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HKT Trust

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

and

HKT Limited

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 6823)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2021

The directors of HKT Management Limited (the “Trustee-Manager”, in its capacity as the trustee-manager of the HKT Trust) and HKT Limited (the “Company” or “HKT”) are pleased to announce the unaudited consolidated results of the HKT Trust and of the Company together with the Company’s subsidiaries (collectively the “Group”) for the six months ended June 30, 2021. This condensed consolidated interim financial information has not been audited, but has been reviewed by the Audit Committee of the Trustee-Manager and of the Company and, in accordance with the Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants, by the Group’s independent auditor, PricewaterhouseCoopers.

- Total revenue increased by 7% to HK\$15,643 million benefiting from a continued strong demand for broadband and data services alongside the growing adoption of our 5G services by both consumers and enterprises, as well as higher handset sales; and total revenue excluding Mobile product sales also rose by 3% to HK\$14,112 million;
- Total EBITDA increased by 3% to HK\$5,715 million;
- Adjusted funds flow increased by 2% to HK\$2,326 million;
- Reflecting the breadth and scale of our diversified business portfolio, resilient performance across the board as well as continuous improvements in operational efficiencies;
- Profit attributable to holders of Share Stapled Units held steady at HK\$1,900 million; basic earnings per Share Stapled Unit was 25.09 HK cents; and
- Interim distribution per Share Stapled Unit of 30.70 HK cents.

MANAGEMENT REVIEW

We are pleased to announce that HKT delivered a solid set of financial results for the six months ended June 30, 2021, amid the ongoing impacts of the pandemic on consumer and business activities set against a gradually improving operating environment.

The pandemic has highlighted the importance of connectivity and digital transformation services to consumer and business communities under the new normal where social distancing measures are maintained. As Hong Kong's premier information and communications technology ("ICT") service provider, HKT remained focused on its customers by delivering superior networks and digital platforms and offering innovative value-added services and compelling entertainment content to consumers and businesses.

Leveraging its solid fundamentals, the Telecommunications Services ("TSS") business continued to demonstrate resilience and diversity during the period. The superior quality and reliability of HKT's fiber network continued to drive strong demand for our home broadband services alongside the Smart Living solutions. The enterprise segment also achieved robust growth momentum as business customers intensified their digital transformation efforts in response to the pandemic and the changing behavior and requirements of their end users. As a result, the local data services business registered a 5% growth in revenue during the period. The slowdown in international telecommunications business was mainly attributed to a decline in wholesale voice related revenue. As such, the TSS revenue edged down 1% to HK\$10,243 million, with EBITDA increasing by 1% to HK\$3,824 million during the period. Excluding international telecommunications revenue, the revenue from our local TSS business increased by 5%, compared to the corresponding period in the previous year.

The Mobile business recorded a 12% growth in revenue to HK\$5,108 million during the period. The Mobile services revenue held steady at HK\$3,577 million, as the surge in local core revenue of 5% year-on-year more than compensated for the reduced contributions from the roaming business depressed by ongoing global travel restrictions. The surge in local core revenue benefited from the average revenue per user ("ARPU") uplift from new subscriptions and upgrades to our 5G services. Meanwhile, handset sales also performed well benefiting from the 5G handset upgrade cycle, improved consumer confidence and more traffic captured by our digital channel Club Shopping. EBITDA from the Mobile segment increased by 1% to HK\$2,072 million, with the overall margin at 41% during the period.

The Pay TV business, which included the full six-month contribution from Now TV, generated revenue of HK\$1,231 million and EBITDA of HK\$212 million in the first half of the year, reflecting the impact of our exclusive broadcast of UEFA EURO 2020TM on the subscription service and revenue generated from event-specific passes. During the period, Now TV enjoyed a significant year-on-year growth of 48% in advertising revenue.

Consequently, total EBITDA for the period increased by 3% year-on-year to HK\$5,715 million. Profit attributable to holders of the share stapled units of the HKT Trust and HKT ("Share Stapled Units"), however, remained stable at HK\$1,900 million due to higher amortization expenses largely attributed to the integration of the Now TV business. Basic earnings per Share Stapled Unit was 25.09 HK cents.

Adjusted funds flow for the six months ended June 30, 2021 rose to HK\$2,326 million, an increase of 2% over the previous year. The adjusted funds flow per Share Stapled Unit⁴ was 30.70 HK cents.

The board of directors of the Trustee-Manager declared an interim distribution of 30.70 HK cents per Share Stapled Unit for the six months ended June 30, 2021.

OUTLOOK

To create favorable conditions for a full-fledged revival of the economy, the Government has urged the public to actively participate in COVID-19 vaccination. HKT believes this is vital to keeping the pandemic under control and is extending paid leave to its employees to facilitate their receiving the vaccines.

Going forward, we will continue to embrace new innovations in our unique quadplay propositions, which are achieving synergy through cross-selling. In addition, we aim to create compelling digital experiences for customers by further growing and making breakthroughs in our new businesses including e-commerce, HealthTech and FinTech, diversifying our revenue and creating value in the medium term.

Riding the current wave of economic rebound, HKT will strengthen its focus on 5G development to spur consumer and commercial adoption and consolidate our leadership in innovation in Hong Kong. We are determined to fulfill our role as a technology enabler to enterprises as digitalization takes hold in different industries. These efforts will help advance Hong Kong's transformation into a smart city.

In the coming months, we will remain vigilant to the development of the pandemic situation. Economic indicators so far have shown that Hong Kong's recovery is progressing well. Indeed, with our diverse business portfolio, strong fixed-mobile convergence propositions, demand from enterprise customers and the general public for digital initiatives and our resilient financial position, we are well placed to benefit from the improving economic conditions, and create value for our unitholders.

