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## **HKT Trust**

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

and

## **HKT Limited**

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 6823)**

# **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2020**

The directors of HKT Management Limited (the “Trustee-Manager”, in its capacity as the trustee-manager of the HKT Trust) and HKT Limited (the “Company” or “HKT”) are pleased to announce the unaudited consolidated results of the HKT Trust and of the Company together with the Company’s subsidiaries (collectively the “Group”) for the six months ended June 30, 2020. 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 decreased by 1% to HK\$13,636 million, reflecting the decline in roaming revenue due to the travel restrictions that were in place throughout much of the first six months of the year; total revenue decreased by 3% to HK\$14,606 million
- Accordingly total EBITDA decreased by 3% to HK\$5,546 million
- Adjusted funds flow remained steady at HK\$2,280 million due to the clear reduction in discretionary spending; adjusted funds flow per Share Stapled Unit was 30.10 HK cents
- Interim distribution per Share Stapled Unit of 30.10 HK cents
- Profit attributable to holders of Share Stapled Units decreased by 12% to HK\$1,898 million; basic earnings per Share Stapled Unit was 25.06 HK cents

## MANAGEMENT REVIEW

We are pleased to announce that HKT delivered a resilient set of financial results for the six months ended June 30, 2020, amidst the most challenging economic and operating environment due to COVID-19.

During the period, consumers and businesses in Hong Kong and globally were subject to extensive social distancing measures as well as travel restrictions as a result of COVID-19. HKT saw a noticeable drop in foot traffic to its retail outlets, reduction in consumer handset and business equipment purchases, a sharp decline in mobile roaming revenue and a slowdown in Information and Communications Technology (“ICT”) projects in the private sector.

Despite this, the overall softness in the Mobile segment was cushioned by the scale and resilience of the Telecommunications Services (“TSS”) segment. Revenue from TSS increased by 2% to HK\$10,386 million reflecting the boost in demand for high quality, high speed home broadband services to accommodate work and entertainment needs arising from the stay home advice during the period. EBITDA was relatively stable at HK\$3,801 million as a result of continued cost efficiency improvements to counter the impact of downsizings and closures in hard-hit segments such as retail and hospitality as well as across small and medium-sized enterprises (“SMEs”).

The material decline in roaming inevitably led to a drop in Mobile services revenue which fell by 8% to HK\$3,573 million. However, the core local revenue was kept steady reflecting the initial benefits of the average revenue per user (“ARPU”) uplift from 5G upgrades which offset the continued price competition in the low-end segment of the market and reduced corporate spending. Subdued consumer sentiment drove down Mobile product sales to HK\$970 million. EBITDA from the Mobile segment declined by 7% to HK\$2,050 million, with the overall margin increasing to 45%.

As a result of the above, total EBITDA for the period was HK\$5,546 million, a decrease of 3% over the same period in 2019. Profit attributable to holders of the share stapled units of the HKT Trust and HKT (“Share Stapled Units”) was HK\$1,898 million, a decrease of 12% over the same period in 2019. Basic earnings per Share Stapled Unit was 25.06 HK cents.

Adjusted funds flow for the six months ended June 30, 2020 was upheld at HK\$2,280 million due to the clear reduction in discretionary spending and savings in rentals. The adjusted funds flow per Share Stapled Unit<sup>4</sup> was 30.10 HK cents.

The board of directors of the Trustee-Manager has resolved an interim distribution of 30.10 HK cents per Share Stapled Unit for the six months ended June 30, 2020.

## OUTLOOK

As a leading innovator and the premier ICT service provider in Hong Kong, HKT is ideally positioned to support the adoption of 5G by consumers and enterprises. As the 5G handset ecosystem continues to evolve in the second half of 2020, 5G adoption will likely accelerate provided the economic condition does not deteriorate further.

HKT is also actively exploring with the public sector and various industries the deployment of 5G and other emerging technologies to improve efficiencies and business insights, as well as helping to propel Hong Kong’s continued development into a smart city.

## **OUTLOOK** *(Continued)*

Riding on its massive loyal customer base, the Group will continue to prudently grow revenue sources for the medium and longer term in the new verticals such as healthcare, where there is a growing demand in the community. As the Group enlarges its role as a lifestyle enhancer in the digital era, the Group is also stepping up its digital engagement to embrace the new norm in services.

While the full extent of COVID-19 related disruption cannot be predicted with any certainty, the local economic and market environments will remain highly challenging for the remainder of the year. A spike of infection cases in July has cast new uncertainties to the pace of economic recovery. There is no room for complacency, but HKT is confident that the Group will prevail given its robust foundation and diversified business portfolio. To this end, the Group must also exercise stringent cost controls. HKT's primary objective continues to be the delivery of a stable return for unitholders.

