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HKT[®]

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 2024

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 2024. 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.

- Entrenched market leadership in broadband with 2.5G/5G/10G and Wi-Fi 7 Smart Living service and first to market with 50G PON; FTTH connections increased to 1.028 million;
- 5G mobile customers reached 1.571 million with our network evolving towards 5G Advanced;
- Secured wins from enterprise customers with a total contract value of HK\$2.5 billion, an increase of 27% year-on-year;
- The Club membership base reached almost 4 million;
- Total revenue increased by 2% to HK\$16,669 million; total revenue excluding Mobile product sales increased by 3% to HK\$15,683 million;
- Total EBITDA increased by 3% to HK\$6,168 million, spurred by cost efficiency improvements that included the deployment of AI applications across the Group;
- Adjusted funds flow also increased by 3% to HK\$2,495 million;
- Profit attributable to holders of Share Stapled Units increased by 2% to HK\$1,990 million; basic earnings per Share Stapled Unit was 26.27 HK cents; and
- Interim distribution per Share Stapled Unit is 32.92 HK cents.

LETTER TO HOLDERS OF SHARE STAPLED UNITS

Dear Holders of Share Stapled Units,

HKT has been building upon its solid foundation to transform our business from a telecom service provider to a technology solutions enabler. Leveraging our unique integrated fibre and mobile network, we have extended our service from connectivity to a broad array of innovative solutions for our customers, whether they be individuals, households, or enterprises. Our strategic initiatives have enabled us to navigate the complex economic landscape whilst our continuous progression and latest technology applications provide the fuel for our future growth.

Premium consumer experience inside and outside the home

Our consumer business has seen remarkable growth, driven by increasing demand for high-speed connectivity. Household broadband usage requirement is now over 2Gbps, with a sustained rise that reflects the proliferation of bandwidth-intensive applications. In response, we have launched fibre plans ranging from symmetric 2.5G, 5G to 10G which, coupled with the latest Wi-Fi 7 routers, provide an unparalleled broadband experience that can be enjoyed via the latest high-capacity smart devices. Our fibre-to-the-home (“FTTH”) connections now total 1.028 million, representing 70% of our consumer broadband base at the end of June 2024. Paving the way to a connected future, we were the first to market in March 2024 with a 50G PON service in Hong Kong. It allows us to pre-empt and address potential network issues to enhance service quality, in addition to future proofing our network for next-generation applications such as 8K video streaming, virtual reality, and artificial intelligence (“AI”) that are available to a fast-growing number of consumers. To elevate the smart living experience, we launched 1010 HOME in January 2024. This premium home solution integrates HKT’s services, the latest connected devices, dedicated customer support as well as exciting lifestyle offers to provide a cohesive one-stop customer journey and foster loyalty.

Outside the home, HKT customers enjoy seamless connectivity with our 5G mobile service, which complements our robust fibre network. We have grown our 5G mobile customer base to 1.571 million, accounting for 46% of our total post-paid base at the end of June 2024. These customers are able to efficiently and securely work, shop, bank as well as be entertained on our upgraded Now TV video streaming service while on the go. As travel activity continues to rebound, HKT customers can also enjoy a high-quality roaming experience with our partners, including members of the Bridge Alliance, through a wide selection of flexible plans. Our consumer outbound roaming revenue now exceeds pre-COVID levels, driving total roaming revenue to grow 55% year-on-year. In anticipation of ever-more data-heavy applications, our mobile network is evolving towards 5G Advanced with its ultra-high speed, stability, and ultra-low latency showcased during recent mega events in Hong Kong. This enables us to deploy features such as network slicing to extend service capabilities to our enterprise customers.

As we plan to expand our physical network into the city’s newly developed areas such as the Northern Metropolis and potentially into the Greater Bay Area (“GBA”), we announced a partnership with China Merchants Capital Holdings Co., Ltd.* (招商局資本控股有限責任公司) (“CMC”) in June 2024. In addition to helping to share future capital expenditure, the partnership will enable HKT to strengthen resources in enhancing and broadening its service offerings to consumers as well as providing innovative, advanced technology solutions to its enterprise customers.

LETTER TO HOLDERS OF SHARE STAPLED UNITS (Continued)

Trusted partner to enterprises in their digital transformation

We are working with enterprises, both public and private, in Hong Kong and mainland China to deploy technology solutions that improve the online and offline experience for their customers, increase business process efficiencies, and boost data analysis to gain better insights. In the healthcare sector, we are installing 5G infrastructure that provides the backbone for advanced smart healthcare applications which enhance patient experience and improve resource management. In the hospitality sector, we are enhancing the guest experience by upgrading hotels and clubhouses to Wi-Fi 7 and unified communications systems. We are improving enterprise operational performance by assisting with generative AI (“GenAI”) adoption. These successful wins as well as numerous others led to a healthy secured order book with a total contract value exceeding HK\$2.5 billion for the first half of 2024, an increase of 27% year-on-year, demonstrating the resilience of our business model in the face of lingering macroeconomic headwinds.