FINANCIAL REVIEW BY SEGMENT

For the six months ended HK\$ million	Jun 30, 2020	Dec 31, 2020	Jun 30, 2021	Better/ (Worse) y-o-y
Revenue				
TSS	10,386	11,971	10,243	(1)%
- Local TSS Services	6,622	8,091	6,926	5%
- International Telecommunications Services	3,764	3,880	3,317	(12)%
Mobile	4,543	5,823	5,108	12%
- Mobile Services	3,573	4,184	3,577	-
- Mobile Product Sales	970	1,639	1,531	58%
Pay TV	-	647	1,231	NA
Other Businesses	155	210	408	163%
Eliminations	(478)	(868)	(1,347)	(182)%
Total revenue	14,606	17,783	15,643	7%
Total revenue (excluding Mobile Product Sales)	13,636	16,144	14,112	3%
Cost of sales	(6,941)	(8,762)	(7,550)	(9)%
Operating costs before depreciation, amortization, and gain on disposal of property, plant and equipment, net	(2,119)	(2,040)	(2,378)	(12)%
EBITDA¹				
TSS	3,801	4,611	3,824	1%
Mobile	2,050	2,697	2,072	1%
- Mobile Services	2,057	2,639	2,058	-
- Mobile Product Sales	(7)	58	14	NA
Pay TV	-	174	212	NA
Other Businesses	(305)	(501)	(393)	(29)%
Total EBITDA¹	5,546	6,981	5,715	3%
TSS EBITDA¹ Margin	37%	39%	37%	
Mobile EBITDA¹ Margin	45%	46%	41%	
- Mobile Services EBITDA ¹ Margin	58%	63%	58%	
Pay TV EBITDA¹ Margin	-	27%	17%	
Total EBITDA¹ Margin	38%	39%	37%	
Total EBITDA¹ Margin (excluding Mobile Product Sales)	41%	43%	40%	
Depreciation and amortization	(2,491)	(2,850)	(2,751)	(10)%
Gain on disposal of property, plant and equipment, net	2	-	2	-
Other (losses)/gains, net	(50)	411	-	NA
Finance costs, net	(658)	(638)	(561)	15%
Share of results of associates and joint ventures	(30)	(49)	(63)	(110)%
Profit before income tax	2,319	3,855	2,342	1%

ADJUSTED FUNDS FLOW³

For the six months ended HK\$ million	Jun 30, 2020	Dec 31, 2020	Jun 30, 2021	Better/ (Worse) y-o-y
Total EBITDA¹	5,546	6,981	5,715	3%
Less cash outflows in respect of capital expenditures, customer acquisition costs and licence fees ² :				
Capital expenditures	(1,169)	(1,208)	(1,170)	–
Customer acquisition costs and licence fees	(411)	(921)	(534)	(30)%
Fulfillment costs	(289)	(228)	(227)	21%
Right-of-use assets	(764)	(826)	(809)	(6)%
Adjusted funds flow³ before tax paid, net finance costs paid and changes in working capital	2,913	3,798	2,975	2%
Adjusted for:				
Net finance costs paid	(378)	(372)	(281)	26%
Tax payment	(149)	(367)	(180)	(21)%
Changes in working capital	(106)	45	(188)	(77)%
Adjusted funds flow³	2,280	3,104	2,326	2%

KEY OPERATING DRIVERS⁵

	Jun 30, 2020	Dec 31, 2020	Jun 30, 2021	Better/(Worse)	
				y-o-y	h-o-h
Exchange lines in service ('000)	2,564	2,522	2,486	(3)%	(1)%
Business lines ('000)	1,227	1,212	1,206	(2)%	–
Residential lines ('000)	1,337	1,310	1,280	(4)%	(2)%
Total broadband access lines ('000) (Consumer, business and wholesale)	1,622	1,627	1,634	1%	–
Retail consumer broadband access lines ('000)	1,454	1,457	1,464	1%	–
Retail business broadband access lines ('000)	157	160	161	3%	1%
Mobile subscribers ('000)	4,372	4,605	4,477	2%	(3)%
Post-paid subscribers ('000)	3,250	3,252	3,263	0.4%	0.3%
Prepaid subscribers ('000)	1,122	1,353	1,214	8%	(10)%
Pay TV installed base ('000)	–	1,348	1,352	NA	–
The Club members ('000)	3,043	3,178	3,293	8%	4%
Tap & Go accounts in service ('000)	2,629	2,744	3,003	14%	9%

- Note 1 EBITDA represents earnings before interest income, finance costs, income tax, depreciation and amortization, gain/loss on disposal of property, plant and equipment, interests in leasehold land, right-of-use assets and intangible assets, net other gains/losses, losses on property, plant and equipment, restructuring costs, impairment losses on goodwill, tangible and intangible assets and interests in associates and joint ventures, and the Group's share of results of associates and joint ventures. While EBITDA is commonly used in the telecommunications industry worldwide as an indicator of operating performance, leverage and liquidity, it is not presented as a measure of operating performance in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") and should not be considered as representing net cash flows from operating activities. The computation of the Group's EBITDA may not be comparable to similarly titled measures of other companies.*
- Note 2 Group capital expenditures represent additions to property, plant and equipment and interests in leasehold land. Fulfillment costs and right-of-use assets are considered as part of customer acquisition costs and capital expenditures, respectively, for the purpose of adjusted funds flow calculation.*
- Note 3 Adjusted funds flow is defined as EBITDA less capital expenditures, customer acquisition costs and licence fees paid, taxes paid, finance costs and interest expense paid, and adjusted for interest income received and changes in working capital. It is not presented as a measure of leverage or liquidity in accordance with HKFRSs and should not be considered as representing net cash flows or any other similar measures derived in accordance with HKFRSs, or an alternative to cash flow from operations or a measure of liquidity. The Group's adjusted funds flow is computed in accordance with the above definition using financial information derived from the Group's unaudited condensed consolidated interim financial information. The adjusted funds flow may be used for debt repayment.*
- Note 4 Adjusted funds flow per Share Stapled Unit is calculated by dividing the adjusted funds flow for the period by the number of Share Stapled Units in issue as at June 30, 2021.*
- Note 5 Figures are stated as at the period end.*
- Note 6 Gross debt refers to the principal amount of short-term borrowings and long-term borrowings.*

