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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 2023

The directors of HKT Management Limited (in its capacity as the trustee-manager of the HKT Trust) (the “Trustee-Manager”) and HKT Limited (the “Company” or “HKT”) are pleased to announce the 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 2023. 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 excluding Mobile product sales increased by 3% to HK\$15,247 million, reflecting the delivery of digital transformation projects for enterprise and government customers, continued strong demand for our reliable fibre services, gradual recovery in roaming revenue and further momentum in 5G adoption; total revenue grew by 2% to HK\$16,400 million despite softer Mobile product sales;
- Total EBITDA increased by 3% to HK\$6,009 million spurred by sustained cost efficiency initiatives across the Group;
- Adjusted funds flow increased by 2.2% to HK\$2,429 million;
- Profit attributable to holders of Share Stapled Units increased by 2.2% to HK\$1,952 million; basic earnings per Share Stapled Unit was 25.77 HK cents; and
- Interim distribution per Share Stapled Unit is 32.05 HK cents.

MANAGEMENT REVIEW

Hong Kong started to witness economic recovery in the first half of 2023 with the Government unveiling a series of initiatives and the reopening of borders creating upward momentum for local consumption and travel-related spending. Leveraging our leading telecom infrastructure and continual innovation to offer appealing customer-centric services, HKT delivered resilient results for the six months ended 30 June 2023 and is poised to benefit from the continued growth in consumer spending and business investment.

The Mobile business started to record accelerated growth in services revenue of 5% to HK\$3,815 million for the six months ended 30 June 2023. This reflected the gradual recovery in roaming revenue and further 5G adoption by our post-paid customer base. As travel resumed with the full border reopening in the first quarter, the Mobile business witnessed a return in demand for roaming services, particularly outbound roaming. Notably, the number of roamers and consumer outbound roaming revenue in June 2023 surpassed pre-COVID levels. This drove outbound roaming revenue in June 2023 to hit 80% of pre-COVID levels, although cautious sentiment has held back business related travel. As such, total roaming revenue in the first half of 2023 soared by 166% year-on-year, albeit from a low base. 5G penetration continued, although at a slower pace, with the customer base reaching almost 1.2 million, 35% of our total post-paid customers as of 30 June 2023. Total revenue, including Mobile product sales, grew by 1% to HK\$4,968 million, despite softer handset sales although we expect an uplift in the second half as the economic recovery gains momentum and new handsets are released. EBITDA from the Mobile segment increased by 3% to HK\$2,194 million during the period.

Demand for our services from enterprises in Hong Kong, as well as in mainland China, was robust as they accelerated upgrades to their infrastructure and systems in anticipation of the continued recovery of the economy. As a result, local data revenue registered impressive growth of 10% during the period. With continued demand for high-speed, reliable broadband solutions from individuals, households and enterprises in the new normal, broadband revenue increased by 2% year-on-year which was spurred by the further uptake of fibre connectivity and value-added services such as Home Wi-Fi solutions. Our Pay TV business delivered a steady performance in the first half of the year as the appeal of Now TV's diverse content offering, in particular live sporting events, has driven steady growth in customer subscription particularly in the hospitality sector. Consequently, revenue in the Local Telecommunications Services ("TSS") segment grew by 2% to HK\$8,159 million.

Total TSS revenue grew by 1% year-on-year to HK\$11,685 million reflecting steady performance in Local TSS Services revenue which was partially offset by lower revenue in International Telecommunications Services business due to the absence of one-off capacity sales. Total TSS EBITDA increased by 3% to HK\$4,219 million with an improved margin of 36%.

On a consolidated basis, HKT's total revenue, excluding Mobile product sales, for the six months ended 30 June 2023 increased by 3% to HK\$15,247 million, while total revenue increased by 2% to HK\$16,400 million.

Operating costs improved by 4% as a result of enhanced operating efficiencies across the Group, which lifted total EBITDA by 3% year-on-year to HK\$6,009 million with margin improving from 36% to 37%.

Profit attributable to holders of share stapled units of the HKT Trust and HKT ("Share Stapled Units") was HK\$1,952 million for the period, an increase of 2.2% over the previous year. Basic earnings per Share Stapled Unit was 25.77 HK cents.

Adjusted funds flow for the six months ended 30 June 2023 rose to HK\$2,429 million, an increase of 2.2% over the previous year. Adjusted funds flow per Share Stapled Unit⁴ was 32.05 HK cents.

The board of directors of the Trustee-Manager declared an interim distribution of 32.05 HK cents per Share Stapled Unit for the six months ended 30 June 2023.

OUTLOOK

As Hong Kong emerges from the epidemic, HKT is poised to promote and capitalise on the city's accelerated transformation into a world inno-tech centre. We look forward to tapping our distinct edge as a cross-industry innovator to embrace emerging trends, connect the community with its sustainable future and continue delivering quality returns for our stakeholders.

