compensation reserve	Treasury stock	Retained profits	
At January 1, 2019	7,769	26,250	120	(347)	29	(169)	26	16	-	3,853	37,547
Total comprehensive income/(loss) for the year											
Profit for the year	-	-	-	-	-	-	-	-	-	5,217	5,217
Other comprehensive income/(loss)											
Items that have been reclassified or may be reclassified subsequently to consolidated income statement:											
Exchange differences on translating foreign operations	-	-	(2)	-	-	-	-	-	-	-	(2)
Cash flow hedges:											
- effective portion of changes in fair value	-	-	-	-	257	-	-	-	-	-	257
- transfer from equity to consolidated income statement	-	-	-	-	152	-	-	-	-	-	152
Costs of hedging	-	-	-	-	-	11	-	-	-	-	11
Total comprehensive income/(loss) for the year	-	-	(2)	-	409	11	-	-	-	5,217	5,635
Transactions with equity holders											
Contributions by and distributions to equity holders:											
Purchase of Share Stapled Units under the HKT Share Stapled Units Purchase Scheme	-	-	-	-	-	-	-	-	(38)	-	(38)
Employee share-based compensation	-	-	-	-	-	-	-	17	-	-	17
Vesting of Share Stapled Units under the Share Stapled Units Award Schemes	-	-	-	-	-	-	-	(17)	22	(5)	-
Distribution/dividend paid in respect of the previous year	-	-	-	-	-	-	-	-	-	(2,966)	(2,966)
Interim distribution/dividend declared and paid in respect of the current year	-	-	-	-	-	-	-	-	-	(2,272)	(2,272)
Total contributions by and distributions to equity holders	-	-	-	-	-	-	-	-	(16)	(5,243)	(5,259)
Change in ownership interests in a subsidiary that does not result in a loss of control	-	-	-	-	-	-	-	-	-	(19)	(19)
Total change in ownership interests in a subsidiary that does not result in a loss of control	-	-	-	-	-	-	-	-	-	(19)	(19)
Total transactions with equity holders	-	-	-	-	-	-	-	-	(16)	(5,262)	(5,278)
At December 31, 2019	7,769	26,250	118	(347)	438	(158)	26	16	(16)	3,808	37,904

32 DEFERRED INCOME TAX

As at December 31, 2019, deferred income tax liabilities/(assets) represents:

In HK\$ million	2018	2019
Deferred income tax assets	(465)	(410)
Deferred income tax liabilities	3,393	3,874
	2,928	3,464

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

In HK\$ million	2018			
	Accelerated tax depreciation and amortization	Tax losses	Others	Total
Beginning of year	3,024	(499)	(4)	2,521
Charged to the consolidated income statement (note 12(a))	393	14	–	407
End of year	3,417	(485)	(4)	2,928

In HK\$ million	2019			
	Accelerated tax depreciation and amortization	Tax losses	Others	Total
Beginning of year	3,417	(485)	(4)	2,928
Charged to the consolidated income statement (note 12(a))	481	55	–	536
End of year	3,898	(430)	(4)	3,464

b. Deferred income tax assets are recognized for tax losses carry-forward to the extent that realization of the related tax benefit through utilization against future taxable profits is probable. As at December 31, 2019, the Groups had unutilized estimated tax losses for which no deferred income tax assets have been recognized of HK\$2,377 million (2018: HK\$2,119 million) to carry forward for deduction against future taxable income. Estimated tax losses of HK\$84 million (2018: HK\$37 million) and HK\$253 million (2018: HK\$256 million) will expire within 1 to 5 years and after 5 years from December 31, 2019 respectively. The remaining portion of the tax losses, mainly relating to Hong Kong companies, can be carried forward indefinitely.

December 31, 2019

33 CARRIER LICENCE FEE LIABILITIES

As at December 31, 2019, the Groups had carrier licence fee liabilities payable as follows:

In HK\$ million	Present value of the minimum annual fees	2018 Interest expense relating to future periods	Total minimum annual fees	Present value of the minimum annual fees	2019 Interest expense relating to future periods	Total minimum annual fees
Payable within a period						
– not exceeding one year	173	7	180	195	14	209
– over one year, but not exceeding two years	123	19	142	145	25	170
– over two years, but not exceeding five years	196	45	241	192	42	234
– over five years	38	12	50	190	29	219
	530	83	613	722	110	832
Less: amounts payable within one year included under current liabilities	(173)	(7)	(180)	(195)	(14)	(209)
Non-current portion	357	76	433	527	96	623

34 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

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

In HK\$ million	2018	2019
Profit before income tax	5,852	6,274
Adjustments for:		
Finance costs, net	1,350	1,372
Other gains, net	(2)	(3)
(Gain)/loss on disposal of property, plant and equipment, net	(1)	2
Provision for/(write-back of provision for) inventory obsolescence, net	8	(2)
Impairment loss for trade receivables	211	222
Depreciation of property, plant and equipment	1,324	1,150
Depreciation of right-of-use assets	1,551	1,493
Amortization of land lease premium – interests in leasehold land	13	12
Amortization of intangible assets	1,186	1,126
Amortization of fulfillment costs	417	489
Amortization of customer acquisition costs	852	851
Share of results of associates	–	33
Share of results of joint ventures	16	18
Share-based compensation expenses	55	39
Increase in PCCW Shares and Share Stapled Units under share award schemes	(35)	(48)
(Increase)/decrease in operating assets		
– inventories	(339)	279
– trade receivables, prepayments, deposits and other current assets	(415)	121
– contract assets	162	3
– amounts due from related companies	(27)	(13)
– restricted cash	(37)	(27)
– fulfillment costs	(375)	(495)
– customer acquisition costs	(873)	(811)
– other non-current assets	(111)	(92)
(Decrease)/increase in operating liabilities		
– trade payables	(86)	555
– accruals and other payables	(367)	(754)
– amount due to a fellow subsidiary	763	(518)
– advances from customers	25	25
– contract liabilities	185	(63)
– other long-term liabilities	16	(4)
CASH GENERATED FROM OPERATIONS	11,318	11,234
Interest received	39	35
Income tax paid, net of tax refund		
– Hong Kong profits tax paid*	(684)	(175)
– Overseas profits tax paid	(14)	(10)
NET CASH GENERATED FROM OPERATING ACTIVITIES	10,659	11,084

* As at December 31, 2019, certain subsidiaries of the Groups had not yet received the Hong Kong profits tax assessments for the tax assessment year 2018/19, such that any corresponding tax charge settlement would be deferred to upcoming financial years.