Telecommunications Services

For the six months ended HK\$ million	Jun 30, 2020	Dec 31, 2020	Jun 30, 2021	Better/ (Worse) y-o-y
TSS Revenue				
Local TSS Services	6,622	8,091	6,926	5%
- Local Data Services	3,696	4,521	3,877	5%
- Local Telephony Services	1,532	1,552	1,449	(5)%
- Other Services	1,394	2,018	1,600	15%
International Telecommunications Services	3,764	3,880	3,317	(12)%
Total TSS Revenue	10,386	11,971	10,243	(1)%
Cost of sales	(5,346)	(6,539)	(5,305)	1%
Operating costs before depreciation and amortization	(1,239)	(821)	(1,114)	10%
Total TSS EBITDA¹	3,801	4,611	3,824	1%
TSS EBITDA¹ margin	37%	39%	37%	

The local TSS business continued to demonstrate business resilience and diversity and recorded a 5% increase in revenue to HK\$6,926 million during the first half of 2021, compared to HK\$6,622 million a year earlier. Total TSS revenue edged down 1% to HK\$10,243 million during the period, as the solid growth momentum of our local business was partially offset by a slowdown in our international voice wholesale business.

Local Data Services. Comprising broadband network revenue and local data revenue, local data services revenue rose by 5% year-on-year to HK\$3,877 million for the six months ended June 30, 2021.

Broadband network business recorded revenue growth of 3% during the first half of 2021. The business benefited from strong demand for high-quality network service from customers for work, study, and entertainment at home. This led to meaningful customer switch backs and the business achieved an overall net gain in broadband customers during the period, lifting the total broadband access lines by 1% to 1.634 million as at the end of June 2021. Of these, 920,000 were fiber-to-the-home (“FTTH”) connections which represented a net increase of 57,000 or 7% growth from a year earlier. In addition, penetration of our Home Wi-Fi solutions continued to rise. During the period, a total of 321,000 customers used our Home Wi-Fi solutions, up 9% compared to the previous year and representing 22% of our entire consumer broadband base.

The performance demonstrates the superior quality and reliability of HKT’s fiber network which continued to drive strong demand for our home broadband service. It also attests to the success of our three-pronged strategy of offering FTTH service across Hong Kong, catering to different market segments through the “HKT Premier”, “NETVIGATOR” and “LiKE100” brands, and delivering a wide range of service and content offerings as well as our value-added Home Wi-Fi and Smart Living solutions.

The new normal of remote office led to heightened bandwidth requirements from enterprise customers keen to ensure operational continuity. The trend continued to drive demand for our high-quality and reliable data connectivity services together with our cloud and digital transformation solutions from our enterprise customers in different industry verticals. These factors fueled a substantial growth of 9% in local data revenue. The growth was also partially attributed to the delivery of Government projects key to Hong Kong’s smart mobility ambitions.

Telecommunications Services (Continued)

Local Telephony Services. Local telephony services revenue amounted to HK\$1,449 million for the six months ended June 30, 2021 versus HK\$1,532 million a year ago. The decline in revenue was primarily due to the continued migration of residential fixed-line customers to our broadband and mobile services as well as continued softness in the small and medium-sized enterprise segment during the period. The total number of fixed lines in service at the end of June 2021 was 2.486 million, compared to 2.564 million a year earlier.

Other Services. Other services revenue mainly comprises the sale of network equipment and customer premises equipment and the provision of technical and maintenance subcontracting services and contact center services (“Teleservices”). Other services revenue for the six months ended June 30, 2021 increased by 15% to HK\$1,600 million. This was attributed to the increased sales of business and network equipment for the deployment of customized projects essential to business continuity under the new normal, which also created an opportunity for our contact center business to support the growth of e-commerce and other online services in Hong Kong to a greater extent.

International Telecommunications Services. International telecommunications services revenue was HK\$3,317 million for the six months ended June 30, 2021 versus HK\$3,764 million a year ago due to a reduction in revenue from the global wholesale voice business which is a volume business with low margins. On the other hand, the demand for data connectivity as well as digital solutions integrated and orchestrated by the Console Connect Software Defined Interconnection platform remained strong during the period.

The TSS business registered an increase in EBITDA of 1% year-on-year to HK\$3,824 million, primarily due to increased operating efficiencies and an ongoing focus on cost initiatives during the period. The EBITDA margin remained steady at 37%.

Mobile

For the six months ended HK\$ million	Jun 30, 2020	Dec 31, 2020	Jun 30, 2021	Better/ (Worse) y-o-y
Mobile Revenue				
Mobile Services	3,573	4,184	3,577	–
Mobile Product Sales	970	1,639	1,531	58%
Total Mobile Revenue	<u>4,543</u>	<u>5,823</u>	<u>5,108</u>	12%
Mobile EBITDA¹				
Mobile Services	2,057	2,639	2,058	–
Mobile Product Sales	(7)	58	14	NA
Total Mobile EBITDA¹	<u>2,050</u>	<u>2,697</u>	<u>2,072</u>	1%
Mobile EBITDA¹ margin	45%	46%	41%	
<i>Mobile Services EBITDA¹ margin</i>	<u>58%</u>	<u>63%</u>	<u>58%</u>	

The Mobile business recorded a 12% growth in revenue to HK\$5,108 million for the six months ended June 30, 2021. The Mobile services revenue held steady at HK\$3,577 million, as the surge in local core revenue of 5% year-on-year more than compensated for the reduced contributions from the roaming business depressed by ongoing global travel restrictions. The surge in local core revenue benefited from the ARPU uplift from new subscriptions and upgrades to our 5G services. Meanwhile, handset sales also performed well benefiting from the 5G handset upgrade cycle, improved consumer confidence and more traffic captured by our digital channel Club Shopping.

