

HKT[®]

Interim Report 2021

Stock Code: 6823



a **PCCW** Group member

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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, media entertainment, enterprise solutions and other telecommunications businesses such as customer premises equipment sales, outsourcing, consulting and contact centers.

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 fiber 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 program, eCommerce, travel, insurance, FinTech and HealthTech services. The ecosystem deepens HKT's relationship with its customers thereby enhancing customer retention and engagement.

Employing over 15,900 staff, 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

Amid the gradually improving operating environment, HKT continued to record solid results and resumed a healthy growth in AFF (adjusted funds flow) for the six months ended June 30, 2021.

Under the new normal where social distancing was still observed, demand for connectivity from both individuals and businesses showed no sign of waning in the first half. Our reliable fiber broadband services continued to draw new users during the period and our Smart Living business also achieved greater uptake by customers.

On mobile, continued customer migration to 5G drove ARPU uplift and total service revenue, more than offsetting the impact on our roaming revenue due to travel lockdowns. Our 5G customer base has breached the half-a-million milestone, representing 16% of our postpaid customers. Handset sales also increased notably as more customers took to our digital platforms for the latest devices amid improved consumer sentiment. During the first half, HKT became the first and only operator to provide 5G coverage on the entire MTR system, including the new Tuen Ma Line, with dedicated 5G spectrum.

Continuous efforts are also being made to unlock opportunities in 5G and emerging technologies in healthcare, properties, and other verticals for enterprises and the public sector in Hong Kong, as well as other parts of the Greater Bay Area.

The Now TV business received a boost in both its audience reach and advertising sales with our exclusive rights to UEFA EURO 2020™. This summer, we are broadcasting the Tokyo 2020 Olympics in support of Hong Kong athletes.

We have expedited the development of our digital businesses under the new normal. In April, Tap & Go was appointed as one of the stored value facility operators to implement the Government's consumption voucher scheme to help revive the economy and promote electronic payments. Consumer and merchant sign-ups for Tap & Go have since risen significantly.

Leveraging our loyalty and e-commerce platform The Club, a wellness app was launched to enhance cross-selling of health insurance products. During the first half, telemedicine platform DrGo widened its scope of services to include specialist consultations and management of chronic diseases, which require regular follow-ups.

Despite the emergence of COVID mutant strains, as the vaccination rate in Hong Kong improves steadily, the local economic rebound appears to be on track. Mindful of the uncertainties at play including the prospect of the reopening of the mainland China-Hong Kong border, HKT will continue to focus on bringing superb quadplay and other innovative products and services to consumers and businesses. We are committed to facilitating the public's adoption of the digital lifestyle and Hong Kong's ongoing transformation into a smart city. In doing so, we believe we can further grow the business and generate steady returns for shareholders.



Richard Li
Chairman
August 5, 2021

STATEMENT FROM THE GROUP MANAGING DIRECTOR

Renewed optimism and continued caution prevailed as we progressed through the first half of 2021. While the number of local infection cases subsided and many businesses reopened their doors for customers, the emergence of new COVID-19 variants remained a cause for concern. As Hong Kong's premier telecommunications service provider and a leading innovator, HKT continued to deliver reliable services and groundbreaking products to the people of Hong Kong in this challenging albeit gradually improving environment.

Against this backdrop, HKT registered solid results for the first half and our AFF (adjusted funds flow) resumed a healthy growth. These results are attributed to the hard work and commitment of our staff, the trust that customers continue to place in our quadplay and enterprise services, and our burgeoning new digital businesses.

Unrivaled fiber connectivity

While the majority of workplaces and schools have reopened, many people have grown accustomed to accessing shops, education, work, and play from home under the new normal. Our fixed-broadband traffic continued to rise in the first half, reflecting customers' reliance on our dependable network and appreciation of our quality customer and technical services. These factors supported net gains in access lines across our HKT Premier, NETVIGATOR, and LIKE100 services, which target different customer segments. NETVIGATOR, in particular, celebrated its 25th anniversary on April 18 with a host of offers to reward customers and drive subscriptions. In parallel with the line gains, more people are using our Smart Living services, and increased home Wi-Fi router rentals provided a notable ARPU uplift for the broadband business. On the B2B (business-to-business) front, we have been pre-installing Smart Living solutions in new residential buildings for property developers responding to demand for connected homes.

In support of the Government's policy initiative to provide high-speed broadband services for those residing in remote villages, HKT has built fiber at 12 such villages in Sai Kung as part of the contracts awarded to us last year, with more installations scheduled in the coming months.

5G everywhere you go

Since switching on 5G for public use in April last year, HKT has been working tirelessly to enhance the network coverage and user experience. In addition to our comprehensive outdoor coverage, commuters on the MTR can now access our 5G services along all lines including the newly completed Tuen Ma Line. HKT is the only operator covering the entire MTR system with the deployment of dedicated 5G spectrum.

Furthermore, we have extended the coverage to some of the most popular hiking trails and remote scenic spots to cater to the increased need for connectivity. Our ubiquitous network coverage, together with a wider selection of 5G mobile handsets from budget to premium, is fueling customer uptake. Our 5G subscriptions surpassed the 500,000 mark as of the end of July, representing 16% of our entire postpaid customer base. Continued 5G migration drove ARPU uplift and total service revenue, more than compensating for the impact of travel restrictions on our roaming revenue. Nevertheless, we look forward to the resumption of travel in the near future, which would reinvigorate our roaming business.