## FINANCIAL REVIEW BY SEGMENT

For the six months ended HK\$ million	Jun 30, 2019	Dec 31, 2019	Jun 30, 2020	Better/ (Worse) y-o-y
<b>Revenue</b>				
TSS	10,209	11,744	10,386	2%
Mobile	5,222	6,592	4,543	(13)%
- Mobile Services	3,881	4,533	3,573	(8)%
- Mobile Product Sales	1,341	2,059	970	(28)%
Other Businesses	103	133	106	3%
Eliminations	(425)	(475)	(429)	(1)%
<b>Total revenue</b>	<b>15,109</b>	<b>17,994</b>	<b>14,606</b>	<b>(3)%</b>
<b>Total revenue (excluding Mobile Product Sales)</b>	<b>13,768</b>	<b>15,935</b>	<b>13,636</b>	<b>(1)%</b>
<b>Cost of sales</b>	<b>(6,950)</b>	<b>(8,837)</b>	<b>(6,941)</b>	<b>0%</b>
<b>Operating costs before depreciation, amortization, and gain/(loss) on disposal of property, plant and equipment, net</b>	<b>(2,426)</b>	<b>(2,073)</b>	<b>(2,119)</b>	<b>13%</b>
<b>EBITDA<sup>1</sup></b>				
TSS	3,828	4,532	3,801	(1)%
Mobile	2,206	2,862	2,050	(7)%
- Mobile Services	2,222	2,879	2,057	(7)%
- Mobile Product Sales	(16)	(17)	(7)	56%
Other Businesses	(301)	(310)	(305)	(1)%
<b>Total EBITDA<sup>1</sup></b>	<b>5,733</b>	<b>7,084</b>	<b>5,546</b>	<b>(3)%</b>
<b>TSS EBITDA<sup>1</sup> Margin</b>	<b>37%</b>	<b>39%</b>	<b>37%</b>	
<b>Mobile EBITDA<sup>1</sup> Margin</b>	<b>42%</b>	<b>43%</b>	<b>45%</b>	
- Mobile Services EBITDA <sup>1</sup> Margin	57%	64%	58%	
<b>Total EBITDA<sup>1</sup> Margin</b>	<b>38%</b>	<b>39%</b>	<b>38%</b>	
<b>Total EBITDA<sup>1</sup> Margin (excluding Mobile Product Sales)</b>	<b>42%</b>	<b>45%</b>	<b>41%</b>	
Depreciation and amortization	(2,371)	(2,750)	(2,491)	(5)%
Gain/(loss) on disposal of property, plant and equipment, net	1	(3)	2	100%
Other gains/(losses), net	1	2	(50)	NA
Finance costs, net	(662)	(710)	(658)	1%
Share of results of associates and joint ventures	(23)	(28)	(30)	(30)%
<b>Profit before income tax</b>	<b>2,679</b>	<b>3,595</b>	<b>2,319</b>	<b>(13)%</b>

## ADJUSTED FUNDS FLOW<sup>3</sup>

For the six months ended HK\$ million	Jun 30, 2019	Dec 31, 2019	Jun 30, 2020	Better/ (Worse) y-o-y
<b>Total EBITDA<sup>1</sup></b>	5,733	7,084	<b>5,546</b>	<b>(3)%</b>
Less cash outflows in respect of capital expenditures, customer acquisition costs and licence fees <sup>2</sup> :				
Capital expenditures	(1,292)	(1,350)	(1,169)	10%
Customer acquisition costs and licence fees	(401)	(796)	(411)	(2)%
Fulfillment costs	(273)	(222)	(289)	(6)%
Right-of-use assets	(849)	(795)	(764)	10%
<b>Adjusted funds flow<sup>3</sup> before tax paid, net finance costs paid and changes in working capital</b>	2,918	3,921	<b>2,913</b>	<b>0%</b>
Adjusted for:				
Net finance costs paid	(473)	(420)	(378)	20%
Tax payment	(185)	–	(149)	19%
Changes in working capital	12	(444)	(106)	NA
<b>Adjusted funds flow<sup>3</sup></b>	2,272	3,057	<b>2,280</b>	<b>0%</b>

## KEY OPERATING DRIVERS<sup>5</sup>

	Jun 30, 2019	Dec 31, 2019	Jun 30, 2020	Better/(Worse)	
				y-o-y	h-o-h
Exchange lines in service ('000)	2,616	2,598	2,564	(2)%	(1)%
Business lines ('000)	1,247	1,240	1,227	(2)%	(1)%
Residential lines ('000)	1,369	1,358	1,337	(2)%	(2)%
Total broadband access lines ('000) (Consumer, business and wholesale)	1,615	1,620	1,622	0%	0%
Retail consumer broadband access lines ('000)	1,446	1,450	1,454	1%	0%
Retail business broadband access lines ('000)	158	159	157	(1)%	(1)%
Mobile subscribers ('000)	4,592	4,679	4,372	(5)%	(7)%
Post-paid subscribers ('000)	3,247	3,250	3,250	0%	0%
Prepaid subscribers ('000)	1,345	1,429	1,122	(17)%	(21)%
The Club members ('000)	2,845	2,953	3,043	7%	3%
Tap & Go accounts in service ('000)	2,086	2,476	2,629	26%	6%

- Note 1 EBITDA represents earnings before interest income, finance costs, income tax, depreciation and amortization, gain/loss on disposal of property, plant and equipment, interests in leasehold land, right-of-use assets and intangible assets, net other gains/losses, losses on property, plant and equipment, restructuring costs, impairment losses on goodwill, tangible and intangible assets and interests in associates and joint ventures, and the Group's share of results of associates and joint ventures. While EBITDA is commonly used in the telecommunications industry worldwide as an indicator of operating performance, leverage and liquidity, it is not presented as a measure of operating performance in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") and should not be considered as representing net cash flows from operating activities. The computation of the Group's EBITDA may not be comparable to similarly titled measures of other companies.*
- Note 2 Group capital expenditures represent additions to property, plant and equipment and interests in leasehold land. Fulfillment costs and right-of-use assets are considered as part of customer acquisition costs and capital expenditures, respectively, for the purpose of adjusted funds flow calculation.*
- Note 3 Adjusted funds flow is defined as EBITDA less capital expenditures, customer acquisition costs and licence fees paid, taxes paid, finance costs and interest expense paid, and adjusted for interest income received and changes in working capital. It is not presented as a measure of leverage or liquidity in accordance with HKFRSs and should not be considered as representing net cash flows or any other similar measures derived in accordance with HKFRSs, or an alternative to cash flow from operations or a measure of liquidity. The Group's adjusted funds flow is computed in accordance with the above definition using financial information derived from the Group's 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 June 30, 2020.*
- 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	Jun 30, 2019	Dec 31, 2019	Jun 30, 2020	Better/ (Worse) y-o-y
<b>TSS Revenue</b>				
Local Telephony Services	1,612	1,648	1,532	(5)%
Local Data Services	3,619	4,168	3,696	2%
International Telecommunications Services	3,440	3,906	3,764	9%
Other Services	1,538	2,022	1,394	(9)%
<b>Total TSS Revenue</b>	<b>10,209</b>	<b>11,744</b>	<b>10,386</b>	<b>2%</b>
Cost of sales	(4,864)	(5,975)	(5,346)	(10)%
Operating costs before depreciation and amortization	(1,517)	(1,237)	(1,239)	18%
<b>Total TSS EBITDA<sup>1</sup></b>	<b>3,828</b>	<b>4,532</b>	<b>3,801</b>	<b>(1)%</b>
<b>TSS EBITDA<sup>1</sup> margin</b>	<b>37%</b>	<b>39%</b>	<b>37%</b>	