FINANCIAL REVIEW BY SEGMENT

For the six months ended HK\$ million	30 Jun 2022	31 Dec 2022	30 Jun 2023	Better/ (Worse) y-o-y
Revenue				
TSS	11,596	12,376	11,685	1%
- Local TSS Services	7,968	8,535	8,159	2%
- International Telecommunications Services	3,628	3,841	3,526	(3)%
Mobile	4,936	6,630	4,968	1%
- Mobile Services	3,647	4,295	3,815	5%
- Mobile Product Sales	1,289	2,335	1,153	(11)%
Other Businesses	567	314	596	5%
Eliminations	(942)	(1,352)	(849)	10%
Total revenue	16,157	17,968	16,400	2%
Total revenue (excluding Mobile Product Sales)	14,868	15,633	15,247	3%
Cost of sales	(8,134)	(8,960)	(8,279)	(2)%
Operating costs before depreciation, amortisation, and losses on disposal of property, plant and equipment and right-of-use assets, net	(2,189)	(1,778)	(2,112)	4%
EBITDA¹				
TSS	4,104	5,036	4,219	3%
Mobile	2,122	2,766	2,194	3%
- Mobile Services	2,107	2,705	2,194	4%
- Mobile Product Sales	15	61	—	NA
Other Businesses	(392)	(572)	(404)	(3)%
Total EBITDA¹	5,834	7,230	6,009	3%
TSS EBITDA¹ Margin	35%	41%	36%	
Mobile EBITDA¹ Margin	43%	42%	44%	
- Mobile Services EBITDA ¹ Margin	58%	63%	58%	
Total EBITDA¹ Margin	36%	40%	37%	
Total EBITDA¹ Margin (excluding Mobile Product Sales)	39%	46%	39%	
Depreciation and amortisation	(2,825)	(2,982)	(2,700)	4%
Losses on disposal of property, plant and equipment and right-of-use assets, net	—	(3)	—	NA
Other gains/(losses), net	3	(11)	9	200%
Finance costs, net	(627)	(962)	(925)	(48)%
Share of results of associates and joint ventures	(38)	(59)	(60)	(58)%
Profit before income tax	2,347	3,213	2,333	(1)%

ADJUSTED FUNDS FLOW³

For the six months ended HK\$ million	30 Jun 2022	31 Dec 2022	30 Jun 2023	Better/ (Worse) y-o-y
Total EBITDA¹	5,834	7,230	6,009	3%
Less cash outflows in respect of capital expenditures, customer acquisition costs and licence fees ² :				
Capital expenditures	(1,140)	(1,113)	(1,078)	5%
Customer acquisition costs and licence fees	(595)	(970)	(794)	(33)%
Fulfilment costs	(309)	(258)	(270)	13%
Right-of-use assets	(687)	(702)	(686)	–
Adjusted funds flow³ before tax paid, net finance costs paid and changes in working capital	3,103	4,187	3,181	3%
Adjusted for:				
Net finance costs paid	(353)	(528)	(693)	(96)%
Tax payment	(75)	(9)	(251)	(235)%
Changes in working capital	(298)	(379)	192	NA
Adjusted funds flow³	2,377	3,271	2,429	2%

KEY OPERATING DRIVERS⁵

	30 Jun 2022	31 Dec 2022	30 Jun 2023	Better/(Worse) y-o-y	h-o-h
Exchange lines in service ('000)	2,405	2,343	2,283	(5)%	(3)%
Business lines ('000)	1,186	1,176	1,160	(2)%	(1)%
Residential lines ('000)	1,219	1,167	1,123	(8)%	(4)%
Total broadband access lines ('000)	1,640	1,640	1,642	0.1%	0.1%
(Consumer, business and wholesale)					
Retail consumer broadband access lines ('000)	1,464	1,465	1,468	0.3%	0.2%
Retail business broadband access lines ('000)	163	162	162	(1)%	–
Mobile subscribers ('000)	4,817	4,787	4,656	(3)%	(3)%
Post-paid subscribers ('000)	3,305	3,323	3,383	2%	2%
Prepaid subscribers ('000)	1,512	1,464	1,273	(16)%	(13)%
Pay TV installed base ('000)	1,378	1,398	1,428	4%	2%
The Club members ('000)	3,630	3,707	3,778	4%	2%
Tap & Go accounts in use ('000)	3,522	3,634	3,711	5%	2%

- 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 2023.*
- 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 2022	31 Dec 2022	30 Jun 2023	Better/ (Worse) y-o-y
TSS Revenue				
Local TSS Services	7,968	8,535	8,159	2%
International Telecommunications Services	3,628	3,841	3,526	(3)%
Total TSS Revenue	11,596	12,376	11,685	1%
Cost of sales	(6,302)	(6,356)	(6,306)	—
Operating costs before depreciation and amortisation	(1,190)	(984)	(1,160)	3%
Total TSS EBITDA¹	4,104	5,036	4,219	3%
TSS EBITDA¹ margin	35%	41%	36%	