Also driving 5G adoption is our portfolio of value-added services in entertainment, gaming, and shopping. The csl. 5G Lens app has been drawing foot traffic to our merchant partners by bringing dining and shopping offers to users, which reached more than 150,000 at the end of June. The merchant ecosystem has also continued to expand across various segments such as beauty, fashion, and food and beverage.

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.

Transforming enterprises and the city through tech

By harnessing the power of 5G and emerging technologies, HKT has been helping enterprises across industries manage their transformation. HKT Enterprise Solutions has recently completed the provision of an advanced, software-defined managed network solution, complete with value-added services, for a Hong Kong-based retail chain's thousands of outlets across China. The project paves the way for us to extend similar solutions to businesses which look to expansion in the mainland, especially the Greater Bay Area.

We have also equipped residential, commercial, and industrial buildings as well as shopping malls with both 5G infrastructure and applications. We have empowered two of the city's business hubs in Admiralty and Quarry Bay with indoor and outdoor 5G connectivity. In the healthcare industry, 5G and emerging technologies enable doctors and patients to stay more connected than ever. HKT is helping several local hospitals build 5G infrastructure and smart hospital applications such as remote consultation and training, as well as Internet of Medical Things and robotics.

One-stop media entertainment platforms

Now TV demonstrated improved profitability in the first half, benefiting from the exclusive broadcast of the highly anticipated UEFA EURO 2020™ this summer. The online platform Now E offered day and event passes to provide greater flexibility for football fans. By inviting members of the hugely popular boy group MIRROR to act as our EURO 2020 ambassadors, we also succeeded in reaching out to more non-football fans. As a result, Now TV enjoyed significant growth in advertising revenue.

Adding to our football lineup, we have acquired broadcasting rights to UEFA Champions League, UEFA Europa League, UEFA Europa Conference League, and UEFA Youth League for three years, commencing this September. Tokyo 2020 Olympics is another eagerly awaited global sporting event and we are delighted to get behind Hong Kong athletes at the Games by providing viewers with extensive coverage on our multiple platforms.

Apart from sports, Now TV has introduced new content in the genres of Western dramas, kids and family entertainment, Asian classics, and lifestyle and travel to satisfy a full spectrum of viewing tastes and preferences. With social distancing restrictions still in place, the new Watch Party feature – first introduced for EURO 2020 – greatly enhances the viewing experience by allowing users to watch content together virtually.

Truly global coverage

A world leader in communications, PCCW Global meets the international connectivity needs of global wholesale and enterprise customers with an extensive and resilient network infrastructure covering more than 3,000 cities and 160 countries. In the first half, we continued to engage in network projects to meet growing demand over important data routes.

PCCW Global's Console Connect Software Defined Interconnection platform affords users on-demand access to cloud services and applications. New collaborations were forged with services and solutions providers in the first half and the platform now provides direct access to more than 450 data centers in over 50 countries.

Exhilarating digital experiences

As one of four stored value facility operators chosen by the Government in April to deliver consumption vouchers to the public to help revive the economy, Tap & Go has introduced exciting rewards for shoppers and fee deductions and waivers for merchants. The service has attracted a large number of new users since April, lifting the total number of accounts to 3.5 million, while merchants' registrations for our Smart POS have also soared. HKT is committed to promoting the development of electronic payments.

As HKT's first major venture in HealthTech, the telemedicine platform DrGo began with the provision of general practitioner services last year. Since then, the scope of services has been expanded to encompass an innovative hybrid hypertension care program for the management of chronic diseases and specialist consultations for mental health issues, both of which require ongoing professional follow-up and support. The number of registered users has exceeded 200,000 with sustained momentum.

DrGo has integrated different aspects of healthcare services including hospitals, doctors, patients, and insurance companies. An online DrGo Health Store was launched in June, offering products and services that range from allergy tests to zoster vaccination.

Also in June, HKT's loyalty program The Club made a move to harness further opportunities in the digital economy with the launch of Club Insurance – a direct-to-consumer online insurance platform – in partnership with a leading insurance provider. Customers will find a range of protection products under categories such as gadgets and appliances, health, and travel. In support of this, a new Club Wellbeing app has also been launched to reward members for leading a more active lifestyle.

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 shareholders.



Susanna Hui

Group Managing Director
August 5, 2021

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

LI Tzar Kai, Richard

Executive Chairman

Mr. Li, aged 54, 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 56, 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 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 Group Chief Financial Officer and Executive Director of PCCW Limited (PCCW), a member of PCCW's Executive Committee, and an Executive Director of Pacific Century Premium Developments Limited (PCPD).

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 22 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 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.

NON-EXECUTIVE DIRECTORS

Peter Anthony ALLEN

Non-Executive Director

Mr. Allen, aged 66, 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 60, 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.

