

Directors' Report

The Directors have pleasure in submitting to shareholders their report and the audited financial statements for the year ended 31 December 2023.

Principal Activities

The principal activity of the Company is investment holding. The activities of its principal subsidiaries are set out on page 199.

Business Review

A fair review of the business of the Group as required under Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), comprising a discussion and analysis of the performance of the Group during the year including analysis using financial key performance indicators, a description of the principal risks and uncertainties facing the Group, particulars of important events affecting the Group that have occurred since the end of the financial year 2023, as well as an indication of likely future development in the business of the Group, are provided in the following sections:

- "Financial Highlights" on page 3.
- "Chairman's Statement", "Operations Review", "Management Discussion and Analysis" and "Group Capital Resources and Liquidity" on pages 10 to 25.
- "Risk Factors" on pages 26 to 30.
- "Financial Risk Management" in note 3 to the consolidated financial statements on pages 159 to 167.
- "Corporate Governance Report" on pages 49 to 79.

Discussions on the environmental policies and performance of the Group, its compliance with the relevant laws and regulations that have a significant impact on the Group as well as an account of the Group's key relationships with its employees, customers and suppliers and others that have a significant impact on the Group and on which the Group's success depends, are provided in the "Corporate Governance Report" on pages 49 to 79.

All such discussions form part of this report.

Group Loss

The consolidated income statement is set out on page 142 and shows the loss of the Group for the year ended 31 December 2023.

Dividend

An interim dividend of 2.28 HK cents per share for the first half of 2023 was paid to shareholders in early September 2023.

The Directors also recommended the declaration of a final dividend of 5.21 HK cents per share, to be payable on Monday, 27 May 2024, to those persons registered as shareholders of the Company at close of business on Thursday, 16 May 2024, being the record date for determining shareholders' entitlement to the proposed final dividend.

Reserves

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

Charitable Donations

Charitable donations benefitting community projects by the Group during the year amounted to approximately HK\$8.3 million (2022: HK\$3.8 million).

Directors

As at the date of this report, the Board comprises 10 Directors:

Chairman and Non-executive Director

Mr FOK Kin Ning, Canning

Co-Deputy Chairmen and Non-executive Directors

Mr LUI Dennis Pok Man

Mr WOO Chiu Man, Cliff

Executive Director

Mr KOO Sing Fai (*Chief Executive Officer*)

Non-executive Directors

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

Ms Edith SHIH

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

Independent Non-executive Directors

Ms CHOW Ching Yee, Cynthia

Mr IP Yuk Keung

Dr LAN Hong Tsung, David

Dr WONG Yick Ming, Rosanna

In accordance with Article 84 of the Articles of Association, Mr Lui Dennis Pok Man, Mr Koo Sing Fai, Dr Lan Hong Tsung, David and Dr Wong Yick Ming, Rosanna will retire by rotation at the 2024 annual general meeting (the "2024 AGM"). Dr Lan Hong Tsung, David and Dr Wong Yick Ming, Rosanna will not offer themselves for re-election at the 2024 AGM while all other retiring Directors being eligible will offer themselves for re-election.

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

The Company has received written confirmation from all Independent Non-executive Directors regarding their independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the Independent Non-executive Directors as independent. Please also refer to pages 73 to 74 of the Corporate Governance Report for the assessment by the Nomination Committee in this regard.

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

Directors' Service Contracts

None of the Directors who offer themselves for re-election at the 2024 AGM has a service contract with the Company which is not terminable by the Company within one year without payment of compensation, other than statutory compensation.

Permitted Indemnity Provisions

The Articles of Association provide that the Directors shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty. Directors' liability insurance is in place for the directors of the Company and its subsidiaries in respect of potential costs and liabilities arising from claims that may be brought against the directors. The relevant provisions in the Articles of Association and the directors' liability insurance were in force during the financial year ended 31 December 2023 and as of the date of this report.

Arrangement to Purchase Shares or Debentures

At no time during the year was the Company or its subsidiary a party to any arrangements which to enable any Director to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or of any other body corporate.

Directors' Material Interests in Transactions, Arrangements or Contracts

No transaction, arrangement or contract of significance in relation to the business of the Group to which the Company or a subsidiary, fellow subsidiary or parent company of the Company was a party and in which a person who at any time in 2023 was a Director of the Company or his/her connected entity had a material interest, whether directly or indirectly, subsisted at the end of 2023 or at any time during 2023.

Management Contracts

No contract concerning the management and administration of the whole or any substantial part of any business of the Company was entered into or existed during 2023.