TSS continued to benefit from its business resilience and diversity during the first half of the year, with revenue increasing by 2% year-on-year to HK\$10,386 million, as compared to HK\$10,209 million a year earlier.

*Local Telephony Services.* Local telephony services revenue was HK\$1,532 million for the six months ended June 30, 2020, as compared to HK\$1,612 million a year earlier, reflecting the compound impact of residential migration to broadband and mobile as well as the reduction in business lines due to SME closures and downsizing during the period. Total fixed lines in service at the end of June 2020 were 2.564 million, as compared to 2.616 million a year earlier.

*Local Data Services.* Local data services revenue, comprising broadband network revenue and local data revenue, increased by 2% year-on-year to HK\$3,696 million for the six months ended June 30, 2020.

Broadband network business sustained its revenue growth, with a 2% year-on-year improvement during the first half of 2020, reflecting the continued customer demand for a resilient, high quality broadband network. This growth stems from our strategy of offering territory-wide fiber-to-the-home (“FTTH”) service, providing multi-brand customized services through “HKT Premier”, “NETVIGATOR” and “LIKE100”, and cross-selling a range of service offerings and value-added solutions such as Home Wi-Fi and Smart Living solutions. Despite intense price competition, the business recorded an overall net gain in broadband customers during the period, with the total number of broadband access lines at the end of June 2020 growing to 1.622 million from 1.615 million as at the end of June 2019. This net gain reflected the increased demand from customers for a high quality broadband service to accommodate the need for work and entertainment at home as they stay home longer. Of these broadband access lines, there were 863,000 FTTH access lines which represented a net increase of 62,000 or 8% growth from a year earlier. In addition, penetration of our Home Wi-Fi solutions continued to grow during the period with the total number of customers increasing by 2% year-on-year to 294,000 representing around 20% of our total consumer broadband base.

## Telecommunications Services (*Continued*)

On the enterprise side, HKT continues to leverage our leading network and technology capabilities to provide unmatched total solution offerings for enterprise customers undergoing digital transformation. Despite the economy being hammered by COVID-19, we saw local data revenue increase by 3% year-on-year as businesses focused on ensuring operational continuity and responded to the upsurge in bandwidth requirements following travel restrictions and staff being advised to work from home.

*International Telecommunications Services.* International telecommunications services revenue for the six months ended June 30, 2020 increased by 9% year-on-year to HK\$3,764 million, as compared to HK\$3,440 million a year earlier. This performance was mainly attributable to higher revenue from international voice wholesale business, together with the demand for international connectivity services given the increased reliance on digital connectivity brought on by the COVID-19 lockdowns globally.

*Other Services.* Other services revenue primarily comprises revenue from the sales of network equipment and customer premises equipment (“CPE”), provision of technical and maintenance subcontracting services and contact centre services (“Teleservices”). Other services revenue for the six months ended June 30, 2020 decreased by 9% year-on-year to HK\$1,394 million as a result of lower CPE sales and the delay in project deployments due to the general slowdown in business activities.

During the period, TSS EBITDA decreased by 1% year-on-year to HK\$3,801 million due to a shift in the mix of revenue moderated by further operating efficiencies and strong cost control measures implemented during the period. The EBITDA margin was steady at 37%.

## Mobile

For the six months ended HK\$ million	Jun 30, 2019	Dec 31, 2019	Jun 30, 2020	Better/ (Worse) y-o-y
<b>Mobile Revenue</b>				
Mobile Services	3,881	4,533	<b>3,573</b>	(8)%
Mobile Product Sales	1,341	2,059	<b>970</b>	(28)%
<b>Total Mobile Revenue</b>	<u>5,222</u>	<u>6,592</u>	<u><b>4,543</b></u>	(13)%
<b>Mobile EBITDA<sup>1</sup></b>				
Mobile Services	2,222	2,879	<b>2,057</b>	(7)%
Mobile Product Sales	(16)	(17)	<b>(7)</b>	56%
<b>Total Mobile EBITDA<sup>1</sup></b>	<u>2,206</u>	<u>2,862</u>	<u><b>2,050</b></u>	(7)%
<b>Mobile EBITDA<sup>1</sup> margin</b>	42%	43%	<b>45%</b>	
<i>Mobile Services EBITDA<sup>1</sup> margin</i>	<u>57%</u>	<u>64%</u>	<u><b>58%</b></u>	

During the first half of 2020, the Mobile business maintained a stable post-paid customer base at 3.250 million despite a highly competitive market and adverse impact from COVID-19. The churn rate for post-paid customers further improved to 0.9% during the period. Following the commercial launch of our 5G services in April this year, the initial uptake of 78,000 5G customers as at June 30, 2020 was encouraging despite the subdued sentiment and immature handset ecosystem. As consumer applications mature and 5G handsets become prevalent, we expect the 5G adoption to accelerate.

