



Interim Report 2022

Stock Code: 6823



a **PCCW** Group member

CONTENTS

2	Corporate Profile
3	Statement from the Chairman
4	Statement from the Group Managing Director
6	Board of Directors
10	Management's Discussion and Analysis
	HKT Trust and HKT Limited
22	Consolidated Income Statement
23	Consolidated Statement of Comprehensive Income
24	Consolidated Statement of Financial Position
26	Consolidated Statement of Changes in Equity
28	Condensed Consolidated Statement of Cash Flows
29	Notes to the Unaudited Condensed Consolidated Interim Financial Information
	HKT Management Limited
44	Income Statement
45	Statement of Comprehensive Income
46	Statement of Financial Position
47	Statement of Changes in Equity
48	Condensed Statement of Cash Flows
49	Notes to the Unaudited Condensed Interim Financial Information
51	General Information
57	Corporate Information

CORPORATE PROFILE

HKT is Hong Kong's premier telecommunications service provider and a leading innovator. Its fixed-line, broadband, mobile communication and media entertainment services offer a unique quadruple-play experience. HKT meets the needs of the Hong Kong public and local and international businesses with a wide range of services including local telephony, local data and broadband, international telecommunications, mobile, enterprise solutions, FinTech, e-commerce, big data analytics, media entertainment including the provision of interactive pay-TV services, and other telecommunications businesses such as customer premises equipment sales, outsourcing, consulting, and contact centres.

HKT is the first local mobile operator to launch a true 5G network in Hong Kong with differentiated value-added services. Backed by its substantial holding of 5G spectrum across all bands and a robust and extensive fibre backhaul infrastructure, HKT is committed to providing comprehensive 5G network coverage across the city.

HKT delivers end-to-end integrated solutions employing emerging technologies such as 5G, cloud computing, Internet of Things (“IoT”) and artificial intelligence (“AI”) to accelerate the digital transformation of enterprises and contribute to Hong Kong’s development into a smart city.

Riding on its massive loyal customer base, HKT has also built a digital ecosystem integrating its loyalty programme, e-commerce, travel, insurance, big data analytics, FinTech and HealthTech services. The ecosystem deepens HKT’s relationship with its customers, thereby enhancing customer retention and engagement.

Employing a staff of over 15,600, HKT is headquartered in Hong Kong and maintains a presence in mainland China as well as other parts of the world.

The share stapled units of the HKT Trust and HKT Limited are listed on The Stock Exchange of Hong Kong Limited (SEHK: 6823).

STATEMENT FROM THE CHAIRMAN

As Hong Kong spent much of the first six months of 2022 navigating through the impact of the fifth wave of COVID outbreaks, HKT continued to tap its innovation and resourcefulness to offer solutions and support for the city.

In line with our stay-home proposition, our broadband, Wi-Fi, television and Smart Living services were integrated to form HKT Home. As the first to launch 2500M fibre-to-the-home (“FTTH”), HKT built on the high-speed connection to introduce the smart Now H1 Android TV box and eye AI Robot for maximum work efficiency, effortless access to entertainment and home devices, and stimulating interactive learning.

Now TV has obtained the right to broadcast the FIFA World Cup Qatar 2022™, the first to be held during winter. Featuring matches to be held between evening and late-night Hong Kong time, this year’s edition of the ever-popular event is ideal for entertaining local soccer fans while boosting subscription and viewership.

Since our 5G launch in 2020, we have proceeded to acquire the most extensive spectrum across the low, mid and high bands. As the first to offer 5G coverage for the MTR East Rail Line Cross-Harbour Extension and hence across all MTR lines, we expedited digital transformation to support smart city development. Meanwhile, our post-paid 5G penetration has been driven from 21% up to 26%. On Web3 development, we have joined hands with PCCW to enter the metaverse as its first Hong Kong-based integrated communications, media and technology (“CMT”) member.

The HKT Enterprise Solutions business has continued to progress well. Through applying leading-edge award-winning technology to devise tailored, reliable service offerings, we facilitated connectivity and transformation of customers across Hong Kong and the mainland to address their diverse business needs.

Continuing our support for the Consumption Voucher Scheme (“CVS”) in 2022, we offered transaction fee waivers for the SmartPOS payment acceptance device to maximise merchant business opportunities. The convenient Tap & Go stored value facility remained popular among our loyal customer base of Gen Z and Millennials despite new CVS options in the market, stimulating spending while promoting e-payment.

Via expanded offerings from DrGo such as specialist teleconsultation and medication delivery, free mobile data via CSL Mobile, and the construction of 5G mobile network base stations for mobile cabin hospitals, we endeavoured to support medical staff and all those impacted by the epidemic.

Despite prolonged challenges, we delivered solid results in the first half of the year while gaining new opportunities as a 5G forerunner. Applying our enterprising spirit, we are adamant about driving progress for the Company, our shareholders, and the wider community, as we forge a brighter path ahead for our future together.



Richard Li
Chairman
11 August 2022

STATEMENT FROM THE GROUP MANAGING DIRECTOR

The first half of the year kicked off to a slow start, marred by a significant surge of COVID-19 cases throughout the city. HKT focused on deploying expeditious initiatives to support the city's concerted efforts in new normal adoption, both at work and for leisure. Our solid results and rise in AFF for the first half of 2022 have been made possible by the dedication of our staff and their continued innovation in our multi-faceted offerings.

Technology-enabled home enjoyment

Enhancing the increased time spent at home during the pandemic, we have integrated our services to present an enlivening experience through HKT Home, thereby strengthening consumer stickiness and driving up ARPU. Leveraging our first-in-city launch of 2500M FTTH in February, HKT Home integrated NETVIGATOR, Now TV, Now E, Smart Living and eye to offer high-quality, high-speed broadband for work and play, a broad suite of world-class entertainment, highly sought-after content from the Home of Sports such as Premier League, UEFA Champions League, UEFA Europa League, Formula One®, MotoGP World Championship, PGA Tour, Tennis Grand Slams and Golf Majors, e-learning activities and edutainment for the young ones, and IP-enabled, digital-quality home phone service.

Enabling a connected home, our Now H1 Android TV box combined access to Google Play content and apps with easy voice control over home devices via Google Assistant. For families, our eye AI Robot launched in July offers interactive language learning, STEM and somatosensory activities that are both fun and educational. Through the Robot's front-facing camera, parents are able to communicate with their children via voice and video call when they are away from home.

In a bid to improve the city's connectivity, we continued to support the Government's Subsidy Scheme to Extend Fibre-based Networks to Villages in Remote Areas. HKT has rolled out fibre services to an additional 12 villages during the first half of 2022. Our 5G Wi-Fi-to-the-home technology has complemented our network, the most extensive in Hong Kong, to strengthen connections for remote spots ranging from Tai O to Pak Lap Village.

Greater connections for quality communication

Our mobile business attained growth in terms of subscriber alongside stable ARPU in the first half of 2022, with the number of 5G customers increasing to 867,000, representing a 26% penetration of our post-paid base.

Customers have been able to enjoy coverage that is not only fast and reliable but also comprehensive, thanks to HKT's substantial spectrum holdings across high, mid and low frequency bands for a balance among transmission speed, capacity and area. While our roaming business has yet to recover, we remain cautiously optimistic as we look forward to the eventual relaxation of border control.

Meanwhile, we have progressed along our 5G rollout journey to become the first mobile operator to extend 5G service to MTR East Rail Line Cross-Harbour Extension, thus also the first to provide full 5G coverage along all MTR lines. On top of deploying the most Massive-MIMO equipment in the city, we have also been a leader in establishing 5G Standalone ("SA") network architecture to enable network slicing for ultra-high speed, ultra-low latency transmission, paving the way for the next wave of growth on the enterprise side.

Cross-industry technological evolution

As the only operator to offer fixed-mobile convergence, HKT Enterprise Solutions continued to provide integrated service for small, medium and large enterprises in various industry verticals as well as the public sector. Through quality value-adding, we have earned both new and returning clients.

Our efforts supporting enterprises' Greater Bay Area ("GBA") development continued to pick up in terms of speed and scale, enabling us to achieve centralised project management for increased return on Group investment and greater efficiency and convenience for clients. We also became the first Hong Kong-based service provider to receive the SD-WAN + Cloud Network Convergence Award from the China Academy of Information and Communications Technology ("CAICT"), a scientific research institute directly under the Ministry of Industry and Information Technology ("MIIT"). In addition to setting us apart in facilitating enterprise adoption of SD-WAN and cloud technologies in the GBA, the award attests to HKT's well-established presence and successes in large-scale customer projects in the mainland, as we assisted multinational corporations and regional enterprises ranging from retail, property development to insurance and finance as the key partner in their expansion with seamless cross-border connectivity into the mainland, especially the GBA. With collaboration with "3C" (China Telecom, China Mobile, and China Unicom) in the pipeline, we forecast significant revenue growth for our mainland commercial business in the upcoming three years.

Efficient global data management

As the global telecommunications industry shifts towards an automated, on-demand model, we have been steadily enhancing the reach of our Console Connect platform by adding cloud zones and data centres as well as rolling out new products such as Cloud Router. Adoption of Console Connect has been accelerating, with the number of user companies doubling to over 1,400 as at the end of June 2022. Underpinning this platform is our global fibre and IP network, which we continue to enhance. However, the continuing geopolitical tensions may constrain our capacity to expand in certain geographies and destinations. With countries progressively opening up in the first half of 2022, we saw a rise in business travel and economic activity which led to increased voice traffic and revenues.

Support smart city development via FinTech

The new CVS round in April has buoyed local consumer sentiments. By providing comprehensive e-payment solutions for merchants, our Tap & Go business-to-business (“B2B”) and business-to-consumer (“B2C”) transaction volume has seen stable growth, with a 156% increase to about 7,200 in merchant payment solution subscription as at 30 June and a 185% increase to over HK\$1.7 billion in merchant services transaction amount year-on-year. Customer spending has also increased substantially by 253% compared to the same period last year, thanks to the popularity of Tap & Go among the Gen Z and Millennial market segment, which constitutes the majority of our customers. Coupled with the rising number of customers at Mox Bank, our FinTech offerings have contributed to the digital economy, as we support the Government in building a smart city.

Progress through HealthTech and digital ecosystem

DrGo, HKT's award-winning telemedicine service, recorded a 20-fold year-on-year growth on its number of completed consultations amidst the fifth COVID-19 wave. Launching service in multiple areas including paediatrics, traditional Chinese medicine and mental health, the expanding platform has provided products through its health store in 25 categories, ranging from vaccination to health check. With an increasing number of patients and cases from outbreaks posing prolonged challenges to healthcare services, DrGo leveraged its edge as a HealthTech solution to offer consultations to those in need from the safety of their home, helping to slow the virus and alleviate healthcare providers' burden.