Enriching our digital ecosystem

The Club expanded its membership base to almost 4 million with continued strong growth expected, buoyed by mainland China and Macau registrations. In order to deepen engagement with members, The Club focused on lifestyle promotions such as travel and insurance. To enrich our mobile customers’ travelling experience, HKT announced the launch of the world’s first cross-border rewards programme with telecommunications operators in the Asia Pacific region that facilitates the use of Clubpoints while members are abroad in six popular destinations. It has the added benefit of stimulating spending by tourists while they are in Hong Kong.

Solid financial performance

Although conditions remained challenging with weak retail spending in Hong Kong and cautious enterprise investments, HKT delivered another set of solid interim results for the six months ended 30 June 2024, with 3% growth in total revenue excluding Mobile product sales, 3% growth in EBITDA on the back of improved cost efficiencies and, more importantly, 3% increase in adjusted funds flow. As a result, the board of directors of the Trustee-Manager declared an interim distribution of 32.92 HK cents per Share Stapled Unit for the six months ended 30 June 2024. Upon completion of the strategic partnership with CMC, the proceeds will further reduce leverage and related interest payments, enhancing our financial strength and adjusted funds flow.

Susanna Hui

Group Managing Director

Hong Kong, 25 July 2024

FINANCIAL REVIEW BY SEGMENT

For the six months ended HK\$ million	30 Jun 2023	31 Dec 2023	30 Jun 2024	Better/ (Worse) y-o-y
Revenue				
TSS	11,685	12,485	12,063	3%
- Local TSS Services	8,159	8,714	8,289	2%
- International Telecommunications Services	3,526	3,771	3,774	7%
Mobile	4,968	6,340	4,976	—
- Mobile Services	3,815	4,533	3,990	5%
- Mobile Product Sales	1,153	1,807	986	(14)%
Other Businesses	596	286	552	(7)%
Eliminations	(849)	(1,181)	(922)	(9)%
Total revenue	16,400	17,930	16,669	2%
Total revenue (excluding Mobile Product Sales)	15,247	16,123	15,683	3%
Cost of sales	(8,279)	(9,175)	(8,491)	(3)%
Operating costs before depreciation, amortisation, and (losses)/gains on disposal of property, plant and equipment and right-of-use assets, net	(2,112)	(1,364)	(2,010)	5%
EBITDA¹				
TSS	4,219	5,152	4,296	2%
Mobile	2,194	2,866	2,302	5%
- Mobile Services	2,194	2,863	2,300	5%
- Mobile Product Sales	—	3	2	NA
Other Businesses	(404)	(627)	(430)	(6)%
Total EBITDA¹	6,009	7,391	6,168	3%
TSS EBITDA¹ Margin	36%	41%	36%	
Mobile EBITDA¹ Margin	44%	45%	46%	
- Mobile Services EBITDA ¹ Margin	58%	63%	58%	
Total EBITDA¹ Margin	37%	41%	37%	
Total EBITDA¹ Margin (excluding Mobile Product Sales)	39%	46%	39%	
Depreciation and amortisation	(2,700)	(2,952)	(2,683)	1%
(Losses)/Gains on disposal of property, plant and equipment and right-of-use assets, net	—	(2)	9	NA
Other gains, net	9	1	16	78%
Finance costs, net	(925)	(1,209)	(1,092)	(18)%
Share of results of associates and joint ventures	(60)	(54)	(84)	(40)%
Profit before income tax	2,333	3,175	2,334	—

ADJUSTED FUNDS FLOW³

For the six months ended HK\$ million	30 Jun 2023	31 Dec 2023	30 Jun 2024	Better/ (Worse) y-o-y
Total EBITDA¹	6,009	7,391	6,168	3%
Less cash outflows in respect of capital expenditures, customer acquisition costs and licence fees ² :				
Capital expenditures	(1,078)	(1,060)	(1,041)	3%
Customer acquisition costs and licence fees	(794)	(937)	(716)	10%
Fulfilment costs	(270)	(383)	(291)	(8)%
Right-of-use assets	(686)	(744)	(731)	(7)%
Adjusted funds flow³ before tax paid, net finance costs paid and changes in working capital	3,181	4,267	3,389	7%
Adjusted for:				
Net finance costs paid	(693)	(865)	(887)	(28)%
Tax payment	(251)	(56)	(182)	27%
Changes in working capital	192	23	175	(9)%
Adjusted funds flow³	2,429	3,369	2,495	3%

KEY OPERATING DRIVERS⁵

	30 Jun 2023	31 Dec 2023	30 Jun 2024	Better/(Worse) y-o-y	h-o-h
Exchange lines in service ('000)	2,283	2,227	2,168	(5)%	(3)%
Business lines ('000)	1,160	1,148	1,126	(3)%	(2)%
Residential lines ('000)	1,123	1,079	1,042	(7)%	(3)%
Total broadband access lines ('000) (Consumer, business and wholesale)	1,642	1,647	1,646	0.2%	(0.1)%
Retail consumer broadband access lines ('000)	1,468	1,471	1,472	0.3%	0.1%
Retail business broadband access lines ('000)	162	164	162	–	(1)%
Mobile subscribers ('000)	4,656	4,764	4,884	5%	3%
Post-paid subscribers ('000)	3,383	3,428	3,433	1%	0.1%
Prepaid subscribers ('000)	1,273	1,336	1,451	14%	9%
Pay TV installed base ('000)	1,428	1,429	1,430	0.1%	0.1%
The Club members ('000)	3,778	3,847	3,939	4%	2%
Tap & Go accounts in use ('000)	3,711	3,772	3,824	3%	1%
DrGo registered users ('000)	371	386	395	6%	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 and the repurchase of Share Stapled Units.*
- 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 2024.*
- 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.*

