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HKT Trust

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

and

HKT Limited

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 6823)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2022

The directors of HKT Management Limited (the "Trustee-Manager", in its capacity as the trustee-manager of the HKT Trust) and HKT Limited (the "Company" or "HKT") are pleased to announce the unaudited consolidated results of the HKT Trust and of the Company together with the Company's subsidiaries (collectively the "Group") for the six months ended 30 June 2022. This condensed consolidated interim financial information has not been audited, but has been reviewed by the Audit Committee of the Trustee-Manager and of the Company and, in accordance with the Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Hong Kong Institute of Certified Public Accountants, by the Group's independent auditor, PricewaterhouseCoopers.

- Total revenue increased by 3% to HK$16,157 million while total revenue excluding Mobile product sales grew by 5% to HK$14,868 million; revenue growth was driven by continued strong demand for our reliable, high-speed broadband services alongside the growing adoption of our 5G services by both consumer and enterprise customers
- Total EBITDA increased by 2% to HK$5,834 million
- Adjusted funds flow increased by 2% to HK$2,377 million
- Profit attributable to holders of Share Stapled Units increased by 1% to HK$1,910 million; basic earnings per Share Stapled Unit was 25.22 HK cents
- Interim distribution per Share Stapled Unit is 31.36 HK cents

MANAGEMENT REVIEW

The Hong Kong economy entered a pronounced slowdown in the first half of 2022 caused by the onset of the fifth wave of COVID-19 (the "fifth wave"). HKT remained focused on its strategic priorities in serving both the consumer and business segments and managed to achieve steady growth during the period although at a level lower than we had expected.

With the subdued consumer sentiment in the first half, the Mobile business recorded a 2% growth in services revenue to HK$3,647 million for the six months ended 30 June 2022. Local core revenue grew by 2%, benefiting from continued 5G adoption, growth in our post-paid customer base as well as higher revenue contribution from Mobile enterprise solutions. Comparatively lower Mobile product sales were recorded during the period as a result of elevated sales in the first half of 2021 following the delayed launch of popular handset models and the adverse impact of supply chain disruptions. EBITDA from the Mobile segment increased by 2% to HK$2,122 million during the period, in line with growth in Mobile services revenue.

As individuals, households and enterprises returned to hybrid arrangements during the onset of the fifth wave, the Telecommunications Services ("TSS") business continued to benefit on the back of its reliable and extensive fixed network with revenue growing by 5% to HK$11,596 million. The consumer broadband business witnessed further uptake of its high-speed fibre-to-the-home ("FTTH") services and Home Wi-Fi solutions helping to lift average revenue per user ("ARPU"). The enterprise segment continued to demonstrate robust growth as both private enterprises and the public sector accelerated their digital transformation and smart city initiatives. As a result, the local data services business registered a solid revenue growth of 6% during the period. The International Telecommunications Services business achieved 9% growth in revenue, driven by increased global voice revenue, resilient data revenue supported by recent cable projects as well as the growing adoption of our Console Connect platform. Total TSS EBITDA increased by 2% to HK$4,104 million, reflecting further operating efficiencies and an ongoing focus on cost initiatives during the period.

As a result, HKT's total revenue for the six months ended 30 June 2022 increased by 3% to HK$16,157 million, while total revenue excluding Mobile product sales increased by 5% to HK$14,868 million. Total EBITDA for the period increased by 2% year-on-year to HK$5,834 million.

Profit attributable to holders of share stapled units of the HKT Trust and HKT ("Share Stapled Units") was HK$1,910 million for the period, an increase of 1% over the previous year. Profit growth was impacted by higher depreciation and amortisation expenses primarily arising from mobile spectrum re-assignment. Basic earnings per Share Stapled Unit was 25.22 HK cents.

Adjusted funds flow for the six months ended 30 June 2022 rose to HK$2,377 million, an increase of 2% over the previous year. Adjusted funds flow per Share Stapled Unit[4] was 31.36 HK cents.

The board of directors of the Trustee-Manager declared an interim distribution of 31.36 HK cents per Share Stapled Unit for the six months ended 30 June 2022.

OUTLOOK

This May, together with PCCW Limited and in partnership with The Sandbox, HKT became the first Hong Kong-based integrated communications, media and technology ("CMT") organisation to join the metaverse. We aim to leverage our digital ecosystem to explore opportunities presented by Web3 by connecting the physical world with the virtual.

Continuing our community support initiatives, we became Hong Kong's first mobile telecommunications operator to finish building 5G mobile network base stations for emergency treatment and isolation facilities at the Lok Ma Chau Loop, while providing free local mobile data to healthcare workers and quarantined individuals.

Adding to the much-needed business opportunities presented by the Consumption Voucher Scheme ("CVS"), HKT Merchant Services waived Tap & Go and FPS transaction fees for SMEs, social enterprises and NGOs via our SmartPOS device and FPS Payment Solution.

As we capitalise on our resources for the good of the public and our business, we shall continue to closely observe the macroeconomic environment for effective contribution and efficient business judgement, to ensure our capabilities and resilience yield sustained returns for unitholders.

FINANCIAL REVIEW BY SEGMENT

For the six months ended **HK$ million**	**30 Jun 2021**	**31 Dec 2021**	**30 Jun 2022**	Better/ (Worse) y-o-y
Revenue				
TSS	11,030	12,369	11,596	5%
- Local TSS Services	7,713	8,680	7,968	3%
- International Telecommunications Services	3,317	3,689	3,628	9%
Mobile	5,108	6,640	4,936	(3)%
- Mobile Services	3,577	4,241	3,647	2%
- Mobile Product Sales	1,531	2,399	1,289	(16)%
Other Businesses	408	464	567	39%
Eliminations	(903)	(1,155)	(942)	(4)%
Total revenue	15,643	18,318	**16,157**	**3%**
Total revenue (excluding Mobile Product Sales)	14,112	15,919	**14,868**	**5%**
Cost of sales	(7,550)	(9,179)	(8,134)	(8)%
Operating costs before depreciation, amortisation, and gains on disposal of property, plant and equipment and right-of-use assets, net	(2,378)	(2,121)	(2,189)	8%
EBITDA[1]				
TSS	4,036	4,913	4,104	2%
Mobile	2,072	2,708	2,122	2%
- Mobile Services	2,058	2,643	2,107	2%
- Mobile Product Sales	14	65	15	7%
Other Businesses	(393)	(603)	(392)	–
Total EBITDA[1]	5,715	7,018	**5,834**	**2%**
TSS EBITDA[1] Margin	*37%*	*40%*	*35%*	
Mobile EBITDA[1] Margin	*41%*	*41%*	*43%*	
- Mobile Services EBITDA[1] Margin	*58%*	*62%*	*58%*	
Total EBITDA[1] Margin	*37%*	*38%*	*36%*	
Total EBITDA[1] Margin (excluding Mobile Product Sales)	*40%*	*44%*	*39%*	
Depreciation and amortisation	(2,751)	(2,901)	(2,825)	(3)%
Gains on disposal of property, plant and equipment and right-of-use assets, net	2	22	–	NA
Other (losses)/gains, net	–	(8)	3	NA
Finance costs, net	(561)	(587)	(627)	(12)%
Share of results of associates and joint ventures	(63)	(67)	(38)	40%
Profit before income tax	2,342	3,477	**2,347**	**–**