However, the global travel restrictions brought on by COVID-19 pandemic not only had a significant impact on our roaming revenue but also dragged down the prepaid and mobile virtual network operator (“MVNO”) revenues. Consequently, Mobile services revenue decreased by 8% year-on-year to HK\$3,573 million, as compared to HK\$3,881 million a year earlier. Despite this, the core local component of Mobile services revenue remained relatively steady during the period, reflecting the benefits of customers upgrading to 5G plans which offset the continued price competition in the low-end segment of the market as well as reduced corporate spending due to the slowdown in business activities.

The post-paid exit ARPU as at June 2020 was HK\$181, as compared to HK\$198 as at June 2019. Excluding the roaming impact, the post-paid ARPU remained steady during the period.

Subdued consumer sentiment and limited handset availability also drove down Mobile product sales to HK\$970 million, as compared to HK\$1,341 million a year earlier.

Mobile services EBITDA for the period decreased by 7% year-on-year to HK\$2,057 million with the margin improving to 58% benefiting from an 18% savings in operating expenses arising from retail shop rationalization as well as cautious spending including lower publicity and promotion expenses. Total Mobile EBITDA for the period decreased by 7% year-on-year to HK\$2,050 million from HK\$2,206 million a year earlier. However, the margin improved to 45% from 42% a year earlier reflecting a lower contribution from Mobile product sales.

## **Other Businesses**

Other Businesses primarily comprises new business areas such as The Club and HKT Financial Services, and corporate support functions. Revenue from Other Businesses increased by 3% year-on-year to HK\$106 million for the six months ended June 30, 2020, mainly driven by the growth of these new business areas. As at June 30, 2020, The Club had over 3 million members, an increase of 7% from 2.8 million a year earlier. Tap & Go had approximately 2.6 million accounts in service as at June 30, 2020, an increase of 26% from 2.1 million a year earlier.

## **Eliminations**

Eliminations were HK\$429 million for the six months ended June 30, 2020, as compared to HK\$425 million a year earlier. This reflects the continued collaboration amongst HKT's various business segments to seamlessly integrate our capabilities and offer comprehensive products and services to consumer and enterprise customers.

## **Cost of Sales**

Cost of sales was stable at HK\$6,941 million for the six months ended June 30, 2020. This reflected the lower cost for Mobile product sales which was offset by higher cost of sales associated with international voice revenue during the period.

## **General and Administrative Expenses**

In response to the challenging market conditions, the Group continued to focus on improving efficiencies through automation and digitalization of business processes across all of our business operations in the first half of 2020. Stringent cost control measures on publicity and promotion as well as travel and entertainment expenses were implemented during the period to counteract the difficult economic and operating environment. As such, the Group achieved 13% savings in the operating costs before depreciation, amortization, and gain/(loss) on disposal of property, plant and equipment, net, ("operating costs") to HK\$2,119 million for the six months ended June 30, 2020, as compared to HK\$2,426 million a year earlier. Overall operating costs to revenue ratio, therefore, improved to 14.5% for the period, as compared to 16.1% a year earlier.

Depreciation expenses increased by 2% year-on-year, while amortization expenses increased by 9% due to the amortization of 5G spectrum following the launch of 5G services in April and continued investments in business-enabling platforms to enhance the customer experience. As a result, total depreciation and amortization expenses increased by 5% year-on-year to HK\$2,491 million for the six months ended June 30, 2020.

General and administrative expenses, therefore, decreased by 4% to HK\$4,608 million for the six months ended June 30, 2020, as compared to HK\$4,796 million a year earlier.

## **EBITDA<sup>1</sup>**

Total EBITDA decreased by 3% year-on-year to HK\$5,546 million for the six months ended June 30, 2020, with the overall EBITDA margin stable at 38%, reflecting the stringent cost measures implemented during the period to counteract the challenging operating and economic conditions. Excluding Mobile product sales, the EBITDA margin remained steady at 41%.

## **Finance Costs, Net**

Net finance costs for the six months ended June 30, 2020 decreased by 1% to HK\$658 million from HK\$662 million a year earlier, benefiting from a lower HIBOR during the period. The average cost of debt was 3.2% during the period. We will continue to closely monitor the interest rate environment to optimize the ratio of floating to fixed rate debt.

## **Income Tax**

Income tax expense for the six months ended June 30, 2020 was HK\$414 million, as compared to HK\$509 million a year earlier. The decrease in income tax expense was mainly due to lower operating profit during the period. The effective tax rate for the period remained steady at 18%, as compared to 19% for the same period last year.

## **Non-controlling Interests**

Non-controlling interests of HK\$7 million (June 30, 2019: HK\$8 million) primarily comprised the net profit attributable to the minority shareholders of Sun Mobile Limited.

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

Profit attributable to holders of Share Stapled Units/shares of the Company for the six months ended June 30, 2020 was HK\$1,898 million (June 30, 2019: HK\$2,162 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 debt<sup>6</sup> was HK\$41,525 million as at June 30, 2020 (December 31, 2019: HK\$40,713 million). Cash and short-term deposits totaled HK\$2,331 million as at June 30, 2020 (December 31, 2019: HK\$2,903 million). HKT's gross debt<sup>6</sup> to total assets was 41% as at June 30, 2020 (December 31, 2019: 41%).

As at June 30, 2020, HKT had ample liquidity as evidenced by bank loan facilities totaling HK\$28,448 million, of which HK\$8,478 million remained undrawn.

## **CREDIT RATINGS OF HONG KONG TELECOMMUNICATIONS (HKT) LIMITED**

As at June 30, 2020, Hong Kong Telecommunications (HKT) Limited, an indirect wholly-owned subsidiary of the Company, had investment grade ratings with Moody's Investors Service (Baa2) and Standard & Poor's Ratings Services (BBB).