December 31, 2019

34 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)**b. Movements of financial (assets)/liabilities arising from financing activities**

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

2018						
In HK\$ million	Prepaid finance costs (included in prepayments, deposits and other current assets)	Interest payable (included in accruals and other payables)	Long-term borrowings	Derivative financial instruments, net	Lease liabilities	Total
As at January 1, 2018	(14)	187	39,146	(73)	2,464	41,710
Cash flows in financing activities						
New borrowings raised	–	–	13,616	–	–	13,616
Finance costs (paid)/received	–	(962)	–	76	–	(886)
Repayments of borrowings	–	–	(12,543)	–	–	(12,543)
Payment for lease liabilities (including interest)	–	–	–	–	(1,665)	(1,665)
Classified as cash flows in investing activities						
Loan repayment in relation to licence fee (note 36(b)(ii))	–	–	(130)	–	–	(130)
Non-cash movements	4	1,036	80	1	2,394	3,515
As at December 31, 2018	(10)	261	40,169	4	3,193	43,617
2019						
In HK\$ million	Prepaid finance costs (included in prepayments, deposits and other current assets)	Interest payable (included in accruals and other payables)	Long-term borrowings	Derivative financial instruments, net	Lease liabilities	Total
As at January 1, 2019	(10)	261	40,169	4	3,193	43,617
Cash flows in financing activities						
New borrowings raised	–	(8)	12,956	–	–	12,948
Finance costs (paid)/received	–	(1,148)	–	220	–	(928)
Repayments of borrowings	–	–	(12,570)	–	–	(12,570)
Payment for lease liabilities (including interest)	–	–	–	–	(1,644)	(1,644)
Classified as cash flows in investing activities						
Loan repayment in relation to licence fee (note 36(b)(ii))	–	–	(130)	–	–	(130)
Non-cash movements	(10)	1,146	(67)	(476)	1,213	1,806
As at December 31, 2019	(20)	251	40,358	(252)	2,762	43,099

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

c. Acquisition of 北京訊通通信服務有限公司 (Beijing Xun Tong Communications Services Limited*) ("Xun Tong")

On March 11, 2019, the Groups completed the acquisition of 50% equity interests in Xun Tong, a limited liability company established in the PRC. Xun Tong engages in the provision of telecommunications services, internet information services and computer system services. The acquisition aims to facilitate the Groups' telecommunications business in the PRC. The aggregate consideration was not material to the Groups. Xun Tong is consolidated by the Groups as the Groups own more than one half of the voting rights in the board of directors of the company.

* Unofficial company name

d. Analysis of cash and cash equivalents

In HK\$ million	2018	2019
Total cash and bank balances	3,145	3,018
Less: short-term deposits	(523)	(486)
Less: restricted cash	(88)	(115)
Cash and cash equivalents as at December 31,	2,534	2,417

35 CAPITAL MANAGEMENT

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

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

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

December 31, 2019

36 FINANCIAL INSTRUMENTS

The tables below analyze financial instruments by category:

In HK\$ million	2018				Total
	Financial assets at amortized cost	Financial assets at FVOCI	Financial assets at FVPL	Derivatives used for hedging	
Non-current assets					
Financial assets at FVOCI	–	77	–	–	77
Financial assets at FVPL	–	–	8	–	8
Derivative financial instruments*	–	–	–	148	148
Other non-current assets (excluding prepayments)	373	–	–	–	373
	373	77	8	148	606
Current assets					
Prepayments, deposits and other current assets (excluding prepayments)	1,595	–	–	–	1,595
Trade receivables, net	3,727	–	–	–	3,727
Amounts due from related companies	102	–	–	–	102
Financial assets at FVPL	–	–	12	–	12
Restricted cash	88	–	–	–	88
Short-term deposits	523	–	–	–	523
Cash and cash equivalents	2,534	–	–	–	2,534
	8,569	–	12	–	8,581
Total	8,942	77	20	148	9,187

36 FINANCIAL INSTRUMENTS (CONTINUED)

The tables below analyze financial instruments by category: (continued)

In HK\$ million	Derivatives used for hedging	2018 Other financial liabilities at amortized cost	Total
Current liabilities			
Trade payables	–	(1,787)	(1,787)
Accruals and other payables	–	(4,757)	(4,757)
Carrier licence fee liabilities	–	(173)	(173)
Amount due to a fellow subsidiary	–	(1,675)	(1,675)
Lease liabilities	–	(1,293)	(1,293)
	–	(9,685)	(9,685)
Non-current liabilities			
Long-term borrowings	–	(40,169)	(40,169)
Derivative financial instruments	(152)	–	(152)
Carrier licence fee liabilities	–	(357)	(357)
Lease liabilities	–	(1,900)	(1,900)
Other long-term liabilities	–	(829)	(829)
	(152)	(43,255)	(43,407)
Total	(152)	(52,940)	(53,092)

December 31, 2019

36 FINANCIAL INSTRUMENTS (CONTINUED)

The tables below analyze financial instruments by category: (continued)

In HK\$ million	2019				Total
	Financial assets at amortized cost	Financial assets at FVOCI	Financial assets at FVPL	Derivatives used for hedging	
Non-current assets					
Financial assets at FVOCI	–	124	–	–	124
Financial assets at FVPL	–	–	32	–	32
Derivative financial instruments	–	–	–	284	284
Other non-current assets (excluding prepayments)	397	–	–	–	397
	397	124	32	284	837
Current assets					
Prepayments, deposits and other current assets (excluding prepayments)	1,246	–	–	–	1,246
Trade receivables, net	3,600	–	–	–	3,600
Amounts due from related companies	95	–	–	–	95
Financial assets at FVPL	–	–	12	–	12
Derivative financial instruments	–	–	–	6	6
Restricted cash	115	–	–	–	115
Short-term deposits	486	–	–	–	486
Cash and cash equivalents	2,417	–	–	–	2,417
	7,959	–	12	6	7,977
Total	8,356	124	44	290	8,814

36 FINANCIAL INSTRUMENTS (CONTINUED)

The tables below analyze financial instruments by category: (continued)