ADJUSTED FUNDS FLOW[3]

For the six months ended HK$ million	**30 Jun 2021**	**31 Dec 2021**	**30 Jun 2022**	Better/ (Worse) y-o-y
Total EBITDA[1]	5,715	7,018	**5,834**	**2%**
Less cash outflows in respect of capital expenditures, customer acquisition costs and licence fees[2]:				
Capital expenditures	(1,170)	(1,208)	(1,140)	3%
Customer acquisition costs and licence fees	(534)	(1,166)	(595)	(11)%
Fulfilment costs	(227)	(260)	(309)	(36)%
Right-of-use assets	(809)	(815)	(687)	15%
Adjusted funds flow[3] before tax paid, net finance costs paid and changes in working capital	2,975	3,569	**3,103**	**4%**
Adjusted for:				
Net finance costs paid	(281)	(319)	(353)	(26)%
Tax payment	(180)	(194)	(75)	58%
Changes in working capital	(188)	131	(298)	(59)%
Adjusted funds flow[3]	2,326	3,187	**2,377**	**2%**

KEY OPERATING DRIVERS[5]

	30 Jun 2021	**31 Dec 2021**	**30 Jun 2022**	Better/(Worse) y-o-y	h-o-h
Exchange lines in service (’000)	2,486	2,443	2,405	(3)%	(2)%
Business lines (’000)	1,206	1,195	1,186	(2)%	(1)%
Residential lines (’000)	1,280	1,248	1,219	(5)%	(2)%
Total broadband access lines (’000) (Consumer, business and wholesale)	1,634	1,637	1,640	0.4%	0.2%
Retail consumer broadband access lines (’000)	1,464	1,461	1,464	–	0.2%
Retail business broadband access lines (’000)	161	163	163	1%	–
Mobile subscribers (’000)	4,477	4,770	4,817	8%	1%
Post-paid subscribers (’000)	3,263	3,297	3,305	1%	0.2%
Prepaid subscribers (’000)	1,214	1,473	1,512	25%	3%
Pay TV installed base (’000)	1,352	1,373	1,378	2%	0.4%
The Club members (’000)	3,293	3,541	3,630	10%	3%
Tap & Go accounts in use (’000)	2,774	3,402	3,522	27%	4%

Note 1 *EBITDA represents earnings before interest income, finance costs, income tax, depreciation and amortisation, gains/losses on disposal of property, plant and equipment, interests in leasehold land, right-of-use assets and intangible assets, net other gains/losses, losses on property, plant and equipment, restructuring costs, impairment losses on goodwill, tangible and intangible assets and interests in associates and joint ventures, and the Group's share of results of associates and joint ventures. While EBITDA is commonly used in the telecommunications industry worldwide as an indicator of operating performance, leverage and liquidity, it is not presented as a measure of operating performance in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") and should not be considered as representing net cash flows from operating activities. The computation of the Group's EBITDA may not be comparable to similarly titled measures of other companies.*

Note 2 *Group capital expenditures represent additions to property, plant and equipment and interests in leasehold land. Fulfilment costs and right-of-use assets are considered as part of customer acquisition costs and capital expenditures, respectively, for the purpose of adjusted funds flow calculation.*

Note 3 *Adjusted funds flow is defined as EBITDA less capital expenditures, customer acquisition costs and licence fees paid, taxes paid, finance costs and interest expense paid, and adjusted for interest income received and changes in working capital. It is not presented as a measure of leverage or liquidity in accordance with HKFRSs and should not be considered as representing net cash flows or any other similar measures derived in accordance with HKFRSs, or an alternative to cash flow from operations or a measure of liquidity. The Group's adjusted funds flow is computed in accordance with the above definition using financial information derived from the Group's unaudited condensed consolidated interim financial information. The adjusted funds flow may be used for debt repayment.*

Note 4 *Adjusted funds flow per Share Stapled Unit is calculated by dividing the adjusted funds flow for the period by the number of Share Stapled Units in issue as at 30 June 2022.*

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 six months ended HK$ million	30 Jun 2021	31 Dec 2021	30 Jun 2022	Better/ (Worse) y-o-y
TSS Revenue				
Local TSS Services	7,713	8,680	7,968	3%
International Telecommunications Services	3,317	3,689	3,628	9%
Total TSS Revenue	11,030	12,369	**11,596**	**5%**
Cost of sales	(5,679)	(6,442)	(6,302)	(11)%
Operating costs before depreciation and amortisation	(1,315)	(1,014)	(1,190)	10%
Total TSS EBITDA[1]	4,036	4,913	**4,104**	**2%**
TSS EBITDA[1] margin	*37%*	*40%*	***35%***	

Local TSS Services revenue grew by 3% to HK$7,968 million for the six months ended 30 June 2022 underpinned by an increase of 6% in Local Data Services revenue to HK$5,685 million, which represented a substantial 71% of the Local TSS Services segment. Local Telephony Services and Pay TV Services generated HK$1,325 million and HK$1,203 million in revenues respectively. Revenue from International Telecommunications Services increased by 9% to HK$3,628 million during the period. As a result, total TSS revenue rose by 5% year-on-year to HK$11,596 million.

Local Data Services. Comprising broadband revenue and local data revenue, Local Data Services revenue rose by 6% year-on-year to HK$5,685 million for the six months ended 30 June 2022.