## **CAPITAL EXPENDITURE<sup>2</sup>**

Capital expenditure including capitalized interest for the six months ended June 30, 2020 was HK\$1,198 million (June 30, 2019: HK\$1,332 million). Capital expenditure relative to revenue was 8.2% for the six months ended June 30, 2020 (June 30, 2019: 8.8%).

Capital expenditure for HKT's Mobile business remained steady in the first half of 2020 as the spending on the 5G rollout and critical infrastructure enhancements substituted the spending on the 4G network in the comparable period in 2019. Requirements for TSS capital expenditure shrank during the period, reflecting the maturity of fiber backbone investments already made and the general slowdown in enterprise projects.

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 building a 5G network taking into account the prevailing market conditions, and using assessment criteria including internal rate of return, net present value and payback period.

## **ADJUSTED FUNDS FLOW<sup>3</sup>**

Adjusted funds flow remained steady at HK\$2,280 million for the six months ended June 30, 2020. Although there was a slight decline in EBITDA, this was offset by disciplined capex investments and savings in lease payments including from continued rationalization of our retail shops. There were also reductions in tax payments and net finance costs paid during the period although changes in working capital was affected by the longer credit periods extended to customers to support them during the difficult period.

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 recognized in the consolidated income statement due to various reasons such as non-cash items recognized in the consolidated income statement and timing difference between accounting recognition and actual cash flows.

## **HEDGING**

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

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

As for financing, a significant portion of HKT's debt is denominated in foreign currencies including United States dollars. Accordingly, HKT has entered into forward and swap contracts in order to manage its exposure to adverse fluctuations in foreign currency exchange rates and interest rates. These instruments are executed with creditworthy financial institutions. As at June 30, 2020, the majority of the forward and swap contracts were designated as cash flow hedges for the related borrowings of HKT.

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

## CHARGE ON ASSETS

As at June 30, 2020, no assets of the Group (December 31, 2019: nil) were pledged to secure loans and banking facilities of HKT.

## CONTINGENT LIABILITIES

HK\$ million	As at Dec 31, 2019 (Audited)	As at Jun 30, 2020 (Unaudited)
Performance guarantees	740	808
Others	63	79
	<b>803</b>	<b>887</b>

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

## HUMAN RESOURCES

HKT had over 15,900 employees as at June 30, 2020 (June 30, 2019: 17,300) located in 48 countries and cities. About 69% of these employees work in Hong Kong and the others are based mainly in mainland China, the Philippines, the United Kingdom and the United States. 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 has resolved to declare an interim distribution by the HKT Trust in respect of the Share Stapled Units, of 30.10 HK cents per Share Stapled Unit (after deduction of any operating expenses permissible under the trust deed dated November 7, 2011 constituting the HKT Trust (the "Trust Deed")), in respect of the six months ended June 30, 2020 (and in order to enable the HKT Trust to pay that distribution, the board of directors of the Company has resolved to declare an interim dividend in respect of the ordinary shares in the Company held by the Trustee-Manager, of 30.10 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 fulfill, 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 Friday, August 28, 2020. 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 Thursday, August 27, 2020 to Friday, August 28, 2020 (both days inclusive), in order to determine entitlements to the interim distribution. During such period, no transfer of Share Stapled Units will be effected. In order to qualify for the interim distribution, all transfers of Share Stapled Units accompanied by the relevant certificates in respect of the Share Stapled Units must be lodged with the Share Stapled Units Registrar, Computershare Hong Kong Investor Services Limited, Transfer Office, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration no later than 4:30 p.m. on Wednesday, August 26, 2020. Distribution warrants will be despatched to holders of Share Stapled Units on or around Thursday, September 24, 2020.

## **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 June 30, 2020, 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 June 30, 2020 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 June 30, 2020, save and except for the code provisions set out below. The requirement to establish a separate Remuneration Committee with written terms of reference for the Trustee-Manager under the code provision B.1.2 of the CG Code is not relevant to the Trustee-Manager as its directors are not entitled to any remuneration under the Trust Deed, and therefore has not been complied with. In addition, given the unique circumstances of the HKT Trust i.e., the fact that the Trust Deed requires that the directors of the Company and the directors of the Trustee-Manager must always be the same individuals, the establishment of a separate Nomination Committee for the Trustee-Manager as required by code provision A.5.1 of the CG Code is not relevant to the Trustee-Manager, and therefore has not been complied with.

Having regard to the mandatory global travel restrictions in connection with the COVID-19 pandemic, certain directors of the Trustee-Manager and the Company participated in the annual general meeting of unitholders of the HKT Trust and of shareholders of the Company on May 8, 2020 by video/audio conferencing, and such directors, including the Chairman of the board of directors and the chairpersons of the board committees, were available to answer questions at the meeting pursuant to code provision E.1.2 of the CG Code.

## **PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT**

This announcement is published on the websites of the Company ([www.hkt.com/ir](http://www.hkt.com/ir)) and Hong Kong Exchanges and Clearing Limited ([www.hkexnews.hk](http://www.hkexnews.hk)). The 2020 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**  
**Bernadette M. Lomas**  
*Group General Counsel and Company Secretary*

Hong Kong, August 5, 2020

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

For the six months ended June 30, 2020

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

	Note(s)	2019 (Unaudited)	2020 (Unaudited)
Revenue	2	15,109	<b>14,606</b>
Cost of sales		(6,950)	<b>(6,941)</b>
General and administrative expenses		(4,796)	<b>(4,608)</b>
Other gains/(losses), net	3	1	<b>(50)</b>
Finance costs, net		(662)	<b>(658)</b>
Share of results of associates		(12)	<b>(26)</b>
Share of results of joint ventures		(11)	<b>(4)</b>
Profit before income tax	2, 4	2,679	<b>2,319</b>
Income tax	5	(509)	<b>(414)</b>
Profit for the period		<u>2,170</u>	<u><b>1,905</b></u>
Profit attributable to:			
Holders of Share Stapled Units/shares of the Company		2,162	<b>1,898</b>
Non-controlling interests		8	<b>7</b>
Profit for the period		<u>2,170</u>	<u><b>1,905</b></u>
Earnings per Share Stapled Unit/share of the Company	7		
Basic		<u>28.55 cents</u>	<u><b>25.06 cents</b></u>
Diluted		<u>28.55 cents</u>	<u><b>25.06 cents</b></u>