** For identification purpose only*

Telecommunications Services

For the six months ended HK\$ million	30 Jun 2023	31 Dec 2023	30 Jun 2024	Better/ (Worse) y-o-y
TSS Revenue				
Local TSS Services	8,159	8,714	8,289	2%
International Telecommunications Services	3,526	3,771	3,774	7%
Total TSS Revenue	11,685	12,485	12,063	3%
Cost of sales	(6,306)	(6,516)	(6,664)	(6)%
Operating costs before depreciation and amortisation	(1,160)	(817)	(1,103)	5%
Total TSS EBITDA¹	4,219	5,152	4,296	2%
TSS EBITDA¹ margin	36%	41%	36%	

Local TSS Services revenue grew by 2% to HK\$8,289 million for the six months ended 30 June 2024, underpinned by an increase of 5% in Local Data Services revenue to HK\$6,345 million. Local Data Services is the largest component of the Local TSS Services segment comprising 77% of revenue. Pay TV Services generated revenue of HK\$1,180 million while Local Telephony Services revenue was HK\$1,031 million. During the period, International Telecommunications Services revenue grew by 7% to HK\$3,774 million. As a result, total TSS revenue rose by 3% year-on-year to HK\$12,063 million.

Local Data Services. Comprising broadband revenue and local data revenue, Local Data Services revenue rose by 5% year-on-year to HK\$6,345 million for the six months ended 30 June 2024.

Broadband revenue grew by 2% year-on-year as demand for our high-speed, reliable fibre services continued during the period spurred by the proliferation of multiple smart, connected devices at home and the increasing bandwidth intensity of applications. Our FTTH connections reached 1.028 million at the end of June 2024, which represented a net increase of 42,000 or 4% growth from a year earlier. Of note, the 2.5G service notched the fastest growth with average revenue per user (“ARPU”) uplift of HK\$80, as consumers upgrade their home broadband connections to accommodate working from home and video meetings, 4K high-resolution video streaming content and online gaming. FTTH connections represented 70% of our consumer broadband base of 1.472 million as at the end of June 2024.

Paving the way for an even more connected future, HKT was the first to market in March 2024 with a 50G PON service in Hong Kong. Continuous enhancements to our fibre network allow us to pre-empt and address potential network issues to enhance service quality, as well as future proof our network for next-generation applications such as 8K video streaming, virtual reality, and AI that are available to a fast-growing number of consumers.

To elevate the proposition to our customers, we launched the 1O1O HOME service in January 2024 to extend our premium 1O1O brand to home broadband. 1O1O HOME is a bespoke solution integrating HKT’s services, the latest connected devices, dedicated customer support as well as exciting lifestyle offers to provide a seamless customer experience which we expect should lead to increased customer spending and loyalty.

Telecommunications Services (Continued)

On the enterprise side, our local data revenue achieved impressive growth of 7% year-on-year as HKT remains the trusted partner to enterprises, both public and private, in their digital transformation journey. We also secured a healthy order book during the first half of 2024 with a total contract value of over HK\$2.5 billion, an increase of 27% year-on-year, reflecting the continued demand for our converged solutions that include smart city and digital transformation solutions incorporating 5G, GenAI, Internet of Things (“IoT”) and cyber security applications across diverse industries.

Leveraging our strong reputation and track record in the healthcare sector, HKT Enterprise Solutions won two additional contracts during the period, taking the total to 16 public and private hospitals where we have installed 5G infrastructure that provides the backbone for advanced smart healthcare applications, which enhance patient experience as well as improve management of hospital resources. We also witnessed successes in the hospitality and utility sectors including the upgrade to Wi-Fi 7 solutions and unified communications systems across six hotels and a clubhouse for a renowned hotel brand that will lead to a better guest experience, and the implementation of an ICT infrastructure system and digital twin systems to facilitate operations monitoring for one of the public utility companies in Hong Kong. We also won contracts to assist enterprises adopt the latest GenAI solutions to improve operational efficiencies.

Beyond Hong Kong, there is an increasing demand for integrated solutions from Hong Kong and international enterprises to upgrade and expand their businesses in the mainland market as well as mainland enterprises to enter new countries. HKT Enterprise Solutions brings its deep industry expertise and proven track record to support them. Successful contract wins during the period included the provision of systems integration solution for a sports and gaming venue in the GBA, technology refreshment projects for various gaming venues in Macau and the provision of our connectivity and ICT solutions to help mainland enterprises expand internationally. As such, our enterprise business in mainland China continued to register robust growth with revenue expanding by 51% year-on-year.