Broadband revenue recorded a growth of 3% as more households subscribed to our high-speed and reliable fibre network in response to the return to hybrid arrangements during the first half of 2022. We also took the opportunity to integrate our various services through HKT Home to strengthen customer stickiness and drive up ARPU. In the first half of 2022, we launched the "Stay Home Super Combo" to provide total solutions to support the needs of different households, and flexi-plans to cater to individual requirements. We also introduced industry-leading services such as the "2500M Fibre Service" to further enhance user experience.

Despite robust competition and households relocating overseas, the business achieved an overall net gain in customers during the period, with total broadband access lines growing to 1.64 million as at the end of June 2022. Of these, 964,000 were FTTH connections which represented a net increase of 44,000 or 5% growth from a year earlier. Penetration of our Home Wi-Fi solutions also continued to rise steadily, which helped lift overall ARPU. During the period, a total of 339,000 customers subscribed to our Home Wi-Fi solutions, up 6% compared to the previous year and representing 23% of the consumer broadband base.

Telecommunications Services (Continued)

Local data revenue achieved a solid growth of 8% for the six months ended 30 June 2022, reflecting the growing demand for our unique integrated fixed-mobile digital solutions that incorporate not only 5G but also the latest technologies including artificial intelligence, machine learning and the Internet of Things. We continued to witness strong demand as private enterprises and the public sector accelerated their digital transformation and smart city initiatives. During the period, we were also fortunate to win a number of telecom-related projects to support various COVID campaigns launched by the Hong Kong government to aid the community during the fifth wave. The results in the first half of 2022 were also supported by growth in our mainland China business where revenue expanded by 55% year-on-year benefiting from our well-established HKT Enterprise Solutions for high-quality, reliable connectivity solutions including MPLS, premium internet, SD-WAN and enterprise managed services, and growing demand from multinational corporations and regional enterprises to support their expansion in mainland China.

Pay TV Services. Pay TV Services revenue was HK$1,203 million for the six months ended 30 June 2022 compared to HK$1,231 million a year earlier as it encountered challenging economic conditions, competition and emigration impact. To counter the rising competition from global direct-to-consumer over-the-top players, Now TV focused on offering the most comprehensive and compelling world-class content to fulfil the needs of the various customer segments in Hong Kong. We continue to be the Home of Sports with our live sports portfolio including the Premier League, Champions League, Formula One, MotoGP World Championship, PGA Tour and Golf Majors, Tennis tournaments and Grand Slams, badminton, fencing and much more. Now TV also continued to deliver the most popular Asian and Western drama series, Hollywood blockbuster movies and unique documentaries as well as e-learning activities and edutainment for the young segments. As at the end of June 2022, Now TV's installed base grew by 2% to 1.378 million, compared to 1.352 million a year earlier.

Recently, Now TV secured the broadcasting rights to FIFA World Cup Qatar 2022™ which will be played in the last quarter of 2022. Full coverage of all live matches will be available on Now TV and Now E. We expect that this marquee sporting event will help drive both our subscription and advertising revenue in the second half of the year.

Local Telephony Services. Local Telephony Services revenue was HK$1,325 million for the six months ended 30 June 2022 versus HK$1,449 million a year earlier. This reflected the ongoing migration from traditional fixed-line service to our high-speed broadband and mobile services, coupled with increased terminations due to household relocations as well as weakness in the small and medium-sized enterprise segment which were heavily impacted by the fifth wave during the period. As such, the total number of fixed lines in service at the end of June 2022 was 2.405 million, compared to 2.486 million a year earlier.

International Telecommunications Services. International Telecommunications Services revenue increased by 9% year-on-year to HK$3,628 million for the six months ended 30 June 2022. The revenue growth was driven by increased global voice revenue, resilient data revenue supported by recent cable projects and increasing adoption and usage on our Console Connect platform.

Demand for cloud interconnectivity services offered through our Console Connect platform continued to grow. During the period, Console Connect launched its CloudRouter service for users to build instant virtual networks, and further extended its reach to almost 800 data centres and over 180 cloud zones globally.

The TSS business registered an increase in EBITDA of 2% year-on-year to HK$4,104 million, which was assisted by further operating efficiencies and an ongoing focus on cost initiatives during the period leading to an EBITDA margin of 35%.

Mobile

For the six months ended HK$ million	30 Jun 2021	31 Dec 2021	30 Jun 2022	Better/ (Worse) y-o-y
Mobile Revenue				
Mobile Services	3,577	4,241	**3,647**	2%
Mobile Product Sales	1,531	2,399	**1,289**	(16)%
Total Mobile Revenue	5,108	6,640	**4,936**	(3)%
Mobile EBITDA[1]				
Mobile Services	2,058	2,643	**2,107**	2%
Mobile Product Sales	14	65	**15**	7%
Total Mobile EBITDA[1]	2,072	2,708	**2,122**	2%
Mobile EBITDA[1] margin	*41%*	*41%*	***43%***	
Mobile Services EBITDA[1] margin	*58%*	*62%*	***58%***	

The Mobile business recorded a 2% growth in services revenue to HK$3,647 million for the six months ended 30 June 2022, supported by a 2% growth in local core revenue. The expansion in local core revenue benefited from higher 5G adoption alongside growth in our post-paid customer base as well as higher revenue contribution from Mobile enterprise solutions. The revenue contribution from roaming and IDD business remained limited during the period. We expect meaningful contribution from roaming and IDD to resume once international travel into and out of Hong Kong fully reopens.

Despite market competition, the Mobile business reported a net gain in post-paid customers to 3.305 million in the first half of 2022, representing net additions of 42,000 or 1% year-on-year growth. Of note, our premium 1O1O customer base expanded by 2% year-on-year.

Our 5G customer growth continued its upward trajectory with the number of 5G customers almost doubling to 867,000 at the end of June 2022. Our 5G base had increased further to 918,000 by July, representing 28% of our post-paid base. In May, HKT became the first mobile operator to extend its 5G service to the MTR East Rail Line Cross-Harbour Extension, and also the first to provide full 5G coverage along all MTR lines.

The post-paid exit ARPU as at 30 June 2022 remained steady at HK$187, as the 5G service plan uplift was partially offset by competition in the price-conscious segment of the market. The churn rate for post-paid customers reached 0.9% during the period, affected by the challenging economic environment and emigration impact.