Local TSS Services revenue grew by 2% to HK\$8,159 million for the six months ended 30 June 2023, underpinned by an increase of 7% in Local Data Services revenue to HK\$6,055 million. Local Data Services represents the largest component of the Local TSS Services segment, comprising 74% of revenue. Pay TV Services revenue edged up slightly to HK\$1,205 million while Local Telephony Services revenue dropped to HK\$1,173 million. During the period, the International Telecommunications Services business experienced lower revenue to HK\$3,526 million due to the absence of one-off capacity sales. As a result, total TSS revenue rose by 1% year-on-year to HK\$11,685 million.

Local Data Services. Comprising broadband revenue and local data revenue, Local Data Services revenue rose by 7% year-on-year to HK\$6,055 million for the six months ended 30 June 2023.

Broadband revenue grew by 2% as demand for our high speed, reliable fibre service from individuals, households and enterprises continued in the new normal. Since its launch, our 2500M fibre-to-the-home (“FTTH”) service has gathered momentum as it further taps the demand for greater bandwidth at home. The 2500M FTTH service, which has symmetric uplink and downlink speeds that will encourage upgrades from the 1000M service, will drive average revenue per user (“ARPU”) uplift for our existing customers and support new customer acquisition. It also enables seamless future upgrades to 10Gbps without the need for field visits thereby enhancing customer convenience whilst reducing our operating costs. The further take-up of the 2500M FTTH service and beyond will help drive future growth in broadband revenue as the service is available city-wide including in the remote islands such as Lamma Island, Cheung Chau and Peng Chau.

Despite sustained market competition and the lingering impact of emigration, the broadband business achieved an overall net gain in customers, with total broadband access lines growing to 1.642 million as at the end of June 2023. Of these, 986,000 were FTTH connections which represented a net increase of 22,000 or 2% growth from a year earlier and 67% of consumer broadband lines. Penetration of our Home Wi-Fi solutions also continued to rise steadily, which helped lift overall ARPU. As at the end of June 2023, a total of 345,000 customers have subscribed to our Home Wi-Fi solutions, up 2% from the previous year and representing 24% of the consumer broadband base.

Telecommunications Services (Continued)

On the enterprise side, local data revenue achieved impressive growth of 10% year-on-year, reflecting the accelerating demand for our unique integrated fixed-mobile solutions across different industries that incorporate 5G applications with smart city solutions including blockchain, artificial intelligence (“AI”), machine learning and the Internet of Things (“IoT”) in Hong Kong and mainland China, including the Greater Bay Area.

During the period, we expanded our 5G application portfolio to cater for additional industries, including healthcare, education and property management that will improve our customer’s productivity, promote sustainability and address manpower shortages. We also continued to broaden our digital transformation service portfolio including connected audio-visual solutions with a focus on the exhibition, aviation and hospitality sectors as they embark on infrastructure upgrades to prepare for the large-scale return of events and visitors. We have also enhanced our enterprise managed services (“EMS”) offering with additional functionalities such as digital transformation, IT infrastructure and application support, end-user support and multi-vendor management capabilities.

Across the border in mainland China, the local data business registered significant growth with revenue expanding by 21% year on year as economic activity resumed. With our well-established HKT Enterprise Solutions offering of high-quality, reliable connectivity services including MPLS, premium internet, SD-WAN and EMS, we are confident that demand in mainland China will accelerate and also in Macau as it experiences a revival in its gaming sector as well as through its initiatives to stimulate non-gaming parts of the economy.

Pay TV Services. Pay TV Services revenue increased slightly to HK\$1,205 million for the six months ended 30 June 2023 versus HK\$1,203 million a year earlier despite competition from the global direct to consumer services. Now TV as a leading content aggregator continued to enrich its content slate with comprehensive and compelling world-class offerings focused on the sports, entertainment and kids segments. As a result, it continued to grow its installed base by 4% to 1.428 million versus 1.378 million a year earlier.

Now TV’s comprehensive offerings of its unrivalled sports proposition such as the live broadcast of Formula 1, English Premier League, La Liga, UEFA European Under-21 Championship, FIFA Women’s World Cup, and the Wimbledon and U.S. Open Golf Championship, together with the exclusive multi-award-winning movies, children’s favourites and simulcast dramas to a diverse family audience, have driven growth in both residential and commercial subscription despite a changing market landscape. With many hotels improving their facilities and services in anticipation of the recovery in tourism, our penetration into the hospitality sector increased which saw commercial subscription revenue grow by 17% year-on-year.