Amid intense competition, the Mobile business continued to report a net gain in post-paid customers to 3.263 million in the first half of 2021. By leveraging The Club to deepen customer engagement and loyalty, the churn rate for post-paid customers reached an all-time low of 0.7% during the period. As of the end of June 2021, 454,000 customers had taken up our 5G services, representing 14% of our post-paid customer base. By the end of July 2021, 528,000 customers had subscribed to our 5G services, representing 16% of the post-paid base.

The post-paid exit ARPU as at June 30, 2021 grew by 3% to HK\$187 versus HK\$181 as at June 30, 2020, primarily driven by the 5G service plan uplift and the enlarged 5G customer base.

Mobile services EBITDA for the period remained steady at HK\$2,058 million, yielding a margin of 58% as a result of disciplined operating expenditure and optimization of offline-to-online sales channels. Total Mobile EBITDA for the period increased by 1% to HK\$2,072 million from HK\$2,050 million a year earlier. The overall EBITDA margin was diluted to 41% with a higher proportion of handset sales which have lower margins.

Pay TV

The Now TV business recorded a revenue of HK\$1,231 million for the six months ended June 30, 2021. This performance reflected the success of our exclusive broadcast of UEFA EURO 2020™ in boosting the subscription service and the revenue generated from event-specific passes. The football tournament and associated programs also created business partnership and advertising opportunities for the Now TV business. During the period, Now TV also benefited from revitalized economic activities, with total advertising revenue increasing by 48% year-on-year particularly driven by the financial and real estate sectors. The overall performance, however, was partially offset by the reduced spending from the bars and restaurants which were affected by social distancing policy in the first half of 2021.

By the end of June 2021, Now TV's installed base lifted to 1.352 million, compared to 1.348 million by the end of December 2020. Our Now E streaming service continued to tap into the digital native and mobile-savvy market with its unique content proposition and multiple subscription plans to choose from.

UEFA EURO 2020™ was one of the highlights on Now TV this year. We successfully expanded the audience base to non-soccer viewers via entertainment programs leveraging the popularity of artistes from ViuTV of PCCW Limited. A unique "Watch Party" feature was also launched on the Now Player app to facilitate virtual parties among viewers while watching the matches, which helped deepen customer engagement. Now TV is also providing extensive coverage of Hong Kong athletes competing at the Tokyo 2020 Olympics on our multiple platforms.

Following the introduction of Now True in November 2020, Now TV launched Now Studio in March 2021 – a self-curated on-demand content library featuring the best in drama and entertainment from independent and Hollywood studios around the world. More new channels will be offered to viewers in the second half of the year to cater to the different appetites and preserve the premium content proposition.

EBITDA for the six months ended June 30, 2021 came to HK\$212 million, representing a margin of 17%, aided by continued efforts to rationalize content costs and leverage quadplay synergies.

Other Businesses

Primarily comprising new businesses such as The Club and HKT Financial Services, and corporate support functions, Other Businesses recorded a substantial revenue growth of 163% to HK\$408 million for the six months ended June 30, 2021 versus HK\$155 million a year earlier.

The Club's membership base expanded by 8% to 3.29 million members from 3.04 million a year ago. The Club succeeded not only in attracting new members but also in deepening engagement with HKT customers as the full convergence of multiple online businesses into a single online platform enhances the customer experience and drives traffic and transactions with rewards.

Tap & Go had over 3.0 million accounts in service as at June 30, 2021, an increase of 14% from 2.6 million a year earlier. In April 2021, Tap & Go was appointed as one of the stored value facility operators to implement the Government's consumption voucher scheme to help revive the local economy. Since then, the service has signed up a significant number of new users, while the registrations of new merchants for our Smart POS, with Tap & Go pre-loaded, have also soared.

Eliminations

Eliminations were HK\$1,347 million for the six months ended June 30, 2021 versus HK\$478 million a year earlier, reflecting the increased collaboration across all of HKT's business segments and the integration of the Now TV business within HKT.

Cost of Sales

Cost of sales for the six months ended June 30, 2021 increased by 9% year-on-year to HK\$7,550 million, reflecting the costs associated with higher Mobile product sales and with the full six-month contribution from the Now TV business during the period.

General and Administrative Expenses

For the six months ended June 30, 2021, operating costs before depreciation, amortization, and gain on disposal of property, plant and equipment, net ("operating costs") increased by 12% to HK\$2,378 million as a result of the consolidation of the Now TV business and investments in new businesses including The Club, Tap & Go and DrGo to support the business growth momentum. This increase in operating costs was partially mitigated by the Group's continued focus on operating efficiency through digitizing business processes as well as optimizing offline-to-online sales channels and retail footprint. Overall operating costs-to-revenue ratio for the period was 15.2% versus 14.5% a year earlier.

Depreciation expenses increased by 4% during the period, while amortization expenses increased by 18% largely due to the inclusion of content amortization from the integration of Now TV business. As such, total depreciation and amortization expenses increased by 10% year-on-year to HK\$2,751 million for the six months ended June 30, 2021.

As a result of the above, general and administrative expenses increased by 11% to HK\$5,127 million for the six months ended June 30, 2021 versus HK\$4,608 million a year earlier.

EBITDA¹

Total EBITDA increased by 3% to HK\$5,715 million for the six months ended June 30, 2021 versus HK\$5,546 million a year earlier. The overall EBITDA margin was stable at 37%, reflecting the effectiveness of our cost control measures taken to mitigate the impact of the still challenging external environment on our performance. Excluding Mobile product sales, the EBITDA margin held steady at 40% during the period.

Finance Costs, Net

Net finance costs for the six months ended June 30, 2021 decreased by 15% to HK\$561 million from HK\$658 million a year earlier, benefiting from a lower prevailing HIBOR during the period. The average cost of debt decreased to 2.5% during the period, compared to 3.2% a year earlier. We will continue to closely monitor the interest rate environment to optimize the ratio of floating to fixed rate debt.

Income Tax

Income tax expense for the six months ended June 30, 2021 was HK\$434 million, compared to HK\$414 million a year earlier. The effective tax rate for the period remained steady at 19%, compared to 18% for the same period last year.