LI Fushen

Non-Executive Director

Mr. Li, aged 58, was appointed a Non-Executive Director of HKT Limited (HKT) and HKT Management Limited, the trustee-manager of the HKT Trust, in November 2011. He is a member of HKT's Remuneration Committee, Nomination Committee and Executive Committee. Mr. Li became a Non-Executive Director of PCCW Limited (PCCW) in July 2007 and the Deputy Chairman of the board of directors of PCCW in September 2018. He is a member of PCCW's Executive Committee.

Mr. Li is currently an outside director of China Energy Conservation and Environmental Protection Group, and was previously an Executive Director of China Unicom (Hong Kong) Limited (Unicom HK) and a Director of China United Network Communications Group Company Limited (Unicom), China United Network Communications Limited (Unicom A-Share) and China United Network Communications Corporation Limited.

He also served as Deputy General Manager of the former Jilin Provincial Telecommunications Company and Jilin Communications Company, General Manager of the Finance Department and Chief Accountant of China Network Communications Group Corporation, Chief Financial Officer, Executive Director and Joint Company Secretary of China Netcom Group Corporation (Hong Kong) Limited, Vice President and Chief Accountant of Unicom, Senior Vice President of Unicom A-Share, and Senior Vice President and Chief Financial Officer of Unicom HK.

Mr. Li graduated from the Australian National University with a master's degree in management in 2004, and from the Jilin Engineering Institute with a degree in engineering management in 1988. Mr. Li has worked in the telecommunications industry for a long period of time and has extensive management experience.

ZHU Kebing

Non-Executive Director

Mr. Zhu, aged 46, was appointed a Non-Executive Director of HKT Limited (HKT) and HKT Management Limited, the trustee-manager of the HKT Trust, in September 2018. He is a member of HKT's Regulatory Compliance Committee. Mr. Zhu is also a Non-Executive Director of PCCW Limited (PCCW) and a member of the Nomination Committee of the board of directors of PCCW.

Mr. Zhu is currently a Senior Vice President of China Minmetals Corporation, and was previously an Executive Director and Chief Financial Officer of China Unicom (Hong Kong) Limited, the Chief Accountant of China United Network Communications Group Company Limited, the Chief Financial Officer and Board Secretary of China United Network Communications Limited, and a Director and the Chief Financial Officer of China United Network Communications Corporation Limited.

Mr. Zhu previously also worked as Deputy Head of the Financial Department, General Manager, Budgeting Controller and Asset Management Controller of the Operation and Financial Department of Baosteel Group Co., Ltd., Chief Financial Officer, Board Secretary and Supervisor of Baoshan Iron and Steel Co., Ltd., General Manager of the Industry Finance Development Center of China Baowu Steel Group Corporation Limited, Director of Shanghai Baosight Software Co., Ltd., Non-Executive director of China Pacific Insurance (Group) Co., Ltd., General Manager of Hwabao Investment Co., Ltd.,

Director of Sailing Capital International Investment Fund (Shanghai) Co., Ltd., Director of Sailing Capital Management Co., Ltd., Director of Siyuanhe Equity Investment Management Co., Ltd. and Vice President of PE Association of Shanghai etc.

Mr. Zhu is a Senior Accountant graduated from Northeastern University in 1997 and he received a Professional Accountancy master's degree from Chinese University of Hong Kong in 2011. Mr. Zhu has extensive experience in corporate finance and investment management.

Srinivas Bangalore GANGAIAH
(aka BG Srinivas)

Non-Executive Director

Mr. Srinivas, aged 60, was appointed a Non-Executive Director of HKT Limited (HKT) and HKT Management Limited (Trustee-Manager), the trustee-manager of the HKT Trust, in August 2014. He is an Executive Director and Group Managing Director of PCCW Limited (PCCW) since July 2014. He is also a member of PCCW's Executive Committee. He is also an Alternate Director of certain FWD group companies controlled by Mr. Li Tzar Kai, Richard, the Executive Chairman of HKT and the Trustee-Manager.

As part of the PCCW Group's responsibility, Mr. Srinivas is focused to ensure the PCCW Group maintains its leadership position in all its portfolio of business in Hong Kong while crafting strategies to expand each line of business. He has over 30 years of experience and has assisted enterprises in leveraging technology to transform businesses. Prior to joining PCCW, Mr. Srinivas had worked for the previous 15 years with Infosys Group, where his last role was the President and Whole-time Director of Infosys Limited. He played distinct role in crafting strategies and driving growth across several industry sectors for Infosys. Prior to that, Mr. Srinivas worked for 14 years with Asea Brown Boveri Group, where he held several leadership positions in process automation and power transmission divisions.

Mr. Srinivas has been on the panel of judges for the European Business Awards (EBA) for three consecutive years and is a frequent speaker at World Economic Forum, and academic institutions such as INSEAD and Yale University.

Mr. Srinivas holds a degree in mechanical engineering from Bangalore University, India, and has participated in executive programs at Wharton Business School, US, and Indian Institute of Management Ahmedabad (IIMA), India.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Professor CHANG Hsin Kang,

FREng, GBS, JP

Independent Non-Executive Director

Professor Chang, aged 81, 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 Beijing Foreign Studies University in 2005, an Honorary Professor of Peking University in 2006, an Honorary Professor of Tsinghua University in September 2007, and the Honorary President of China Institute of Our Hong Kong Foundation in 2017. 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 77, 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, specializing 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, organizational strengthening, efficiency improvement, process re-engineering and business systems.