Local Telephony Services. Local Telephony Services revenue registered a decline of 11% to HK\$1,173 million for the six months ended 30 June 2023 versus HK\$1,325 million a year earlier. This reflected the continued trend of mobile and broadband substitution, lingering effect of emigration and weakness in the small and medium-sized enterprise segment. As such, the total number of fixed lines in service at the end of June 2023 dropped to 2.283 million from 2.405 million a year earlier.

International Telecommunications Services. International Telecommunications Services revenue was HK\$3,526 million for the six months ended 30 June 2023 versus HK\$3,628 million a year earlier. The lower revenue primarily stemmed from the wholesale voice business which carries thin margin as well as the one-off cable revenues recorded in the prior year period. As cloud computing adoption continues to spread globally, demand for cloud interconnectivity services grew further.

The TSS business registered an increase of 3% year-on-year in EBITDA to HK\$4,219 million, which was assisted by further operating efficiencies and an ongoing focus on cost initiatives during the period resulting in an improved EBITDA margin of 36%.

Mobile

For the six months ended HK\$ million	30 Jun 2022	31 Dec 2022	30 Jun 2023	Better/ (Worse) y-o-y
Mobile Revenue				
Mobile Services	3,647	4,295	3,815	5%
Mobile Product Sales	1,289	2,335	1,153	(11)%
Total Mobile Revenue	<u>4,936</u>	<u>6,630</u>	<u>4,968</u>	1%
Mobile EBITDA¹				
Mobile Services	2,107	2,705	2,194	4%
Mobile Product Sales	15	61	–	NA
Total Mobile EBITDA¹	<u>2,122</u>	<u>2,766</u>	<u>2,194</u>	3%
Mobile EBITDA¹ margin	43%	42%	44%	
<i>Mobile Services EBITDA¹ margin</i>	<u>58%</u>	<u>63%</u>	<u>58%</u>	

The Mobile business started to record accelerated growth in services revenue of 5% to HK\$3,815 million for the six months ended 30 June 2023, underpinned by the gradual recovery in roaming revenue and higher 5G adoption across our post-paid customer base. As travel resumed with the full border reopening in the first quarter of the year, the Mobile business saw a strong rebound in demand for data roaming services. Notably, the number of roamers and consumer outbound roaming revenue in June 2023 surpassed pre-COVID levels. This drove rebound in outbound roaming revenue in June 2023 to 80% of pre-pandemic levels, although cautious sentiment has held back business related travel. As such, total roaming revenue in the first half of 2023 soared by 166% year-on-year, albeit from a low base.

Despite intense market competition, the Mobile business reported a net gain of 78,000 or 2% growth year-on-year to 3.383 million in post-paid customers in the first half of 2023. Of note, our premium 1010 customer base also expanded by 2% year-on-year. Our 5G customer base further increased to 1.194 million at the end of June 2023, representing 35% of our post-paid base.

The post-paid exit ARPU as at 30 June 2023 rose by 1% to HK\$189 versus HK\$187 as at 30 June 2022, as the ARPU uplift from the roaming recovery and 5G services were partially offset by the impact from intense competition in the price-conscious segment of the market. By leveraging The Club to deepen customer engagement and loyalty, the churn rate for post-paid customers improved to 0.8% during the period versus 0.9% a year earlier.

Mobile product sales of HK\$1,153 million for the six months ended 30 June 2023 was comparatively softer due to cautious market sentiment, lack of new handsets during the period and a longer handset replacement cycle.

Mobile services EBITDA for the period rose by 4% to HK\$2,194 million with a margin of 58%, reflecting sustained efficiency gains from mobile network operations including improved cell site architecture enabling network design optimisation and the enhancement of O2O sales channels. Total Mobile EBITDA for the period increased by 3% to HK\$2,194 million from HK\$2,122 million a year earlier. The overall EBITDA margin improved to 44% from 43% a year earlier.

Other Businesses

Other Businesses primarily comprise new business areas such as The Club's loyalty platform and HKT Financial Services, and corporate support functions, which recorded a steady revenue growth of 5% year-on-year to HK\$596 million for the six months ended 30 June 2023 versus HK\$567 million a year earlier.

The Club's membership base further expanded by 4% to 3.78 million members from 3.63 million a year earlier. With travel resuming during the period, The Club launched new product offers to stimulate more customer spending on lifestyle products including collaboration with Agoda, a global travel service portal, Chope, Asia's leading dining platform and Hong Kong's leading retail groups. With these efforts, the lifestyle spending on The Club platform for the period increased by 8% from a year earlier.

In April 2023, Tap & Go continued to participate in the latest rounds of the Consumption Voucher Scheme ("CVS") for a third year. With the sustained adoption of mobile payments fostered by CVS as well as its growing popularity particularly amongst the Gen Z and Millennial market segment, Tap & Go's number of accounts rose to 3.71 million, an increase of 5% from 3.52 million a year earlier. The positive impact of CVS also drove the non-CVS spending to increase by 9% year-on-year during the period. To capitalise on the strengths of fintech and e-commerce ecosystem, The Club has introduced Club Mini Shop with exclusive merchandise and offers within Tap & Go to strengthen the loyalty and shopping proposition.