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

For the six months ended June 30, 2020

In HK\$ million	2019 (Unaudited)	2020 (Unaudited)
Profit for the period	2,170	<b>1,905</b>
Other comprehensive income/(loss)		
Items that have been reclassified or may be reclassified subsequently to consolidated income statement:		
Exchange differences on translating foreign operations	(2)	<b>(67)</b>
Reclassification of currency translation reserve on disposal of subsidiaries	–	<b>(1)</b>
Cash flow hedges:		
- effective portion of changes in fair value	127	<b>(23)</b>
- transfer from equity to consolidated income statement	52	<b>84</b>
Costs of hedging	23	<b>(6)</b>
Other comprehensive income/(loss) for the period	200	<b>(13)</b>
Total comprehensive income for the period	2,370	<b>1,892</b>
Attributable to:		
Holders of Share Stapled Units/shares of the Company	2,362	<b>1,885</b>
Non-controlling interests	8	<b>7</b>
Total comprehensive income for the period	2,370	<b>1,892</b>

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

As at June 30, 2020

In HK\$ million	Note	As at December 31, 2019 (Audited)	As at June 30, 2020 (Unaudited)
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment		22,177	22,730
Right-of-use assets		2,436	2,441
Interests in leasehold land		215	209
Goodwill		49,814	49,806
Intangible assets		10,118	10,725
Fulfillment costs		1,342	1,391
Customer acquisition costs		592	576
Contract assets		346	338
Interests in associates		209	183
Interests in joint ventures		643	601
Financial assets at fair value through other comprehensive income		124	124
Financial assets at fair value through profit or loss		32	47
Derivative financial instruments		284	267
Deferred income tax assets		410	406
Other non-current assets		1,106	1,123
		89,848	90,967
<b>Current assets</b>			
Inventories		803	751
Prepayments, deposits and other current assets		1,811	1,901
Contract assets		576	553
Trade receivables, net	8	3,600	3,538
Amounts due from related companies		95	104
Financial assets at fair value through profit or loss		12	15
Derivative financial instruments		6	–
Restricted cash		115	106
Short-term deposits		486	508
Cash and cash equivalents		2,417	1,823
		9,921	9,299

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

As at June 30, 2020

In HK\$ million	Note	As at December 31, 2019 (Audited)	As at June 30, 2020 (Unaudited)
<b>Current liabilities</b>			
Short-term borrowings		–	(2,256)
Trade payables	9	(2,342)	(2,366)
Accruals and other payables		(3,904)	(3,877)
Derivative financial instruments		–	(16)
Carrier licence fee liabilities		(195)	(251)
Amount due to a fellow subsidiary		(2,855)	(2,983)
Advances from customers		(291)	(277)
Contract liabilities		(1,361)	(1,403)
Lease liabilities		(1,065)	(1,153)
Current income tax liabilities		(1,078)	(1,156)
		(13,091)	(15,738)
<b>Non-current liabilities</b>			
Long-term borrowings		(40,358)	(38,851)
Derivative financial instruments		(38)	(112)
Deferred income tax liabilities		(3,874)	(4,059)
Carrier licence fee liabilities		(527)	(704)
Contract liabilities		(1,001)	(966)
Lease liabilities		(1,697)	(1,609)
Other long-term liabilities		(1,213)	(1,394)
		(48,708)	(47,695)
<b>Net assets</b>		<b>37,970</b>	<b>36,833</b>
<b>CAPITAL AND RESERVES</b>			
Share capital		8	8
Reserves		37,904	36,771
<b>Equity attributable to holders of</b>			
<b>Share Stapled Units/shares of the Company</b>		<b>37,912</b>	<b>36,779</b>
Non-controlling interests		58	54
<b>Total equity</b>		<b>37,970</b>	<b>36,833</b>

## NOTES

### 1. BASIS OF PREPARATION AND PRESENTATION

The HKT Trust (the “HKT Trust”) is constituted by a Hong Kong law governed trust deed and as supplemented, amended or substituted from time to time (the “Trust Deed”), entered into between HKT Management Limited (the “Trustee-Manager”, in its capacity as the trustee-manager of the HKT Trust) and HKT Limited (the “Company”). In accordance with the Trust Deed, the HKT Trust and HKT Limited 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 June 30, 2020 comprises the unaudited condensed consolidated interim financial information of the HKT Trust, HKT Limited and its subsidiaries (together the “Group”), and the Group’s interests in associates and joint ventures. The HKT Limited unaudited condensed consolidated interim financial information for the six months ended June 30, 2020 comprises the unaudited condensed consolidated interim financial information of HKT Limited and its subsidiaries (together the “HKT Limited Group”) and the HKT Limited Group’s interests in associates and joint ventures, and the Company’s statement of financial position.

The HKT Trust controls HKT Limited and the sole activity of the HKT Trust during the six months ended June 30, 2020 was investing in HKT Limited. 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 HKT Limited with the only differences being disclosures of the capital of HKT Limited. 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 HKT Limited are presented together to the extent they are identical and are hereinafter referred to as the “HKT Trust and HKT Limited unaudited condensed consolidated interim financial information”.

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

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

The HKT Trust and HKT Limited unaudited condensed consolidated interim financial information has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The HKT Trust and HKT Limited unaudited condensed consolidated interim financial information should be read in conjunction with the annual consolidated financial statements of the HKT Trust and HKT Limited for the year ended December 31, 2019.