Comparatively lower Mobile product sales of HK$1,289 million were recorded in the first half of 2022 as a result of supply chain disruptions and the positive impact in the first half of 2021 from the delayed launch of popular handset models.

Mobile services EBITDA for the period rose by 2% to HK$2,107 million with a margin of 58% reflecting efficiency gains from mobile network operations including cell site reconfiguration, as well as optimisation of offline-to-online sales channels. Total Mobile EBITDA for the period also increased by 2% to HK$2,122 million from HK$2,072 million a year earlier. The overall EBITDA margin improved to 43% from 41% a year earlier, reflecting the lower contribution from Mobile product sales.

Other Businesses

Primarily comprising new businesses such as The Club and HKT Financial Services, as well as corporate support functions, Other Businesses recorded a strong revenue growth of 39% to HK$567 million for the six months ended 30 June 2022 versus HK$408 million a year earlier, primarily driven by the performance of The Club and Tap & Go.

The Club's membership base expanded by 10% to 3.63 million members from 3.29 million a year ago. Gross merchandise value transacted on the Club platform for the period increased by 18% from a year earlier. To provide further value to its members, The Club collaborated with Citi to launch an all-new Citi The Club Credit Card in May.

In April, Tap & Go was selected again to take part in the CVS. Benefiting from this, Tap & Go grew its accounts to 3.52 million, an increase of 27% from 2.77 million a year earlier, with its popularity particularly growing amongst the Gen Z and Millennial market segment. During the period, Tap & Go also witnessed a 253% growth in customer spending year-on-year. In order to drive further adoption and usage, Tap & Go has also been focused on merchant acquisition, with 7,200 subscriptions to its merchant payment solutions as of period end and recording a 185% growth in processed merchant transaction value.

Eliminations

Eliminations were HK$942 million for the six months ended 30 June 2022 versus HK$903 million a year earlier, reflecting the increased collaboration across all of HKT's business segments.

Cost of Sales

Cost of sales for the six months ended 30 June 2022 increased by 8% year-on-year to HK$8,134 million, reflecting the relatively higher costs associated with international voice revenues and in delivering enterprise projects.

General and Administrative Expenses

For the six months ended 30 June 2022, operating costs before depreciation, amortisation, and gains on disposal of property, plant and equipment and right-of-use assets, net ("operating costs") improved by 8% to HK$2,189 million, reflecting the Group's continued focus on operating efficiency across each of the business lines through digitalising business processes as well as optimising offline-to-online sales channels and retail footprint. Overall operating costs-to-revenue ratio for the period further improved to 13.5% versus 15.2% a year earlier.

Depreciation and amortisation expenses increased by 3% year-on-year to HK$2,825 million for the six months ended 30 June 2022, largely due to an increase in the amortisation of the 1800MHz mobile spectrum licences arising from the re-assignment in 2021.

As a result of the above, general and administrative expenses decreased by 2% to HK$5,014 million for the six months ended 30 June 2022 versus HK$5,127 million a year earlier.

EBITDA[1]

As a result of the steady performance in the TSS and Mobile businesses and sustained operating efficiencies, total EBITDA increased by 2% to HK$5,834 million for the six months ended 30 June 2022 versus HK$5,715 million a year earlier. The overall EBITDA margin was stable at 36%. Excluding Mobile product sales, the EBITDA margin held steady at 39% during the period.

Finance Costs, Net

Net finance costs for the six months ended 30 June 2022 increased by 12% to HK$627 million from HK$561 million a year earlier. The average cost of debt was 2.6% during the period, compared to 2.5% a year earlier. We will continue to closely monitor the interest rate environment to optimise the ratio of floating to fixed rate debt.

Income Tax

Income tax expense for the six months ended 30 June 2022 was HK$435 million, compared to HK$434 million a year earlier. The effective tax rate for the period remained steady at 18.5%.

Non-controlling Interests

Non-controlling interests of HK$2 million (30 June 2021: HK$8 million) comprised the net profits/losses attributable to the non-controlling shareholders of the Group's subsidiaries.

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

Profit attributable to holders of Share Stapled Units/shares of the Company for the six months ended 30 June 2022 increased by 1% to HK$1,910 million (30 June 2021: HK$1,900 million).

LIQUIDITY AND CAPITAL RESOURCES

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

In January 2022, HKT took advantage of a favourable market window and raised US$650 million 10-year guaranteed notes at an annual coupon of 3.00%. The proceeds are targeted for general corporate purposes including repayment of existing indebtedness. With this financing, HKT has built resilience by locking in low cost, long-term funding for the Group.

HKT's gross debt[6] was HK$44,343 million as at 30 June 2022 (31 December 2021: HK$43,886 million). Cash and short-term deposits totalled HK$2,039 million as at 30 June 2022 (31 December 2021: HK$2,883 million). HKT's gross debt[6] to total assets was 40% as at 30 June 2022 (31 December 2021: 40%).

As at 30 June 2022, HKT had ample liquidity in the form of banking facilities totalling HK$31,406 million, of which HK$13,688 million remained undrawn.

CREDIT RATINGS OF HONG KONG TELECOMMUNICATIONS (HKT) LIMITED

As at 30 June 2022, Hong Kong Telecommunications (HKT) Limited, an indirect wholly-owned subsidiary of the Company, had investment grade ratings with Moody's Investors Service (Baa2) and S&P Global Ratings (BBB).

CAPITAL EXPENDITURE[2]

Capital expenditure including capitalised interest for the six months ended 30 June 2022 was HK$1,187 million (30 June 2021: HK$1,209 million). Capital expenditure relative to revenue was 7.3% for the six months ended 30 June 2022 (30 June 2021: 7.7%).

Capital expenditure for HKT's Mobile business declined during the period, reflecting the completion of our territory-wide 5G coverage rollout. TSS capital expenditure was steady during the period, of which the majority was incurred to support continued demand for our FTTH services and customised solutions for enterprises.

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

ADJUSTED FUNDS FLOW[3]

Adjusted funds flow increased by 2% to HK$2,377 million for the six months ended 30 June 2022 from HK$2,326 million for the six months ended 30 June 2021. This growth was driven by the 2% expansion in EBITDA, disciplined capex investments, savings from the continued rationalisation of our retail shops, as well as the timing impact of tax payments during the period. These positive factors were partially offset by increases in licence fees and fulfilment costs to serve our growing base of consumer and enterprise customers, rise in net finance costs as well as seasonal movement in working capital.