Collaborating with Citibank, we launched the Citi The Club Credit Card. Offering the option of converting loyalty points into statement credit, the card has attracted a growing number of customers in the past six months. Our loyalty programme, The Club, also recorded a 30% year-on-year increase in engagement, allowing it to learn more about its members to offer a more rewarding data-as-a-service experience.

Together, our services across the consumer, retail and healthcare segments continue to foster a sustainable digital ecosystem to benefit users and the Group.

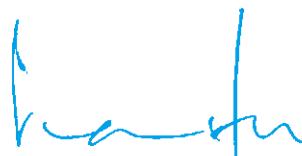
Outlook

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

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

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

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



Susanna Hui

Group Managing Director
11 August 2022

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

LI Tzar Kai, Richard

Executive Chairman

Mr Li, aged 55, was appointed the Executive Chairman and an Executive Director of HKT Limited (HKT) and HKT Management Limited, the trustee-manager of the HKT Trust, in November 2011. He is the Chairman of HKT's Executive Committee and a member of the Nomination Committee of the HKT Board. Mr Li has also been an Executive Director and the Chairman of PCCW Limited (PCCW) since August 1999, the Chairman of PCCW's Executive Committee and a member of the Nomination Committee of the board of directors of PCCW. He is also the Chairman and Chief Executive of the Pacific Century Group, a Director of certain FWD group companies, an Executive Director of Pacific Century Premium Developments Limited (PCPD), the Chairman of PCPD's Executive Committee, a member of PCPD's Remuneration Committee and Nomination Committee, the Chairman and an Executive Director of Singapore-based Pacific Century Regional Developments Limited (PCRD), and the Chairman of PCRD's Executive Committee.

Mr Li is a member of the Center for Strategic and International Studies' International Councillors' Group in Washington, D.C., and a member of the Global Information Infrastructure Commission. Mr Li was awarded the Lifetime Achievement Award by the Cable & Satellite Broadcasting Association of Asia in November 2011.

HUI Hon Hing, Susanna

Group Managing Director

Ms Hui, aged 57, is the Group Managing Director of HKT Limited (HKT) and HKT Management Limited (Trustee-Manager), the trustee-manager of the HKT Trust, since September 2018. She has also been an Executive Director of HKT and the Trustee-Manager since November 2011. She is a member of HKT's Executive Committee and holds directorships in various Group companies. She was the Group Chief Financial Officer of HKT from November 2011 to August 2018 primarily responsible for overseeing the financial matters of the Group. Ms Hui is also the Acting Group Managing Director, Group Chief Financial Officer and Executive Director of PCCW Limited (PCCW) and a member of PCCW's Executive Committee.

Ms Hui joined Cable & Wireless HKT Limited (which was subsequently acquired by PCCW) in September 1999. Since then, she has served the PCCW Group in various capacities in the past 23 years, including as Director of Group Finance of the PCCW Group from September 2006 to April 2007, and the Director of Finance of the PCCW Group with responsibility for the telecommunications services sector and regulatory accounting. Ms Hui was also an Executive Director of Pacific Century Premium Developments Limited (PCPD) from May 2018 to December 2021 and the Chief Financial Officer of PCPD from July 2009 to November 2011.

Prior to joining Cable & Wireless HKT Limited, Ms Hui was the chief financial officer of a listed company engaged in hotel and property investment and management.

Ms Hui graduated with a bachelor's degree in social sciences from the University of Hong Kong with first class honours. She is a qualified accountant and a member of both the Hong Kong Institute of Certified Public Accountants and the American Institute of Certified Public Accountants.

Ms Hui is a member of the Council of The Hong Kong Management Association, the General Committee of Employers' Federation of Hong Kong as well as the Hong Kong Trade Development Council Belt and Road & Greater Bay Area Committee and its Greater Bay Area Task Force on Innovation and Technology. She is also a non-official member of the Digital Economy Development Committee of the Hong Kong Special Administrative Region Government and a director of Mox Bank Limited.

NON-EXECUTIVE DIRECTORS

Peter Anthony ALLEN

Non-Executive Director

Mr Allen, aged 67, was appointed a Non-Executive Director of HKT Limited (HKT) and HKT Management Limited (Trustee-Manager), the trustee-manager of the HKT Trust, in November 2011. He is a member of HKT's Audit Committee and the Trustee-Manager's Audit Committee. He is an Executive Director and the Group Managing Director of Pacific Century Regional Developments Limited, an Executive Director and the Chief Financial Officer of the Pacific Century Group, a Director of certain FWD group companies and Senior Advisor to PCCW Limited (PCCW). He is also a Director of certain other companies controlled by Mr Li Tzar Kai, Richard, the Executive Chairman of HKT and the Trustee-Manager. Mr Allen was an Executive Director of PCCW from August 1999 to November 2011.

Prior to joining the Pacific Century Group, Mr Allen joined KPMG in 1976 before taking up an appointment at Occidental International Oil Incorporated in 1980. In 1983, he joined Schlumberger Limited and worked in various countries holding key management positions. In 1989, he moved to Singapore as Regional Financial Director of the Vestey Group.

Mr Allen joined Boustead Singapore Limited as the Group Operations Controller in 1992 before taking up an appointment with Morgan Grenfell Investment Management (Asia) Limited as a Director and Chief Operating Officer in 1995. He joined the Pacific Century Group in 1997.

Mr Allen was educated in England and graduated from the University of Sussex with a degree in economics. He is a Fellow of the Institute of Chartered Accountants in England and Wales, a Fellow Member of CPA Australia, a Fellow of the Hong Kong Institute of Directors and a Fellow of the Institute of Singapore Chartered Accountants.

CHUNG Cho Yee, Mico

Non-Executive Director

Mr Chung, aged 61, was appointed a Non-Executive Director of HKT Limited and HKT Management Limited, the trustee-manager of the HKT Trust, in November 2011. Mr Chung was a Non-Executive Director of PCCW Limited (PCCW) from May 2010 to November 2011. He was an Executive Director of PCCW from November 1996 who was responsible for merger and acquisition activities and was re-designated to a Non-Executive Director of PCCW in May 2010. He joined the Pacific Century Group in March 1999.

Mr Chung graduated from University College London in the United Kingdom with a law degree in 1983.

Mr Chung is currently the Chairman and an Executive Director of CSI Properties Limited which he joined in 2004. He was an Independent Non-Executive Director of HKC (Holdings) Limited.

WANG Fang

Non-Executive Director

Ms Wang, aged 51, was appointed a Non-Executive Director of HKT Limited (HKT) and HKT Management Limited, the trustee-manager of the HKT Trust, in December 2021. She is a member of HKT's Regulatory Compliance Committee. Ms Wang is also a Non-Executive Director of PCCW Limited (PCCW) and a member of the Nomination Committee of the board of directors of PCCW.

Ms Wang is currently the General Manager of the Finance Department and the General Manager of the Data Operations and Financial Shared Service Center of China United Network Communications Group Company Limited (Unicom). She is also the Vice Chairman and a Director of Unicom Group Finance Company Limited (UGFCL), and the Supervisor of Unicompany Company Limited (Unicompany).

Ms Wang was the Deputy General Manager of Hebei Branch and the Finance Department of China Netcom (Group) Company Limited, the Deputy General Manager of the Finance Department of Unicom, an Executive Director, the legal representative and General Manager of Unicompany, and the General Manager of UGFCL and the General Manager of Capital Management Center.

Ms Wang is a Senior Accountant, and a university graduate with a master's degree in Business Administration. Ms Wang has extensive experience in corporate finance and investment management.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Professor CHANG Hsin Kang,

FREng, GBS, JP

Independent Non-Executive Director

Professor Chang, aged 82, was appointed an Independent Non-Executive Director of HKT Limited (HKT) and HKT Management Limited (Trustee-Manager), the trustee-manager of the HKT Trust, in November 2011. He is the Chairman of HKT's Regulatory Compliance Committee, a member of HKT's Audit Committee, Remuneration Committee and Nomination Committee, and a member of the Trustee-Manager's Audit Committee. Professor Chang was an Independent Non-Executive Director of PCCW Limited from October 2000 to November 2011.

Professor Chang became an Honorary Professor of Peking University in 2006 and an Honorary Professor of Tsinghua University in September 2007. He was the President and University Professor of City University of Hong Kong from 1996 to 2007. Prior to that, he was the Dean of the School of Engineering at the University of Pittsburgh in the United States from 1994 to 1996, Founding Dean of the School of Engineering at Hong Kong University of Science and Technology from 1990 to 1994 and the Chairperson of the Department of Biomedical Engineering at the University of Southern California in the United States from 1985 to 1990.

Professor Chang is a Foreign Member of the Royal Academy of Engineering of the United Kingdom, a Member of International Eurasian Academy of Sciences; and Chevalier dans l'Ordre National de la Légion d'Honneur as well as Commandeur dans l'Ordre des Palmes Académiques of France. He was appointed Justice of the Peace in July 1999 and awarded the Gold Bauhinia Star by the Hong Kong Government in July 2002.

Professor Chang obtained his bachelor's degree in civil engineering from the National Taiwan University, a master's degree in structural engineering from Stanford University in the United States and a doctorate in biomedical engineering from Northwestern University in the United States.

Professor Chang is also an Independent Non-Executive Director of Hang Lung Properties Limited. He was an Independent Non-Executive Director of Hon Kwok Land Investment Company, Limited, Brightoil Petroleum (Holdings) Limited and Nanyang Commercial Bank, Limited.

Sunil VARMA

Independent Non-Executive Director

Mr Varma, aged 78, was appointed an Independent Non-Executive Director of HKT Limited (HKT) and HKT Management Limited (Trustee-Manager), the trustee-manager of the HKT Trust, in November 2011. He is also the Chairman of both HKT's Audit Committee and the Trustee-Manager's Audit Committee and a member of HKT's Nomination Committee, Remuneration Committee and Regulatory Compliance Committee.

Mr Varma is a certified chartered accountant as well as a cost and management accountant. He has extensive working experience of over 40 years including with Price Waterhouse Management Consultants and the IBM Consulting Group, specialising in management and business-problem consulting. He was the partner responsible for establishing and developing the Price Waterhouse consulting practice in Indonesia and was the Head of the Price Waterhouse consulting practice in

Hong Kong until 1994. Mr Varma was the Vice President and Principal responsible for the IBM Consulting Group in India between 1996 and 1998. He was the Interim Chief Financial Officer and Managing Director of Asia Online, Ltd. from 1999 to 2000 and was the Interim Chief Financial Officer of HCL – Perot Systems in India in 2003.

Mr Varma had previously worked in a number of countries in Africa and the Asia Pacific region including Australia, India, Indonesia, Hong Kong, Thailand and the PRC. He advised large multinationals as well as domestic companies in the areas of corporate governance, financial management, organisational strengthening, efficiency improvement, process re-engineering and business systems. He is experienced in a cross-section of industries including financial services, information technology, energy, fertilisers and steel. He had previously conducted several large assignments for public sector organisations, funded by World Bank, Asian Development Bank and other multi-lateral funding agencies.