Non-controlling Interests

Non-controlling interests of HK\$8 million (June 30, 2020: HK\$7 million) primarily comprised the net profit attributable to the non-controlling shareholder of Sun Mobile Limited.

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

Profit attributable to holders of Share Stapled Units/shares of the Company for the six months ended June 30, 2021 was HK\$1,900 million (June 30, 2020: HK\$1,898 million).

LIQUIDITY AND CAPITAL RESOURCES

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

HKT's gross debt⁶ was HK\$43,327 million as at June 30, 2021 (December 31, 2020: HK\$42,493 million). Cash and short-term deposits totaled HK\$2,149 million as at June 30, 2021 (December 31, 2020: HK\$2,630 million). HKT's gross debt⁶ to total assets was 42% as at June 30, 2021 (December 31, 2020: 41%).

As at June 30, 2021, HKT had ample liquidity as evidenced by banking facilities totaling HK\$29,678 million, of which HK\$7,906 million remained undrawn.

CREDIT RATINGS OF HONG KONG TELECOMMUNICATIONS (HKT) LIMITED

As at June 30, 2021, 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 capitalized interest for the six months ended June 30, 2021 was HK\$1,209 million (June 30, 2020: HK\$1,198 million). Capital expenditure relative to revenue was 7.7% for the six months ended June 30, 2021 (June 30, 2020: 8.2%).

Capital expenditure for HKT's Mobile business increased during the period with our continuous efforts in expanding and enriching our 5G network. TSS capital expenditure dropped during the period, in line with the capital expenditure cycle of our extensive local fiber network and international cable systems.

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 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% year-on-year to HK\$2,326 million for the six months ended June 30, 2021. This growth was driven by the 3% expansion in EBITDA, disciplined capex investment, lower fulfillment costs and a 26% reduction in net finance costs paid during the period. These positive factors were partially offset by customer acquisition costs and right-of-use asset payments associated with the integration of the Now TV business and 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 recognized in the consolidated income statement due to various reasons such as non-cash items recognized in the consolidated income statement and timing difference between accounting recognition and actual cash flows.

HEDGING

Market risk arises from foreign currency and interest rate exposure related to investments and 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 June 30, 2021, all forward and swap contracts were designated as cash flow hedges for the related financing of HKT.

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

CHARGE ON ASSETS

As at June 30, 2021, no assets of the Group (December 31, 2020: nil) were pledged to secure loans and banking facilities of HKT.

CONTINGENT LIABILITIES

HK\$ million	As at Dec 31, 2020 (Audited)	As at Jun 30, 2021 (Unaudited)
Performance guarantees	955	966
Others	18	2
	973	968

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

HUMAN RESOURCES

HKT had over 15,900 employees as at June 30, 2021 (June 30, 2020: 15,900) located in 47 countries and cities. About 67% of these employees work in Hong Kong and the others are based mainly in mainland China, the Philippines and the United States. HKT has established performance based bonus and incentive schemes designed to motivate and reward employees at all levels to achieve business performance targets. Payment of performance bonuses is generally based on achievement of revenue, EBITDA and free cash flow targets for HKT as a whole and for each of the individual business units and performance ratings of employees.

INTERIM DIVIDEND/DISTRIBUTION

The board of directors of the Trustee-Manager declared an interim distribution by the HKT Trust in respect of the Share Stapled Units, of 30.70 HK cents per Share Stapled Unit (after deduction of any operating expenses permissible under the trust deed dated November 7, 2011 constituting the HKT Trust (the “Trust Deed”)), in respect of the six months ended June 30, 2021 (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 30.70 HK cents per ordinary share, in respect of the same period) to holders of Share Stapled Units.

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

CLOSURE OF BOOKS

The record date for the interim distribution will be Tuesday, August 24, 2021. The register of registered holders of Share Stapled Units, the register of holders of units, the principal and Hong Kong branch registers of members of the Company and the register of beneficial interests as maintained by the Trustee-Manager and the Company in accordance with the provisions of the Trust Deed will all be closed from Monday, August 23, 2021 to Tuesday, August 24, 2021 (both days inclusive), in order to determine entitlements to the interim distribution. During such period, no transfer of Share Stapled Units will be effected. In order to qualify for the interim distribution, all transfers of Share Stapled Units accompanied by the relevant certificates in respect of the Share Stapled Units must be lodged with the Share Stapled Units Registrar, Computershare Hong Kong Investor Services Limited, Transfer Office, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration no later than 4:30 p.m. on Friday, August 20, 2021. Distribution warrants will be despatched to holders of Share Stapled Units on or around Thursday, September 2, 2021.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

During the six months ended June 30, 2021, none of the HKT Trust (including the Trustee-Manager), the Company or the Company's subsidiaries purchased, sold or redeemed any Share Stapled Units.

AUDIT COMMITTEE

The Trustee-Manager's Audit Committee and the Company's Audit Committee have reviewed the accounting policies adopted by the Group and the Trustee-Manager, the unaudited condensed consolidated interim financial information of the HKT Trust and HKT Limited for the six months ended June 30, 2021 and the unaudited condensed interim financial information of the Trustee-Manager for the same period. Such financial information of the HKT Trust and HKT Limited and of the Trustee-Manager has not been audited but has been reviewed by the independent auditor of the Trustee-Manager and the Company.

CORPORATE GOVERNANCE CODE

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

The HKT Trust and the Company have applied the principles, and complied with all relevant code provisions of the Corporate Governance Code (the "CG Code") in each case as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the six months ended June 30, 2021, save and except for the code provisions set out below. The requirement to establish a separate Remuneration Committee with written terms of reference for the Trustee-Manager under the code provision B.1.2 of the CG Code is not relevant to the Trustee-Manager as its directors are not entitled to any remuneration under the Trust Deed, and therefore has not been complied with. In addition, given the unique circumstances of the HKT Trust i.e., the fact that the Trust Deed requires that the directors of the Company and the directors of the Trustee-Manager must always be the same individuals, the establishment of a separate Nomination Committee for the Trustee-Manager as required by code provision A.5.1 of the CG Code is not relevant to the Trustee-Manager, and therefore has not been complied with.