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

HEDGING

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

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

A significant portion of HKT's financing is denominated in foreign currencies including United States dollars. Accordingly, HKT has entered into forward and swap contracts in order to manage its exposure to adverse fluctuations in foreign currency exchange rates and interest rates. These instruments are executed with creditworthy financial institutions. As at 30 June 2022, the majority of forward and swap contracts were designated as cash flow hedges for the related financing of HKT.

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

CHARGE ON ASSETS

As at 30 June 2022, no assets of the Group (31 December 2021: nil) were pledged to secure loans and banking facilities of HKT.

CONTINGENT LIABILITIES

HK$ million	As at 31 Dec 2021 (Audited)	**As at 30 Jun 2022 (Unaudited)**
Performance guarantees	994	**1,047**
Others	2	**2**
	996	**1,049**

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 15,600 employees as at 30 June 2022 (30 June 2021: 15,900) located in 21 countries and cities. About 66% 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.

INTERIM DIVIDEND/DISTRIBUTION

The board of directors of the Trustee-Manager declared an interim distribution by the HKT Trust in respect of the Share Stapled Units, of 31.36 HK cents per Share Stapled Unit (after deduction of any operating expenses permissible under the trust deed dated 7 November 2011 constituting the HKT Trust (the "Trust Deed")), in respect of the six months ended 30 June 2022 (and in order to enable the HKT Trust to pay that distribution, the board of directors of the Company declared an interim dividend in respect of the ordinary shares in the Company held by the Trustee-Manager, of 31.36 HK cents per ordinary share, in respect of the same period) to holders of Share Stapled Units.

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

CLOSURE OF BOOKS

The record date for the interim distribution will be Tuesday, 30 August 2022. The register of registered holders of Share Stapled Units, the register of holders of units, the principal and Hong Kong branch registers of members of the Company and the register of beneficial interests as maintained by the Trustee-Manager and the Company in accordance with the provisions of the Trust Deed will all be closed from Monday, 29 August 2022 to Tuesday, 30 August 2022 (both days inclusive), in order to determine entitlements to the interim distribution. During such period, no transfer of Share Stapled Units will be effected. In order to qualify for the interim distribution, all transfers of Share Stapled Units accompanied by the relevant certificates in respect of the Share Stapled Units must be lodged with the Share Stapled Units Registrar, Computershare Hong Kong Investor Services Limited, Transfer Office, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration no later than 4:30 p.m. on Friday, 26 August 2022. Distribution warrants will be despatched to holders of Share Stapled Units on or around Thursday, 8 September 2022.

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 six months ended 30 June 2022, none of the HKT Trust (including the Trustee-Manager), the Company or the Company's subsidiaries purchased, sold or redeemed any Share Stapled Units.

AUDIT COMMITTEE

The Trustee-Manager's Audit Committee and the Company's Audit Committee have reviewed the accounting policies adopted by the Group and the Trustee-Manager, the unaudited condensed consolidated interim financial information of the HKT Trust and HKT Limited for the six months ended 30 June 2022 and the unaudited condensed interim financial information of the Trustee-Manager for the same period. Such financial information of the HKT Trust and HKT Limited and of the Trustee-Manager has not been audited but has been reviewed by the independent auditor of the Trustee-Manager and the Company.

CORPORATE GOVERNANCE CODE

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

The HKT Trust and the Company have applied the principles, and complied with all relevant code provisions of the Corporate Governance Code (the "CG Code") in each case as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited during the six months ended 30 June 2022, save and except for the code provisions set out below. The requirement to establish a separate Remuneration Committee with written terms of reference for the Trustee-Manager under the code provision E.1.2 of the CG Code is not relevant to the Trustee-Manager as its directors are not entitled to any remuneration under the Trust Deed, and therefore has not been complied with. In addition, given the unique circumstances of the HKT Trust i.e., the fact that the Trust Deed requires that the directors of the Company and the directors of the Trustee-Manager must always be the same individuals, the establishment of a separate Nomination Committee with written terms of reference for the Trustee-Manager as required by code provision B.3.1 of the CG Code is not relevant to the Trustee-Manager, and therefore has not been complied with.

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

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

This announcement is published on the websites of the Company (www.hkt.com/ir) and Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk). The 2022 interim report will be despatched to holders of Share Stapled Units and available on the above websites in due course.

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

Hong Kong, 11 August 2022

CONSOLIDATED INCOME STATEMENT OF HKT TRUST AND OF HKT LIMITED
For the six months ended 30 June 2022
(In HK$ million except for earnings per Share Stapled Unit/share of the Company)

	Note(s)	2021 (Unaudited)	**2022 (Unaudited)**
Revenue	2	15,643	**16,157**
Cost of sales		(7,550)	**(8,134)**
General and administrative expenses		(5,127)	**(5,014)**
Other gains, net		–	**3**
Finance costs, net		(561)	**(627)**
Share of results of associates		(55)	**(53)**
Share of results of joint ventures		(8)	**15**
Profit before income tax	2, 3	2,342	**2,347**
Income tax	4	(434)	**(435)**
Profit for the period		1,908	**1,912**
Profit attributable to:			
Holders of Share Stapled Units/shares of the Company		1,900	**1,910**
Non-controlling interests		8	**2**
Profit for the period		1,908	**1,912**
Earnings per Share Stapled Unit/share of the Company	6		
Basic		25.09 cents	**25.22 cents**
Diluted		25.09 cents	**25.22 cents**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF HKT TRUST AND OF HKT LIMITED
For the six months ended 30 June 2022
(In HK$ million)

	2021 (Unaudited)	**2022 (Unaudited)**
Profit for the period	1,908	**1,912**
Other comprehensive (loss)/income		
Items that have been reclassified or may be reclassified subsequently to consolidated income statement:		
Translation exchange differences:		
- exchange differences on translating foreign operations of subsidiaries	(24)	**(72)**
- exchange differences on translating foreign operations of joint ventures	–	**(13)**
Cash flow hedges:		
- effective portion of changes in fair value	(91)	**102**
- transfer from equity to consolidated income statement	21	**(43)**
Costs of hedging	(11)	**32**
Other comprehensive (loss)/income for the period	(105)	**6**
Total comprehensive income for the period	1,803	**1,918**
Attributable to:		
Holders of Share Stapled Units/shares of the Company	1,795	**1,916**
Non-controlling interests	8	**2**
Total comprehensive income for the period	1,803	**1,918**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF HKT TRUST AND OF HKT LIMITED
As at 30 June 2022
(In HK$ million)