In HK\$ million	Derivatives used for hedging	2019 Other financial liabilities at amortized cost	Total
Current liabilities			
Trade payables	–	(2,342)	(2,342)
Accruals and other payables	–	(3,887)	(3,887)
Carrier licence fee liabilities	–	(195)	(195)
Amount due to a fellow subsidiary	–	(2,855)	(2,855)
Lease liabilities	–	(1,065)	(1,065)
	–	(10,344)	(10,344)
Non-current liabilities			
Long-term borrowings	–	(40,358)	(40,358)
Derivative financial instruments*	(38)	–	(38)
Carrier licence fee liabilities	–	(527)	(527)
Lease liabilities	–	(1,697)	(1,697)
Other long-term liabilities	–	(1,197)	(1,197)
	(38)	(43,779)	(43,817)
Total	(38)	(54,123)	(54,161)

- * As at December 31, 2019, derivative financial instruments classified as non-current liabilities of HK\$4 million (2018: non-current assets of HK\$15 million) related to foreign exchange forward contracts with an aggregate notional contract amount of US\$470 million (approximately HK\$3,686 million) (2018: US\$376 million (approximately HK\$2,905 million)) were designated as cash flow hedge of US\$300 million zero coupon guaranteed notes due 2030. The US\$300 million guaranteed notes may be redeemed at the option of the Groups on January 15, 2025 (2018: January 15, 2020) at an early redemption amount of US\$470 million (2018: US\$376 million). Refer to notes 27(b) and 28(a) for details of the guaranteed notes and the foreign exchange forward contracts respectively.

36 FINANCIAL INSTRUMENTS (CONTINUED)

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

a. Credit risk

The Groups' credit risk is primarily attributable to cash and cash equivalents, trade receivables, contract assets, amounts due from related companies, interest receivable, lease receivables, investments in debt instruments, derivative financial instruments, and other receivables. Management has policies in place and exposure to these credit risks is monitored on an ongoing basis.

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. Normally, the Groups do not obtain collateral from customers. As at December 31, 2018 and 2019, the Groups did not have a significant exposure to any individual debtors or counterparties.

Further quantitative disclosures in respect of the Groups' exposure to credit risk arising from trade receivables are set out in note 26(c).

The overall impact of impairment of the contract assets on the HKT Trust and HKT Limited consolidated financial statements is considered by management. Management considered the lifetime expected losses with respect to these contract assets were minimal as at December 31, 2018 and 2019 and the Groups made no write-offs or provision for these contract assets during the years ended December 31, 2018 and 2019.

Investments in debt instruments, amounts due from related companies, lease receivables and other receivables are considered to have low credit risk. These assets are continuously monitored by assessing the credit quality of the counterparty, taking into account its financial position, past experience and other factors. Where necessary, provision for impairment loss is made for estimated irrecoverable amounts. As at December 31, 2018 and 2019, investments in debt instruments, amounts due from related companies, lease receivables and other receivables were fully performing.

Derivative financial instruments, interest receivable and cash and cash equivalents are considered to have low credit risk. These assets are executed with creditworthy financial institutions or investment counterparties and the Groups do not expect any significant counterparty risk. Moreover, credit limits are set for individual counterparties and periodic reviews are conducted to ensure that the limits are strictly followed.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the consolidated statement of financial position. Except for the guarantees given by the Groups as disclosed in note 38, the Groups do not provide any other guarantees which would expose the Groups to credit risk.

36 FINANCIAL INSTRUMENTS (CONTINUED)

b. Liquidity risk

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

The Groups are subject to certain corporate guarantee obligations to guarantee performance of their subsidiaries in the normal course of their businesses. Refer to note 38 for details.

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

In HK\$ million	2018				Total contractual undiscounted cash outflow	Carrying amount
	Within 1 year or on demand	More than 1 year but within 2 years	More than 2 years but within 5 years	More than 5 years		
Current liabilities						
Trade payables	(1,787)	–	–	–	(1,787)	(1,787)
Accruals and other payables	(4,757)	–	–	–	(4,757)	(4,757)
Carrier licence fee liabilities	(180)	–	–	–	(180)	(173)
Amount due to a fellow subsidiary	(1,675)	–	–	–	(1,675)	(1,675)
Lease liabilities	(1,309)	–	–	–	(1,309)	(1,293)
	(9,708)	–	–	–	(9,708)	(9,685)
Non-current liabilities						
Long-term borrowings (note (i))	(954)	(2,985)	(26,607)	(16,835)	(47,381)	(40,169)
Derivative financial instruments (note (ii))	1	(1)	(6)	(173)	(179)	(152)
Carrier licence fee liabilities	–	(142)	(241)	(50)	(433)	(357)
Lease liabilities	–	(723)	(940)	(427)	(2,090)	(1,900)
Other long-term liabilities (note (iii))	(1)	(14)	(768)	(1,039)	(1,822)	(829)
	(954)	(3,865)	(28,562)	(18,524)	(51,905)	(43,407)
Total	(10,662)	(3,865)	(28,562)	(18,524)	(61,613)	(53,092)

December 31, 2019

36 FINANCIAL INSTRUMENTS (CONTINUED)**b. Liquidity risk (continued)**

In HK\$ million	2019					Carrying amount
	Within 1 year or on demand	More than 1 year but within 2 years	More than 2 years but within 5 years	More than 5 years	Total contractual undiscounted cash outflow	
Current liabilities						
Trade payables	(2,342)	–	–	–	(2,342)	(2,342)
Accruals and other payables	(3,887)	–	–	–	(3,887)	(3,887)
Carrier licence fee liabilities	(209)	–	–	–	(209)	(195)
Amount due to a fellow subsidiary	(2,855)	–	–	–	(2,855)	(2,855)
Lease liabilities	(1,119)	–	–	–	(1,119)	(1,065)
	(10,412)	–	–	–	(10,412)	(10,344)
Non-current liabilities						
Long-term borrowings (note (i))	(985)	(6,118)	(19,959)	(20,865)	(47,927)	(40,358)
Derivative financial instruments (note (ii))	28	27	(72)	(28)	(45)	(38)
Carrier licence fee liabilities	–	(170)	(234)	(219)	(623)	(527)
Lease liabilities	–	(696)	(865)	(250)	(1,811)	(1,697)
Other long-term liabilities (note (iii))	(15)	(2)	(767)	(1,035)	(1,819)	(1,197)
	(972)	(6,959)	(21,897)	(22,397)	(52,225)	(43,817)
Total	(11,384)	(6,959)	(21,897)	(22,397)	(62,637)	(54,161)

(i) As at December 31, 2019, bank borrowings of HK\$1,560 million (2018: HK\$1,690 million) included in long-term borrowings were outstanding for financing a 15-year 3G spectrum utilization fee paid upfront by the Groups in 2016.