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 August 5, 2020.

## 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 December 31, 2019 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 December 31, 2019 has 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).

As at June 30, 2020, the current liabilities of the Groups exceeded their current assets by HK\$6,439 million. Included in the current liabilities were (i) short-term borrowings of HK\$2,256 million, which have been reclassified from long-term liabilities to short-term liabilities as their maturity dates fall due within the next twelve-month period and the Groups will arrange refinancing to deal with this balance via long-term borrowings at appropriate time; and (ii) current portion of contract liabilities of HK\$1,403 million recognized under Hong Kong Financial Reporting Standard ("HKFRS") 15 *Revenue from Contracts with Customers*, which will gradually reduce over the contract terms through the satisfaction of performance obligations. Management of the Groups anticipates the net cash inflows from their operations, together with the ability to draw down from available bank loan facilities of which the unused facilities amounted to HK\$8,478 million as at June 30, 2020, would be sufficient to enable the Groups to meet their liabilities as and when they fall due. Accordingly, this unaudited condensed consolidated interim financial information has been prepared on a going concern basis.

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 December 31, 2019.

## 1. BASIS OF PREPARATION AND PRESENTATION (CONTINUED)

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 December 31, 2019, except for the adoption of the following new or amended HKFRSs and HKASs which are first effective or available for early adoption for accounting periods beginning on or after January 1, 2020 as described below.

The following new or amended HKFRSs and HKASs are adopted for the financial year beginning January 1, 2020, 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 8 (Amendments), *Accounting Policies, Changes in Accounting Estimates and Errors*
- HKAS 39 (Amendments), *Financial Instruments: Recognition and Measurement*
- HKFRS 3 (Revised) (Amendments), *Business Combinations*
- HKFRS 7 (Amendments), *Financial Instruments: Disclosures*
- HKFRS 9 (2014) (Amendments), *Financial Instruments*
- HKFRS 16 (Amendments), *Leases*
- Conceptual Framework for Financial Reporting 2018

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

## 2. SEGMENT INFORMATION

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

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

- Telecommunications Services (“TSS”) is the leading provider of telecommunications and related services which include local telephony, local data and broadband, international telecommunications, enterprise solutions, and other telecommunications businesses such as customer premises equipment sales, outsourcing, consulting, and contact centers. It operates primarily in Hong Kong, and also serves customers in mainland China and other parts of the world.
- Mobile includes the Groups’ mobile telecommunications businesses in Hong Kong.
- Other businesses of the Groups (“Other Businesses”) primarily comprises new business areas such as The Club and HKT Financial Services, and corporate support functions.

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

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

## 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 June 30, 2019

(In HK\$ million)

	TSS (Unaudited)	Mobile (Unaudited)	Other Businesses (Unaudited)	Eliminations (Unaudited)	Total (Unaudited)
<b>Revenue</b>					
External revenue	9,871	5,139	99	–	15,109
Inter-segment revenue	338	83	4	(425)	–
<b>Total Revenue</b>	<b>10,209</b>	<b>5,222</b>	<b>103</b>	<b>(425)</b>	<b>15,109</b>
External revenue from contracts with customers:					
Timing of revenue recognition					
At a point in time	1,037	1,300	26	–	2,363
Over time	8,801	3,839	73	–	12,713
External revenue from other sources:					
Rental income	33	–	–	–	33
	9,871	5,139	99	–	15,109
<b>Results</b>					
EBITDA	3,828	2,206	(301)	–	5,733

For the six months ended June 30, 2020

(In HK\$ million)

	TSS (Unaudited)	Mobile (Unaudited)	Other Businesses (Unaudited)	Eliminations (Unaudited)	Total (Unaudited)
<b>Revenue</b>					
External revenue	10,045	4,457	104	–	14,606
Inter-segment revenue	341	86	2	(429)	–
<b>Total Revenue</b>	<b>10,386</b>	<b>4,543</b>	<b>106</b>	<b>(429)</b>	<b>14,606</b>
External revenue from contracts with customers:					
Timing of revenue recognition					
At a point in time	899	947	26	–	1,872
Over time	9,111	3,510	78	–	12,699
External revenue from other sources:					
Rental income	35	–	–	–	35
	10,045	4,457	104	–	14,606
<b>Results</b>					
EBITDA	3,801	2,050	(305)	–	5,546

## 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	
	June 30, 2019 (Unaudited)	June 30, 2020 (Unaudited)
Total segment EBITDA	5,733	5,546
Gain on disposal of property, plant and equipment, net	1	2
Depreciation and amortization	(2,371)	(2,491)
Other gains/(losses), net	1	(50)
Finance costs, net	(662)	(658)
Share of results of associates and joint ventures	(23)	(30)
Profit before income tax	2,679	2,319

## 3. OTHER GAINS/(LOSSES), NET

In HK\$ million	Six months ended	
	June 30, 2019 (Unaudited)	June 30, 2020 (Unaudited)
Loss on disposal of subsidiaries, net	–	(55)
Others	1	5
	1	(50)

## 4. PROFIT BEFORE INCOME TAX

Profit before income tax was stated after charging the following:

In HK\$ million	Six months ended	
	June 30, 2019 (Unaudited)	June 30, 2020 (Unaudited)
Cost of inventories sold	2,261	1,809
Cost of sales, excluding inventories sold	4,689	5,132
Depreciation of property, plant and equipment	513	578
Depreciation of right-of-use assets	752	707
Amortization of intangible assets	488	606
Amortization of fulfillment costs	218	240
Amortization of customer acquisition costs	394	354
Amortization of land lease premium – interests in leasehold land	6	6
Impairment loss for trade receivables	150	155
Finance costs on borrowings	640	613

## 5. INCOME TAX

In HK\$ million	Six months ended	
	June 30, 2019 (Unaudited)	June 30, 2020 (Unaudited)
Current income tax:		
Hong Kong profits tax	268	216
Overseas tax	7	11
Movement of deferred income tax	234	187
	509	414

Hong Kong profits tax is provided at the rate of 16.5% (2019: 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.