Mr Varma is a Lead Independent Director, the Chairman of Audit Committee and a member of various committees of Dr. Lal PathLabs Limited in India.

Mr Varma obtained his Bachelor of Arts degree in mathematics and economics from Panjab University in July 1962. He has been an Associate member of the Institute of Chartered Accountants of India since August 1966 and a Fellow since June 1972, and an associate member of the Institute of Cost and Management Accountants of India since September 1975.

Aman MEHTA**Independent Non-Executive Director**

Mr Mehta, aged 75, was appointed an Independent Non-Executive Director of HKT Limited (HKT) and HKT Management Limited, the trustee-manager of the HKT Trust, in May 2014. He is the Chairman of HKT's Nomination Committee. Mr Mehta has been an Independent Non-Executive Director of PCCW Limited (PCCW) since February 2004. He is also the Chairman of the Audit Committee, the Nomination Committee and the Remuneration Committee of the board of directors of PCCW.

Mr Mehta joined the board of directors of PCCW following a distinguished career in the international banking community. Mr Mehta held the position of Chief Executive Officer of The Hongkong and Shanghai Banking Corporation Limited (HSBC) until December 2003, when he retired.

Born in India in 1946, Mr Mehta joined HSBC group in Bombay in 1967. After a number of assignments throughout HSBC group, he was appointed Manager – Corporate Planning at HSBC's headquarters in Hong Kong in 1985. After a three-year posting to Riyadh in Saudi Arabia, he was appointed Group General Manager in 1991, and General Manager – International the following year, with responsibility for overseas subsidiaries. He subsequently held senior positions in the United States, overseeing HSBC group companies in the Americas and later becoming responsible for HSBC's operations in the Middle East.

In 1998, Mr Mehta was reappointed General Manager – International, after which he became Executive Director International. In 1999, he was appointed Chief Executive Officer, a position he held until retirement.

Following his retirement in December 2003, Mr Mehta took up residence in New Delhi. He is an Independent Director on the board of several public companies and institutions in India and internationally. He is an Independent Non-Executive Director of Wockhardt Limited in Mumbai, India and Max Financial Services Limited in New Delhi, India. He was an Independent Non-Executive Director of Emaar MGF Land Limited, Jet Airways (India) Limited, Cairn India Limited, Vedanta Resources plc, Tata Consultancy Services Limited, Vedanta Limited, Godrej Consumer Products Limited and Tata Steel Limited; and an Independent Director on the Supervisory Board of ING Groep N.V., a Netherlands company.

Mr Mehta is also a member of the Governing Board of Indian School of Business, Hyderabad.

Frances Waikwun WONG**Independent Non-Executive Director**

Ms Wong, aged 61, was appointed an Independent Non-Executive Director of HKT Limited (HKT) and HKT Management Limited, the trustee-manager of the HKT Trust, in May 2015. She is the Chairwoman of HKT's Remuneration Committee. Ms Wong has been an Independent Non-Executive Director of PCCW Limited (PCCW) since March 2012 and is the Chairwoman of the Regulatory Compliance Committee and a member of the Nomination Committee and the Remuneration Committee of the board of directors of PCCW. She is also an Independent Non-Executive Director of Pacific Century Regional Developments Limited.

Ms Wong is currently a financial advisor of Good Harbour Finance Limited. She began her career as a management consultant at McKinsey & Company in the United States. Ms Wong returned to Hong Kong and joined the Hutchison Whampoa group of companies in 1988, taking on various positions. She was managing director of Weatherite Manufacturing Limited, an air conditioning manufacturer. Later, Ms Wong became chief executive officer of Metro Broadcast Corporation Limited. Eventually, she became chief financial officer of Star TV, Asia's first satellite television company. After leaving the Hutchison Whampoa Group, she became group chief financial officer for the Pacific Century Group. After she resigned from the Pacific Century Group, she founded the Independent Schools Foundation in Hong Kong in 2000.

Ms Wong was educated in the United States at Stanford University where she received a Bachelor of Science degree. She holds a Master of Science degree from the Massachusetts Institute of Technology. Ms Wong was a member of the Central Policy Unit, the Government of the Hong Kong Special Administrative Region (think tank). She has served on many educational boards including the Canadian International School of Hong Kong, Hong Kong Metropolitan University and was a member of the Joint Committee on Student Finance of Student Financial Assistance Agency.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

MANAGEMENT REVIEW

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

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

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

MANAGEMENT REVIEW (CONTINUED)

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

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

Adjusted funds flow for the six months ended 30 June 2022 rose to HK\$2,377 million, an increase of 2% over the previous year. Adjusted funds flow per Share Stapled Unit⁴ was 31.36 HK cents.

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

OUTLOOK

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

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

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

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

FINANCIAL REVIEW BY SEGMENT

For the six months ended HK\$ million	30 Jun 2021	31 Dec 2021	30 Jun 2022	Better/ (Worse) y-o-y
Revenue				
TSS	11,030	12,369	11,596	5%
– Local TSS Services	7,713	8,680	7,968	3%
– International Telecommunications Services	3,317	3,689	3,628	9%
Mobile	5,108	6,640	4,936	(3)%
– Mobile Services	3,577	4,241	3,647	2%
– Mobile Product Sales	1,531	2,399	1,289	(16)%
Other Businesses	408	464	567	39%
Eliminations	(903)	(1,155)	(942)	(4)%
Total revenue	15,643	18,318	16,157	3%
Total revenue (excluding Mobile Product Sales)	14,112	15,919	14,868	5%
Cost of sales	(7,550)	(9,179)	(8,134)	(8)%
Operating costs before depreciation, amortisation, and gains on disposal of property, plant and equipment and right-of-use assets, net	(2,378)	(2,121)	(2,189)	8%
EBITDA¹				
TSS	4,036	4,913	4,104	2%
Mobile	2,072	2,708	2,122	2%
– Mobile Services	2,058	2,643	2,107	2%
– Mobile Product Sales	14	65	15	7%
Other Businesses	(393)	(603)	(392)	–
Total EBITDA¹	5,715	7,018	5,834	2%
TSS EBITDA¹ Margin	37%	40%	35%	
Mobile EBITDA¹ Margin	41%	41%	43%	
– Mobile Services EBITDA ¹ Margin	58%	62%	58%	
Total EBITDA¹ Margin	37%	38%	36%	
Total EBITDA¹ Margin (excluding Mobile Product Sales)	40%	44%	39%	
Depreciation and amortisation	(2,751)	(2,901)	(2,825)	(3)%
Gains on disposal of property, plant and equipment and right-of-use assets, net	2	22	–	NA
Other (losses)/gains, net	–	(8)	3	NA
Finance costs, net	(561)	(587)	(627)	(12)%
Share of results of associates and joint ventures	(63)	(67)	(38)	40%
Profit before income tax	2,342	3,477	2,347	–

ADJUSTED FUNDS FLOW³

For the six months ended HK\$ million	30 Jun 2021	31 Dec 2021	30 Jun 2022	Better/ (Worse) y-o-y
Total EBITDA¹	5,715	7,018	5,834	2%
Less cash outflows in respect of capital expenditures, customer acquisition costs and licence fees ² :				
Capital expenditures	(1,170)	(1,208)	(1,140)	3%
Customer acquisition costs and licence fees	(534)	(1,166)	(595)	(11)%
Fulfilment costs	(227)	(260)	(309)	(36)%
Right-of-use assets	(809)	(815)	(687)	15%
Adjusted funds flow³ before tax paid, net finance costs paid and changes in working capital	2,975	3,569	3,103	4%
Adjusted for:				
Net finance costs paid	(281)	(319)	(353)	(26)%
Tax payment	(180)	(194)	(75)	58%
Changes in working capital	(188)	131	(298)	(59)%
Adjusted funds flow³	2,326	3,187	2,377	2%

KEY OPERATING DRIVERS⁵

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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

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

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

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

Note 5 Figures are stated as at the period end.

Note 6 Gross debt refers to the principal amount of short-term borrowings and long-term borrowings.

Telecommunications Services

For the six months ended HK\$ million	30 Jun 2021	31 Dec 2021	30 Jun 2022	Better/ (Worse) y-o-y
TSS Revenue				
Local TSS Services	7,713	8,680	7,968	3%
International Telecommunications Services	3,317	3,689	3,628	9%
Total TSS Revenue	11,030	12,369	11,596	5%
Cost of sales	(5,679)	(6,442)	(6,302)	(11)%
Operating costs before depreciation and amortisation	(1,315)	(1,014)	(1,190)	10%
Total TSS EBITDA¹	4,036	4,913	4,104	2%
TSS EBITDA¹ margin	37%	40%	35%	

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

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

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

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

Telecommunications Services (CONTINUED)

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

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

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

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

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

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

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

Mobile

For the six months ended HK\$ million	30 Jun 2021	31 Dec 2021	30 Jun 2022	Better/ (Worse) y-o-y
Mobile Revenue				
Mobile Services	3,577	4,241	3,647	2%
Mobile Product Sales	1,531	2,399	1,289	(16)%
Total Mobile Revenue	5,108	6,640	4,936	(3)%
Mobile EBITDA¹				
Mobile Services	2,058	2,643	2,107	2%
Mobile Product Sales	14	65	15	7%
Total Mobile EBITDA¹	2,072	2,708	2,122	2%
Mobile EBITDA¹ margin				
Mobile Services EBITDA ¹ margin	41%	41%	43%	
	58%	62%	58%	

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

Despite market competition, the Mobile business reported a net gain in post-paid customers to 3.305 million in the first half of 2022, representing net additions of 42,000 or 1% year-on-year growth. Of note, our premium 1010 customer base expanded by 2% year-on-year.

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

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

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

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

Other Businesses

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

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

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

Eliminations

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

Cost of Sales

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

General and Administrative Expenses

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

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

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

EBITDA¹

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

Finance Costs, Net

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

Income Tax

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

Non-controlling Interests

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

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

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

LIQUIDITY AND CAPITAL RESOURCES

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

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

HKT's gross debt⁶ was HK\$44,343 million as at 30 June 2022 (31 December 2021: HK\$43,886 million). Cash and short-term deposits totalled HK\$2,039 million as at 30 June 2022 (31 December 2021: HK\$2,883 million). HKT's gross debt⁶ to total assets was 40% as at 30 June 2022 (31 December 2021: 40%).

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

CREDIT RATINGS OF HONG KONG TELECOMMUNICATIONS (HKT) LIMITED

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

CAPITAL EXPENDITURE²

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

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

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

ADJUSTED FUNDS FLOW³

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

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

HEDGING

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

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

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

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

CHARGE ON ASSETS

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

CONTINGENT LIABILITIES

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

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

HUMAN RESOURCES

HKT had over 15,600 employees as at 30 June 2022 (30 June 2021: 15,900) located in 21 countries and cities. About 66% of these employees work in Hong Kong and the others are based mainly in mainland China, the United States and the Philippines. HKT has established performance-based bonus and incentive schemes designed to motivate and reward employees at all levels to achieve business performance targets. Payment of performance bonuses is generally based on achievement of revenue, EBITDA and free cash flow targets for HKT as a whole and for each of the individual business units and performance ratings of employees.