(ii) As at December 31, 2019, derivative financial instruments included HK\$21 million (2018: nil) of long-term interest payable, which related to interest drawn under an arrangement with a bank to receive agreed amounts by installments to settle interest payments of a floating-to-fixed interest rate swap contract with a notional contract amount of HK\$1,000 million (2018: nil).

(iii) As at December 31, 2019, other long-term liabilities included HK\$304 million (2018: HK\$232 million) of long-term interest payable, which related to interest drawn under an arrangement with a bank to receive agreed amounts by installments to settle interest payments of a fixed-to-fixed cross currency swap contract with a notional contract amount of EUR200 million (approximately HK\$1,665 million) (2018: EUR200 million (approximately HK\$1,665 million)) and included HK\$211 million (2018: HK\$43 million) of long-term interest payable, which related to interest drawn under the arrangements with banks to receive agreed amounts by installments to settle interest payments of fixed-to-fixed cross currency swap contracts with an aggregate notional contract amount of US\$500 million (approximately HK\$3,879 million) (2018: US\$500 million (approximately HK\$3,879 million)). Refer to notes 27(d), 27(a) and 28(a) for details of the guaranteed notes and the derivative financial instruments respectively.

36 FINANCIAL INSTRUMENTS (CONTINUED)

c. Market risk

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

The 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 Groups' 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. Early termination and amendments to the terms of the transaction would typically occur when there are changes in the underlying assets or liabilities or in the risk management strategy of the Groups.

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

i. Foreign currency risk

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

The Groups' borrowings are substantially denominated in Hong Kong dollars, United States dollars and Euro. As at December 31, 2018 and 2019, all of the Groups' borrowings denominated in United States dollars/Euro were swapped into Hong Kong dollars by cross currency swap contracts and foreign exchange forward contracts. Given this, management does not expect that there will be any significant foreign currency risk associated with the Groups' borrowings. Cross currency swap contracts and foreign exchange forward contracts outstanding as at December 31, 2019 with an aggregate notional contract amount of US\$2,720 million (approximately HK\$21,178 million) (2018: US\$2,126 million (approximately HK\$16,478 million)) and EUR200 million (approximately HK\$1,665 million) (2018: EUR200 million (approximately HK\$1,665 million)) were designated or re-designated as cash flow hedges against foreign currency risk.

In respect of trade receivables and payables held in currencies other than the functional currency of the operations to which they relate, the Groups ensure that the net exposure is kept to an acceptable level by buying or selling foreign currencies at spot or forward rates where necessary to address short-term imbalances.

December 31, 2019

36 FINANCIAL INSTRUMENTS (CONTINUED)**c. Market risk (continued)****i. Foreign currency risk (continued)**

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

In HK\$ million	2018		2019	
	United States Dollars	Euro	United States Dollars	Euro
Trade receivables	1,359	194	1,329	86
Cash and cash equivalents	722	191	715	58
Trade payables	(1,140)	(65)	(1,542)	(67)
Lease liabilities	(142)	(8)	(107)	(14)
Long-term borrowings	(15,871)	(1,761)	(19,643)	(1,713)
Gross exposure arising from monetary liabilities	(15,072)	(1,449)	(19,248)	(1,650)
Net monetary (assets)/liabilities denominated in respective entities' functional currencies	(128)	(108)	82	(58)
Borrowings with hedging instruments	15,871	1,761	19,643	1,713
Overall net exposure	671	204	477	5

As at December 31, 2019, if the Hong Kong dollar had weakened/strengthened by 1% against the United States dollar, with all other variables held constant, the profit after tax of the Groups for the year would have increased/decreased by approximately HK\$4 million (2018: HK\$6 million), mainly as a result of foreign exchange gains/losses on translation of United States dollar denominated monetary assets and liabilities which are not hedged by hedging instruments. Meanwhile, the hedging reserve and costs of hedging reserve of the Groups as at December 31, 2019 would have collectively debited/credited by approximately HK\$196 million (2018: HK\$159 million), mainly as a result of foreign exchange losses/gains on the long-term borrowings being hedged by cross currency swap contracts and foreign exchange forward contracts.

As at December 31, 2019, if the Hong Kong dollar had weakened/strengthened by 5% against the Euro, with all other variables held constant, the profit after tax of the Groups for the year would have increased/decreased by an immaterial amount (2018: approximately HK\$9 million), mainly as a result of foreign exchange gains/losses on translation of Euro denominated monetary assets and liabilities which are not hedged by hedging instruments. Meanwhile, the hedging reserve and costs of hedging reserve of the Groups as at December 31, 2019 would have collectively debited/credited by approximately HK\$86 million (2018: HK\$88 million), mainly as a result of foreign exchange losses/gains on the long-term borrowings being hedged by a cross currency swap contract.

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

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the end of the next annual reporting period. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any change in the movement in value of the United States dollar against other currencies. The analysis was performed on the same basis for the years ended December 31, 2018 and 2019.

36 FINANCIAL INSTRUMENTS (CONTINUED)

c. Market risk (continued)

ii. Interest rate risk

Given the relatively insignificant amount of interest-bearing assets, the Groups' income and operating cash flows are substantially independent of changes in market interest rates.

The Groups' interest rate risk arises primarily from long-term borrowings. Borrowings at variable rates and fixed rates expose the Groups to cash flow interest rate risk and fair value interest rate risk respectively. In addition, from time to time, the Groups draw under long-term revolving credit facilities which are substantially denominated in Hong Kong dollars with floating rate interest.

The Groups have entered into floating-to-fixed interest rate swap contracts to hedge the cash flow interest rate risk arising from the Groups' certain floating rate long-term borrowings.

The following table details the interest rate profile of the Groups' borrowings at the end of the reporting period, after taking into account the effect of the cash flow hedging instruments:

	2018 Effective interest rate %	HK\$ million	2019 Effective interest rate %	HK\$ million
Net fixed rate borrowings:				
Long-term bank borrowings with hedging instruments	1.84	1,492	2.34	6,320
Long-term borrowings with hedging instruments	3.84	17,632	3.74	21,356
Variable rate borrowings:				
Long-term bank borrowings	2.49	21,045	2.75	12,682
Total borrowings		40,169		40,358

As at December 31, 2019, if the interest rate on variable rate borrowings had increased/decreased by 50 basis points (2018: 50 basis points), with all other variables held constant, the Groups' profit after tax for the year would have decreased/increased by approximately HK\$53 million (2018: HK\$89 million), mainly as a result of higher/lower interest expense on floating rate borrowings in existence at the end of the reporting period.