Pay TV Services. Our Pay TV business remained resilient with revenue of HK\$1,180 million for the six months ended 30 June 2024 versus HK\$1,205 million a year earlier, amidst competition from a wide range of free and paid entertainment services. With its unique position as a leading content aggregator in Hong Kong, Now TV is committed to delivering a diverse and comprehensive content portfolio including top-notch live sporting events and world-class entertainment programmes with greater subscription flexibility to our customers. As a result, the Now TV business continued to grow its installed base to 1.430 million from 1.428 million a year earlier, with Now OTT customer base up by 13% year-on-year.

Undoubtedly, one of the highlights in the first half of the year was the exclusive broadcast of the UEFA European Football Championship 2024, in partnership with PCCW Limited’s ViuTV, which helped drive both subscription and advertising revenue as well as delivered benefits to our mobile and broadband businesses. The event provided the opportunity to cross sell promotions that helped acquire new mobile subscriptions with specially priced EURO event passes, highlighting the benefits of our quad-play capabilities and data analytics. We enhanced the viewer experience and engagement by launching new features including “EURO Home”, mobile widgets, betting channel as well as “EURO Everywhere” and “AR Shooting Challenge” AR Lens games. With the favourable kick-off times, there were over 350 outlets primarily in the food & beverage and hospitality sectors subscribing to our commercial package, an increase of 52% in the number of outlets as compared to the last EURO tournament in 2021.

In January 2024, we launched a refreshed Now TV video streaming app that delivered better flexibility to users. It offers a seamless viewing experience across devices and facilitates instant activation thereby leading to better customer conversion and increased spending. Now TV also launched an addressable TV advertising service, the first in Hong Kong, which applies the latest technology to enable precise campaign targeting. This new service offering provides advertisers and sponsors with the flexibility to deliver targeted commercials to specific customer segments to enhance customer engagement and optimise their promotion efficiency.

Telecommunications Services (Continued)

Local Telephony Services. Local Telephony Services revenue registered a decline of 12% to HK\$1,031 million for the six months ended 30 June 2024 versus HK\$1,173 million a year earlier. The total number of fixed lines in service at the end of June 2024 dropped to 2.168 million from 2.283 million a year earlier as the business continued to be affected by the shift away from basic voice services to mobile and data as well as weakness in the small and medium-sized enterprise (“SME”) segment.

International Telecommunications Services. International Telecommunications Services revenue increased by 7% to HK\$3,774 million for the six months ended 30 June 2024 versus HK\$3,526 million a year earlier. The revenue growth was driven by increased global voice revenue, resilient data revenue and growing demand for our software defined cloud connectivity services.

The TSS business registered an increase of 2% year-on-year in EBITDA to HK\$4,296 million. This growth was fuelled by further operating efficiencies during the period offset by a change in gross margin from the TSS revenue mix shift, resulting in a stable EBITDA margin of 36%.

Mobile

For the six months ended HK\$ million	30 Jun 2023	31 Dec 2023	30 Jun 2024	Better/ (Worse) y-o-y
Mobile Revenue				
Mobile Services	3,815	4,533	3,990	5%
Mobile Product Sales	1,153	1,807	986	(14)%
Total Mobile Revenue	<u>4,968</u>	<u>6,340</u>	<u>4,976</u>	–
Mobile EBITDA¹				
Mobile Services	2,194	2,863	2,300	5%
Mobile Product Sales	–	3	2	NA
Total Mobile EBITDA¹	<u>2,194</u>	<u>2,866</u>	<u>2,302</u>	5%
Mobile EBITDA¹ margin	44%	45%	46%	
<i>Mobile Services EBITDA¹ margin</i>	58%	63%	58%	

The Mobile business recorded growth of 5% in services revenue to HK\$3,990 million for the six months ended 30 June 2024. Services revenue was lifted by higher contribution from roaming revenue, further momentum in 5G adoption and net additions to our post-paid customer base.

As travel resumed, consumer outbound roaming revenue in the first half of 2024 exceeded pre-pandemic levels in 2019 driving total roaming revenue to grow 55% year-on-year. As a result, roaming revenue represented 11% of Mobile services revenue, in line with pre-pandemic levels.

The Mobile business reported a net gain of 50,000 year-on-year in its post-paid customer base to reach 3.433 million at the end of June 2024 despite continued market competition particularly in the price-sensitive segment. In the premium segment, our 1O1O customer base expanded by 5% year-on-year. Our 5G customer base has further grown to 1.571 million at the end of June 2024, representing 46% of our total post-paid base and over 55% of our 1O1O and csl customer base.

The post-paid exit ARPU for June 2024 rose by 2% to HK\$192 versus HK\$189 for June 2023, benefitting from the roaming recovery and broader adoption of higher value 5G tariff plans. The post-paid churn rate for our 1O1O customers improved to 0.6% in the first half of 2024 from 0.8% a year earlier due to vigorous customer retention efforts including initiatives through The Club and recently launched 1O1O HOME service which helped to deepen customer engagement and loyalty.

Mobile product sales of HK\$986 million for the six months ended 30 June 2024 was comparatively softer as consumers delayed handset upgrades due to weak consumer sentiment and limited new handset features.