INTERIM DIVIDEND/DISTRIBUTION

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

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

CONSOLIDATED INCOME STATEMENT OF HKT TRUST AND OF HKT LIMITED

For the six months ended 30 June 2022

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

The notes on pages 29 to 43 form an integral part of this unaudited condensed consolidated interim financial information.

As explained in note 1, 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.

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

For the six months ended 30 June 2022

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

The notes on pages 29 to 43 form an integral part of this unaudited condensed consolidated interim financial information.

As explained in note 1, 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.

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

As at 30 June 2022

		As at 31 December 2021	As at 30 June 2022
	Note	(Audited)	(Unaudited)
In HK\$ million			
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		25,198	25,764
Right-of-use assets		2,139	2,055
Interests in leasehold land		189	183
Goodwill		49,809	49,805
Intangible assets		15,617	15,968
Fulfilment costs		1,512	1,620
Customer acquisition costs		858	824
Contract assets		300	281
Interests in associates		360	416
Interests in joint ventures		555	525
Financial assets at fair value through other comprehensive income		124	124
Financial assets at fair value through profit or loss		38	60
Derivative financial instruments		131	277
Deferred income tax assets		758	701
Other non-current assets		889	828
		98,477	99,431
Current assets			
Inventories		1,218	1,333
Prepayments, deposits and other current assets		2,141	2,244
Contract assets		699	617
Trade receivables, net	8	3,953	3,674
Amounts due from related companies		31	36
Financial assets at fair value through profit or loss		15	14
Derivative financial instruments		–	66
Tax recoverable		8	7
Restricted cash		187	455
Short-term deposits		472	471
Cash and cash equivalents		2,411	1,568
		11,135	10,485
Current liabilities			
Short-term borrowings		(61)	(3,965)
Trade payables	9	(5,250)	(4,225)
Accruals and other payables		(4,221)	(5,524)
Derivative financial instrument		–	(90)
Carrier licence fee liabilities		(315)	(321)
Amount due to a fellow subsidiary		(1,962)	(2,947)
Amount due to a related company		(65)	(56)
Advances from customers		(270)	(281)
Contract liabilities		(1,513)	(1,377)
Lease liabilities		(1,023)	(1,045)
Current income tax liabilities		(1,523)	(1,652)
		(16,203)	(21,483)

In HK\$ million	Note	As at 31 December 2021 (Audited)	As at 30 June 2022 (Unaudited)
Non-current liabilities			
Long-term borrowings	10	(43,628)	(40,229)
Derivative financial instruments		(128)	(76)
Deferred income tax liabilities		(4,674)	(4,848)
Carrier licence fee liabilities		(3,449)	(3,517)
Contract liabilities		(1,159)	(1,093)
Lease liabilities		(1,162)	(1,049)
Other long-term liabilities		(2,012)	(1,661)
		 (56,212)	 (52,473)
Net assets		 37,197	 35,960
CAPITAL AND RESERVES			
Share capital	11(a)	8	8
Reserves		37,133	35,903
Equity attributable to holders of Share Stapled Units/shares of the Company		 37,141	 35,911
Non-controlling interests		56	49
Total equity		 37,197	 35,960

The notes on pages 29 to 43 form an integral part of this unaudited condensed consolidated interim financial information. As explained in note 1, 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.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF HKT TRUST AND OF HKT LIMITED

For the six months ended 30 June 2022

	2021 (Unaudited)											Non-controlling interests	Total equity		
	Attributable to holders of Share Stapled Units/shares of the Company														
	Share capital	Share premium	Capital contribution reserve	Merger reserve	Treasury stock	Employee share-based compensation reserve	Currency translation reserve	Hedging reserve	Costs of hedging reserve	Other reserves	Retained profits	Total			
As at 1 January 2021	8	7,817	26,250	(347)	(46)	16	200	81	30	88	3,741	37,838	62	37,900	
Total comprehensive income/(loss) for the period															
Profit for the period	-	-	-	-	-	-	-	-	-	-	1,900	1,900	8	1,908	
Other comprehensive (loss)/income															
Items that have been reclassified or may be reclassified subsequently to consolidated income statement:															
Exchange differences on translating foreign operations of subsidiaries	-	-	-	-	-	-	(24)	-	-	-	-	(24)	-	(24)	
Cash flow hedges:															
– effective portion of changes in fair value	-	-	-	-	-	-	(91)	-	-	-	-	(91)	-	(91)	
– transfer from equity to consolidated income statement	-	-	-	-	-	-	-	15	6	-	-	21	-	21	
Costs of hedging	-	-	-	-	-	-	-	(11)	-	-	-	(11)	-	(11)	
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	(24)	(76)	(5)	-	1,900	1,795	8	1,803	
Transactions with equity holders															
Employee share-based compensation	-	-	-	-	-	-	8	-	-	-	-	8	-	8	
Vesting of Share Stapled Units under the Share Stapled Units Award Schemes	-	-	-	-	-	18	(17)	-	-	-	-	(1)	-	-	
Distribution/Dividend for Share Stapled Units/shares of the Company granted under the Share Stapled Units Award Schemes	-	-	-	-	-	(1)	-	-	-	-	-	(1)	-	(1)	
Distribution/Dividend paid in respect of the previous year (<i>note 6(b)</i>)	-	-	-	-	-	-	-	-	-	-	(3,103)	(3,103)	-	(3,103)	
Dividends declared and paid to non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(16)	-	(16)	
Total transactions with equity holders	-	-	-	-	-	18	(10)	-	-	-	-	(3,104)	(3,096)	(16)	(3,112)
As at 30 June 2021	8	7,817	26,250	(347)	(28)	6	176	5	25	88	2,537	36,537	54	36,591	

In HK\$ million

2022
(Unaudited)

	Attributable to holders of Share Stapled Units/shares of the Company											Non-controlling interests	Total equity	
	Share capital	Share premium	Capital contribution reserve	Merger reserve	Treasury stock	Employee share-based compensation reserve	Currency translation reserve	Hedging reserve	Costs of hedging reserve	Other reserves	Retained profits	Total		
As at 1 January 2022	8	7,817	26,250	(347)	(33)	14	162	75	(13)	88	3,120	37,141	56	37,197
Total comprehensive income/(loss) for the period														
Profit for the period	-	-	-	-	-	-	-	-	-	-	1,910	1,910	2	1,912
Other comprehensive (loss)/income														
Items that have been reclassified or may be reclassified subsequently to consolidated income statement:														
Translation exchange differences:														
– exchange differences on translating foreign operations of subsidiaries	-	-	-	-	-	-	(72)	-	-	-	-	(72)	-	(72)
– exchange differences on translating foreign operations of joint ventures	-	-	-	-	-	-	(13)	-	-	-	-	(13)	-	(13)
Cash flow hedges:														
– effective portion of changes in fair value	-	-	-	-	-	-	-	102	-	-	-	102	-	102
– transfer from equity to consolidated income statement	-	-	-	-	-	-	-	(49)	6	-	-	(43)	-	(43)
Costs of hedging	-	-	-	-	-	-	-	-	32	-	-	32	-	32
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	(85)	53	38	-	1,910	1,916	2	1,918
Transactions with equity holders														
Issue of Share Stapled Units/shares of the Company under the HKT Share Stapled Units Subscription Scheme (note 11(a)(i))	-*	43	-	-	-	-	-	-	-	-	-	43	-	43
Purchase/Subscription of Share Stapled Units under the Share Stapled Units Award Schemes	-	-	-	-	(46)	-	-	-	-	-	-	(46)	-	(46)
Receipt of shares of PCCW Limited ("PCCW Shares") under the PCCW Subscription Scheme	-	-	-	-	-	-	-	-	-	36	-	36	-	36
Employee share-based compensation	-	-	-	-	-	8	-	-	-	-	-	8	-	8
Vesting of Share Stapled Units under the Share Stapled Units Award Schemes	-	-	-	-	17	(15)	-	-	-	-	(2)	-	-	-
Distribution/Dividend for Share Stapled Units/ shares of the Company granted under the Share Stapled Units Award Schemes	-	-	-	-	-	(1)	-	-	-	-	-	(1)	-	(1)
Distribution/Dividend paid in respect of the previous year (note 6(b))	-	-	-	-	-	-	-	-	-	-	(3,186)	(3,186)	-	(3,186)
Dividends declared and paid to non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(9)	(9)	(9)
Total transactions with equity holders	-	43	-	-	(29)	(8)	-	-	-	36	(3,188)	(3,146)	(9)	(3,155)
As at 30 June 2022	8	7,860	26,250	(347)	(62)	6	77	128	25	124	1,842	35,911	49	35,960

* Amount of HK\$4,000.

The notes on pages 29 to 43 form an integral part of this unaudited condensed consolidated interim financial information. As explained in note 1, 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.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS OF HKT TRUST AND OF HKT LIMITED

For the six months ended 30 June 2022

In HK\$ million	2021 (Unaudited)	2022 (Unaudited)
Net cash generated from operating activities	4,593	4,689
Investing activities		
Investments in associates	(264)	(109)
Other investing activities	(2,214)	(2,293)
Net cash used in investing activities	(2,478)	(2,402)
Financing activities		
New borrowings raised	7,932	12,049
Other financing activities (including repayments of borrowings)	(10,463)	(15,167)
Net cash used in financing activities	(2,531)	(3,118)
Net decrease in cash and cash equivalents	(416)	(831)
Exchange differences	5	(12)
Cash and cash equivalents as at 1 January	2,092	2,411
Cash and cash equivalents as at 30 June	1,681	1,568
Analysis of cash and cash equivalents:		
Total cash and bank balances	2,254	2,494
Less: restricted cash	(105)	(455)
Less: short-term deposits	(468)	(471)
Cash and cash equivalents as at 30 June	1,681	1,568

The notes on pages 29 to 43 form an integral part of this unaudited condensed consolidated interim financial information.

As explained in note 1, 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.