The sensitivity analysis above has been determined assuming that the change in interest rate occurred as at the end of the reporting period and applied to the exposure to interest rate risk for the Groups' floating rate borrowings in existence at those dates. The 50 basis points (2018: 50 basis points) increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the end of the next annual reporting period. The analysis was performed on the same methodology for 2018 and 2019.

December 31, 2019

36 FINANCIAL INSTRUMENTS (CONTINUED)**c. Market risk (continued)****iii. Equity price risk**

The Groups are exposed to equity price changes arising from equity investments. Other than unquoted equity securities held for strategic purposes, all of these investments are listed on recognized stock exchange markets.

Given the insignificant portfolio of listed equity securities held by the Groups, management believes that the Groups' equity price risk is minimal.

Performance of the Groups' unquoted investments held for long-term strategic purposes is assessed at least semi-annually against the performance of the associated business as well as similar listed entities, based on the limited information available to the Groups, together with an assessment of their relevance to the Groups' long term strategic plans.

d. Fair values of financial instruments measured at amortized cost

All financial instruments were carried at amounts not materially different from their fair values as at December 31, 2019 except as follows:

In HK\$ million	2018		2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Long-term borrowings	40,169	39,736	40,358	40,860

The fair values of long-term borrowings are the net present value of the estimated future cash flows discounted at the prevailing market rates. The fair values are within level 2 of the fair value hierarchy (see note 36(e)).

e. Estimation of fair values

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

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

36 FINANCIAL INSTRUMENTS (CONTINUED)

e. Estimation of fair values (continued)

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

In HK\$ million	2018			Total
	Level 1	Level 2	Level 3	
Assets				
Financial assets at FVOCI				
– Unlisted securities	–	–	77	77
Derivative financial instruments (non-current)	–	148	–	148
Financial assets at FVPL				
– Listed securities (non-current)	8	–	–	8
– Listed securities (current)	12	–	–	12
Total assets	20	148	77	245
Liabilities				
Derivative financial instruments (non-current)	–	(152)	–	(152)

In HK\$ million	2019			Total
	Level 1	Level 2	Level 3	
Assets				
Financial assets at FVOCI				
– Unlisted securities	–	–	124	124
Derivative financial instruments				
– non-current	–	284	–	284
– current	–	6	–	6
Financial assets at FVPL				
– Unlisted securities (non-current)	–	–	31	31
– Listed securities (non-current)	1	–	–	1
– Listed securities (current)	12	–	–	12
Total assets	13	290	155	458
Liabilities				
Derivative financial instruments (non-current)	–	(38)	–	(38)

36 FINANCIAL INSTRUMENTS (CONTINUED)**e. Estimation of fair values (continued)**

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

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

Instruments included in level 3 comprised investments in unlisted instruments classified as financial assets at FVOCI or financial assets at FVPL. During the year ended December 31, 2019, there was an addition of HK\$78 million in the instruments included in level 3 (2018: nil).

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

There were no transfers of financial assets and liabilities between fair value hierarchy classifications during the years ended December 31, 2018 and 2019.

There were no material changes in valuation techniques during the years ended December 31, 2018 and 2019.

f. Groups' valuation process

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

37 COMMITMENTS**a. Capital**

As at December 31, 2019, capital commitments authorized and contracted for by nature were as follows:

In HK\$ million	2018	2019
Investments	–	239
Acquisition of property, plant and equipment	783	1,020
	783	1,259

37 COMMITMENTS (CONTINUED)

b. Committed leases not yet commenced

As at December 31, 2019, the total future lease payments for leases committed but not yet commenced were payable as follows:

Land and buildings

In HK\$ million	2018	2019
Within 1 year	18	11
After 1 year but within 5 years	33	12
	51	23

Network capacity and equipment

In HK\$ million	2018	2019
Within 1 year	110	111
After 1 year but within 5 years	2	28
	112	139

c. Others

As at December 31, 2019, the Groups had other outstanding commitments as follows:

In HK\$ million	2018	2019
Operating expenditure commitments	3,514	4,037

December 31, 2019

37 COMMITMENTS (CONTINUED)**d. Lease receivables**

i. As at December 31, 2019, the maturity analysis of the lease receivables under non-cancellable finance leases is as follows:

In HK\$ million	2018	2019
Within 1 year	71	58
After 1 year but within 2 years	56	42
After 2 years but within 3 years	42	40
After 3 years but within 4 years	40	33
After 4 years but within 5 years	33	14
After 5 years	106	93
Total contractual undiscounted lease receivables*	348	280
Less: interest income relating to future periods	(37)	(32)
Carrying amount	311	248
Less: amounts receivables within one year included under current assets	(67)	(54)
Non-current portion	244	194

* The majority of the leases typically run for periods of 3 to 15 years (2018: 3 to 15 years).

ii. As at December 31, 2019, the maturity analysis of the total future minimum lease receipts under non-cancellable operating leases is as follows:

In HK\$ million	2018	2019
Within 1 year	49	50
After 1 year but within 2 years	30	31
After 2 years but within 3 years	15	10
After 3 years but within 4 years	5	–
	99	91

The Groups lease out properties under operating leases. The majority of the leases typically run for periods of 1 to 15 years (2018: 1 to 15 years). None of the leases include material contingent rentals.

38 CONTINGENT LIABILITIES

In HK\$ million	2018	2019
Performance guarantees	249	740
Guarantees given to banks in respect of credit facilities granted to an associate	56	52
Others	8	11
	313	803

The Groups are subject to certain corporate guarantee obligations to guarantee the performance of their 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 Groups.

39 BANK LOAN FACILITIES

Aggregate bank loan facilities as at December 31, 2019 was HK\$28,348 million (2018: HK\$27,442 million) of which the unused facilities amounted to HK\$9,190 million (2018: HK\$4,710 million).

All of the Groups' banking facilities are subject to the fulfillment of covenants relating to certain of the Groups' consolidated statement of financial position ratios, as are commonly found in lending arrangements with financial institutions. If the Groups were to breach the covenants, the drawn down facilities would become payable on demand. The Groups regularly monitor their compliance with these covenants. As at December 31, 2019, the Groups were in compliance with the covenants relating to drawn down facilities. Further details of the Groups' management of liquidity risk are set out in note 36(b).

Summaries of long-term borrowings are set out in note 27.