Mobile services EBITDA for the period rose by 5% to HK\$2,300 million with an improved margin of 57.6%, reflecting operating cost improvements. Total Mobile EBITDA for the period also increased by 5% to HK\$2,302 million from HK\$2,194 million a year earlier. The overall EBITDA margin improved to 46% from 44% a year earlier as the contribution from Mobile product sales was lower.

Other Businesses

Other Businesses primarily comprise new businesses such as The Club’s loyalty platform, HKT Financial Services and healthtech services, as well as corporate support functions. These new businesses are an integral component of HKT’s strategic focus in providing a wide range of lifestyle services beyond connectivity to cater to members’ interests. For the six months ended 30 June 2024, revenue from Other Businesses was HK\$552 million versus HK\$596 million a year earlier.

The Club’s membership base further expanded by 4% to 3.94 million from 3.78 million a year earlier. In order to deepen engagement with members, The Club focused on lifestyle promotions such as travel and insurance. To enrich our mobile customer’s travelling experience, HKT together with major leading telecommunications partners in Asia Pacific announced a loyalty programme initiative that facilitates the use of Clubpoints while members are abroad in six popular destinations including Singapore, Thailand, Indonesia, the Philippines, Australia and Taiwan. It has the added benefit of stimulating spending by tourists while they are travelling in Hong Kong.

With more Hong Kong consumers embracing mobile payments, Tap & Go’s number of accounts rose to 3.82 million, an increase of 3% from 3.71 million a year earlier. To further promote digital payment adoption among SMEs, we introduced a cost-effective app-based POS solution, which enables merchants to accept payments through Tap & Go, Faster Payment System (“FPS”), major credit cards and other digital wallets anytime, anywhere, enhancing convenience for their customers and processing transactions more quickly.

Our healthtech platform, DrGo, recorded a 6% year-on-year rise in registered users to 395,000 as at the end of June 2024. With increased telemedicine adoption since the pandemic, DrGo saw a 12% year-on-year growth in the number of video consultations completed in the first half of 2024. Expanding its ecosystem through increasing partnerships with insurance providers in Hong Kong and the GBA, it continues to promote telemedicine adoption as part of the digital way of life.

Eliminations

Eliminations were HK\$922 million for the six months ended 30 June 2024 versus HK\$849 million a year earlier, reflecting the increased collaboration across HKT’s business segments.

Cost of Sales

Cost of sales for the six months ended 30 June 2024 increased by 3% year-on-year to HK\$8,491 million, which was in line with the revenue growth during the period.

General and Administrative Expenses

For the six months ended 30 June 2024, operating costs before depreciation, amortisation, and (losses)/gains on disposal of property, plant and equipment and right-of-use assets, net (“operating costs”) improved by 5% to HK\$2,010 million, reflecting the Group’s continued focus on operating efficiency and cost optimisation initiatives across each of the business segments, including enhancing business processes via the adoption of GenAI, consolidation of business operations and rationalisation of IT platforms. As such, overall operating costs-to-revenue ratio for the period further improved to 12.1% versus 12.9% a year earlier.

For the six months ended 30 June 2024, total depreciation and amortisation expenses were lower at HK\$2,683 million.

As a result of the above, general and administrative expenses decreased by 3% to HK\$4,684 million for the six months ended 30 June 2024 versus HK\$4,812 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\$6,168 million for the six months ended 30 June 2024 versus HK\$6,009 million a year earlier. The overall EBITDA margin held steady at 37% during the period. Excluding Mobile product sales, the EBITDA margin was 39%.

Finance Costs, Net

Net finance costs for the six months ended 30 June 2024 increased by 18% to HK\$1,092 million from HK\$925 million a year earlier, mainly due to higher HIBOR during the period. The average cost of debt was 4.26% during the period, compared to 3.77% a year earlier, with the impact of higher HIBOR mitigated by our healthy mix of fixed and floating rate debt. With interest rates expected to decline in the second half of 2024, we will closely monitor our gearing levels and the mix of fixed to floating rate debt. Proceeds from the strategic partnership with CMC will further reduce leverage and related interest payments, enhancing our financial strength and adjusted funds flow.

Income Tax

Income tax expense for the six months ended 30 June 2024 was HK\$342 million, as compared to HK\$379 million a year earlier. The effective tax rate for the period was 14.7%, as compared to 16.2% a year earlier, mainly due to an increase in tax benefits enjoyed.

Profit Attributable to Non-controlling Interests

Profit attributable to non-controlling interests of HK\$2 million (30 June 2023: 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 2024 increased by 2% to HK\$1,990 million (30 June 2023: HK\$1,952 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\$46,344 million as at 30 June 2024 (31 December 2023: HK\$44,804 million). Cash and short-term deposits totalled HK\$1,667 million as at 30 June 2024 (31 December 2023: HK\$1,709 million). HKT's gross debt⁶ to total assets was 41% as at 30 June 2024 (31 December 2023: 40%).

As at 30 June 2024, HKT had ample liquidity in the form of banking facilities totalling HK\$35,611 million, of which HK\$11,992 million remained undrawn.