NOTES TO THE HKT TRUST AND HKT LIMITED UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2022

1 BASIS OF PREPARATION AND PRESENTATION

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

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

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

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

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

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

NOTES TO THE HKT TRUST AND HKT LIMITED UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2022

1 BASIS OF PREPARATION AND PRESENTATION (CONTINUED)

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

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

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

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

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

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

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

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

2 STATEMENT OF FINANCIAL POSITION OF THE COMPANY

		Note	As at 31 December 2021 (Audited)	As at 30 June 2022 (Unaudited)
In HK\$ million				
ASSETS AND LIABILITIES				
Non-current assets				
Interests in subsidiaries			30,820	30,919
			30,820	30,919
Current assets				
Prepayments and deposits			6	7
Amounts due from subsidiaries			4,509	4,456
Tax recoverable			8	7
			4,523	4,470
Current liabilities				
Accruals and other payables			(3)	(3)
Amounts due to subsidiaries			(158)	(158)
			(161)	(161)
Net assets			35,182	35,228
CAPITAL AND RESERVES				
Share capital	11(a)		8	8
Reserves	11(b)		35,174	35,220
Total equity			35,182	35,228

NOTES TO THE HKT TRUST AND HKT LIMITED UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2022

3 SEGMENT INFORMATION

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

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

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

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

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

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

In HK\$ million	Six months ended 30 June 2021 (Unaudited)				
	TSS	Mobile	Other Businesses	Eliminations	Consolidated
Revenue					
External revenue	10,511	4,728	404	–	15,643
Inter-segment revenue	519	380	4	(903)	–
Total revenue	11,030	5,108	408	(903)	15,643
External revenue from contracts with customers:					
Timing of revenue recognition					
At a point in time	1,295	1,311	311	–	2,917
Over time	9,189	3,417	93	–	12,699
External revenue from other sources:					
Rental income	27	–	–	–	27
	10,511	4,728	404	–	15,643
Results					
EBITDA	4,036	2,072	(393)	–	5,715

3 SEGMENT INFORMATION (CONTINUED)

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

In HK\$ million	Six months ended 30 June 2022 (Unaudited)					Consolidated
	TSS	Mobile	Businesses	Other	Eliminations	
Revenue						
External revenue	11,033	4,561	563	—	—	16,157
Inter-segment revenue	563	375	4	(942)	—	—
Total revenue	11,596	4,936	567	(942)	—	16,157
External revenue from contracts with customers:						
Timing of revenue recognition						
At a point in time	1,564	1,082	466	—	—	3,112
Over time	9,433	3,479	97	—	—	13,009
External revenue from other sources:						
Rental income	36	—	—	—	—	36
	11,033	4,561	563	—	—	16,157
Results						
EBITDA	4,104	2,122	(392)	—	—	5,834

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

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

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

NOTES TO THE HKT TRUST AND HKT LIMITED UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2022

4 PROFIT BEFORE INCOME TAX

Profit before income tax was stated after charging the following:

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

5 INCOME TAX

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

Hong Kong profits tax is provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profits for the period.

Overseas tax is calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the respective jurisdictions.

6 DISTRIBUTIONS/DIVIDENDS

a. Distribution/Dividend attributable to the interim period

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

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

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

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

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:

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

NOTES TO THE HKT TRUST AND HKT LIMITED UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2022

8 TRADE RECEIVABLES, NET

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

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

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

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

9 TRADE PAYABLES

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

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

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

10 LONG-TERM BORROWINGS

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

11 EQUITY OF HKT LIMITED

a. Share capital of HKT Limited

	Six months ended 30 June			
	2021		2022	
	Number of shares (Unaudited)	Nominal value (Unaudited) HK\$	Number of shares (Unaudited)	Nominal value (Unaudited) HK\$
Authorised:				
Ordinary shares of HK\$0.0005 each				
Balances as at 1 January and 30 June	20,000,000,000	10,000,000	20,000,000,000	10,000,000
Preference shares of HK\$0.0005 each				
Balances as at 1 January and 30 June	20,000,000,000	10,000,000	20,000,000,000	10,000,000
Issued and fully paid:				
Ordinary shares of HK\$0.0005 each				
Balances as at 1 January	7,575,742,334	3,787,871	7,575,742,334	3,787,871
Issued during the period (<i>note (i)</i>)	–	–	4,000,000	2,000
Balances as at 30 June	7,575,742,334	3,787,871	7,579,742,334	3,789,871
Preference shares of HK\$0.0005 each				
Balances as at 1 January	7,575,742,334	3,787,871	7,575,742,334	3,787,871
Issued during the period (<i>note (i)</i>)	–	–	4,000,000	2,000
Balances as at 30 June	7,575,742,334	3,787,871	7,579,742,334	3,789,871

- (i) During the six months ended 30 June 2022, the Company issued and allotted 4,000,000 new fully paid ordinary shares with nominal value of HK\$0.0005 per share and 4,000,000 new fully paid preference shares with nominal value of HK\$0.0005 per share respectively under general mandate for grant of awards pursuant to the HKT Share Stapled Units Subscription Scheme (as disclosed in note 12) with a consideration of approximately HK\$43 million in total.

b. Movements in reserves of the Company are as follows:

In HK\$ million	Six months ended 30 June 2021 (Unaudited)		
	Share premium	Retained profits	Total
As at 1 January 2021	35,161	269	35,430
Total comprehensive income for the period	–	3,108	3,108
Dividend paid in respect of the previous year	–	(3,104)	(3,104)
As at 30 June 2021	35,161	273	35,434

NOTES TO THE HKT TRUST AND HKT LIMITED UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2022

11 EQUITY OF HKT LIMITED (CONTINUED)

b. Movements in reserves of the Company are as follows: (continued)

In HK\$ million	Six months ended 30 June 2022 (Unaudited)		
	Share premium	Retained profits	Total
As at 1 January 2022	35,161	13	35,174
Total comprehensive income for the period	–	3,192	3,192
Issue of shares (note 11(a)(i))	43	–	43
Dividend paid in respect of the previous year	–	(3,189)	(3,189)
As at 30 June 2022	35,204	16	35,220

12 SHARE AWARD SCHEMES OF PCCW LIMITED (“PCCW”) AND SHARE STAPLED UNITS AWARD SCHEMES OF THE COMPANY

Pursuant to the two share incentive award schemes of PCCW, namely the PCCW Purchase Scheme and the PCCW Subscription Scheme (collectively the “PCCW Share Award Schemes”) and the two award schemes of the Company, namely the HKT Share Staples Units Purchase Scheme and the HKT Share Staples Units Subscription Scheme (collectively the “Share Staples Units Award Schemes”), PCCW and the Company have awarded a number of PCCW Shares and Share Staples Units to selected participants (including any director or employee of PCCW and its participating companies for the PCCW Share Award Schemes, and any director or employee of the Company or any of its subsidiaries for the Share Staples Units Award Schemes) during the six months ended 30 June 2022.

A summary of movements in the number of PCCW Shares held under the PCCW Share Award Schemes and the Share Staples Units held under the Share Staples Units Award Schemes are as follows:

	Six months ended 30 June 2021	
	Number of PCCW Shares (Unaudited)	Number of Share Staples Units (Unaudited)
As at 1 January 2021	7,085,158	3,851,136
Purchase from the market by the trustee at weighted average market price of HK\$4.39 per PCCW Share	528,000	–
PCCW Shares/Share Staples Units vested	(3,808,635)	(1,482,222)
As at 30 June 2021	3,804,523	2,368,914
Six months ended 30 June 2022		
	Number of PCCW Shares (Unaudited)	
	Number of Share Staples Units (Unaudited)	
As at 1 January 2022	4,895,523	2,797,914
Purchases from the market by the trustee at weighted average market price of HK\$4.39 per PCCW Share/HK\$10.61 per Share Staples Unit	559,000	225,000
PCCW Shares obtained under the PCCW Subscription Scheme	8,000,000	–
New Share Staples Units jointly issued by the HKT Trust and the Company at issue price of HK\$10.84 per Share Staples Unit	–	4,000,000
PCCW Shares/Share Staples Units vested	(3,650,888)	(1,437,692)
As at 30 June 2022	9,803,635	5,585,222

12 SHARE AWARD SCHEMES OF PCCW LIMITED (“PCCW”) AND SHARE STAPLED UNITS AWARD SCHEMES OF THE COMPANY (CONTINUED)

The weighted average fair values of the PCCW Shares and the Share Stapled Units awarded during the six months ended 30 June 2022 at the dates of award were HK\$4.52 (2021: HK\$4.53) per PCCW Share and HK\$10.86 (2021: HK\$11.06) per Share Stapled Unit respectively, which were measured by the respective quoted market prices of the PCCW Shares and the Share Stapled Units at the respective award dates.

13 COMMITMENTS

a. Capital

	As at	
	31 December 2021 (Audited)	30 June 2022 (Unaudited)
In HK\$ million		
Authorised and contracted for	899	1,203

Included in the capital commitments were commitments of HK\$800 million and HK\$1,203 million for the acquisition of property, plant and equipment as at 31 December 2021 and 30 June 2022 respectively.

Additions of property, plant and equipment were HK\$1,209 million and HK\$1,187 million for the six months ended 30 June 2021 and 2022 respectively.

b. Others

	As at	
	31 December 2021 (Audited)	30 June 2022 (Unaudited)
In HK\$ million		
Purchase of rights to broadcast certain TV content	688	1,390
Operating expenditure commitments	776	527
	1,464	1,917

14 CONTINGENT LIABILITIES

	As at	
	31 December 2021 (Audited)	30 June 2022 (Unaudited)
In HK\$ million		
Performance guarantees	994	1,047
Others	2	2
	996	1,049

The Groups are subject to certain corporate guarantee obligations to guarantee the performance of their 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 Groups.

NOTES TO THE HKT TRUST AND HKT LIMITED UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2022

15 RELATED PARTY TRANSACTIONS

During the period, the Groups had the following significant transactions with related parties:

In HK\$ million	Note	Six months ended 30 June	
		2021 (Unaudited)	2022 (Unaudited)
Telecommunications service fees and data centre service fees received or receivable from a substantial shareholder of PCCW	a	57	63
Telecommunications service fees and data centre service fees paid or payable to a substantial shareholder of PCCW	a	52	61
Telecommunications service fees and interest income received or receivable from joint ventures	a	16	17
Telecommunications service fees, outsourcing fees, rental charges and interest expense paid or payable to joint ventures	a	123	128
Telecommunications service fees, connectivity service fees, interest income, contact centre service charges, equipment sales, consultancy service charges and other costs recharge received or receivable from associates	a	11	12
Telecommunications service fees, data centre service fees, connectivity service fees, equipment sales, insurance premium, insurance agency service charges and other costs recharge received or receivable from related parties under a common holder of Share Stapled Units/shareholder with the Company	a	22	34
Insurance premium and rental charges paid or payable to related parties under a common holder of Share Stapled Units/shareholder with the Company	a	37	113
Telecommunications service fees, connectivity service fees, management fee, equipment sales, content provision fees, insurance premium and other costs recharge received or receivable from fellow subsidiaries	a	791	1,452
Telecommunications service fees, IT and logistics charges, system development and integration charges, consultancy service charges, rental and facilities management charges, management fee, content provision fees and other costs recharge paid or payable to fellow subsidiaries	a	624	605
Key management compensation	b	19	19

- a.** The above transactions were carried out after negotiations between the Groups and the related parties in the ordinary course of business and on the basis of estimated market value as determined by the directors. In respect of transactions for which the price or volume has not yet been agreed with the relevant related parties, the directors have determined the relevant amounts based on their best estimation.

b. Details of key management compensation

In HK\$ million	Six months ended 30 June	
	2021 (Unaudited)	2022 (Unaudited)
Salaries and other short-term employee benefits	16	15
Share-based compensation	3	4
	19	19

16 FINANCIAL INSTRUMENTS

a. Financial risk factors

Exposure to credit, liquidity and market risk (including foreign currency risk and interest rate risk) arises in the normal course of the Groups' business. The Groups are also exposed to equity price risk arising from their equity investments in other entities. Exposure to these risks is controlled by the Groups' financial management policies and practices.