	Note	As at 31 December 2021 (Audited)	**As at 30 June 2022 (Unaudited)**
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		25,198	**25,764**
Right-of-use assets		2,139	**2,055**
Interests in leasehold land		189	**183**
Goodwill		49,809	**49,805**
Intangible assets		15,617	**15,968**
Fulfilment costs		1,512	**1,620**
Customer acquisition costs		858	**824**
Contract assets		300	**281**
Interests in associates		360	**416**
Interests in joint ventures		555	**525**
Financial assets at fair value through other comprehensive income		124	**124**
Financial assets at fair value through profit or loss		38	**60**
Derivative financial instruments		131	**277**
Deferred income tax assets		758	**701**
Other non-current assets		889	**828**
		98,477	**99,431**
Current assets			
Inventories		1,218	**1,333**
Prepayments, deposits and other current assets		2,141	**2,244**
Contract assets		699	**617**
Trade receivables, net	7	3,953	**3,674**
Amounts due from related companies		31	**36**
Financial assets at fair value through profit or loss		15	**14**
Derivative financial instruments		–	**66**
Tax recoverable		8	**7**
Restricted cash		187	**455**
Short-term deposits		472	**471**
Cash and cash equivalents		2,411	**1,568**
		11,135	**10,485**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF HKT TRUST AND OF HKT LIMITED (CONTINUED)
As at 30 June 2022
(In HK$ million)

	Note	As at 31 December 2021 (Audited)	**As at 30 June 2022 (Unaudited)**
Current liabilities			
Short-term borrowings		(61)	**(3,965)**
Trade payables	8	(5,250)	**(4,225)**
Accruals and other payables		(4,221)	**(5,524)**
Derivative financial instrument		–	**(90)**
Carrier licence fee liabilities		(315)	**(321)**
Amount due to a fellow subsidiary		(1,962)	**(2,947)**
Amount due to a related company		(65)	**(56)**
Advances from customers		(270)	**(281)**
Contract liabilities		(1,513)	**(1,377)**
Lease liabilities		(1,023)	**(1,045)**
Current income tax liabilities		(1,523)	**(1,652)**
		(16,203)	**(21,483)**
Non-current liabilities			
Long-term borrowings	9	(43,628)	**(40,229)**
Derivative financial instruments		(128)	**(76)**
Deferred income tax liabilities		(4,674)	**(4,848)**
Carrier licence fee liabilities		(3,449)	**(3,517)**
Contract liabilities		(1,159)	**(1,093)**
Lease liabilities		(1,162)	**(1,049)**
Other long-term liabilities		(2,012)	**(1,661)**
		(56,212)	**(52,473)**
Net assets		37,197	**35,960**
CAPITAL AND RESERVES			
Share capital		8	**8**
Reserves		37,133	**35,903**
Equity attributable to holders of Share Stapled Units/shares of the Company		37,141	**35,911**
Non-controlling interests		56	**49**
Total equity		37,197	**35,960**

NOTES

1. BASIS OF PREPARATION AND PRESENTATION

The HKT Trust (the "HKT Trust") is constituted by a Hong Kong law governed trust deed as supplemented, amended or substituted from time to time (the "Trust Deed"), entered into between HKT Management Limited (in its capacity as the trustee-manager of the HKT Trust) (the "Trustee-Manager") and HKT Limited (the "Company"). In accordance with the Trust Deed, the HKT Trust and the Company are each required to prepare their own interim financial information on a consolidated basis. The HKT Trust unaudited condensed consolidated interim financial information for the six months ended 30 June 2022 comprises the unaudited condensed consolidated interim financial information of the HKT Trust, the Company and its subsidiaries (together the "Group"), and the Group's interests in associates and joint ventures. The HKT Limited unaudited condensed consolidated interim financial information for the six months ended 30 June 2022 comprises the unaudited condensed consolidated interim financial information of the Company and its subsidiaries (together the "HKT Limited Group") and the HKT Limited Group's interests in associates and joint ventures, and the Company's statement of financial position.

The HKT Trust controls the Company and the sole activity of the HKT Trust during the six months ended 30 June 2022 was investing in the Company. Therefore, the consolidated financial results and financial position that would be presented in the unaudited condensed consolidated interim financial information of the HKT Trust are identical to the consolidated financial results and financial position of the Company with the only differences being disclosures of the capital of the Company. The directors of the Trustee-Manager and the directors of the Company believe therefore that it is clearer to present the unaudited condensed consolidated interim financial information of the HKT Trust and of the Company together. The unaudited condensed consolidated interim financial information of the HKT Trust and the unaudited condensed consolidated interim financial information of the Company are presented together to the extent they are identical and are hereinafter referred to as the "HKT Trust and HKT Limited unaudited condensed consolidated interim financial information".

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

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 HKT Trust and HKT Limited unaudited condensed consolidated interim financial information has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The HKT Trust and HKT Limited unaudited condensed consolidated interim financial information should be read in conjunction with the annual consolidated financial statements of the HKT Trust and HKT Limited for the year ended 31 December 2021.

The HKT Trust and HKT Limited unaudited condensed consolidated interim financial information is presented in Hong Kong dollars, unless otherwise stated. The HKT Trust and HKT Limited unaudited condensed consolidated interim financial information was approved for issue on 11 August 2022.

1. BASIS OF PREPARATION AND PRESENTATION (CONTINUED)

The HKT Trust and HKT Limited unaudited condensed consolidated interim financial information has been reviewed by the Audit Committee of the Trustee-Manager and of the Company and, in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA, by the Groups' independent auditor.

The financial information of the Trustee-Manager relating to the year ended 31 December 2021 that is included in this interim results announcement as comparative information does not constitute the Trustee-Manager's statutory annual financial statements for that year but is derived from those financial statements. Further information relating to those statutory financial statements required to be disclosed in accordance with Section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

- The Trustee-Manager's financial statements combined with the HKT Trust and HKT Limited consolidated financial statements for the year ended 31 December 2021 have been delivered to the Registrar of Companies.