CREDIT RATINGS OF HONG KONG TELECOMMUNICATIONS (HKT) LIMITED

As at 30 June 2024, Hong Kong Telecommunications (HKT) Limited, an indirect wholly-owned subsidiary of the Company, had investment grade ratings with Moody's Investors Service Hong Kong Limited (Baa2) and S&P Global Ratings (BBB).

CAPITAL EXPENDITURE²

Capital expenditure including capitalised interest for the six months ended 30 June 2024 was HK\$1,103 million (30 June 2023: HK\$1,134 million). Capital expenditure relative to revenue was 6.6% for the six months ended 30 June 2024 (30 June 2023: 6.9%).

Capital expenditure for HKT's Mobile business was 5% lower during the period, reflecting the efficiency gains from capacity upgrades and network maintenance following the completion of our territory-wide 5G coverage. TSS capital expenditure was slightly lower during the period, with investments largely to support growing demand for our integrated fixed-mobile 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 and upgrading 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 ("AFF") increased by 3% to HK\$2,495 million for the six months ended 30 June 2024 from HK\$2,429 million for the six months ended 30 June 2023.

Notably, our operating AFF in the first half of 2024 increased by 7% driven by the 3% expansion in EBITDA, disciplined capex investments and lower customer acquisition costs due to improved sales channel efficiencies. These positive factors were partially offset by increases in right-of-use assets and fulfilment costs to serve our growing base of consumer and enterprise customers. After accounting for higher net finance costs, lower tax payment and seasonal movement in working capital, our total AFF increased by 3% during the period.

The amounts presented in the AFF 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 the Group's financing is denominated in foreign currencies including United States dollars. Accordingly, the Group 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 2024, all forward and swap contracts were designated as cash flow hedges for the related financing of the Group.

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

CHARGE ON ASSETS

As at 30 June 2024, no assets of the Group (31 December 2023: nil) were pledged to secure loans and banking facilities of the Group.

CONTINGENT LIABILITIES

HK\$ million	As at 31 Dec 2023 (Audited)	As at 30 Jun 2024 (Unaudited)
Performance guarantees	1,027	849
Others	2	2
	<u>1,029</u>	<u>851</u>

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

HUMAN RESOURCES

HKT had over 13,400 employees as at 30 June 2024 (30 June 2023: 14,700) located in 22 countries and cities. About 64% 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 32.92 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 2024 (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 32.92 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 Wednesday, 14 August 2024. 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 Tuesday, 13 August 2024 to Wednesday, 14 August 2024 (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 Monday, 12 August 2024. Distribution warrants will be despatched to holders of Share Stapled Units on or around Tuesday, 3 September 2024.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2024, 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 2024 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 C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited during the six months ended 30 June 2024, 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 2024 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, 25 July 2024

CONSOLIDATED INCOME STATEMENT OF HKT TRUST AND OF HKT LIMITED

For the six months ended 30 June 2024

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

	Note(s)	2023 (Unaudited)	2024 (Unaudited)
Revenue	2	16,400	16,669
Cost of sales		(8,279)	(8,491)
General and administrative expenses		(4,812)	(4,684)
Other gains, net		9	16
Finance costs, net		(925)	(1,092)
Share of results of associates		(52)	(78)
Share of results of joint ventures		(8)	(6)
Profit before income tax	2, 3	2,333	2,334
Income tax	4	(379)	(342)
Profit for the period		<u>1,954</u>	<u>1,992</u>
Profit attributable to:			
Holders of Share Stapled Units/shares of the Company		1,952	1,990
Non-controlling interests		2	2
Profit for the period		<u>1,954</u>	<u>1,992</u>
Earnings per Share Stapled Unit/share of the Company	6		
Basic		<u>25.77 cents</u>	<u>26.27 cents</u>
Diluted		<u>25.77 cents</u>	<u>26.26 cents</u>

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

For the six months ended 30 June 2024

(In HK\$ million)

	2023 (Unaudited)	2024 (Unaudited)
Profit for the period	1,954	1,992
Other comprehensive (loss)/income		
Item that will not be reclassified subsequently to consolidated income statement:		
Changes in fair value of a financial asset at fair value through other comprehensive income	–	(9)
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	(2)	(40)
- exchange differences on translating foreign operations of joint ventures	(1)	(7)
Cash flow hedges:		
- effective portion of changes in fair value	18	(124)
- transfer from equity to consolidated income statement	(177)	56
Costs of hedging	(33)	57
Other comprehensive loss for the period	(195)	(67)
Total comprehensive income for the period	<u>1,759</u>	<u>1,925</u>
Attributable to:		
Holders of Share Stapled Units/shares of the Company	1,757	1,923
Non-controlling interests	2	2
Total comprehensive income for the period	<u>1,759</u>	<u>1,925</u>

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

As at 30 June 2024

(In HK\$ million)