He is experienced in a cross-section of industries including financial services, information technology, energy, fertilizers and steel. He had previously conducted several large assignments for public sector organizations, 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 74, 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 Godrej Consumer Products Limited, Wockhardt Limited and Tata Steel 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 and Vedanta 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 59, 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, The Open University of Hong Kong 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 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.

MANAGEMENT REVIEW (CONTINUED)

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 2020™ 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.

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.

Telecommunications Services (CONTINUED)

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	4,543	5,823	5,108	12%
Mobile EBITDA¹				
Mobile Services	2,057	2,639	2,058	–
Mobile Product Sales	(7)	58	14	NA
Total Mobile EBITDA¹	2,050	2,697	2,072	1%
Mobile EBITDA¹ margin	45%	46%	41%	
<i>Mobile Services EBITDA¹ margin</i>	58%	63%	58%	

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.

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	3	14,606	15,643
Cost of sales		(6,941)	(7,550)
General and administrative expenses		(4,608)	(5,127)
Other losses, net	4	(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	3, 5	2,319	2,342
Income tax	6	(414)	(434)
Profit for the period		1,905	1,908
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		1,905	1,908
Earnings per Share Stapled Unit/share of the Company	8		
Basic		25.06 cents	25.09 cents
Diluted		25.06 cents	25.09 cents

The notes on pages 30 to 44 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 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

The notes on pages 30 to 44 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 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	9	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
Current liabilities			
Short-term borrowings		(1,552)	(60)
Trade payables	10	(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)

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)
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	11(a)	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

The notes on pages 30 to 44 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 June 30, 2021

In HK\$ million	2020 (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		
At January 1, 2020	8	7,769	26,250	(347)	(16)	16	118	438	(158)	26	3,808	37,912	58	37,970
Total comprehensive income/(loss) for the period														
Profit for the period	-	-	-	-	-	-	-	-	-	-	1,898	1,898	7	1,905
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)	-	-	-	-	(67)	-	(67)
Reclassification of currency translation reserve on disposal of subsidiaries	-	-	-	-	-	-	(1)	-	-	-	-	(1)	-	(1)
Cash flow hedges:														
- effective portion of changes in fair value	-	-	-	-	-	-	-	(23)	-	-	-	(23)	-	(23)
- transfer from equity to consolidated income statement	-	-	-	-	-	-	-	83	1	-	-	84	-	84
Costs of hedging	-	-	-	-	-	-	-	-	(6)	-	-	(6)	-	(6)
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	(68)	60	(5)	-	1,898	1,885	7	1,892
Transactions with equity holders														
Issue of Share Stapled Units/shares of the Company under the Share Stapled Units Subscription Scheme (note 11(a)(ii))	-*	48	-	-	-	-	-	-	-	-	-	48	-	48
Purchase/subSCRIPTION of Share Stapled Units under the Share Stapled Units Award Schemes	-	-	-	-	(50)	-	-	-	-	-	-	(50)	-	(50)
Receipt of PCCW Shares under the PCCW Subscription Scheme	-	-	-	-	-	-	-	-	-	32	-	32	-	32
Employee share-based compensation	-	-	-	-	-	10	-	-	-	-	-	10	-	10
Vesting of Share Stapled Units under the Share Stapled Units Award Schemes	-	-	-	-	22	(18)	-	-	-	-	(4)	-	-	-
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 7(b))	-	-	-	-	-	-	-	-	-	-	(3,057)	(3,057)	-	(3,057)
Dividends declared and paid to non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(11)	(11)
Total contributions by and distributions to equity holders	-	48	-	-	(28)	(9)	-	-	-	32	(3,061)	(3,018)	(11)	(3,029)
Reclassification of other reserve on disposal of subsidiaries	-	-	-	-	-	-	-	-	-	30	(30)	-	-	-
Total transactions with equity holders	-	48	-	-	(28)	(9)	-	-	-	62	(3,091)	(3,018)	(11)	(3,029)
At June 30, 2020	8	7,817	26,250	(347)	(44)	7	50	498	(163)	88	2,615	36,779	54	36,833

* Amount of HK\$4,000.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF HKT TRUST AND OF HKT LIMITED (CONTINUED)

For the six months ended June 30, 2021

In HK\$ million	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			
At January 1, 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 income/(loss)															
Items that have been reclassified or may be reclassified subsequently to consolidated income statement:															
Exchange differences on translating foreign operations	-	-	-	-	-	-	(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 (note 7(b))	-	-	-	-	-	-	-	-	-	-	(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)	
At June 30, 2021	8	7,817	26,250	(347)	(28)	6	176	5	25	88	2,537	36,537	54	36,591	

The notes on pages 30 to 44 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 June 30, 2021

In HK\$ million	2020 (Unaudited)	2021 (Unaudited)
Net cash generated from operating activities	4,624	4,593
Investing activities		
Investments in associates	–	(264)
Other investing activities	(2,162)	(2,214)
Net cash used in investing activities	(2,162)	(2,478)
Financing activities		
New borrowings raised	9,548	7,932
Other financing activities (including repayments of borrowings)	(12,598)	(10,463)
Net cash used in financing activities	(3,050)	(2,531)
Net decrease in cash and cash equivalents	(588)	(416)
Exchange differences	(6)	5
Cash and cash equivalents at January 1,	2,417	2,092
Cash and cash equivalents at June 30,	1,823	1,681
Analysis of cash and cash equivalents:		
Total cash and bank balances	2,437	2,254
Less: short-term deposits	(508)	(468)
Less: restricted cash	(106)	(105)
Cash and cash equivalents at June 30,	1,823	1,681

The notes on pages 30 to 44 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.