40 CHANGE IN OWNERSHIP INTERESTS IN A SUBSIDIARY WITHOUT A LOSS OF CONTROL

During the year ended December 31, 2019, the Groups acquired the remaining 50% equity interests in a then indirect non-wholly owned subsidiary, 盈環網絡技術(上海)有限公司 (HKT Teleservices (China) Limited*), at an aggregate consideration of RMB7 million (equivalent to approximately HK\$8 million). The debit balance of carrying amount of the non-controlling interests on the date of acquisition was HK\$11 million. The Groups recognized a decrease in equity attributable to the holders of Share Stapled Units/shares of the Company of HK\$19 million. Immediately after the acquisition, the Groups hold the entire equity interests in HKT Teleservices (China) Limited*.

* Unofficial company name

December 31, 2019

41 POSSIBLE IMPACT OF NEW AND AMENDED STANDARDS ISSUED BUT NOT YET EFFECTIVE FOR THE ANNUAL ACCOUNTING PERIOD ENDED DECEMBER 31, 2019

Up to the date of approval of these consolidated financial statements, the HKICPA has issued the following new and amended standards which are not yet effective for the accounting period ended December 31, 2019 and which have not been early adopted in these consolidated financial statements:

		Effective for accounting periods beginning on or after
HKAS 1 (Revised) (Amendments)	Presentation of Financial Statements	January 1, 2020
HKAS 8 (Amendments)	Accounting Policies, Changes in Accounting Estimates and Errors	January 1, 2020
HKAS 39 (Amendments)	Financial Instruments: Recognition and Measurement	January 1, 2020
HKFRS 3 (Revised) (Amendments)	Business Combinations	January 1, 2020
HKFRS 7 (Amendments)	Financial Instruments: Disclosures	January 1, 2020
HKFRS 9 (2014) (Amendments)	Financial Instruments	January 1, 2020
HKFRS 17	Insurance Contracts	January 1, 2021
Conceptual Framework for Financial Reporting 2018		January 1, 2020

Apart from the above, a number of improvements and minor amendments to Hong Kong Financial Reporting Standards have also been issued by the HKICPA but they are not yet effective for the accounting period ended December 31, 2019 and have not been early adopted in these consolidated financial statements.

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

FIVE YEAR FINANCIAL SUMMARY

For the year ended December 31, 2019

Results

In HK\$ million	2015 [#]	2016 [#]	2017 [#]	2018	2019
Revenue by Principal Activity					
Telecommunications Services	20,205	20,547	20,674	21,128	21,265
Mobile	14,317	13,063	12,238	13,825	11,612
Other businesses	207	237	155	234	226
	34,729	33,847	33,067	35,187	33,103
Cost of sales	(15,539)	(14,445)	(15,972)	(17,980)	(15,787)
General and administrative expenses	(13,287)	(12,523)	(10,137)	(9,991)	(9,622)
Other gains/(losses), net	18	(51)	(145)	2	3
Finance costs, net	(1,310)	(1,107)	(1,148)	(1,350)	(1,372)
Share of results of equity accounted entities	(25)	(23)	(10)	(16)	(51)
Profit before income tax	4,586	5,698	5,655	5,852	6,274
Income tax	(600)	(771)	(898)	(1,010)	(1,037)
Profit for the year	3,986	4,927	4,757	4,842	5,237
Attributable to:					
Holders of Share Stapled Units/shares of the Company	3,949	4,889	4,745	4,825	5,217
Non-controlling interests	37	38	12	17	20

Assets and Liabilities

As at December 31, In HK\$ million	2015 [#]	2016 [#]	2017 [#]	2018	2019
Total non-current assets	77,570	83,316	84,315	86,836	89,848
Total current assets	12,347	10,780	10,857	10,729	9,921
Total current liabilities	(14,778)	(11,870)	(11,687)	(12,141)	(13,091)
Total non-current liabilities	(37,404)	(43,885)	(45,595)	(47,830)	(48,708)
Net assets	37,735	38,341	37,890	37,594	37,970

[#] The results for the year ended December 31, 2017 and the assets and liabilities as at December 31, 2016 and 2017 have been restated to reflect the impacts of the adoption of HKFRS 15, HKFRS 16 and HKFRS 9 (2014) in the financial year 2018, whereas the results for the years ended December 31, 2015 and 2016 and the assets and liabilities as at December 31, 2015 have not been restated as the directors are of the opinion that it is costs over benefits to do so.

INDEPENDENT AUDITOR'S REPORT



羅兵咸永道

TO THE SOLE SHAREHOLDER OF HKT MANAGEMENT LIMITED

(Incorporated in Hong Kong with limited liability)

Opinion

What we have audited

The financial statements of HKT Management Limited (the “Company”) set out on pages 194 to 202, which comprise:

- the statement of financial position as at December 31, 2019;
- the income statement for the year then ended;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of principal accounting policies.

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at December 31, 2019, and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Opinion

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

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

Independence

We are independent of the Company in accordance with the HKICPA’s Code of Ethics for Professional Accountants (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Other Information

The directors are responsible for the other information. The other information comprises all of the information included in the HKT Trust and HKT Limited 2019 annual report other than the financial statements of the Company, the consolidated financial statements of HKT Trust and HKT Limited and our auditor’s reports thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

.....
PricewaterhouseCoopers, 22/F, Prince’s Building, Central, Hong Kong

Responsibilities of Directors and the Audit Committee for the Financial Statements

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

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

The Audit Committee assists the directors in discharging their responsibilities for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, February 12, 2020

PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong

INCOME STATEMENT OF HKT MANAGEMENT LIMITED

For the year ended December 31, 2019

In HK\$'000	Note	2018	2019
Management fee income		54	54
General and administrative expenses		(54)	(54)
Result before income tax	5	–	–
Income tax	6	–	–
Result for the year		–	–

The notes on pages 199 to 202 form part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME OF HKT MANAGEMENT LIMITED

For the year ended December 31, 2019

In HK\$'000	2018	2019
Result for the year	–	–
Other comprehensive income	–	–
Total comprehensive income for the year	–	–

The notes on pages 199 to 202 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION OF HKT MANAGEMENT LIMITED

As at December 31, 2019

In HK\$'000	Note	2018	2019
ASSETS AND LIABILITIES			
Current assets			
Amount due from a fellow subsidiary	4(c)	330	384
		330	384
Current liabilities			
Accruals and other payables		(51)	(52)
Amounts due to fellow subsidiaries	4(c)	(279)	(332)
		(330)	(384)
Net assets		–	–
CAPITAL AND RESERVES			
Share capital	7	–	–
Reserves		–	–
Total equity		–	–

Approved and authorized for issue by the board of directors (the “Board”) on February 12, 2020 and signed on behalf of the Board by

Li Tzar Kai, Richard
Director

Hui Hon Hing, Susanna
Director

The notes on pages 199 to 202 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY OF HKT MANAGEMENT LIMITED

For the year ended December 31, 2019

In HK\$'000	Share capital	2018 Retained profit	Total
As at January 1, 2018	–	–	–
Total comprehensive income for the year			
Result for the year	–	–	–
Other comprehensive income	–	–	–
Total comprehensive income for the year	–	–	–
Transactions with the equity holder of the Company	–	–	–
As at December 31, 2018	–	–	–

In HK\$'000	Share capital	2019 Retained profit	Total
As at January 1, 2019	–	–	–
Total comprehensive income for the year			
Result for the year	–	–	–
Other comprehensive income	–	–	–
Total comprehensive income for the year	–	–	–
Transactions with the equity holder of the Company	–	–	–
As at December 31, 2019	–	–	–

The notes on pages 199 to 202 form part of these financial statements.