CORPORATE GOVERNANCE CODE (CONTINUED)

Having regard to the mandatory global travel restrictions in connection with the COVID-19 pandemic, certain directors of the Trustee-Manager and the Company participated in the combined annual general meeting of unitholders of the HKT Trust and of shareholders of the Company on May 7, 2021 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 E.1.2 of the CG Code.

EXTENSION OF DURATION OF SHARE STAPLED UNITS AWARD SCHEMES

On October 11, 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”). Participants of the Share Stapled Units Award Schemes include any director or employee of the Company or any of its subsidiaries. The purposes of the Share Stapled Units Award Schemes are to incentivize 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.

The existing term of each of the Share Stapled Units Award Schemes is due to expire on October 10, 2021. In order to enable the Company to continue granting awards of Share Stapled Units under the Share Stapled Units Award Schemes, on August 5, 2021, the board of directors of the Company approved the extension of the duration of each of the Share Stapled Units Award Schemes for a period of 10 years from October 11, 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 October 11, 2021, expiring on October 10, 2031.

Save as disclosed above, all other terms and conditions of the Share Stapled Units Award Schemes will remain unchanged and shall continue in full force and effect after such extension. A summary of the principal terms of each of the Share Stapled Units Award Schemes is set forth in the prospectus of HKT Trust and the Company dated November 16, 2011.

The Share Stapled Units Award Schemes (as amended and restated) are not share option schemes under Chapter 17 of the Listing Rules and are discretionary schemes of the Company. No approval from the holders of Share Stapled Units is required for the alteration of the term of the Share Stapled Units Award Schemes as described above.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

This announcement is published on the websites of the Company (www.hkt.com/ir) and Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk). The 2021 interim report will be despatched to holders of Share Stapled Units and available on the above websites in due course.

By order of the boards of
HKT Management Limited
and
HKT Limited
Bernadette M. Lomas
Group General Counsel and Company Secretary

Hong Kong, August 5, 2021

CONSOLIDATED INCOME STATEMENT OF HKT TRUST AND OF HKT LIMITED

For the six months ended June 30, 2021

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

	Note(s)	2020 (Unaudited)	2021 (Unaudited)
Revenue	2	14,606	15,643
Cost of sales		(6,941)	(7,550)
General and administrative expenses		(4,608)	(5,127)
Other losses, net	3	(50)	–
Finance costs, net		(658)	(561)
Share of results of associates		(26)	(55)
Share of results of joint ventures		(4)	(8)
Profit before income tax	2, 4	2,319	2,342
Income tax	5	(414)	(434)
Profit for the period		<u>1,905</u>	<u>1,908</u>
Profit attributable to:			
Holders of Share Stapled Units/shares of the Company		1,898	1,900
Non-controlling interests		7	8
Profit for the period		<u>1,905</u>	<u>1,908</u>
Earnings per Share Stapled Unit/share of the Company	7		
Basic		<u>25.06 cents</u>	<u>25.09 cents</u>
Diluted		<u>25.06 cents</u>	<u>25.09 cents</u>

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

For the six months ended June 30, 2021

In HK\$ million	2020 (Unaudited)	2021 (Unaudited)
Profit for the period	1,905	1,908
Other comprehensive income/(loss)		
Items that have been reclassified or may be reclassified subsequently to consolidated income statement:		
Exchange differences on translating foreign operations	(67)	(24)
Reclassification of currency translation reserve on disposal of subsidiaries	(1)	–
Cash flow hedges:		
- effective portion of changes in fair value	(23)	(91)
- transfer from equity to consolidated income statement	84	21
Costs of hedging	(6)	(11)
Other comprehensive loss for the period	(13)	(105)
Total comprehensive income for the period	1,892	1,803
Attributable to:		
Holders of Share Stapled Units/shares of the Company	1,885	1,795
Non-controlling interests	7	8
Total comprehensive income for the period	1,892	1,803

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

As at June 30, 2021

In HK\$ million	Note	As at December 31, 2020 (Audited)	As at June 30, 2021 (Unaudited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		24,019	24,608
Right-of-use assets		2,430	2,106
Interests in leasehold land		202	196
Goodwill		49,816	49,813
Intangible assets		11,408	12,819
Fulfillment costs		1,418	1,455
Customer acquisition costs		670	732
Contract assets		354	291
Interests in associates		211	420
Interests in joint ventures		602	557
Financial assets at fair value through other comprehensive income		124	124
Financial assets at fair value through profit or loss		49	36
Derivative financial instruments		214	144
Deferred income tax assets		841	792
Other non-current assets		1,076	1,110
		93,434	95,203
Current assets			
Inventories		820	884
Prepayments, deposits and other current assets		2,209	2,269
Contract assets		657	639
Trade receivables, net	8	3,253	2,976
Amounts due from related companies		40	46
Financial assets at fair value through profit or loss		16	11
Tax recoverable		5	3
Restricted cash		107	105
Short-term deposits		538	468
Cash and cash equivalents		2,092	1,681
		9,737	9,082

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

As at June 30, 2021

In HK\$ million	Note	As at December 31, 2020 (Audited)	As at June 30, 2021 (Unaudited)
Current liabilities			
Short-term borrowings		(1,552)	(60)
Trade payables	9	(3,945)	(3,275)
Accruals and other payables		(4,084)	(3,591)
Derivative financial instruments		(24)	(3)
Carrier licence fee liabilities		(215)	(262)
Amount due to a fellow subsidiary		(1,585)	(2,834)
Amount due to a related company		(42)	(55)
Advances from customers		(247)	(251)
Contract liabilities		(1,423)	(1,422)
Lease liabilities		(1,251)	(1,107)
Current income tax liabilities		(1,001)	(1,409)
		(15,369)	(14,269)
Non-current liabilities			
Long-term borrowings		(40,719)	(43,059)
Derivative financial instruments		(128)	(196)
Deferred income tax liabilities		(4,253)	(4,448)
Carrier licence fee liabilities		(627)	(1,584)
Contract liabilities		(1,074)	(1,057)
Lease liabilities		(1,458)	(1,270)
Other long-term liabilities		(1,643)	(1,811)
		(49,902)	(53,425)
Net assets		37,900	36,591
CAPITAL AND RESERVES			
Share capital		8	8
Reserves		37,830	36,529
Equity attributable to holders of			
Share Stapled Units/shares of the Company		37,838	36,537
Non-controlling interests		62	54
Total equity		37,900	36,591