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.

1 BASIS OF PREPARATION AND PRESENTATION (CONTINUED)

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.

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.

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.

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.

For the six months ended June 30, 2021

2 STATEMENT OF FINANCIAL POSITION OF THE COMPANY

In HK\$ million	Note	As at December 31, 2020 (Audited)	As at June 30, 2021 (Unaudited)
ASSETS AND LIABILITIES			
Non-current assets			
Interests in subsidiaries		30,517	30,781
		30,517	30,781
Current assets			
Prepayments and deposits		4	5
Amounts due from subsidiaries		5,074	4,814
Tax recoverable		4	3
		5,082	4,822
Current liabilities			
Accruals and other payables		(3)	(3)
Amounts due to subsidiaries		(158)	(158)
		(161)	(161)
Net assets		35,438	35,442
CAPITAL AND RESERVES			
Share capital	11(a)	8	8
Reserves	11(b)	35,430	35,434
Total equity		35,438	35,442

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, 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.

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

In HK\$ million	TSS	Six months ended June 30, 2020 (Unaudited)			Consolidated
		Mobile	Other Businesses	Eliminations	
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

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 June 30, 2021 (Unaudited)					Consolidated
	TSS	Mobile	Pay TV	Other Businesses	Eliminations	
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

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)	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

4 OTHER LOSSES, NET

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

5 PROFIT BEFORE INCOME TAX

Profit before income tax was stated after charging the following:

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

6 INCOME TAX

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

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.

For the six months ended June 30, 2021

7 DISTRIBUTIONS/DIVIDENDS

a. Distribution/dividend attributable to the interim period

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

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)	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 Share Stapled Units Award Schemes	(1)	(1)
	3,057	3,103

8 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)	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 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 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

9 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)	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

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.

10 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)	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
	3,945	3,275

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).

For the six months ended June 30, 2021

11 EQUITY OF HKT LIMITED
a. Share capital of HKT Limited

	Six months ended June 30,			
	2020	2021		
	Number of shares (Unaudited)	Nominal value (Unaudited) HK\$	Number of shares (Unaudited)	Nominal value (Unaudited) HK\$
Authorized:				
Ordinary shares of HK\$0.0005 each				
Balances as at January 1, and June 30,	20,000,000,000	10,000,000	20,000,000,000	10,000,000
Preference shares of HK\$0.0005 each				
Balances as at January 1, and June 30,	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 January 1,	7,571,742,334	3,785,871	7,575,742,334	3,787,871
Issued during the period (<i>note (i)</i>)	4,000,000	2,000	–	–
Balances as at June 30,	7,575,742,334	3,787,871	7,575,742,334	3,787,871
Preference shares of HK\$0.0005 each				
Balances as at January 1,	7,571,742,334	3,785,871	7,575,742,334	3,787,871
Issued during the period (<i>note (i)</i>)	4,000,000	2,000	–	–
Balances as at June 30,	7,575,742,334	3,787,871	7,575,742,334	3,787,871

- (i) During the six months ended June 30, 2020, 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\$48 million in total.

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

In HK\$ million	Six months ended June 30, 2020 (Unaudited)		
	Share premium	Retained profits	Total
At January 1, 2020	35,113	375	35,488
Total comprehensive income for the period	–	3,113	3,113
Issue of shares (<i>note 11(a)(i)</i>)	48	–	48
Dividend paid in respect of the previous year	–	(3,058)	(3,058)
At June 30, 2020	35,161	430	35,591

11 EQUITY OF HKT LIMITED (CONTINUED)

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

In HK\$ million	Six months ended June 30, 2021 (Unaudited)		
	Share premium	Retained profits	Total
At January 1, 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)
At June 30, 2021	35,161	273	35,434

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 Stapled Units Purchase Scheme and the HKT Share Stapled Units Subscription Scheme (collectively the “Share Stapled Units Award Schemes”), PCCW and the Company have awarded a number of shares of PCCW (the “PCCW Shares”) and Share Stapled 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 Stapled Units Award Schemes) during the six months ended June 30, 2021.