	Note	As at 31 December 2023 (Audited)	As at 30 June 2024 (Unaudited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		27,278	27,825
Right-of-use assets		1,988	1,966
Interests in leasehold land		165	159
Goodwill		49,806	49,802
Intangible assets		17,675	18,191
Fulfilment costs		1,925	1,983
Customer acquisition costs		912	886
Contract assets		324	272
Interests in associates		484	422
Interests in joint ventures		478	454
Financial assets at fair value through other comprehensive income		130	121
Financial assets at fair value through profit or loss		28	21
Derivative financial instruments		29	9
Deferred income tax assets		895	857
Other non-current assets		558	959
		102,675	103,927
Current assets			
Inventories		959	1,363
Prepayments, deposits and other current assets		3,176	3,478
Contract assets		511	521
Trade receivables, net	7	2,838	2,543
Amounts due from related companies		22	26
Financial assets at fair value through profit or loss		15	8
Derivative financial instruments		–	7
Tax recoverable		2	21
Restricted cash		211	161
Short-term deposits		79	187
Cash and cash equivalents		1,630	1,480
		9,443	9,795

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

As at 30 June 2024

(In HK\$ million)

	Note	As at 31 December 2023 (Audited)	As at 30 June 2024 (Unaudited)
Current liabilities			
Short-term borrowings		(1,049)	(3,951)
Trade payables	8	(5,781)	(5,733)
Accruals and other payables		(6,002)	(6,555)
Derivative financial instruments		(151)	(37)
Carrier licence fee liabilities		(338)	(362)
Amount due to a fellow subsidiary		(2,349)	(3,095)
Amounts due to related companies		(84)	(83)
Advances from customers		(279)	(287)
Contract liabilities		(1,450)	(1,324)
Lease liabilities		(1,070)	(1,030)
Current income tax liabilities		(1,576)	(1,593)
		(20,129)	(24,050)
Non-current liabilities			
Long-term borrowings		(43,518)	(42,124)
Derivative financial instruments		(602)	(664)
Deferred income tax liabilities		(5,498)	(5,624)
Carrier licence fee liabilities		(3,086)	(3,341)
Contract liabilities		(980)	(927)
Lease liabilities		(979)	(969)
Other long-term liabilities		(1,944)	(2,082)
		(56,607)	(55,731)
Net assets		35,382	33,941
CAPITAL AND RESERVES			
Share capital		8	8
Reserves		35,304	33,866
Equity attributable to holders of			
Share Stapled Units/shares of the Company		35,312	33,874
Non-controlling interests		70	67
Total equity		35,382	33,941

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 2024 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 2024 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 2024 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 D2 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 2023.

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 25 July 2024.

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 2023 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 2023 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 2023.

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 2023, except for the adoption of the following amended Hong Kong Financial Reporting Standards ("HKFRSs"), HKASs and Interpretation which are first effective for accounting periods beginning on or after 1 January 2024 as described below.

The following amended HKFRSs, HKASs and Interpretation are adopted for the financial year beginning 1 January 2024, but have no material effect on the Groups' reported results and financial position for the current and prior accounting periods.

- HKAS 1 (Revised) (Amendments), *Presentation of Financial Statements*
- HKAS 7 (Amendments), *Statement of Cash Flows*
- HKFRS 7 (Amendments), *Financial Instruments: Disclosures*
- HKFRS 16 (Amendments), *Leases*
- HK Interpretation 5 (Revised), *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause*

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 2024, the current liabilities of the Groups exceeded their current assets by HK\$14,255 million. After considering the Groups' ability to generate net operating cash inflows and raise additional debt financing, and the undrawn banking facilities available as at 30 June 2024, 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, 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 other new businesses such as The Club's loyalty platform, HKT Financial Services and healthtech services, as well as 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 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

For the six months ended 30 June 2024

(In HK\$ million)

	TSS (Unaudited)	Mobile (Unaudited)	Other Businesses (Unaudited)	Eliminations (Unaudited)	Consolidated (Unaudited)
Revenue					
External revenue	11,459	4,684	526	–	16,669
Inter-segment revenue	604	292	26	(922)	–
Total revenue	12,063	4,976	552	(922)	16,669
External revenue from contracts with customers:					
Timing of revenue recognition					
At a point in time	2,076	831	471	–	3,378
Over time	9,342	3,853	55	–	13,250
External revenue from other sources:					
Rental income	41	–	–	–	41
	11,459	4,684	526	–	16,669
Results					
EBITDA	4,296	2,302	(430)	–	6,168

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 2023 (Unaudited)	30 June 2024 (Unaudited)
Total segment EBITDA	6,009	6,168
Gains on disposal of property, plant and equipment and right-of-use assets, net	–	9
Depreciation and amortisation	(2,700)	(2,683)
Other gains, net	9	16
Finance costs, net	(925)	(1,092)
Share of results of associates and joint ventures	(60)	(84)
Profit before income tax	2,333	2,334

3. PROFIT BEFORE INCOME TAX

Profit before income tax was stated after charging the following:

In HK\$ million	Six months ended	
	30 June 2023 (Unaudited)	30 June 2024 (Unaudited)
Cost of inventories sold	2,547	3,152
Cost of sales, excluding inventories sold	5,732	5,339
Impairment loss for trade receivables	107	155
Depreciation of property, plant and equipment	579	512
Depreciation of right-of-use assets	642	668
Amortisation of land lease premium – interests in leasehold land	6	6
Amortisation of intangible assets	638	664
Amortisation of fulfilment costs	215	233
Amortisation of customer acquisition costs	620	600
Finance costs on borrowings	901	1,011