## 6. DISTRIBUTIONS/DIVIDENDS

### a. Distribution/dividend attributable to the interim period

In HK\$ million	Six months ended	
	June 30, 2019 (Unaudited)	June 30, 2020 (Unaudited)
Interim distribution/dividend declared after the end of the interim period of 30.10 HK cents (2019: 30.01 HK cents) per Share Stapled Unit/ordinary share of the Company	2,272	2,280

At meetings held on August 5, 2020, the directors of the Trustee-Manager and the Company declared an interim distribution/dividend of 30.10 HK cents per Share Stapled Unit/ordinary share of the Company for the year ending December 31, 2020. This interim distribution/dividend is not reflected as a distribution/dividend payable in the HKT Trust and HKT Limited unaudited condensed consolidated interim financial information.

### b. Distribution/dividend approved and paid during the interim period

In HK\$ million	Six months ended	
	June 30, 2019 (Unaudited)	June 30, 2020 (Unaudited)
Final distribution/dividend declared in respect of the previous financial year, approved and paid during the interim period of 40.37 HK cents (2019: 39.17 HK cents) per Share Stapled Unit/ordinary share of the Company	2,966	3,058
Less: distribution/dividend for Share Stapled Units/ordinary shares of the Company held by the Company's Share Stapled Units award schemes	–	(1)
	2,966	3,057

## 7. 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:

	<b>Six months ended</b>	
	June 30, 2019 (Unaudited)	<b>June 30, 2020 (Unaudited)</b>
<b>Earnings (in HK\$ million)</b>		
Earnings for the purpose of basic and diluted earnings per Share Stapled Unit/share of the Company	2,162	<b>1,898</b>
<b>Number of Share Stapled Units/shares of the Company</b>		
Weighted average number of Share Stapled Units/ordinary shares of the Company	7,571,742,334	<b>7,574,093,982</b>
Effect of Share Stapled Units held under the Company's Share Stapled Units award schemes	(356,911)	<b>(601,842)</b>
Weighted average number of Share Stapled Units/ordinary shares of the Company for the purpose of basic earnings per Share Stapled Unit/share of the Company	7,571,385,423	<b>7,573,492,140</b>
Effect of Share Stapled Units awarded under the Company's Share Stapled Units award schemes	1,659,062	<b>1,441,810</b>
Weighted average number of Share Stapled Units/ordinary shares of the Company for the purpose of diluted earnings per Share Stapled Unit/share of the Company	7,573,044,485	<b>7,574,933,950</b>

## 8. TRADE RECEIVABLES, NET

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

	As at December 31, 2019 (Audited)	As at <b>June 30, 2020 (Unaudited)</b>
In HK\$ million		
1 – 30 days	2,594	<b>2,344</b>
31 – 60 days	346	<b>380</b>
61 – 90 days	272	<b>201</b>
91 – 120 days	98	<b>148</b>
Over 120 days	433	<b>675</b>
	3,743	<b>3,748</b>
Less: loss allowance	(143)	<b>(210)</b>
Trade receivables, net	3,600	<b>3,538</b>

## 8. TRADE RECEIVABLES, NET (CONTINUED)

As at June 30, 2020, included in trade receivables, net were amounts due from related parties of HK\$43 million (as at December 31, 2019: HK\$36 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.

## 9. TRADE PAYABLES

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

In HK\$ million	As at December 31, 2019 (Audited)	As at June 30, 2020 (Unaudited)
1 – 30 days	1,269	<b>1,146</b>
31 – 60 days	556	<b>290</b>
61 – 90 days	100	<b>402</b>
91 – 120 days	31	<b>261</b>
Over 120 days	386	<b>267</b>
	<b>2,342</b>	<b>2,366</b>

As at June 30, 2020, included in trade payables were amounts due to related parties of HK\$49 million (as at December 31, 2019: HK\$12 million).

**INCOME STATEMENT OF  
HKT MANAGEMENT LIMITED**  
For the six months ended June 30, 2020

In HK\$'000	2019 (Unaudited)	2020 (Unaudited)
Management fee income	27	28
General and administrative expenses	(27)	(28)
Result before income tax	–	–
Income tax	–	–
Result for the period	–	–

**STATEMENT OF COMPREHENSIVE INCOME OF  
HKT MANAGEMENT LIMITED**  
For the six months ended June 30, 2020

In HK\$'000	2019 (Unaudited)	2020 (Unaudited)
Result for the period	–	–
Other comprehensive income	–	–
Total comprehensive income for the period	–	–

**STATEMENT OF FINANCIAL POSITION OF  
HKT MANAGEMENT LIMITED**

As at June 30, 2020

In HK\$'000	As at December 31, 2019 (Audited)	As at June 30, 2020 (Unaudited)
<b>ASSET AND LIABILITIES</b>		
<b>Current asset</b>		
Amount due from a fellow subsidiary	384	412
	384	412
<b>Current liabilities</b>		
Accruals and other payables	(52)	(26)
Amounts due to fellow subsidiaries	(332)	(386)
	(384)	(412)
<b>Net assets</b>	—	—
<b>CAPITAL AND RESERVES</b>		
Share capital	—	—
Reserves	—	—
<b>Total equity</b>	—	—

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; Li Fushen; Zhu Kebing and Srinivas Bangalore Gangaiah (aka BG Srinivas)

*Independent Non-Executive Directors:*

Professor Chang Hsin Kang, FREng, GBS, JP; Sunil Varma; Aman Mehta and Frances Waikwun Wong

## **Forward-Looking Statements**

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