- The Trustee-Manager's auditor has reported on those financial statements of the Trustee-Manager. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under Sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Cap. 622).

The preparation of the HKT Trust and HKT Limited unaudited condensed consolidated interim financial information in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses on a year-to-date basis. Actual results may differ from these estimates.

In preparing this unaudited condensed consolidated interim financial information, the significant judgements made by management in applying the Groups' accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2021.

The accounting policies, basis of presentation and methods of computation used in preparing the HKT Trust and HKT Limited unaudited condensed consolidated interim financial information are consistent with those followed in preparing the Groups' annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of the following amended Hong Kong Financial Reporting Standards ("HKFRSs") and HKASs which are first effective for accounting periods beginning on or after 1 January 2022 as described below.

The following amended HKFRSs and HKASs are adopted for the financial year beginning 1 January 2022, but have no material effect on the Groups' reported results and financial position for the current and prior accounting periods.

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

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

1. BASIS OF PREPARATION AND PRESENTATION (CONTINUED)

As at 30 June 2022, the current liabilities of the Groups exceeded their current assets by HK$10,998 million. Included in the current liabilities were (i) short-term borrowings of HK$3,965 million, which mainly represented the reclassification of borrowings from non-current liabilities to current liabilities in the current period as their maturity dates fall due within the next 12-month period and the Groups have arrangements to refinance this balance via long-term borrowings; and (ii) current portion of contract liabilities of HK$1,377 million recognised for which no direct cash settlement is required but will gradually reduce over the contract terms through the satisfaction of performance obligations. Also, considering the Groups' ability to generate net operating cash inflows and raise additional debt financing, and the undrawn banking facilities totalling HK$13,688 million as at 30 June 2022, management considers the Groups are able to meet their liabilities as and when they fall due within the next 12-month period. Accordingly, this unaudited condensed consolidated interim financial information has been prepared on a going concern basis.

2. SEGMENT INFORMATION

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

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

- Telecommunications Services ("TSS") is the leading provider of telecommunications and related services which include local telephony, local data and broadband, international telecommunications, enterprise solutions, media entertainment including the provision of interactive pay-TV services (the "Pay TV business"), and other telecommunications businesses such as customer premises equipment sales, outsourcing, consulting, and contact centres. 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, and corporate support functions.

The CODM assesses the performance of the operating segments based on a measure of adjusted earnings before interest, tax, depreciation and amortisation ("EBITDA"). EBITDA represents earnings before interest income, finance costs, income tax, depreciation and amortisation, gains/losses on disposal of property, plant and equipment, interests in leasehold land, right-of-use assets and intangible assets, net other gains/losses, losses on property, plant and equipment, restructuring costs, impairment losses on goodwill, tangible and intangible assets and interests in associates and joint ventures, and the Groups' share of results of associates and joint ventures.

Segment revenue, expense and segment performance include transactions between segments. Inter-segment pricing is based on similar terms to those available to other external parties for similar services. The revenue from external parties reported to the CODM is measured in a manner consistent with that in the consolidated income statement.

2. SEGMENT INFORMATION (CONTINUED)

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

For the six months ended 30 June 2021
(In HK$ million)

	TSS (Unaudited)	Mobile (Unaudited)	Other Businesses (Unaudited)	Eliminations (Unaudited)	Consolidated (Unaudited)
Revenue					
External revenue	10,511	4,728	404	–	15,643
Inter-segment revenue	519	380	4	(903)	–
Total revenue	11,030	5,108	408	(903)	15,643
External revenue from contracts with customers:					
Timing of revenue recognition					
At a point in time	1,295	1,311	311	–	2,917
Over time	9,189	3,417	93	–	12,699
External revenue from other sources:					
Rental income	27	–	–	–	27
	10,511	4,728	404	–	15,643
Results					
EBITDA	4,036	2,072	(393)	–	5,715

For the six months ended 30 June 2022
(In HK$ million)

	TSS (Unaudited)	**Mobile (Unaudited)**	**Other Businesses (Unaudited)**	**Eliminations (Unaudited)**	**Consolidated (Unaudited)**
Revenue					
External revenue	**11,033**	**4,561**	**563**	**–**	**16,157**
Inter-segment revenue	**563**	**375**	**4**	**(942)**	**–**
Total revenue	**11,596**	**4,936**	**567**	**(942)**	**16,157**
External revenue from contracts with customers:					
Timing of revenue recognition					
At a point in time	**1,564**	**1,082**	**466**	**–**	**3,112**
Over time	**9,433**	**3,479**	**97**	**–**	**13,009**
External revenue from other sources:					
Rental income	**36**	**–**	**–**	**–**	**36**
	11,033	**4,561**	**563**	**–**	**16,157**
Results					
EBITDA	**4,104**	**2,122**	**(392)**	**–**	**5,834**

2. SEGMENT INFORMATION (CONTINUED)

The CODM assesses the Pay TV business together with the TSS reportable segment upon the consolidation of the consumer retail business and Pay TV business. To conform with the current period's presentation, relevant revenue of HK$1,231 million with corresponding eliminations and EBITDA of HK$212 million are reclassified to "TSS" for the six months ended 30 June 2021.

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

	Six months ended	
In HK$ million	30 June 2021 (Unaudited)	**30 June 2022 (Unaudited)**
Total segment EBITDA	5,715	**5,834**
Gains on disposal of property, plant and equipment, net	2	**–**
Depreciation and amortisation	(2,751)	**(2,825)**
Other gains, net	–	**3**
Finance costs, net	(561)	**(627)**
Share of results of associates and joint ventures	(63)	**(38)**
Profit before income tax	2,342	**2,347**

3. PROFIT BEFORE INCOME TAX

Profit before income tax was stated after charging the following:

	Six months ended	
In HK$ million	30 June 2021 (Unaudited)	**30 June 2022 (Unaudited)**
Cost of inventories sold	2,759	**2,815**
Cost of sales, excluding inventories sold	4,791	**5,319**
Impairment loss for trade receivables	88	**75**
Depreciation of property, plant and equipment	604	**579**
Depreciation of right-of-use assets	726	**696**
Amortisation of land lease premium – interests in leasehold land	6	**6**
Amortisation of intangible assets	788	**821**
Amortisation of fulfilment costs	190	**201**
Amortisation of customer acquisition costs	437	**522**
Finance costs on borrowings	542	**603**