STATEMENT OF CASH FLOWS OF HKT MANAGEMENT LIMITED

For the year ended December 31, 2019

In HK\$'000	2018	2019
Operating activities		
Result before income tax	–	–
Adjustments for:		
Increase in amount due from a fellow subsidiary	(54)	(54)
(Decrease)/increase in accruals and other payables	(80)	1
Increase in amounts due to fellow subsidiaries	134	53
Net cash generated from operating activities	–	–
Investing activities		
Net cash generated from investing activities	–	–
Financing activities		
Net cash generated from financing activities	–	–
Net change in cash and cash equivalents	–	–
Cash and cash equivalents		
Beginning of year	–	–
End of year	–	–

The notes on pages 199 to 202 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS OF HKT MANAGEMENT LIMITED

December 31, 2019

1 GENERAL INFORMATION

HKT Management Limited (the “Company”) was incorporated in the Hong Kong Special Administrative Region (“Hong Kong”) under the Companies Ordinance on June 14, 2011. Its registered office is located at 39th Floor, PCCW Tower, Taikoo Place, 979 King’s Road, Quarry Bay, Hong Kong. The Company is an indirect wholly-owned subsidiary of PCCW Limited, which is also the ultimate holding company of the Company incorporated in Hong Kong with its shares listed on the Main Board of The Stock Exchange of Hong Kong Limited and traded in the form of American Depositary Receipts on the OTC Markets Group Inc. in the United States.

The Company has a limited and specific role, which is to administer the HKT Trust.

The financial statements are presented in thousands of units of Hong Kong dollars (HK\$’000), unless otherwise stated.

2 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

a. Statement of compliance

HKT Management Limited’s 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 (“Ints”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance (Cap. 622). A summary of the principal accounting policies adopted by the Company is set out below.

b. Basis of preparation of the financial statements

The following new or amended Hong Kong Financial Reporting Standards (the “new or amended HKFRSs”) are mandatory for the first time for the financial year beginning January 1, 2019, but have no material effect on the Company’s reported results and financial position for the current and prior accounting periods.

- HKAS 19 (2011) (Amendments), *Employee Benefits*
- HKAS 28 (2011) (Amendments), *Investments in Associates and Joint Ventures*
- HKFRS 9 (2014) (Amendments), *Financial Instruments*
- HK(IFRIC) – Int 23, *Uncertainty over Income Tax Treatments*
- Annual Improvements to HKFRSs 2015-2017 Cycle issued in February 2018 by the HKICPA

The Company has not early adopted any new or amended HKFRSs that are not yet effective for the current accounting period, details of which are set out in note 10.

The measurement basis used in the preparation of the financial statements is the historical cost basis.

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

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

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

2 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (CONTINUED)**c. Impairment of assets**

The Company assesses on forward-looking basis the expected credit losses associated with its financial assets carried at amortized cost.

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

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

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

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

Intercompany receivable is written off when there is no reasonable expectation of recovery. The Company categorizes an intercompany receivable for write off when the intercompany fails to make contractual payments for a period greater than predefined limit. Where the receivable has been written off, the Company continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognized in the income statement.

d. Related parties

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

- i. the party has the ability, directly or indirectly through one or more intermediaries, to control the Company or exercise significant influence over the Company in making financial and operating policy decisions, or has joint control over the Company;
- ii. the Company and the party are subject to common control;
- iii. the party is an associate of the Company or a joint venture in which the Company is a venturer;
- iv. the party is a member of key management personnel of the Company or the Company's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individual;

2 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

d. Related parties (continued)

For the purposes of these financial statements, a party is considered to be related to the Company if: (continued)

- v. the party is a close family member of a party referred to in note i above or is an entity under the control, joint control or significant influence of such party;
- vi. the party is a post-employment benefit plan which is for the benefit of employees of the Company or of any entity that is a related party of the Company; or
- vii. the entity provides key management personnel services to the Company.

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

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company has no accounting estimates and judgements that would significantly affect its results and financial position.

4 RELATED PARTY TRANSACTION

During the year, the Company had the following significant transaction with a related party:

In HK\$'000	2018	2019
Management fee receivable from a fellow subsidiary	54	54

- a. This transaction was carried out after negotiations between the Company and the related party in the ordinary course of business and on the basis of estimated market value as determined by the directors.
- b. The directors' emoluments of the Company were borne by a fellow subsidiary of the Company for the years ended December 31, 2018 and 2019.
- c. The amounts due from/to fellow subsidiaries are unsecured, non-interest bearing and have no fixed repayment terms.

5 RESULT BEFORE INCOME TAX

Result before income tax is stated after charging the following:

In HK\$'000	2018	2019
Charging: Auditor's remuneration	52	54

6 INCOME TAX

No Hong Kong profits tax has been provided as the Company does not have any assessable profit during the years ended December 31, 2018 and 2019.

No deferred income tax asset and liability was recognized as at December 31, 2018 and 2019.

7 SHARE CAPITAL

	2018		2019	
	Number of share	Share capital HK\$	Number of share	Share capital HK\$
Issued and fully paid:				
Ordinary share of no par value				
Beginning and end of year	1	1	1	1

8 CAPITAL MANAGEMENT

The Company has a specific and limited role to administer the HKT Trust. It is not actively engaged in running the telecommunications business which is managed by HKT Limited, a fellow subsidiary of the Company, and the operating subsidiaries of HKT Limited. Therefore, the Company is not subject to externally imposed capital requirements.

9 FINANCIAL INSTRUMENTS

As the principal activity of the Company is to administer the HKT Trust, the Company is not exposed to credit, liquidity and market risk (including foreign currency risk and interest rate risk). Risk management is carried out under policies approved by the board of directors.