Eliminations

Eliminations were HK\$849 million for the six months ended 30 June 2023 versus HK\$942 million a year earlier, reflecting the continued collaboration across all HKT's business segments.

Cost of Sales

Cost of sales for the six months ended 30 June 2023 increased by 2% year-on-year to HK\$8,279 million, which was in line with the revenue growth during the period.

General and Administrative Expenses

For the six months ended 30 June 2023, operating costs before depreciation, amortisation, and losses on disposal of property, plant and equipment and right-of-use assets, net ("operating costs") improved by 4% to HK\$2,112 million, reflecting the Group's continued focus on operating efficiency across each of the business lines through digitalising business processes as well as optimising O2O sales channels and retail footprint to drive higher sales efficiency. Overall operating costs-to-revenue ratio for the period further improved to 12.9% versus 13.5% a year earlier.

Depreciation and amortisation expenses decreased by 4% year-on-year to HK\$2,700 million for the six months ended 30 June 2023, as certain intangible assets in relation to customer base were fully amortised in 2022.

As a result of the above, general and administrative expenses decreased by 4% to HK\$4,812 million for the six months ended 30 June 2023 versus HK\$5,014 million a year earlier.

EBITDA¹

With the steady growth in the TSS and Mobile businesses and further operating efficiencies, total EBITDA increased by 3% to HK\$6,009 million for the six months ended 30 June 2023 versus HK\$5,834 million a year earlier. The overall EBITDA margin improved to 37% during the period versus 36% a year earlier. 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 2023 increased by 48% to HK\$925 million from HK\$627 million a year earlier, mainly due to the rise in HIBOR during the period. Following the general increase in interest rates, our average cost of debt increased to 3.77% during the period, compared to 2.61% a year earlier, with the impact mitigated somewhat by our healthy mix of fixed and floating rate debt. We will continue to closely monitor the interest rate environment and optimise the ratio.

Income Tax

Income tax expense for the six months ended 30 June 2023 was HK\$379 million, as compared to HK\$435 million a year earlier. The effective tax rate for the period was 16.2%, compared to 18.5% a year earlier, mainly due to an increase in deferred income tax asset recognition.

Non-controlling Interests

Non-controlling interests of HK\$2 million (30 June 2022: HK\$2 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 2023 increased by 2.2% to HK\$1,952 million (30 June 2022: HK\$1,910 million).

LIQUIDITY AND CAPITAL RESOURCES

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

HKT's gross debt⁶ was HK\$45,117 million as at 30 June 2023 (31 December 2022: HK\$44,179 million). Cash and short-term deposits totalled HK\$1,901 million as at 30 June 2023 (31 December 2022: HK\$2,113 million). HKT's gross debt⁶ to total assets was 41% as at 30 June 2023 (31 December 2022: 40%).

As at 30 June 2023, HKT had ample liquidity in the form of banking facilities totalling HK\$33,211 million, of which HK\$10,819 million remained undrawn.

CREDIT RATINGS OF HONG KONG TELECOMMUNICATIONS (HKT) LIMITED

As at 30 June 2023, Hong Kong Telecommunications (HKT) Limited, an indirect wholly-owned subsidiary of the Company, had investment grade ratings with Moody's Investors Service (Baa2) and S&P Global Ratings (BBB).

CAPITAL EXPENDITURE²

Capital expenditure including capitalised interest for the six months ended 30 June 2023 was HK\$1,134 million (30 June 2022: HK\$1,187 million). Capital expenditure relative to revenue was 6.9% for the six months ended 30 June 2023 (30 June 2022: 7.3%).

Capital expenditure for HKT's Mobile business declined during the period reflecting the completion of our territory-wide 5G coverage rollout in 2022, with spending focused on capacity upgrades and indoor coverage enhancement. TSS capital expenditure dropped slightly during the period, with majority of the spending to support growing demand for our unique integrated fixed-mobile solutions including smart city solutions for enterprises.

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

ADJUSTED FUNDS FLOW³

Adjusted funds flow increased by 2.2% to HK\$2,429 million for the six months ended 30 June 2023 from HK\$2,377 million for the six months ended 30 June 2022.

This growth was driven by the 3% expansion in EBITDA, disciplined capex investments, lower fulfilment costs due to the timing of delivery of enterprise projects and improvement in working capital management. These positive factors were partially offset by increases in customer acquisition costs to serve our growing base of customers and the rise in net finance costs due to the general increase in interest rates.