Continuing Connected Transactions

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

- (a) "CKHH Group" means CKHH and its subsidiaries from time to time (excluding members of the Group) and such other entities in which CKHH is from time to time directly or indirectly interested so as to (i) exercise or control the exercise of 30% or more of the voting power at general meetings of such entities; or (ii) control the composition of a majority of the board of directors of such entities, and the subsidiaries of such other entities;

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

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

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

The aggregate transaction amounts of the Continuing Connected Transactions for the year ended 31 December 2023 and the relevant annual caps as stated in the Announcement are set out below:

	Aggregate transaction amount (HK\$ million)	2023 annual cap (HK\$ million)
Provision of the Group Telecommunications Supplies by the Group to the CKHH Group	29	64
Purchase of the CKHH Telecommunications Supplies by the Group from the CKHH Group	9	135
Purchase of the Business Related Supplies by the Group from the CKHH Group	80	274

The Master Agreements expired on 31 December 2023 and in anticipation thereof, new master agreements on substantially similar terms were entered into between the Company and CKHH on 13 December 2023. An announcement in respect of the new master agreements was made by the Company on the same date. Details of the transactions under the new master agreements will be reported in the next annual report of the Company in accordance with the Listing Rules.

The internal audit of the Group has reviewed the Continuing Connected Transactions under the Master Agreements for the year ended 31 December 2023 and the relevant internal control procedures covering the price negotiation, review and approval, agreement management, reporting and consolidation processes of these transactions, and is of the view that satisfactory controls were in place in respect of the areas reviewed. All the Independent Non-executive Directors of the Company, having reviewed the Continuing Connected Transactions entered into by the Group under the Master Agreements during the year ended 31 December 2023 and the findings provided by the internal audit of the Group, confirmed that such transactions were entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) according to the respective agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

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

Based on the work performed, the external auditor of the Company has confirmed in its letter to the Board that nothing has come to its attention that causes it to believe that the Continuing Connected Transactions entered into by the Group under the Master Agreements during the year ended 31 December 2023 (i) have not been approved by the Board; (ii) were not, in all material respects, in accordance with the pricing policies of the Group for transactions which involved the provision of goods or services by the Group; (iii) were not entered into, in all material respects, in accordance with the terms of the respective agreements governing such transactions; and (iv) have exceeded the relevant annual caps in respect of the year ended 31 December 2023 as disclosed in the Announcement.

A summary of the related party transactions entered into by the Group during the year ended 31 December 2023 is contained in note 36 to the consolidated financial statements. All transactions entered into with the CKHH Group (as defined and described in note 36 to the consolidated financial statements) fell under the definition of "continuing connected transactions" under the Listing Rules and are fully exempt from all disclosure, annual review and shareholders' approval requirements under Chapter 14A of the Listing Rules, other than the transactions with the CKHH Group contemplated under the Master Agreements, which are subject to the reporting, announcement and annual review requirements but exempt from the circular and shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules with respect to the connected transactions and continuing connected transactions entered into by the Group during the year ended 31 December 2023.

Interests and Short Positions of Shareholders Discloseable under the SFO

So far as the Directors and chief executive of the Company are aware, as at 31 December 2023, other than the interests and short positions of the Directors and chief executive of the Company as disclosed in the section titled "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" under "Information on Directors", the following persons had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange:

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

Long positions in the shares of the Company

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

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

Long positions in the shares of the Company

Names	Capacity	Number of shares held	Total	Approximate % of shareholding
Li Ka-shing	Founder of discretionary trusts	53,604,826 ⁽³⁾)	404,132,779	8.38%
	Interest of controlled corporations	350,527,953 ⁽⁴⁾)		
Li Tzar Kuoi, Victor	Discretionary beneficiary of discretionary trusts	53,604,826 ⁽³⁾)	406,844,029	8.44%
	Interest of controlled corporations	353,047,203 ⁽⁴⁾⁽⁵⁾)		
	Interest of child	192,000 ⁽⁶⁾)		
Li Ka Shing Foundation Limited ("LKSF")	Beneficial owner	350,527,953 ⁽⁴⁾	350,527,953	7.27%

Notes:

- (1) Cheung Kong Enterprises Limited ("Cheung Kong Enterprises", a direct wholly-owned subsidiary of HTIHL) holds 23,689,889 shares of the Company. By virtue of the SFO, HTIHL was deemed to be interested in the 23,689,889 shares of the Company held by Cheung Kong Enterprises.
- (2) HTIHL is a direct wholly-owned subsidiary of GLL. GLL in turn is a direct wholly-owned subsidiary of DZL. DZL in turn is a direct wholly-owned subsidiary of CKHGT. CKHGT in turn is a direct wholly-owned subsidiary of BL. BL in turn is a direct wholly-owned subsidiary of APL. APL in turn is a direct wholly-owned subsidiary of CKHGI. CKHGI in turn is a direct wholly-owned subsidiary of CKHH. By virtue of the SFO, each of CKHH, CKHGI, APL, BL, CKHGT, DZL and GLL was deemed to be interested in the 3,161,292,951 shares of the Company held by HTIHL and the 23,689,889 shares of the Company held by Cheung Kong Enterprises.
- (3) The 53,604,826 shares of the Company comprise:
 - (a) 53,451,546 shares held by Li Ka-Shing Unity Trustee Company Limited ("TUT1") as trustee of The Li Ka-Shing Unity Trust ("UT1") and its related company in which TUT1 as trustee of UT1 is entitled to exercise or control the exercise of one-third or more of the voting power at its general meetings ("TUT1 related company"). Mr Li Ka-shing is the settlor of each of The Li Ka-Shing Unity Discretionary Trust ("DT1") and another discretionary trust ("DT2"). Each of Li Ka-Shing Unity Trustee Corporation Limited ("TDT1", which is the trustee of DT1) and Li Ka-Shing Unity Trustcorp Limited ("TDT2", which is the trustee of DT2) holds units in UT1 but is not entitled to any interest or share in any particular property comprising the trust assets of the said unit trust. The discretionary beneficiaries of each of DT1 and DT2 are, inter alia, Mr Li Tzar Kuoi, Victor, his wife and children, and Mr Li Tzar Kai, Richard.

The entire issued share capital of TUT1, TDT1 and TDT2 are owned by Li Ka-Shing Unity Holdings Limited ("Unity Holdco"). Mr Li Ka-shing and Mr Li Tzar Kuoi, Victor are respectively interested in one-third and two-thirds of the entire issued share capital of Unity Holdco. TUT1 is only interested in the shares of the Company by reason only of its obligation and power to hold interests in those shares in its ordinary course of business as trustee and, when performing its functions as trustee, exercises its power to hold interests in the shares of the Company independently without any reference to Unity Holdco or any of Mr Li Ka-shing and Mr Li Tzar Kuoi, Victor as a holder of the shares of Unity Holdco as aforesaid.

As Mr Li Ka-shing may be regarded as a founder of each of DT1 and DT2 for the purpose of the SFO, and by virtue of the above, Mr Li Ka-shing and Mr Li Tzar Kuoi, Victor are taken to have a duty of disclosure in relation to the 53,451,546 shares of the Company held by TUT1 as trustee of UT1 and TUT1 related company under the SFO as substantial shareholders of the Company.

- (b) 153,280 shares held by Li Ka-Shing Castle Trustee Company Limited ("TUT3") as trustee of The Li Ka-Shing Castle Trust ("UT3"). Mr Li Ka-shing is the settlor of each of the two discretionary trusts ("DT3" and "DT4"). Each of Li Ka-Shing Castle Trustee Corporation Limited ("TDT3", which is the trustee of DT3) and Li Ka-Shing Castle Trustcorp Limited ("TDT4", which is the trustee of DT4) holds units in UT3 but is not entitled to any interest or share in any particular property comprising the trust assets of the said unit trust. The discretionary beneficiaries of each of DT3 and DT4 are, inter alia, Mr Li Tzar Kuoi, Victor, his wife and children, and Mr Li Tzar Kai, Richard.

The entire issued share capital of TUT3, TDT3 and TDT4 are owned by Li Ka-Shing Castle Holdings Limited ("Castle Holdco"). Mr Li Ka-shing and Mr Li Tzar Kuoi, Victor are respectively interested in one-third and two-thirds of the entire issued share capital of Castle Holdco. TUT3 is only interested in the shares of the Company by reason only of its obligation and power to hold interests in those shares in its ordinary course of business as trustee and, when performing its functions as trustee, exercises its power to hold interests in the shares of the Company independently without any reference to Castle Holdco or any of Mr Li Ka-shing and Mr Li Tzar Kuoi, Victor as a holder of the shares of Castle Holdco as aforesaid.

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

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

Save as disclosed above, as at 31 December 2023, no other person (other than the Directors and chief executive of the Company) had any interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

Share Option Scheme

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

Bank Loans and Other Borrowings

The Group did not have any borrowing (including debentures) as at 31 December 2023.

Equity-linked Agreements

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

Pre-emptive Rights

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

Share Capital

Details of the shares movement during the year are set out in note 29 to the consolidated financial statements on page 188.

Purchase, Sale or Redemption of Listed Securities

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

Major Customers and Suppliers

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

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

	Percentage of total purchases of the Group
The largest supplier	45%
Five largest suppliers combined	69%

As at 31 December 2023, none of the Directors, their close associates or any shareholders (which to the knowledge of Directors own more than 5% of the issued share capital of the Company) had any interest in the major suppliers of the Group.

Public Float

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

Auditor

The financial statements for the year ended 31 December 2023 have been audited by PwC who will retire and, being eligible, offer themselves for re-appointment at the 2024 AGM.

By Order of the Board

CHOW Yan Hing, Agnes
Company Secretary

Hong Kong, 5 March 2024