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

	Six months ended June 30, 2020 (Unaudited)	
	Number of PCCW Shares	Number of Share Stapled Units
As at January 1, 2020	2,878,573	1,227,922
Purchases from the market by the trustee at weighted average market price of HK\$4.72 per PCCW Share/HK\$12.20 per Share Stapled Unit	542,000	200,000
PCCW Shares obtained under the PCCW Subscription Scheme	7,500,000	–
New Share Stapled Units jointly issued by the HKT Trust and the Company at issue price of HK\$11.86 per Share Stapled Unit	–	4,000,000
PCCW Shares/Share Stapled Units vested	(3,835,132)	(1,740,677)
As at June 30, 2020	7,085,441	3,687,245

	Six months ended June 30, 2021 (Unaudited)	
	Number of PCCW Shares	Number of Share Stapled Units
As at January 1, 2021	7,085,158	3,851,136
Purchases from the market by the trustee at weighted average market price of HK\$4.39 per PCCW Share	528,000	–
PCCW Shares/Share Stapled Units vested	(3,808,635)	(1,482,222)
As at June 30, 2021	3,804,523	2,368,914

For the six months ended June 30, 2021

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 June 30, 2021 at the dates of award were HK\$4.53 (2020: HK\$4.64) per PCCW Share and HK\$11.06 (2020: HK\$11.88) 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**

In HK\$ million	As at	
	December 31, 2020 (Audited)	June 30, 2021 (Unaudited)
Authorized and contracted for	997	1,227

Included in the capital commitments were commitments of HK\$1,128 million and HK\$828 million for the acquisition of property, plant and equipment as at June 30, 2021 and December 31, 2020 respectively.

Additions of property, plant and equipment were HK\$1,209 million and HK\$1,198 million for the six months ended June 30, 2021 and 2020 respectively.

b. Others

In HK\$ million	As at	
	December 31, 2020 (Audited)	June 30, 2021 (Unaudited)
Purchase of rights to broadcast certain TV content	1,547	1,009
Operating expenditure commitments	3,455	2,403
	5,002	3,412

14 CONTINGENT LIABILITIES

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

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.

15 RELATED PARTY TRANSACTIONS

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

In HK\$ million	Note	Six months ended June 30,	
		2020 (Unaudited)	2021 (Unaudited)
Telecommunications service fees and data center service fees received or receivable from a substantial shareholder of PCCW	a	36	57
Telecommunications service fees and data center service fees paid or payable to a substantial shareholder of PCCW	a	41	52
Telecommunications service fees and interest income received or receivable from joint ventures	a	18	16
Telecommunications service fees, equipment purchase costs, outsourcing fees, rental charges and interest expense paid or payable to joint ventures	a	137	123
Telecommunications service fees, connectivity service fees, interest income, contact center service charges, equipment sales and other costs recharge received or receivable from associates	a	11	11
Telecommunications service fees, data center 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	20	22
Insurance premium paid or payable to related parties under a common holder of Share Stapled Units/shareholder with the Company	a	–	37
Telecommunications service fees, connectivity service fees, management fee, equipment sales, content provision fees and other costs recharge received or receivable from fellow subsidiaries	a	712	791
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	1,050	624
Key management compensation	b	17	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 June 30,	
	2020 (Unaudited)	2021 (Unaudited)
Salaries and other short-term employee benefits	14	16
Share-based compensation	3	3
	17	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 December 31, 2020. There have been no material changes in the financial management policies and practices since December 31, 2020.

b. Estimation of fair values

Financial instruments carried at fair value are analyzed 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 maximize 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 December 31, 2020			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)	–	–	31	31
– Listed securities (non-current)	18	–	–	18
– Listed securities (current)	16	–	–	16
Derivative financial instruments				
– Non-current	–	214	–	214
Total assets	34	214	155	403
Liabilities				
Derivative financial instruments				
– Current	–	(24)	–	(24)
– Non-current	–	(128)	–	(128)
Total liabilities	–	(152)	–	(152)

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 June 30, 2021 (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)	–	–	31	31
– Listed securities (non-current)	5	–	–	5
– Listed securities (current)	11	–	–	11
Derivative financial instruments				
– Non-current	–	144	–	144
Total assets	16	144	155	315
Liabilities				
Derivative financial instruments				
– Current	–	(3)	–	(3)
– Non-current	–	(196)	–	(196)
Total liabilities	–	(199)	–	(199)

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, interest rate swap contracts 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 June 30, 2020 and 2021.

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 June 30, 2020 and 2021.

There were no material changes in valuation techniques during the six months ended June 30, 2020 and 2021.

For the six months ended June 30, 2021

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 amortized cost

All financial instruments were carried at amounts not materially different from their fair values as at December 31, 2020 and June 30, 2021 except as follows:

In HK\$ million	As at December 31, 2020		As at June 30, 2021	
	Carrying amount (Audited)	Fair value (Audited)	Carrying amount (Unaudited)	Fair value (Unaudited)
Long-term borrowings	40,719	42,155	43,059	44,332

The fair values of 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 June 30, 2021

In HK\$'000	Note	2020 (Unaudited)	2021 (Unaudited)
Management fee income		28	26
General and administrative expenses		(28)	(26)
Result before income tax	2	–	–
Income tax	3	–	–
Result for the period		–	–

The notes on pages 50 to 51 form an integral part of this unaudited condensed interim financial information.

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	–	–

The notes on pages 50 to 51 form an integral part of this unaudited condensed interim financial information.