The HKT Trust and HKT Limited unaudited condensed consolidated interim financial information does not include all financial risk management information and disclosures as required in the Groups' annual consolidated financial statements. It should be read in conjunction with the Groups' annual consolidated financial statements for the year ended 31 December 2021. There have been no material changes in the financial management policies and practices since 31 December 2021.

b. Estimation of fair values

Financial instruments carried at fair value are analysed by valuation method and the different levels are defined as follows:

- Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for the financial assets held by the Groups is the current bid price. These instruments are included in level 1.
- Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.
- Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted securities.

The following tables present the Groups' financial assets and liabilities that were measured at fair value:

In HK\$ million	As at 31 December 2021 (Audited)			
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at FVOCI ¹				
– Unlisted securities	–	–	124	124
Financial assets at FVPL ²				
– Unlisted securities (non-current)	–	–	33	33
– Listed securities (non-current)	5	–	–	5
– Listed securities (current)	15	–	–	15
Derivative financial instruments				
– Non-current	–	131	–	131
Total assets	20	131	157	308
Liabilities				
Derivative financial instruments				
– Non-current	–	(128)	–	(128)

NOTES TO THE HKT TRUST AND HKT LIMITED UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2022

16 FINANCIAL INSTRUMENTS (CONTINUED)

b. Estimation of fair values (continued)

The following tables present the Groups' financial assets and liabilities that were measured at fair value: (continued)

In HK\$ million	As at 30 June 2022 (Unaudited)			Total
	Level 1	Level 2	Level 3	
Assets				
Financial assets at FVOCI ¹				
– Unlisted securities	–	–	124	124
Financial assets at FVPL ²				
– Unlisted securities (non-current)	–	–	33	33
– Listed securities (non-current)	27	–	–	27
– Listed securities (current)	14	–	–	14
Derivative financial instruments				
– Non-current	–	277	–	277
– Current	–	66	–	66
Total assets	41	343	157	541
Liabilities				
Derivative financial instruments				
– Current	–	(90)	–	(90)
– Non-current	–	(76)	–	(76)
Total liabilities	–	(166)	–	(166)

Notes:

1 FVOCI refers to fair value through other comprehensive income.

2 FVPL refers to fair value through profit or loss.

Instruments included in level 1 comprised PCCW Shares acquired or subscribed under PCCW Share Award Schemes and classified as financial assets at FVPL.

Instruments included in level 2 comprised cross currency swap contracts, an interest rate swap contract and foreign exchange forward contracts classified as derivative financial instruments. In measuring the swap transactions, the fair value is the net present value of the estimated future cash flows discounted at the market quoted swap foreign exchange rates and interest rates. The fair value of the foreign exchange forward contracts is calculated based on the prevailing market foreign exchange rates quoted for contracts with the same notional amounts adjusted for maturity differences.

Instruments included in level 3 comprised investments in unlisted instruments classified as financial assets at FVOCI or financial assets at FVPL. There was no movement in the instruments included in level 3 during the six months ended 30 June 2021 and 2022.

For unlisted securities or financial assets without an active market, the Groups establish the fair value by using valuation techniques including the use of recent arm's length transactions, reference to other instruments that are substantially the same, and discounted cash flow analysis, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

There were no transfers of financial assets and liabilities between fair value hierarchy classifications during the six months ended 30 June 2021 and 2022.

There were no material changes in valuation techniques during the six months ended 30 June 2021 and 2022.

16 FINANCIAL INSTRUMENTS (CONTINUED)

c. Groups' valuation process

The Groups perform and monitor the valuations of financial instruments required for financial reporting purposes, including level 3 fair values. Material movements in valuations are reported to senior management immediately. Valuation results are reviewed by senior management at least on a semi-annual basis.

d. Fair values of financial instruments measured at amortised cost

All financial instruments were carried at amounts not materially different from their fair values as at 31 December 2021 and 30 June 2022 except as follows:

In HK\$ million	As at 31 December 2021		As at 30 June 2022	
	Carrying amount (Audited)	Fair value (Audited)	Carrying amount (Unaudited)	Fair value (Unaudited)
Short-term borrowings	61	61	3,965	3,990
Long-term borrowings	43,628	44,629	40,229	38,909

The fair values of short-term borrowings and long-term borrowings are the net present value of the estimated future cash flows discounted at the prevailing market rates. The fair values are within level 2 of the fair value hierarchy.

INCOME STATEMENT OF HKT MANAGEMENT LIMITED

For the six months ended 30 June 2022

In HK\$'000	Note	2021 (Unaudited)	2022 (Unaudited)
Management fee income		26	30
General and administrative expenses		(26)	(30)
Result before income tax	2	–	–
Income tax	3	–	–
Result for the period		–	–

The notes on pages 49 to 50 form an integral part of this unaudited condensed interim financial information.

STATEMENT OF COMPREHENSIVE INCOME OF HKT MANAGEMENT LIMITED

For the six months ended 30 June 2022

In HK\$'000	2021 (Unaudited)	2022 (Unaudited)
Result for the period	–	–
Other comprehensive income	–	–
Total comprehensive income for the period	–	–

The notes on pages 49 to 50 form an integral part of this unaudited condensed interim financial information.

STATEMENT OF FINANCIAL POSITION OF HKT MANAGEMENT LIMITED

As at 30 June 2022

		Note	As at 31 December 2021 (Audited)	As at 30 June 2022 (Unaudited)
In HK\$'000				
ASSET AND LIABILITIES				
Current asset				
Amount due from a fellow subsidiary			492	521
			492	521
Current liabilities				
Accruals and other payables			(52)	(28)
Amounts due to fellow subsidiaries			(440)	(493)
			(492)	(521)
Net assets			–	–
CAPITAL AND RESERVES				
Share capital		4	–	–
Reserves			–	–
Total equity			–	–

The notes on pages 49 to 50 form an integral part of this unaudited condensed interim financial information.

STATEMENT OF CHANGES IN EQUITY OF HKT MANAGEMENT LIMITED

For the six months ended 30 June 2022

	2021 (Unaudited)		
In HK\$'000	Share capital	Retained profits	Total
As at 1 January 2021	–	–	–
Total comprehensive income for the period			
Result for the period	–	–	–
Other comprehensive income	–	–	–
Total comprehensive income for the period	–	–	–
Transactions with the equity holder of the Company	–	–	–
As at 30 June 2021	–	–	–
	2022 (Unaudited)		
In HK\$'000	Share capital	Retained profits	Total
As at 1 January 2022	–	–	–
Total comprehensive income for the period			
Result for the period	–	–	–
Other comprehensive income	–	–	–
Total comprehensive income for the period	–	–	–
Transactions with the equity holder of the Company	–	–	–
As at 30 June 2022	–	–	–

The notes on pages 49 to 50 form an integral part of this unaudited condensed interim financial information.

CONDENSED STATEMENT OF CASH FLOWS OF HKT MANAGEMENT LIMITED

For the six months ended 30 June 2022

In HK\$'000	2021 (Unaudited)	2022 (Unaudited)
Net cash generated from operating activities	–	–
Net cash generated from investing activities	–	–
Net cash generated from financing activities	–	–
Net change in cash and cash equivalents	–	–
Cash and cash equivalents as at 1 January	–	–
Cash and cash equivalents as at 30 June	–	–

The notes on pages 49 to 50 form an integral part of this unaudited condensed interim financial information.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION OF HKT MANAGEMENT LIMITED

For the six months ended 30 June 2022

1 BASIS OF PREPARATION

The unaudited condensed interim financial information of HKT Management Limited (the "Company") 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"). This unaudited condensed interim financial information should be read in conjunction with the annual financial statements of the Company for the year ended 31 December 2021.

This unaudited condensed interim financial information is presented in Hong Kong dollars, unless otherwise stated. This unaudited condensed interim financial information was approved for issue on 11 August 2022.

The unaudited condensed interim financial information has been reviewed by the Company's Audit Committee 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 Company's independent auditor.

The financial information relating to the year ended 31 December 2021 that is included in this unaudited condensed interim financial information as comparative information does not constitute the Company'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 Company's financial statements combined with the HKT Trust and HKT Limited consolidated financial statements for the year ended 31 December 2021 have been delivered to the Registrar of Companies.
- The Company's auditor has reported on those financial statements of the Company. 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 unaudited condensed 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 interim financial information, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended 31 December 2021.

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

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

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

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

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION OF HKT MANAGEMENT LIMITED (CONTINUED)

For the six months ended 30 June 2022

2 RESULT BEFORE INCOME TAX

Result before income tax was stated after charging the following:

	Six months ended 30 June	
	2021 (Unaudited)	2022 (Unaudited)
In HK\$'000		
Auditor's remuneration	26	30

3 INCOME TAX

No Hong Kong profits tax has been provided as the Company did not have any assessable profit during the six months ended 30 June 2021 and 2022.

4 SHARE CAPITAL

	Number of share (Unaudited)	Share capital (Unaudited) HK\$
Issued and fully paid:		
Ordinary share of no par value		
Balances as at 1 January 2021, 30 June 2021, 1 January 2022 and 30 June 2022	1	1

5 RELATED PARTY TRANSACTION

During the period, the Company had the following significant transaction with a related party:

	Six months ended 30 June	
	2021 (Unaudited)	2022 (Unaudited)
In HK\$'000		
Management fee receivable from a fellow subsidiary	26	30

- a. This transaction was carried out after negotiations between the Company and the related party in the ordinary course of business and on the basis of estimated market value as determined by the directors.
- b. The directors' emoluments of the Company were borne by a fellow subsidiary of the Company for the six months ended 30 June 2021 and 2022.