The increase in tax payment was due to the delayed settlement in the first half of 2023 of tax demand notes pertaining to the financial year ended 31 December 2021. Furthermore, given this tax payment was estimated and provided for as part of the changes in working capital in the year ended 31 December 2022, the changes in working capital for the current period have been adjusted accordingly to reverse the relevant provision made.

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 2023, all forward and swap contracts were designated as cash flow hedges for the related financing of HKT.

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

CHARGE ON ASSETS

As at 30 June 2023, no assets of the Group (31 December 2022: nil) were pledged to secure loans and banking facilities of HKT.

CONTINGENT LIABILITIES

HK\$ million	As at 31 Dec 2022 (Audited)	As at 30 Jun 2023 (Unaudited)
Performance guarantees	1,053	1,073
Others	6	3
	1,059	1,076

The Group is subject to certain corporate guarantee obligations to guarantee the performance of its subsidiaries in the normal course of their businesses. The amount of liabilities arising from such obligations, if any, cannot be ascertained but the directors are of the opinion that any resulting liability will not materially affect the financial position of the Group.

HUMAN RESOURCES

HKT had over 14,700 employees as at 30 June 2023 (30 June 2022: 15,600) located in 22 countries and cities. About 65% of these employees work in Hong Kong and the others are based mainly in mainland China, the United States, the United Kingdom and the Philippines. HKT has established performance-based bonus and incentive schemes designed to motivate and reward employees at all levels to achieve business performance targets. Payment of performance bonuses is generally based on achievement of revenue, EBITDA and free cash flow targets for HKT as a whole and for each of the individual business units and performance ratings of employees.

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 32.05 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 2023 (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 32.05 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, 22 August 2023. The register of registered holders of Share Stapled Units, the register of holders of units, the principal and Hong Kong branch registers of members of the Company and the register of beneficial interests as maintained by the Trustee-Manager and the Company in accordance with the provisions of the Trust Deed will all be closed from Monday, 21 August 2023 to Tuesday, 22 August 2023 (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 4.30pm on Friday, 18 August 2023. Distribution warrants will be despatched to holders of Share Stapled Units on or around Tuesday, 5 September 2023.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Under the Trust Deed and for so long as the Trust Deed remains in effect, the Share Stapled Units cannot be repurchased or redeemed by the HKT Trust and the Company unless and until specific regulations which expressly permit repurchase or redemption are introduced by the Securities and Futures Commission. Therefore, the holders of Share Stapled Units have no right to request the Trustee-Manager to repurchase or redeem their Share Stapled Units, and the HKT Trust and the Company are not allowed to repurchase their own Share Stapled Units.

During the six months ended 30 June 2023, 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 2023 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 2023, 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.

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 2023 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, 2 August 2023

CONSOLIDATED INCOME STATEMENT OF HKT TRUST AND OF HKT LIMITED

For the six months ended 30 June 2023

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

	Note(s)	2022 (Unaudited)	2023 (Unaudited)
Revenue	2	16,157	16,400
Cost of sales		(8,134)	(8,279)
General and administrative expenses		(5,014)	(4,812)
Other gains, net		3	9
Finance costs, net		(627)	(925)
Share of results of associates		(53)	(52)
Share of results of joint ventures		15	(8)
Profit before income tax	2, 3	2,347	2,333
Income tax	4	(435)	(379)
Profit for the period		1,912	1,954
Profit attributable to:			
Holders of Share Stapled Units/shares of the Company		1,910	1,952
Non-controlling interests		2	2
Profit for the period		1,912	1,954
Earnings per Share Stapled Unit/share of the Company	6		
Basic		25.22 cents	25.77 cents
Diluted		25.22 cents	25.77 cents

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

For the six months ended 30 June 2023

(In HK\$ million)

	2022 (Unaudited)	2023 (Unaudited)
Profit for the period	1,912	1,954
Other comprehensive income/(loss)		
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	(72)	(2)
- exchange differences on translating foreign operations of joint ventures	(13)	(1)
Cash flow hedges:		
- effective portion of changes in fair value	102	18
- transfer from equity to consolidated income statement	(43)	(177)
Costs of hedging	32	(33)
Other comprehensive income/(loss) for the period	6	(195)
Total comprehensive income for the period	1,918	1,759
Attributable to:		
Holders of Share Stapled Units/shares of the Company	1,916	1,757
Non-controlling interests	2	2
Total comprehensive income for the period	1,918	1,759

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

As at 30 June 2023

(In HK\$ million)