STATEMENT OF FINANCIAL POSITION OF HKT MANAGEMENT LIMITED

As at June 30, 2021

In HK\$'000	Note	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	4	–	–
Reserves		–	–
Total equity		–	–

The notes on pages 50 to 51 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 June 30, 2021

In HK\$'000	2020 (Unaudited)		
	Share capital	Retained profits	Total
At January 1, 2020	–	–	–
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	–	–	–
At June 30, 2020	–	–	–

In HK\$'000	2021 (Unaudited)		
	Share capital	Retained profits	Total
At January 1, 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	–	–	–
At June 30, 2021	–	–	–

The notes on pages 50 to 51 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 June 30, 2021

In HK\$'000	2020 (Unaudited)	2021 (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 at January 1,	–	–
Cash and cash equivalents at June 30,	–	–

The notes on pages 50 to 51 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 June 30, 2021

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 December 31, 2020.

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 August 5, 2021.

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 December 31, 2020 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 December 31, 2020 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 December 31, 2020.

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 December 31, 2020.

The Company has 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 RESULT BEFORE INCOME TAX

Result before income tax was stated after charging the following:

In HK\$'000	Six months ended June 30,	
	2020 (Unaudited)	2021 (Unaudited)
Auditor's remuneration	28	26

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 June 30, 2020 and 2021.

4 SHARE CAPITAL

	Number of share (Unaudited)	Share capital (Unaudited) HK\$
Issued and fully paid: Ordinary share of no par value Balances as at January 1, 2020, June 30, 2020, January 1, 2021 and June 30, 2021	1	1

5 RELATED PARTY TRANSACTION

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

In HK\$'000	Six months ended June 30,	
	2020 (Unaudited)	2021 (Unaudited)
Management fee receivable from a fellow subsidiary	28	26

- 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 June 30, 2020 and 2021.

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 June 30, 2021, the directors of HKT Limited (the "Company") and the directors of HKT Management Limited (the "Trustee-Manager", in its capacity as the trustee-manager of the HKT Trust) (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 Stapled 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 Stapled Units held by the Directors and the Chief Executives:

Name of Director/Chief Executive	Personal interests	Number of Share Stapled Units held			Total	Approximate percentage of the total number of Share Stapled 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	4,344,539	–	812,389 (Note 2)	5,156,928	0.07%	
Peter Anthony Allen (Note 3)	21,530	–	–	21,530	0.0003%	
Srinivas Bangalore Gangaiah	50,000	–	–	50,000	0.0007%	

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 dated November 7, 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 amended and restated articles of association, 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.

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 Stapled Units, Pacific Century Diversified Limited ("PCD"), a wholly-owned subsidiary of Chiltonlink Limited ("Chiltonlink"), held 20,227,614 Share Stapled Units and Eisner Investments Limited ("Eisner") held 46,020,000 Share Stapled 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 Stapled 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 Stapled Units held by PCGH; and
 - (ii) a deemed interest in 145,604,804 Share Stapled 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 Stapled 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 Stapled Units Purchase Scheme and the Purchase Scheme. Details of the HKT Share Stapled Units Purchase Scheme are set out in the section below headed "Share Stapled 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. 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

2. Interests in the Associated Corporations of the Company

A. 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	Personal interests	Number of ordinary shares of PCCW held			Total	Approximate percentage of the total number of shares of PCCW in issue
		Corporate interests	Other interests			
Li Tzar Kai, Richard	–	462,287,134 <i>(Note 1(a))</i>	1,928,842,224 <i>(Note 1(b))</i>	2,391,129,358	30.93%	
Hui Hon Hing, Susanna	8,495,690	–	2,054,006 <i>(Note 2)</i>	10,549,696	0.14%	
Peter Anthony Allen	246,596	–	–	246,596	0.003%	
Srinivas Bangalore Gangaiah	3,614,861	–	701,124 <i>(Note 2)</i>	4,315,985	0.06%	

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 Corporations of the Company (continued)

A. 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 these Directors, which were subject to certain vesting conditions pursuant to an award scheme of PCCW, namely the Purchase Scheme.

B. Pacific Century Premium Developments Limited ("PCPD", an indirect subsidiary of PCCW)

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

Name of Director/Chief Executive	Number of ordinary shares of PCPD held			Total	Approximate percentage of the total number of shares of PCPD in issue
	Personal interests	Corporate interests	Other interests		
Li Tzar Kai, Richard	–	207,267,814 (Note 1(a))	402,164,972 (Note 1(b))	609,432,786	29.90%
Peter Anthony Allen	29,398	–	–	29,398	0.001%
Srinivas Bangalore Gangaiah	239,627	–	–	239,627	0.01%

Note:

1. (a) Of these shares of PCPD, PCD held 181,520,587 shares and Eisner held 25,747,227 shares.
- (b) These interests represented:
 - (i) a deemed interest in 118,093,122 shares of PCPD held by PCGH. Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the 118,093,122 shares of PCPD held by PCGH; and
 - (ii) a deemed interest in 284,071,850 shares of PCPD held by PCRD. Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the 284,071,850 shares of PCPD held by PCRD.

C. PCPD Capital Limited (an indirect subsidiary of PCCW)

Frances Waikwun Wong, in the capacity as founder of a discretionary trust, held the 4.75% bonds due 2022 issued by PCPD Capital Limited, an associated corporation of the Company, in the principal amount of US\$500,000.