NOTES

1. BASIS OF PREPARATION AND PRESENTATION

The HKT Trust (the “HKT Trust”) is constituted by a Hong Kong law governed trust deed and as supplemented, amended or substituted from time to time (the “Trust Deed”), entered into between HKT Management Limited (the “Trustee-Manager”, in its capacity as the trustee-manager of the HKT Trust) and HKT Limited (the “Company”). In accordance with the Trust Deed, the HKT Trust and 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 June 30, 2021 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 June 30, 2021 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 June 30, 2021 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 December 31, 2020.

The HKT Trust and HKT Limited unaudited condensed consolidated interim financial information is presented in Hong Kong dollars, unless otherwise stated. The HKT Trust and HKT Limited unaudited condensed consolidated interim financial information was approved for issue on August 5, 2021.

1. BASIS OF PREPARATION AND PRESENTATION (CONTINUED)

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

The financial information of the Trustee-Manager relating to the year ended December 31, 2020 that is included in this interim results announcement as comparative information does not constitute the Trustee-Manager's statutory annual financial statements for that year but is derived from those financial statements. Further information relating to those statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

- The Trustee-Manager's financial statements combined with the HKT Trust and HKT Limited consolidated financial statements for the year ended December 31, 2020 have been delivered to the Registrar of Companies.
- The Trustee-Manager's auditor has reported on those financial statements of the Trustee-Manager. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Cap. 622).

As at June 30, 2021, the current liabilities of the Groups exceeded their current assets by HK\$5,187 million. Included in the current liabilities was current portion of contract liabilities of HK\$1,422 million recognized 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 the undrawn banking facilities totaling HK\$7,906 million as at June 30, 2021, management considers the Groups are able to meet their liabilities as and when they fall due within the next twelve-month period. Accordingly, this unaudited condensed consolidated interim financial information has been prepared on a going concern basis.

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

In preparing this unaudited condensed consolidated interim financial information, the significant judgements made by management in applying the Groups' accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended December 31, 2020.

1. BASIS OF PREPARATION AND PRESENTATION (CONTINUED)

The accounting policies, basis of presentation and methods of computation used in preparing the HKT Trust and HKT Limited unaudited condensed consolidated interim financial information are consistent with those followed in preparing the Groups' annual consolidated financial statements for the year ended December 31, 2020.

The Groups have not early adopted any new or amended Hong Kong Financial Reporting Standards and HKASs that are not yet effective for the current accounting period.

2. SEGMENT INFORMATION

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

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

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

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

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

2. SEGMENT INFORMATION (CONTINUED)

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

For the six months ended June 30, 2020

(In HK\$ million)

	TSS (Unaudited)	Mobile (Unaudited)	Other Businesses (Unaudited)	Eliminations (Unaudited)	Consolidated (Unaudited)
Revenue					
External revenue	10,045	4,408	153	–	14,606
Inter-segment revenue	341	135	2	(478)	–
Total revenue	10,386	4,543	155	(478)	14,606
External revenue from contracts with customers:					
Timing of revenue recognition					
At a point in time	899	898	75	–	1,872
Over time	9,111	3,510	78	–	12,699
External revenue from other sources:					
Rental income	35	–	–	–	35
	10,045	4,408	153	–	14,606
Results					
EBITDA	3,801	2,050	(305)	–	5,546

For the six months ended June 30, 2021

(In HK\$ million)

	TSS (Unaudited)	Mobile (Unaudited)	Pay TV (Unaudited)	Other Businesses (Unaudited)	Eliminations (Unaudited)	Consolidated (Unaudited)
Revenue						
External revenue	9,740	4,728	771	404	–	15,643
Inter-segment revenue	503	380	460	4	(1,347)	–
Total revenue	10,243	5,108	1,231	408	(1,347)	15,643
External revenue from contracts with customers:						
Timing of revenue recognition						
At a point in time	1,286	1,311	9	311	–	2,917
Over time	8,427	3,417	762	93	–	12,699
External revenue from other sources:						
Rental income	27	–	–	–	–	27
	9,740	4,728	771	404	–	15,643
Results						
EBITDA	3,824	2,072	212	(393)	–	5,715

2. SEGMENT INFORMATION (CONTINUED)

Commencing from January 1, 2021, the CODM assesses the business of The Club separately from the reportable segments other than “Other Businesses”, and revenue of other reportable segments generated through the e-commerce platform of The Club are included in the segment of “Other Businesses” together with the corresponding cost of sales. To conform with the current year’s presentation, relevant revenue of HK\$49 million is reclassified to “Other Businesses” for the six months ended June 30, 2020 with no impact on EBITDA.