GENERAL INFORMATION

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARE STAPLED UNITS AND UNDERLYING SHARE STAPLED UNITS OF HKT TRUST AND HKT LIMITED, AND THE SHARES, UNDERLYING SHARES AND DEBENTURES OF HKT LIMITED AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2022, the directors of HKT Limited (the "Company") and the directors of HKT Management Limited (in its capacity as the trustee-manager of the HKT Trust) (the "Trustee-Manager") (collectively referred to as the "Directors"), the chief executives of the Company and the Trustee-Manager (collectively referred to as the "Chief Executives") and their respective close associates had the following interests or short positions in the share stapled units of HKT Trust and the Company (the "Share Stapled Units") and underlying Share Staples Units, and the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register(s) required to be kept under Section 352 of the SFO or as otherwise notified to the Company, the Trustee-Manager and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"):

1. Interests in HKT Trust and HKT Limited

The table below sets out the aggregate long positions in the Share Staples Units held by the Directors and the Chief Executives:

Name of Director/Chief Executive	Personal interests	Number of Share Staples Units held	Total	Approximate percentage of the total number of Share Staples Units in issue
		Corporate interests	Other interests	
Li Tzar Kai, Richard	–	66,247,614 (Note 1(a))	158,764,423 (Note 1(b))	225,012,037 2.97%
Hui Hon Hing, Susanna	4,965,278	–	1,066,399 (Note 2)	6,031,677 0.08%
Peter Anthony Allen (Note 3)	21,530	–	–	21,530 0.0003%

Each Share Staples Unit confers an interest in:

- (a) one voting ordinary share of HK\$0.0005 in the Company; and
- (b) one voting preference share of HK\$0.0005 in the Company,

for the purposes of Part XV of the SFO, in addition to an interest in one unit in the HKT Trust.

Under the trust deed dated 7 November 2011 constituting the HKT Trust entered into between the Trustee-Manager and the Company (as supplemented, amended or substituted from time to time) (the "Trust Deed") and the Company's articles of association (as amended and restated from time to time), the number of ordinary shares and preference shares of the Company in issue must be the same at all times and must also, in each case, be equal to the number of units of the HKT Trust in issue; and each of them is equal to the number of Share Staples Units in issue.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARE STAPLED UNITS AND UNDERLYING SHARE STAPLED UNITS OF HKT TRUST AND HKT LIMITED, AND THE SHARES, UNDERLYING SHARES AND DEBENTURES OF HKT LIMITED AND ITS ASSOCIATED CORPORATIONS (CONTINUED)

1. Interests in HKT Trust and HKT Limited (continued)

Notes:

1. (a) Of these Share Staples Units, Pacific Century Diversified Limited ("PCD"), a wholly-owned subsidiary of Chiltonlink Limited ("Chiltonlink"), held 20,227,614 Share Staples Units and Eisner Investments Limited ("Eisner") held 46,020,000 Share Staples Units. Li Tzar Kai, Richard owned 100% of the issued share capital of Chiltonlink and Eisner.
- (b) These interests represented:
 - (i) a deemed interest in 13,159,619 Share Staples Units held by Pacific Century Group Holdings Limited ("PCGH"). Li Tzar Kai, Richard was the founder of certain trusts which held 100% interests in PCGH. Accordingly, Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the 13,159,619 Share Staples Units held by PCGH; and
 - (ii) a deemed interest in 145,604,804 Share Staples Units held by Pacific Century Regional Developments Limited ("PCRD"), a company in which PCGH had, through itself and certain wholly-owned subsidiaries being Anglang Investments Limited, Pacific Century Group (Cayman Islands) Limited, Pacific Century International Limited and Borsington Limited, an aggregate of 88.63% interest. Li Tzar Kai, Richard was the founder of certain trusts which held 100% interests in PCGH. Accordingly, Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the 145,604,804 Share Staples Units held by PCRD. Li Tzar Kai, Richard was also deemed to be interested in 1.06% of the issued share capital of PCRD through Hopestar Holdings Limited, a company wholly-owned by Li Tzar Kai, Richard.
2. These interests represented awards made to Hui Hon Hing, Susanna, which were subject to certain vesting conditions pursuant to the relevant award schemes of the Company and PCCW Limited ("PCCW"), namely the HKT Share Staples Units Purchase Scheme and the Purchase Scheme. Details of the HKT Share Staples Units Purchase Scheme are set out in the section below headed "**Share Staples Units Award Schemes**".
3. As disclosed in the previous annual and interim reports of HKT Trust and HKT Limited, a private company owned by Li Tzar Kai, Richard has provided an interest-free loan facility not exceeding the amount of S\$25,000,000 (equivalent to approximately HK\$148,000,000*) to Peter A. Allen at his request and for personal reasons. In 2020, the parties have agreed to amend the terms of this loan facility to increase the principal amount of the loan by S\$23,000,000 (equivalent to approximately HK\$136,000,000*) to a total amount of not more than S\$48,000,000 (equivalent to approximately HK\$284,000,000*). The loan is repayable upon written request by the said private company giving six months' prior notice. As of 30 June 2022, S\$30,750,000 (equivalent to approximately HK\$176,400,000*) of the loan has been repaid by Peter A. Allen to the said private company, and only S\$17,250,000 (equivalent to approximately HK\$98,000,000*) remains outstanding. This private arrangement is not connected with and does not conflict with Peter A. Allen's duties at HKT Trust and HKT Limited.

* Hong Kong dollar figures are for reference only based on prevailing rates as of the relevant period end reporting date

2. Interests in the Associated Corporation of the Company

PCCW (the holding company of the HKT Trust and the Company)

The table below sets out the aggregate long positions in the shares of PCCW held by the Directors and the Chief Executives:

Name of Director/Chief Executive	Number of ordinary shares of PCCW held				Approximate percentage of the total number of shares of PCCW in issue
	Personal interests	Corporate interests	Other interests	Total	
Li Tzar Kai, Richard	–	462,287,134 (Note 1(a))	1,928,842,224 (Note 1(b))	2,391,129,358	30.89%
Hui Hon Hing, Susanna	10,069,976	–	2,608,602 (Note 2)	12,678,578	0.16%
Peter Anthony Allen	246,596	–	–	246,596	0.003%

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARE STAPLED UNITS AND UNDERLYING SHARE STAPLED UNITS OF HKT TRUST AND HKT LIMITED, AND THE SHARES, UNDERLYING SHARES AND DEBENTURES OF HKT LIMITED AND ITS ASSOCIATED CORPORATIONS (CONTINUED)

2. Interests in the Associated Corporation of the Company (continued)

PCCW (the holding company of the HKT Trust and the Company) (continued)

Notes:

1. (a) Of these shares of PCCW, PCD held 269,471,956 shares, Eisner held 38,222,413 shares, and Trade Champion Limited, a wholly-owned subsidiary of Excel Global Holdings Limited (“Excel Global”), held 154,592,765 shares. Li Tzar Kai, Richard owned 100% of the issued share capital of Excel Global.

(b) These interests represented:

(i) a deemed interest in 175,312,270 shares of PCCW held by PCGH. Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the 175,312,270 shares of PCCW held by PCGH; and

(ii) a deemed interest in 1,753,529,954 shares of PCCW held by PCRD. Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the 1,753,529,954 shares of PCCW held by PCRD.

2. These interests represented awards made to Hui Hon Hing, Susanna, which were subject to certain vesting conditions pursuant to an award scheme of PCCW, namely the Purchase Scheme.

Save as disclosed in the foregoing, as at 30 June 2022, none of the Directors or the Chief Executives or their respective close associates had any interests or short positions in any Share Stapled Units or underlying Share Stapled Units, or in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register(s) required to be kept under Section 352 of the SFO or as otherwise notified to the Company, the Trustee-Manager and the Stock Exchange pursuant to the Model Code of the Listing Rules.

SHARE STAPLED UNITS OPTION SCHEME

HKT Trust and the Company operate a Share Stapled Units option scheme which was adopted by the holders of Share Stapled Units and the shareholders of PCCW at their annual general meetings held on 7 May 2021 (the “2021-2031 Option Scheme”). Under the 2021-2031 Option Scheme, the board of directors of the Trustee-Manager (the “Trustee-Manager Board”) and the board of directors of the Company (the “Company Board”) shall be entitled to offer to grant a Share Stapled Unit option to any eligible participant whom the Trustee-Manager Board and the Company Board may, at their absolute discretion, select.

No Share Stapled Unit options have been granted under the 2021-2031 Option Scheme since its adoption and up to and including 30 June 2022.

SHARE STAPLED UNITS AWARD SCHEMES

On 11 October 2011, the Company adopted two award schemes pursuant to which awards of Share Stapled Units may be made, namely the HKT Share Stapled Units Purchase Scheme and the HKT Share Stapled Units Subscription Scheme (collectively the “Share Stapled Units Award Schemes”). The purposes of the Share Stapled Units Award Schemes are to incentivise and reward participants for their contribution to the growth of the Company and its subsidiaries (collectively the “HKT Limited Group”) and to provide the HKT Limited Group with a more flexible means to reward, remunerate, compensate and/or provide benefits to the participants.

Subject to the relevant scheme rules, each scheme provides that prior to the vesting of the awards under the relevant scheme to selected participants, the relevant Share Stapled Units will be held in trust by an independent trustee for such selected participants, and will be vested over a period of time determined by the Company Board, any committee or sub-committee of the Company Board and/or any person delegated with the power and authority to administer all or any aspects of the respective Share Stapled Units Award Schemes (the “Approving Body”), provided that each selected participant shall remain at all times up to and including the relevant vesting date (or, as the case may be, each relevant vesting date) an employee or a director of the HKT Limited Group, and satisfies any other conditions specified at the time the award is made, notwithstanding that the Approving Body shall be at liberty to waive such conditions. Other than satisfying the vesting conditions, selected participants are not required to provide any consideration in order to acquire the Share Stapled Units awarded to him/her under the schemes.

The previous term of each of the Share Stapled Units Award Schemes expired on 10 October 2021. In order to enable the Company to continue granting awards of Share Stapled Units under the Share Stapled Units Award Schemes, on 5 August 2021, the Company Board approved the extension of the duration of each of the Share Stapled Units Award Schemes for a period of 10 years from 11 October 2021. As a result of such extension, each of the Share Stapled Units Award Schemes shall be valid and effective for a further term of 10 years commencing from 11 October 2021, expiring on 10 October 2031. Save as disclosed above, all other terms and conditions of the Share Stapled Units Award Schemes remain unchanged and continue in full force and effect after such extension.

In respect of the HKT Share Stapled Units Purchase Scheme, during the six months ended 30 June 2022, an aggregate of 425,428 Share Stapled Units were awarded pursuant to the HKT Share Stapled Units Purchase Scheme subject to certain vesting conditions, including an award in respect of 311,239 Share Stapled Units made to Hui Hon Hing, Susanna (a director of the Company and the Trustee-Manager). Additionally, 47,271 Share Stapled Units have lapsed and/or been forfeited and 398,614 Share Stapled Units have vested during the period. As at 30 June 2022, an aggregate of 634,156 Share Stapled Units awarded pursuant to the HKT Share Stapled Units Purchase Scheme remained unvested.

In respect of the HKT Share Stapled Units Subscription Scheme, during the six months ended 30 June 2022, an aggregate of 1,200,674 Share Stapled Units were awarded pursuant to the HKT Share Stapled Units Subscription Scheme subject to certain vesting conditions. Additionally, 87,266 Share Stapled Units have lapsed and/or been forfeited and 1,039,078 Share Stapled Units have vested during the period. As at 30 June 2022, an aggregate of 1,720,253 Share Stapled Units awarded pursuant to the HKT Share Stapled Units Subscription Scheme remained unvested.