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 Corporations of the Company (continued)

D. Silvery Sky Holdings Limited (an indirect subsidiary of PCCW)

Radiant Talent Holdings Limited (“RTH”, an indirect wholly-owned subsidiary of CSI Properties Limited (“CSI”)) entered into a sale and purchase agreement with Silvery Sky Holdings Limited (“SSH”, an indirect wholly-owned subsidiary of PCPD) and CSI on January 15, 2018 (“SPA”) and pursuant to which, one non-voting participating share of SSH was allotted and issued to RTH credited as fully paid up at an issue price of US\$1.00 as part of the consideration paid to RTH on completion of the SPA which took place on March 23, 2018. Chung Cho Yee, Mico is a controlling shareholder and director of CSI.

Save as disclosed in the foregoing, as at June 30, 2021, 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

Pursuant to the resolutions passed by the holders of Share Stapled Units and the shareholders of PCCW at their annual general meetings held on May 7, 2021 (the “Adoption Date”), the Share Stapled Units option scheme adopted by the HKT Trust and the Company on November 7, 2011 (the “2011-2021 Option Scheme”) was terminated and a new Share Stapled Units option scheme (the “2021-2031 Option Scheme”) was adopted. The 2021-2031 Option Scheme became valid and effective for a period of 10 years commencing from the Adoption Date. After the termination of the 2011-2021 Option Scheme, no further Share Stapled Unit options will be granted under such scheme, but in all other respects the provisions of such scheme will remain in full force and effect. There is no material difference between the terms of the 2011-2021 Option Scheme and the 2021-2031 Option Scheme.

HKT Trust and the Company currently operate the 2021-2031 Option Scheme, under which 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 2011-2021 Option Scheme and the 2021-2031 Option Scheme since their adoption and up to and including its date of termination (in respect of the 2011-2021 Option Scheme) and June 30, 2021 (in respect of the 2021-2031 Option Scheme).

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”). 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.

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 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.

SHARE STAPLED UNITS AWARD SCHEMES (CONTINUED)

In respect of the HKT Share Stapled Units Purchase Scheme, during the six months ended June 30, 2021, an aggregate of 453,882 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 319,795 Share Stapled Units made to Hui Hon Hing, Susanna (a director of the Company and the Trustee-Manager). Additionally, no Share Stapled Units have lapsed and/or been forfeited and 411,525 Share Stapled Units have vested during the period. As at June 30, 2021, an aggregate of 656,558 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 June 30, 2021, an aggregate of 1,086,218 Share Stapled Units were awarded pursuant to the HKT Share Stapled Units Subscription Scheme subject to certain vesting conditions. Additionally, 75,025 Share Stapled Units have lapsed and/or been forfeited and 1,070,697 Share Stapled Units have vested during the period. As at June 30, 2021, an aggregate of 1,627,539 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.

Pursuant to the relevant scheme rules, 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 Company Board 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.

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 June 30, 2021, 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	51.94%	1
CAS Holding No. 1 Limited	Beneficial owner	(L) 3,934,967,681	51.94%	
Citigroup Inc. ("Citigroup")	Interest in controlled corporations	(L) 3,252,366	0.04%	2
		(S) 1,155,998	0.01%	2
	Approved lending agent	(L) & (P) 378,254,729	4.99%	2

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL HOLDERS OF SHARE STAPLED UNITS (CONTINUED)

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 amended and restated articles of association, 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 991,998 underlying Share Stapled Units derived from physically settled unlisted derivatives and 69,000 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 991,998 underlying Share Stapled Units derived from physically settled unlisted derivatives and 9,000 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 April 9, 2021.

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 June 30, 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 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 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.

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 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.

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 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.

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

Li Fushen

Zhu Kebing

Srinivas Bangalore Gangaiah (aka BG Srinivas)

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

Bernadette M. Lomas

REGISTERED OFFICE

PO Box 309, Uglan 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 June 30, 2021:

7,575,742,334 units

DIVIDEND/DISTRIBUTION

Interim dividend/distribution per ordinary share/share stapled unit for

the six months ended June 30, 2021:

30.70 HK cents

FINANCIAL CALENDAR

Announcement of 2021 Interim Results

August 5, 2021

Closure of books

August 23-24, 2021
(both days inclusive)

Record date for 2021 interim distribution

August 24, 2021

Payment of 2021 interim distribution

on or around September 2, 2021

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

Li Fushen

Zhu Kebing

Srinivas Bangalore Gangaiah (aka BG Srinivas)

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

Reuters

Bloomberg

6823

6823.HK

6823 HK

WEBSITE OF HKT LIMITED

www.hkt.com

INTERIM REPORT 2021

This Interim Report 2021 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 2021 using electronic means through the website of HKT Limited may request a printed copy, or
- B) received the Interim Report 2021 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 2021) 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 2021 will promptly, upon request in writing or by email to the Share Stapled Units Registrar, be sent the Interim Report 2021 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.

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)

Principal Place of Business in Hong Kong:
39/F, PCCW Tower, Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong
T: +852 2888 2888 F: +852 2877 8877 www.hkt.com

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

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