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

In HK\$ million	Six months ended	
	June 30, 2020 (Unaudited)	June 30, 2021 (Unaudited)
Total segment EBITDA	5,546	5,715
Gain on disposal of property, plant and equipment, net	2	2
Depreciation and amortization	(2,491)	(2,751)
Other losses, net	(50)	–
Finance costs, net	(658)	(561)
Share of results of associates and joint ventures	(30)	(63)
Profit before income tax	2,319	2,342

3. OTHER LOSSES, NET

In HK\$ million	Six months ended	
	June 30, 2020 (Unaudited)	June 30, 2021 (Unaudited)
Loss on disposal of subsidiaries, net	(55)	–
Others	5	–
	<u>(50)</u>	<u>–</u>

4. PROFIT BEFORE INCOME TAX

Profit before income tax was stated after charging the following:

In HK\$ million	Six months ended	
	June 30, 2020 (Unaudited)	June 30, 2021 (Unaudited)
Cost of inventories sold	1,809	2,759
Cost of sales, excluding inventories sold	5,132	4,791
Depreciation of property, plant and equipment	578	604
Depreciation of right-of-use assets	707	726
Amortization of intangible assets	606	788
Amortization of fulfillment costs	240	190
Amortization of customer acquisition costs	354	437
Amortization of land lease premium – interests in leasehold land	6	6
Impairment loss for trade receivables	155	88
Finance costs on borrowings	613	542

5. INCOME TAX

In HK\$ million	Six months ended	
	June 30, 2020 (Unaudited)	June 30, 2021 (Unaudited)
Current income tax:		
Hong Kong profits tax	216	183
Overseas tax	11	6
Movement of deferred income tax	187	245
	<u>414</u>	<u>434</u>

Hong Kong profits tax is provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits for the period. Overseas tax is calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the respective jurisdictions.

6. DISTRIBUTIONS/DIVIDENDS

a. Distribution/dividend attributable to the interim period

In HK\$ million	Six months ended	
	June 30, 2020 (Unaudited)	June 30, 2021 (Unaudited)

Interim distribution/dividend declared after the end of the interim period of 30.70 HK cents (2020: 30.10 HK cents) per Share Stapled Unit/ordinary share of the Company	2,280	2,326
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At meetings held on August 5, 2021, the directors of the Trustee-Manager and the Company declared an interim distribution/dividend of 30.70 HK cents per Share Stapled Unit/ordinary share of the Company for the year ending December 31, 2021. This interim distribution/dividend is not reflected as a distribution/dividend payable in the HKT Trust and HKT Limited unaudited condensed consolidated interim financial information.

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

In HK\$ million	Six months ended	
	June 30, 2020 (Unaudited)	June 30, 2021 (Unaudited)

Final distribution/dividend declared in respect of the previous financial year, approved and paid during the interim period of 40.97 HK cents (2020: 40.37 HK cents) per Share Stapled Unit/ordinary share of the Company	3,058	3,104
Less: distribution/dividend for Share Stapled Units/ordinary shares of the Company held by the Company's Share Stapled Units award schemes	(1)	(1)
	3,057	3,103

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	
	June 30, 2020 (Unaudited)	June 30, 2021 (Unaudited)
Earnings (in HK\$ million)		
Earnings for the purpose of basic and diluted earnings per Share Stapled Unit/share of the Company	1,898	1,900
Number of Share Stapled Units/shares of the Company		
Weighted average number of Share Stapled Units/ordinary shares of the Company	7,574,093,982	7,575,742,334
Effect of Share Stapled Units held under the Company's Share Stapled Units award schemes	(601,842)	(3,232,874)
Weighted average number of Share Stapled Units/ordinary shares of the Company for the purpose of basic earnings per Share Stapled Unit/share of the Company	7,573,492,140	7,572,509,460
Effect of Share Stapled Units awarded under the Company's Share Stapled Units award schemes	1,441,810	1,316,589
Weighted average number of Share Stapled Units/ordinary shares of the Company for the purpose of diluted earnings per Share Stapled Unit/share of the Company	7,574,933,950	7,573,826,049

8. TRADE RECEIVABLES, NET

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

In HK\$ million	As at December 31, 2020 (Audited)	As at June 30, 2021 (Unaudited)
1 – 30 days	2,043	1,886
31 – 60 days	455	331
61 – 90 days	274	151
91 – 120 days	106	79
Over 120 days	570	706
	3,448	3,153
Less: loss allowance	(195)	(177)
Trade receivables, net	3,253	2,976

8. TRADE RECEIVABLES, NET (CONTINUED)

As at June 30, 2021, included in trade receivables, net were amounts due from related parties of HK\$28 million (as at December 31, 2020: HK\$21 million).

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

9. TRADE PAYABLES

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

In HK\$ million	As at December 31, 2020 (Audited)	As at June 30, 2021 (Unaudited)
1 – 30 days	1,708	1,546
31 – 60 days	906	433
61 – 90 days	548	487
91 – 120 days	268	135
Over 120 days	515	674
	<u>3,945</u>	<u>3,275</u>

As at June 30, 2021, included in trade payables were amounts due to related parties of HK\$12 million (as at December 31, 2020: HK\$28 million).

**INCOME STATEMENT OF
HKT MANAGEMENT LIMITED**
For the six months ended June 30, 2021

In HK\$'000	2020 (Unaudited)	2021 (Unaudited)
Management fee income	28	26
General and administrative expenses	(28)	(26)
Result before income tax	–	–
Income tax	–	–
Result for the period	–	–

**STATEMENT OF COMPREHENSIVE INCOME OF
HKT MANAGEMENT LIMITED**
For the six months ended June 30, 2021

In HK\$'000	2020 (Unaudited)	2021 (Unaudited)
Result for the period	–	–
Other comprehensive income	–	–
Total comprehensive income for the period	–	–

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

As at June 30, 2021

In HK\$'000	As at December 31, 2020 (Audited)	As at June 30, 2021 (Unaudited)
ASSET AND LIABILITIES		
Current asset		
Amount due from a fellow subsidiary	438	464
	438	464
Current liabilities		
Accruals and other payables	(52)	(78)
Amounts due to fellow subsidiaries	(386)	(386)
	(438)	(464)
Net assets	—	—
CAPITAL AND RESERVES		
Share capital	—	—
Reserves	—	—
Total equity	—	—

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

Executive Directors:

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

Non-Executive Directors:

Peter Anthony Allen; Chung Cho Yee, Mico; Li Fushen; Zhu Keping and Srinivas Bangalore Gangaiah (aka BG Srinivas)

Independent Non-Executive Directors:

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

Forward-Looking Statements

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