	Note	As at 31 December 2022 (Audited)	As at 30 June 2023 (Unaudited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		26,286	26,837
Right-of-use assets		1,897	1,761
Interests in leasehold land		177	171
Goodwill		49,803	49,805
Intangible assets		16,415	16,659
Fulfilment costs		1,658	1,713
Customer acquisition costs		864	922
Contract assets		285	286
Interests in associates		410	440
Interests in joint ventures		493	487
Financial assets at fair value through other comprehensive income		147	147
Financial assets at fair value through profit or loss		34	27
Derivative financial instruments		27	32
Deferred income tax assets		968	975
Other non-current assets		571	575
		100,035	100,837
Current assets			
Inventories		1,607	1,419
Prepayments, deposits and other current assets		3,079	2,578
Contract assets		637	564
Trade receivables, net	7	3,254	2,147
Amounts due from related companies		25	32
Financial assets at fair value through profit or loss		12	13
Derivative financial instruments		58	–
Restricted cash		375	375
Short-term deposits		116	79
Cash and cash equivalents		1,997	1,822
		11,160	9,029

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

As at 30 June 2023

(In HK\$ million)

	Note	As at 31 December 2022 (Audited)	As at 30 June 2023 (Unaudited)
Current liabilities			
Short-term borrowings		(3,950)	(1,035)
Trade payables	8	(5,500)	(4,634)
Accruals and other payables		(5,973)	(4,789)
Derivative financial instrument		(98)	(122)
Carrier licence fee liabilities		(331)	(327)
Amount due to a fellow subsidiary		(2,049)	(3,041)
Amounts due to related companies		(54)	(64)
Advances from customers		(286)	(288)
Contract liabilities		(1,410)	(1,484)
Lease liabilities		(1,049)	(1,018)
Current income tax liabilities		(1,909)	(1,871)
		(22,609)	(18,673)
Non-current liabilities			
Long-term borrowings		(39,888)	(43,876)
Derivative financial instruments		(223)	(257)
Deferred income tax liabilities		(5,048)	(5,220)
Carrier licence fee liabilities		(3,340)	(3,275)
Contract liabilities		(1,031)	(1,033)
Lease liabilities		(925)	(809)
Other long-term liabilities		(1,702)	(1,807)
		(52,157)	(56,277)
Net assets		36,429	34,916
CAPITAL AND RESERVES			
Share capital		8	8
Reserves		36,361	34,853
Equity attributable to holders of			
Share Stapled Units/shares of the Company		36,369	34,861
Non-controlling interests		60	55
Total equity		36,429	34,916

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 2023 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 2023 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 2023 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 which 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 2022.

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 2 August 2023.

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 2022 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 2022 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 2022.

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 2022, 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 2023 as described below.

The following amended HKFRSs and HKASs are adopted for the financial year beginning 1 January 2023, but have no material effect on the Groups' reported results and financial position for the current and prior accounting periods.

- HKAS 8 (Amendments), *Accounting Policies, Changes in Accounting Estimates and Errors*
- HKAS 12 (Amendments), *Income Taxes*
- HKFRS 17 and HKFRS 17 (Amendments), *Insurance Contracts*

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 2023, the current liabilities of the Groups exceeded their current assets by HK\$9,644 million. Included in the current liabilities were (i) short-term borrowings of HK\$1,035 million, which represented borrowings with 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\$1,484 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\$10,819 million as at 30 June 2023, 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 technology and telecommunications and related services including enterprise solutions, total home solutions, healthtech services, and media entertainment. It operates primarily in Hong Kong, and also serves customers in mainland China and other parts of the world.
- Mobile includes the Groups' mobile telecommunications businesses in Hong Kong.
- Other businesses of the Groups ("Other Businesses") primarily comprise new business areas such as The Club's loyalty platform 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 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

For the six months ended 30 June 2023

(In HK\$ million)

	TSS (Unaudited)	Mobile (Unaudited)	Other Businesses (Unaudited)	Eliminations (Unaudited)	Consolidated (Unaudited)
Revenue					
External revenue	11,114	4,707	579	–	16,400
Inter-segment revenue	571	261	17	(849)	–
Total revenue	11,685	4,968	596	(849)	16,400
External revenue from contracts with customers:					
Timing of revenue recognition					
At a point in time	1,359	1,043	371	–	2,773
Over time	9,714	3,664	208	–	13,586
External revenue from other sources:					
Rental income	41	–	–	–	41
	11,114	4,707	579	–	16,400
Results					
EBITDA	4,219	2,194	(404)	–	6,009

2. SEGMENT INFORMATION (CONTINUED)

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

In HK\$ million	Six months ended	
	30 June 2022 (Unaudited)	30 June 2023 (Unaudited)
Total segment EBITDA	5,834	6,009
Depreciation and amortisation	(2,825)	(2,700)
Other gains, net	3	9
Finance costs, net	(627)	(925)
Share of results of associates and joint ventures	(38)	(60)
Profit before income tax	2,347	2,333

3. PROFIT BEFORE INCOME TAX

Profit before income tax was stated after charging the following:

In HK\$ million	Six months ended	
	30 June 2022 (Unaudited)	30 June 2023 (Unaudited)
Cost of inventories sold	2,815	2,547
Cost of sales, excluding inventories sold	5,319	5,732
Impairment loss for trade receivables	75	107
Depreciation of property, plant and equipment	579	579
Depreciation of right-of-use assets	696	642
Amortisation of land lease premium – interests in leasehold land	6	6
Amortisation of intangible assets	821	638
Amortisation of fulfilment costs	201	215
Amortisation of customer acquisition costs	522	620
Finance costs on borrowings	603	901

4. INCOME TAX

	Six months ended	
	30 June 2022 (Unaudited)	30 June 2023 (Unaudited)
In HK\$ million		
Current income tax:		
Hong Kong profits tax	196	201
Overseas tax	9	12
Movement of deferred income tax	230	166
	435	379

Hong Kong profits tax is provided at the rate of 16.5% (2022: 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

	Six months ended	
	30 June 2022 (Unaudited)	30 June 2023 (Unaudited)
In HK\$ million		
Interim distribution/dividend declared after the end of the interim period of 32.05 HK cents (2022: 31.36 HK cents) per Share Stapled Unit/ordinary share of the Company	2,377	2,429

At meetings held on 2 August 2023, the directors of the Trustee-Manager and the Company declared an interim distribution/dividend of 32.05 HK cents per Share Stapled Unit/ordinary share of the Company for the year ending 31 December 2023. This interim distribution/dividend is not recognised as a liability in the HKT Trust and HKT Limited unaudited condensed consolidated interim financial information.

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

	Six months ended	
	30 June 2022 (Unaudited)	30 June 2023 (Unaudited)
In HK\$ million		
Final distribution/dividend declared in respect of the previous financial year, approved and paid during the interim period of 43.15 HK cents (2022: 42.07 HK cents) per Share Stapled Unit/ordinary share of the Company	3,189	3,271
Less: distribution/dividend for Share Stapled Units/ordinary shares of the Company held by the Company's Share Stapled Units award schemes	(3)	(2)
	3,186	3,269

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 2022 (Unaudited)	30 June 2023 (Unaudited)
Earnings (in HK\$ million)		
Earnings for the purpose of basic and diluted earnings per Share Stapled Unit/share of the Company	1,910	1,952
Number of Share Stapled Units/shares of the Company		
Weighted average number of Share Stapled Units/ordinary shares of the Company	7,577,156,699	7,579,742,334
Effect of Share Stapled Units held under the Company's Share Stapled Units award schemes	(3,761,530)	(5,316,578)
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	7,573,395,169	7,574,425,756
Effect of Share Stapled Units awarded under the Company's Share Stapled Units award schemes	1,335,462	1,272,701
Weighted average number of Share Stapled Units/ordinary shares of the Company for the purpose of diluted earnings per Share Stapled Unit/share of the Company	7,574,730,631	7,575,698,457

7. TRADE RECEIVABLES, NET

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

	As at 31 December 2022 (Audited)	As at 30 June 2023 (Unaudited)
In HK\$ million		
1 – 30 days	2,135	1,480
31 – 60 days	489	138
61 – 90 days	193	105
91 – 120 days	114	145
Over 120 days	469	450
	3,400	2,318
Less: loss allowance	(146)	(171)
Trade receivables, net	3,254	2,147

7. TRADE RECEIVABLES, NET (CONTINUED)

As at 30 June 2023, included in trade receivables, net were amounts due from related parties of HK\$79 million (as at 31 December 2022: HK\$55 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 2022 (Audited)	As at 30 June 2023 (Unaudited)
1 – 30 days	2,009	3,013
31 – 60 days	1,105	477
61 – 90 days	1,205	387
91 – 120 days	517	147
Over 120 days	664	610
	5,500	4,634

As at 30 June 2023, included in trade payables were amounts due to related parties of HK\$233 million (as at 31 December 2022: HK\$325 million).

**INCOME STATEMENT OF
HKT MANAGEMENT LIMITED**
For the six months ended 30 June 2023
(In HK\$'000)

	2022 (Unaudited)	2023 (Unaudited)
Management fee income	30	29
General and administrative expenses	(30)	(29)
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 2023
(In HK\$'000)

	2022 (Unaudited)	2023 (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 2023

(In HK\$'000)

	As at 31 December 2022 (Audited)	As at 30 June 2023 (Unaudited)
ASSET AND LIABILITIES		
Current asset		
Amount due from a fellow subsidiary	547	576
	547	576
Current liabilities		
Accruals and other payables	(54)	(81)
Amounts due to fellow subsidiaries	(493)	(495)
	(547)	(576)
Net assets	<u>—</u>	<u>—</u>
CAPITAL AND RESERVES		
Share capital	—	—
Reserves	—	—
Total equity	<u>—</u>	<u>—</u>

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; Tang Yongbo and Wang Fang

Independent Non-Executive Directors:

Chang Hsin Kang; 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.