4. INCOME TAX

In HK$ million	Six months ended 30 June 2021 (Unaudited)	Six months ended **30 June 2022 (Unaudited)**
Current income tax:		
Hong Kong profits tax	183	**196**
Overseas tax	6	**9**
Movement of deferred income tax	245	**230**
	434	**435**

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

5. DISTRIBUTIONS/DIVIDENDS

a. Distribution/Dividend attributable to the interim period

In HK$ million	Six months ended 30 June 2021 (Unaudited)	Six months ended **30 June 2022 (Unaudited)**
Interim distribution/dividend declared after the end of the interim period of 31.36 HK cents (2021: 30.70 HK cents) per Share Stapled Unit/ ordinary share of the Company	2,326	**2,377**

At meetings held on 11 August 2022, the directors of the Trustee-Manager and the Company declared an interim distribution/dividend of 31.36 HK cents per Share Stapled Unit/ordinary share of the Company for the year ending 31 December 2022. This interim distribution/dividend is not reflected as a distribution/dividend payable in the HKT Trust and HKT Limited unaudited condensed consolidated interim financial information.

b. Distribution/Dividend approved and paid during the interim period

In HK$ million	Six months ended 30 June 2021 (Unaudited)	Six months ended **30 June 2022 (Unaudited)**
Final distribution/dividend declared in respect of the previous financial year, approved and paid during the interim period of 42.07 HK cents (2021: 40.97 HK cents) per Share Stapled Unit/ ordinary share of the Company	3,104	**3,189**
Less: distribution/dividend for Share Stapled Units/ ordinary shares of the Company held by the Company's Share Stapled Units award schemes	(1)	**(3)**
	3,103	**3,186**

6. 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:

	Six months ended	
	30 June 2021 (Unaudited)	**30 June 2022 (Unaudited)**
Earnings (in HK$ million)		
Earnings for the purpose of basic and diluted earnings per Share Stapled Unit/share of the Company	1,900	**1,910**
Number of Share Stapled Units/shares of the Company		
Weighted average number of Share Stapled Units/ordinary shares of the Company	7,575,742,334	**7,577,156,699**
Effect of Share Stapled Units held under the Company's Share Stapled Units award schemes	(3,232,874)	**(3,761,530)**
Weighted average number of Share Stapled Units/ordinary shares of the Company for the purpose of basic earnings per Share Stapled Unit/share of the Company	7,572,509,460	**7,573,395,169**
Effect of Share Stapled Units awarded under the Company's Share Stapled Units award schemes	1,316,589	**1,335,462**
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	7,573,826,049	**7,574,730,631**

7. TRADE RECEIVABLES, NET

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

In HK$ million	As at 31 December 2021 (Audited)	**As at 30 June 2022 (Unaudited)**
1 – 30 days	2,829	**2,473**
31 – 60 days	440	**360**
61 – 90 days	180	**218**
91 – 120 days	92	**110**
Over 120 days	575	**688**
	4,116	**3,849**
Less: loss allowance	(163)	**(175)**
Trade receivables, net	3,953	**3,674**

7. TRADE RECEIVABLES, NET (CONTINUED)

As at 30 June 2022, included in trade receivables, net were amounts due from related parties of HK$46 million (as at 31 December 2021: HK$39 million).

The Groups' normal credit period for customers is ranging up to 30 days from the date of invoice unless there is a separate mutual agreement on extension of the credit period. The Groups maintain a well-defined credit policy and individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Debtors who have overdue balances are requested to settle all outstanding balances before any further credit is granted.

8. TRADE PAYABLES

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

In HK$ million	As at 31 December 2021 (Audited)	**As at 30 June 2022 (Unaudited)**
1 – 30 days	2,318	**2,185**
31 – 60 days	696	**730**
61 – 90 days	879	**364**
91 – 120 days	547	**265**
Over 120 days	810	**681**
	5,250	**4,225**

As at 30 June 2022, included in trade payables were amounts due to related parties of HK$42 million (as at 31 December 2021: HK$22 million).

9. LONG-TERM BORROWINGS

On 18 January 2022, HKT Capital No. 6 Limited, an indirect wholly-owned subsidiary of the Company, issued US$650 million 3.00% guaranteed notes due 2032, which are listed on the Singapore Exchange Securities Trading Limited. The notes are irrevocably and unconditionally guaranteed by HKT Group Holdings Limited ("HKTGH") and Hong Kong Telecommunications (HKT) Limited ("HKTL"), both being wholly-owned subsidiaries of the Company, and rank pari passu with all other outstanding unsecured and unsubordinated obligations of HKTGH and HKTL.

INCOME STATEMENT OF
HKT MANAGEMENT LIMITED
For the six months ended 30 June 2022
(In HK$'000)

	2021 (Unaudited)	**2022 (Unaudited)**
Management fee income	26	**30**
General and administrative expenses	(26)	**(30)**
Result before income tax	–	**–**
Income tax	–	**–**
Result for the period	–	**–**

STATEMENT OF COMPREHENSIVE INCOME OF
HKT MANAGEMENT LIMITED
For the six months ended 30 June 2022
(In HK$'000)

	2021 (Unaudited)	**2022 (Unaudited)**
Result for the period	–	**–**
Other comprehensive income	–	**–**
Total comprehensive income for the period	–	**–**

STATEMENT OF FINANCIAL POSITION OF
HKT MANAGEMENT LIMITED
As at 30 June 2022
(In HK$'000)

	As at 31 December 2021 (Audited)	**As at 30 June 2022 (Unaudited)**
ASSET AND LIABILITIES		
Current asset		
Amount due from a fellow subsidiary	492	**521**
	492	**521**
Current liabilities		
Accruals and other payables	(52)	**(28)**
Amounts due to fellow subsidiaries	(440)	**(493)**
	(492)	**(521)**
Net assets	–	**–**
CAPITAL AND RESERVES		
Share capital	–	**–**
Reserves	–	**–**
Total equity	–	**–**

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

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

Non-Executive Directors:
Peter Anthony Allen; Chung Cho Yee, Mico and Wang Fang

Independent Non-Executive Directors:
Professor Chang Hsin Kang, FREng, GBS, JP; Sunil Varma; Aman Mehta and Frances Waikwun Wong

Forward-Looking Statements

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