Please also refer to the summary of movements in the number of Share Stapled Units held under the Share Stapled Units Award Schemes which is set out in note 12 to the HKT Trust and HKT Limited unaudited condensed consolidated interim financial information.

Save as disclosed above, at no time during the period under review was the Trustee-Manager, the Company or any of their subsidiaries, holding companies or fellow subsidiaries a party to any arrangement that may enable the Directors to acquire benefits by means of the acquisition of Share Stapled Units in HKT Trust and the Company, or shares in, or debentures of, the Company or any other body corporate and none of the Directors or the Chief Executives or their spouses or children under 18 years of age had any right to subscribe for equity or debt securities of the HKT Trust and/or the Company or any of its associated corporations or had exercised any such right during the period under review.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL HOLDERS OF SHARE STAPLED UNITS

As at 30 June 2022, the following persons (other than Directors or Chief Executives) were substantial holders of Share Stapled Units, and of ordinary shares and preference shares in the Company, and had interests or short positions in the Share Stapled Units and underlying Share Stapled Units, and in the shares and underlying shares of the Company as recorded in the register(s) required to be kept under Section 336 of the SFO:

Name	Capacity	Number of Share Stapled Units/ underlying Share Stapled Units held in long position (L)/ short position (S)/ lending pool (P)	Approximate percentage of the total number of Share Stapled Units in issue	Note
PCCW	Interest in controlled corporation	(L) 3,934,967,681	51.91%	1
CAS Holding No. 1 Limited	Beneficial owner	(L) 3,934,967,681	51.91%	
Citigroup Inc. ("Citigroup")	Interest in controlled corporations	(L) 11,622,574 (S) 2,691,720	0.15% 0.04%	2
	Approved lending agent	(L) & (P) 370,128,643	4.88%	2

Each Share Stapled Unit confers an interest in:

- (a) one voting ordinary share of HK\$0.0005 in the Company; and
- (b) one voting preference share of HK\$0.0005 in the Company,

for the purposes of Part XV of the SFO, in addition to an interest in one unit in the HKT Trust.

Under the Trust Deed and the Company's articles of association (as amended and restated from time to time), the number of ordinary shares and preference shares of the Company in issue must be the same at all times and must also, in each case, be equal to the number of units of the HKT Trust in issue; and each of them is equal to the number of Share Stapled Units in issue.

Notes:

The Trustee-Manager held all of the issued ordinary shares of the Company in its capacity as trustee and manager of the HKT Trust, upon and subject to the terms and conditions of the Trust Deed.

1. PCCW indirectly held these interests through its direct wholly-owned subsidiary, CAS Holding No. 1 Limited.
2. The long position interests of Citigroup were held through its various controlled corporations or in the capacity of approved lending agent. Such long positions included derivative interests in 1,041,030 underlying Share Stapled Units derived from physically settled unlisted derivatives and 1,014,000 underlying Share Stapled Units derived from cash-settled unlisted derivatives. The short positions of Citigroup were held through its various controlled corporations. Such short positions included derivative interests in 228,720 underlying Share Stapled Units derived from physically settled unlisted derivatives and 1,705,000 underlying Share Stapled Units derived from cash-settled unlisted derivatives. These long position interests and short positions were disclosed based on the disclosure of interest filing made by Citigroup on 4 July 2022.

Save as disclosed above in this section, the Trustee-Manager and the Company have not been notified of any other persons (other than Directors or Chief Executives) who had an interest or a short position in the Share Stapled Units or underlying Share Stapled Units, or in the shares, underlying shares or debentures of the Company as recorded in the register(s) required to be kept under Section 336 of the SFO as at 30 June 2022.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

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

AUDIT COMMITTEE

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

MODEL CODE SET OUT IN APPENDIX 10 TO THE LISTING RULES

The HKT Trust and the Company have adopted their own code of conduct regarding securities transactions, namely the HKT Trust and HKT Limited Code of Conduct for Securities Transactions (the "HKT Code"), which applies to all directors of the Trustee-Manager and the Company and their employees (where applicable) on terms no less exacting than the required standard indicated by the Model Code as set out in Appendix 10 to the Listing Rules.

Having made specific enquiry of all Directors, confirmations have been received of compliance with the required standard set out in the Model Code and the HKT Code during the period.

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 Listing Rules during the six months ended 30 June 2022, save and except for the code provisions set out below. The requirement to establish a separate Remuneration Committee with written terms of reference for the Trustee-Manager under the code provision E.1.2 of the CG Code is not relevant to the Trustee-Manager as its directors are not entitled to any remuneration under the Trust Deed, and therefore has not been complied with. In addition, given the unique circumstances of the HKT Trust i.e., the fact that the Trust Deed requires that the directors of the Company and the directors of the Trustee-Manager must always be the same individuals, the establishment of a separate Nomination Committee with written terms of reference for the Trustee-Manager as required by code provision B.3.1 of the CG Code is not relevant to the Trustee-Manager, and therefore has not been complied with.

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

During the period covered by this report, in support of their responsibility for the risk management and internal control systems, the Directors have sought and received from the Company's management a report on the risk management and internal control systems, including an assurance that, based on the Company's ongoing assessment and validation activities, they are not aware of any material risks or internal control deficiencies which are not being adequately and appropriately mitigated and/or managed.

CORPORATE INFORMATION

HKT LIMITED

(incorporated in the Cayman Islands with limited liability)

BOARD OF DIRECTORS

Executive Directors

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

Non-Executive Directors

Peter Anthony Allen
Chung Cho Yee, Mico
Wang Fang

Independent Non-Executive Directors

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

GROUP GENERAL COUNSEL AND COMPANY SECRETARY OF HKT LIMITED AND HKT MANAGEMENT LIMITED

Cheung Hok Chee, Vanessa

REGISTERED OFFICE

PO Box 309, Ugland House
Grand Cayman, KY1-1104
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

39th Floor, PCCW Tower
Taikoo Place, 979 King's Road
Quarry Bay, Hong Kong

SHARE STAPLED UNITS INFORMATION

Board lot:	1,000 units
Issued units as at 30 June 2022:	7,579,742,334 units

DIVIDEND/DISTRIBUTION

Interim dividend/distribution per ordinary share/share stapled unit for the six months ended 30 June 2022: 31.36 HK cents

FINANCIAL CALENDAR

Announcement of 2022 Interim Results	11 August 2022
Closure of books	29-30 August 2022 (both days inclusive)
Record date for 2022 interim distribution	30 August 2022
Payment of 2022 interim distribution	on or around 8 September 2022

INVESTOR RELATIONS

For more information, please contact Investor Relations at:
Telephone: +852 2514 5084
Email: ir@hkt.com

HKT MANAGEMENT LIMITED

(incorporated in Hong Kong with limited liability)
(THE TRUSTEE-MANAGER OF THE HKT TRUST)

BOARD OF DIRECTORS

Executive Directors

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

Non-Executive Directors

Peter Anthony Allen
Chung Cho Yee, Mico
Wang Fang

Independent Non-Executive Directors

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

REGISTERED OFFICE

39th Floor, PCCW Tower
Taikoo Place, 979 King's Road
Quarry Bay, Hong Kong

PRINCIPAL SHARE REGISTRAR

Maples Fund Services (Cayman) Limited
PO Box 1093, Boundary Hall, Cricket Square
Grand Cayman, KY1-1102
Cayman Islands

SHARE STAPLED UNITS REGISTRAR AND HONG KONG BRANCH SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wan Chai, Hong Kong
Telephone: +852 2862 8555
Fax: +852 2865 0990
Website: www.computershare.com/hk/contact

LISTINGS

The share stapled units of HKT Trust and HKT Limited are listed on The Stock Exchange of Hong Kong Limited. Certain guaranteed notes issued by subsidiaries of HKT Limited are listed on the Singapore Exchange Securities Trading Limited and the Taipei Exchange (as the case may be).

STOCK CODES

The Stock Exchange of Hong Kong Limited	6823
Reuters	6823.HK
Bloomberg	6823 HK

WEBSITE OF HKT LIMITED

www.hkt.com

INTERIM REPORT 2022

This Interim Report 2022 in both English and Chinese is now available in printed form from HKT Limited, HKT Management Limited and the Share Stapled Units Registrar, and in accessible format on the websites of HKT Limited (www.hkt.com/ir) and Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk).

Holders of share stapled units who:

- A) received the Interim Report 2022 using electronic means through the website of HKT Limited may request a printed copy, or
- B) received the Interim Report 2022 in either English or Chinese may request a printed copy of the other language version

by writing or sending email to HKT Limited and/or
HKT Management Limited c/o the Share Stapled Units Registrar at:

Computershare Hong Kong Investor Services Limited
Investor Communications Centre
17M Floor, Hopewell Centre
183 Queen's Road East
Wan Chai, Hong Kong
Telephone: +852 2862 8688
Fax: +852 2865 0990
Email: hkt@computershare.com.hk

Holders of share stapled units who have chosen (or are deemed to have agreed) to receive the corporate communications of the HKT Trust, HKT Limited and HKT Management Limited (including but not limited to the Interim Report 2022) using electronic means through the website of HKT Limited and who, for any reason, have difficulty in receiving or gaining access to the Interim Report 2022 will promptly, upon request in writing or by email to the Share Stapled Units Registrar, be sent the Interim Report 2022 in printed form, free of charge.

Holders of share stapled units may change their choice of language and/or means of receipt of future corporate communications of the HKT Trust, HKT Limited and HKT Management Limited at any time, free of charge, by reasonable prior notice in writing or by email to the Share Stapled Units Registrar.

Forward-Looking Statements

This interim report contains 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.

These forward-looking statements are not guarantees of future performance and are subject to risks, uncertainties and other factors, some of which are beyond our control and are difficult to predict. Consequently, actual results could differ materially from those expressed, implied or forecasted in the forward-looking statements. Factors that could cause actual results to differ materially from those reflected in the forward-looking statements include:

- increased competition in the Hong Kong telecommunications market, the pay television market and other markets in which HKT operates;
- possible negative effects of potentially new legislation, regulations, guidelines, decisions or directives;
- possible negative effects of potentially new regulatory developments;
- our ability to implement our business plan as a consequence of our substantial debt;
- our exposure to interest rate risk;
- our ability to obtain additional capital;
- our ability to execute our business strategy, including our ability to enter into business combinations and restructuring, strategic investments and acquisitions and challenges in growing business organically; and
- possible negative market disruptions to the performance and prospects of our businesses resulting from macro-economic, public health and geopolitical uncertainties and other risks and factors beyond our control.

Reliance should not be placed on these forward-looking statements, which reflect the views of the directors and management of HKT as at the date of this interim report only. We undertake no obligation to publicly revise these forward-looking statements to reflect events or circumstances that arise after publication of this interim report.

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)

Principal Place of Business in Hong Kong:
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The Share Stapled Units are listed on The Stock Exchange of Hong Kong Limited (SEHK: 6823).

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