10 POSSIBLE IMPACT OF NEW AND AMENDED STANDARDS ISSUED BUT NOT YET EFFECTIVE FOR THE ANNUAL ACCOUNTING PERIOD ENDED DECEMBER 31, 2019

Up to the date of approval of these financial statements, the HKICPA has issued the following new and amended standards which are not yet effective for the accounting period ended December 31, 2019 and which have not been early adopted in these financial statements:

		Effective for accounting periods beginning on or after
HKAS 1 (Revised) (Amendments)	Presentation of Financial Statements	January 1, 2020
HKAS 8 (Amendments)	Accounting Policies, Changes in Accounting Estimates and Errors	January 1, 2020
HKAS 39 (Amendments)	Financial Instruments: Recognition and Measurement	January 1, 2020
HKFRS 3 (Revised) (Amendments)	Business Combinations	January 1, 2020
HKFRS 7 (Amendments)	Financial Instruments: Disclosures	January 1, 2020
HKFRS 9 (2014) (Amendments)	Financial Instruments	January 1, 2020
HKFRS 17	Insurance Contracts	January 1, 2021
Conceptual Framework for Financial Reporting 2018		January 1, 2020

Apart from the above, a number of improvements and minor amendments to Hong Kong Financial Reporting Standards have also been issued by the HKICPA but they are not yet effective for the accounting period ended December 31, 2019 and have not been early adopted in these financial statements.

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

CORPORATE INFORMATION

HKT LIMITED

(incorporated in the Cayman Islands with limited liability)

BOARD OF DIRECTORS

Executive Directors

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

Non-Executive Directors

Peter Anthony Allen
Chung Cho Yee, Mico
Li Fushen
Zhu Keping
Srinivas Bangalore Gangaiah (aka BG Srinivas)

Independent Non-Executive Directors

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

GROUP GENERAL COUNSEL AND COMPANY SECRETARY OF HKT LIMITED AND HKT MANAGEMENT LIMITED

Bernadette M. Lomas

REGISTERED OFFICE

PO Box 309, Ugland House
Grand Cayman, KY1-1104
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

39th Floor, PCCW Tower
Taikoo Place, 979 King's Road
Quarry Bay, Hong Kong

SHARE STAPLED UNITS INFORMATION

Board lot: 1,000 units
Issued units as at December 31, 2019: 7,571,742,334 units

DISTRIBUTION

Distribution per share stapled unit for the year ended December 31, 2019:
Interim 30.01 HK cents
Final 40.37 HK cents*

* Subject to the approval of holders of share stapled units at the 2020 Annual General Meeting

FINANCIAL CALENDAR

Announcement of 2019 Annual Results	February 12, 2020
2020 Annual General Meeting	May 8, 2020
Closure of books	May 14-15, 2020 (both days inclusive)
Record date for 2019 final distribution	May 15, 2020
Payment of 2019 final distribution	on or around May 29, 2020

INVESTOR RELATIONS

For more information, please contact Investor Relations at:
Telephone: +852 2514 5084
Email: ir@hkt.com

HKT MANAGEMENT LIMITED

(incorporated in Hong Kong with limited liability)
(THE TRUSTEE-MANAGER OF THE HKT TRUST)

BOARD OF DIRECTORS

Executive Directors

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

Non-Executive Directors

Peter Anthony Allen
Chung Cho Yee, Mico
Li Fushen
Zhu Keping
Srinivas Bangalore Gangaiah (aka BG Srinivas)

Independent Non-Executive Directors

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

REGISTERED OFFICE

39th Floor, PCCW Tower
Taikoo Place, 979 King's Road
Quarry Bay, Hong Kong

PRINCIPAL SHARE REGISTRAR

Maples Fund Services (Cayman) Limited
PO Box 1093, Boundary Hall, Cricket Square
Grand Cayman, KY1-1102
Cayman Islands

SHARE STAPLED UNITS REGISTRAR AND HONG KONG BRANCH SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wan Chai, Hong Kong
Telephone: +852 2862 8555
Fax: +852 2865 0990
Email: hkinfo@computershare.com.hk

LISTING

The share stapled units of the HKT Trust and HKT Limited are listed on The Stock Exchange of Hong Kong Limited. Certain guaranteed notes issued by subsidiaries of HKT Limited are listed on the Singapore Exchange Securities Trading Limited and the Taipei Exchange.

STOCK CODES

The Stock Exchange of Hong Kong Limited
Reuters
Bloomberg

6823
6823.HK
6823 HK

WEBSITE OF HKT LIMITED

www.hkt.com

ANNUAL REPORT 2019

This Annual Report 2019 in both English and Chinese is now available in printed form from HKT Limited, HKT Management Limited and the Share Stapled Units Registrar, and in accessible format on the websites of HKT Limited (www.hkt.com/ir) and Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk).

Holders of share stapled units who:

- A) received the Annual Report 2019 using electronic means through the website of HKT Limited may request a printed copy, or
- B) received the Annual Report 2019 in either English or Chinese may request a printed copy of the other language version

by writing or sending email to HKT Limited and/or
HKT Management Limited c/o the Share Stapled Units Registrar at:

Computershare Hong Kong Investor Services Limited
Investor Communications Centre
17M Floor, Hopewell Centre
183 Queen's Road East
Wan Chai, Hong Kong
Telephone: +852 2862 8688
Fax: +852 2865 0990
Email: hkt@computershare.com.hk

Holders of share stapled units who have chosen (or are deemed to have agreed) to receive the corporate communications of the HKT Trust, HKT Limited and HKT Management Limited (including but not limited to the Annual Report 2019) using electronic means through the website of HKT Limited and who, for any reason, have difficulty in receiving or gaining access to the Annual Report 2019 will promptly, upon request in writing or by email to the Share Stapled Units Registrar, be sent the Annual Report 2019 in printed form, free of charge.

Holders of share stapled units may change their choice of language and/or means of receipt of future corporate communications of the HKT Trust, HKT Limited and HKT Management Limited at any time, free of charge, by reasonable prior notice in writing or by email to the Share Stapled Units Registrar.

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)

Principal Place of Business in Hong Kong:

39/F, PCCW Tower, Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong

T: +852 2888 2888 F: +852 2877 8877 www.hkt.com

The Share Stapled Units are listed on The Stock Exchange of Hong Kong Limited (SEHK: 6823).

Copyright © HKT Limited 2020. All Rights Reserved.