4. INCOME TAX

In HK\$ million	Six months ended	
	30 June 2023 (Unaudited)	30 June 2024 (Unaudited)
Current income tax:		
Hong Kong profits tax	201	156
Overseas tax	12	23
Movement of deferred income tax	166	163
	<u>379</u>	<u>342</u>

Hong Kong profits tax is provided at the rate of 16.5% (2023: 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 2023 (Unaudited)	30 June 2024 (Unaudited)
Interim distribution/dividend declared after the end of the interim period of 32.92 HK cents (2023: 32.05 HK cents) per Share Stapled Unit/ordinary share of the Company	2,429	2,495

At meetings held on 25 July 2024, the directors of the Trustee-Manager and the Company declared an interim distribution/dividend of 32.92 HK cents per Share Stapled Unit/ordinary share of the Company for the year ending 31 December 2024. 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

In HK\$ million	Six months ended	
	30 June 2023 (Unaudited)	30 June 2024 (Unaudited)
Final distribution/dividend declared in respect of the previous financial year, approved and paid during the interim period of 44.44 HK cents (2023: 43.15 HK cents) per Share Stapled Unit/ordinary share of the Company	3,271	3,369
Less: distribution/dividend for Share Stapled Units/ordinary shares of the Company held by the Share Stapled Unit award schemes	(2)	(2)
	<u>3,269</u>	<u>3,367</u>

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 2023 (Unaudited)	30 June 2024 (Unaudited)
Earnings (in HK\$ million)		
Earnings for the purpose of basic and diluted earnings per Share Stapled Unit/share of the Company	1,952	1,990
Number of Share Stapled Units/shares of the Company		
Weighted average number of Share Stapled Units/ordinary shares of the Company	7,579,742,334	7,579,742,334
Effect of Share Stapled Units held under the Share Stapled Unit award schemes	(5,316,578)	(4,312,583)
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	7,574,425,756	7,575,429,751
Effect of Share Stapled Units awarded under the Share Stapled Unit award schemes	1,272,701	1,324,795
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	7,575,698,457	7,576,754,546

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 2023 (Audited)	As at 30 June 2024 (Unaudited)
	1 – 30 days	1,873
31 – 60 days	363	160
61 – 90 days	175	359
91 – 120 days	139	51
Over 120 days	427	274
	2,977	2,722
Less: loss allowance	(139)	(179)
Trade receivables, net	2,838	2,543

7. TRADE RECEIVABLES, NET (CONTINUED)

As at 30 June 2024, included in trade receivables, net were amounts due from related parties of HK\$92 million (as at 31 December 2023: HK\$104 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 2023 (Audited)	As at 30 June 2024 (Unaudited)
1 – 30 days	3,015	2,790
31 – 60 days	1,084	783
61 – 90 days	804	555
91 – 120 days	340	607
Over 120 days	538	998
	5,781	5,733

As at 30 June 2024, included in trade payables were amounts due to related parties of HK\$174 million (as at 31 December 2023: HK\$96 million).

9. CHANGE IN INTERESTS IN SUBSIDIARIES WITHOUT A LOSS OF CONTROL

On 26 June 2024, the Company's indirect wholly-owned subsidiary, Apex Link Communications Holdings Limited (the "Seller"), entered into a share purchase agreement with an independent third party (the "Partner"), pursuant to which the Partner shall purchase (i) 40% interest in Fiber Link Global Limited (the "Passive Netco"), an indirect wholly-owned subsidiary of the Company which would engage in the provision of copper and fibre connection access services in Hong Kong and the Greater Bay Area and operating, maintaining and extending the passive components of copper and fibre access networks and providing related services; and (ii) a receivable in the amount of HK\$344 million owing from Passive Netco to the Seller, for an aggregate consideration of US\$870 million (the "Transaction"). As at 30 June 2024, the Transaction has not been completed, subject to the satisfaction or waiver of certain conditions. Upon completion of the Transaction, (i) the financial results of the Passive Netco will continue to be consolidated in the consolidated financial statements of the Groups; (ii) the Passive Netco will remain as an indirect subsidiary of the Company; and (iii) the total consideration received from the Partner will be accounted for as an equity transaction and will not result in the recognition of any gain or loss in the consolidated income statement of the Groups.

**INCOME STATEMENT OF
HKT MANAGEMENT LIMITED**
For the six months ended 30 June 2024
(In HK\$'000)

	2023 (Unaudited)	2024 (Unaudited)
Management fee income	29	30
General and administrative expenses	(29)	(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 2024
(In HK\$'000)

	2023 (Unaudited)	2024 (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 2024

(In HK\$'000)

	As at 31 December 2023 (Audited)	As at 30 June 2024 (Unaudited)
ASSET AND LIABILITIES		
Current asset		
Amount due from a fellow subsidiary	606	636
	606	636
Current liabilities		
Accruals and other payables	(55)	(83)
Amounts due to fellow subsidiaries	(551)	(553)
	(606)	(636)
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 Tang Yongbo

Independent Non-Executive Directors:

Chang Hsin Kang; Sunil Varma; Aman Mehta; Frances Waikwun Wong and Charlene Dawes

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.