

HKT

Interim Report 2023

Stock Code: 6823



a **PCCW** Group member

CONTENTS

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

ABOUT HKT

HKT is a technology, media, and telecommunication leader with more than 150 years of history in Hong Kong. As the city's true 5G provider, HKT connects businesses and people locally and globally. Our end-to-end enterprise solutions make us a market-leading digital transformation partner of choice for businesses, whereas our comprehensive connectivity and smart living offerings enrich people's lives and cater for their diverse needs for work, entertainment, education, well-being, and even a sustainable low-carbon lifestyle. Together with our digital ventures which support digital economy development and help connect Hong Kong to the world as an international financial centre, HKT endeavours to contribute to smart city development and help our community tech forward.

STATEMENT FROM THE CHAIRMAN

HKT's performance in the first half of 2023 remained solid, which is a reflection of the gradual revival of Hong Kong's economy and a testament of the Group's dedication to innovation and its customer.

Our consumer mobile business enjoyed a strong head start as travel resumed, which led to a substantial rebound in demand for roaming services. As at the end of June, our 5G customers approached 1.2 million, comprising 35% of our post-paid base.

Netvigator expanded its offerings by introducing the city's first 5000M fibre-to-the-home ("FTTH") broadband service to address consumers' growing connectivity demand. Customer upgrades to our 2500M service continued to gather momentum. Our unrivalled symmetrical uplink and downlink speeds provide a platform to uplift our average revenue per user ("ARPU"). Supported by the Government's initiative to extend fibre-based networks to remote areas, we also completed the construction of the optic-fibre cable to Lamma Island in the first half of 2023.

Now TV's diverse offerings of stellar international sporting events such as the live broadcast of La Liga, exclusive English Premier League, and 4K Formula 1® as well as award-winning entertainment content have driven growth in both residential and commercial subscription against a changing market landscape.

HKT Enterprise Solutions has continued to leverage artificial intelligence ("AI") and cloud technology to assist organisations with their digital transformation, increasing operation efficiency and propelling expansion, especially into the Greater Bay Area. Broadening our 5G applications to diverse industries such as smart campuses and property, we remain committed to our role as a driving force behind smart city development.

HKT is proud to support the Hong Kong Monetary Authority's initiatives in preparation for a potential e-HKD. As part of a consortium, we have been selected to participate in its e-HKD Pilot Programme, utilising our experience and wallet infrastructure to contribute to this important initiative.

For the third consecutive year, we have supported the Consumption Voucher Scheme via Tap & Go. Through extending its partnership with The Club, Tap & Go has created synergy to benefit both merchants and consumers while fostering fintech adoption, particularly among younger consumers.

As part of our efforts to enhance user experience, the Group has launched a pilot programme transforming traditional phone booths into Smart Kiosks to offer free connectivity and useful information for locals and visitors alike. We also showcased Hong Kong's cultural talent through HKT x WestK Popfest, the city's largest music festival, as we celebrated Hong Kong's resurgence as a world-class destination.

As an organisation that is deeply rooted in Hong Kong, HKT remains committed to delivering innovative and high-quality services to support the needs of our customers and community, whilst delivering sustainable returns for our stakeholders.



Richard Li
Chairman
2 August 2023

STATEMENT FROM THE GROUP MANAGING DIRECTOR

Hong Kong started to witness economic recovery in the first half of 2023 with the Government unveiling a series of initiatives and the reopening of borders creating upward momentum for local consumption and travel-related spending. Leveraging our leading telecom infrastructure and continual innovation to offer appealing customer-centric services, HKT delivered resilient results in the first six months.

Consumer business progress from economic upturn

As travel resumed, our consumer mobile business saw a return in demand for its roaming services, particularly outbound. With top-tier networks from our overseas partners and value-added travel information and assistance, we endeavoured to deliver a hassle-free, quality roaming experience for travellers. This helped drive our outbound roaming revenue in June to 80% of pre-COVID levels and increase our total roaming revenue in the first half of 2023 by 166% year-on-year.

Alongside Hong Kong's economic revival, the public began to engage in more activities, increasing mobile network traffic. Continued improvements to our 5G network have enabled its quality and outstanding speeds at the city's prime locations to meet users' digital lifestyle needs. This has spurred the growth of our 5G penetration, which had progressed to nearly 1.2 million users as at the end of June, representing 35% of our total post-paid customer base, and further reached 1.27 million or 38% of our post-paid base by the end of July. 5G conversion is even more pronounced in our premium segment, hitting over 45% for csl and 1010. As economic recovery gains momentum, we also forecast handset sales uplift as new models are released in the second half of the year.

Post-COVID, Netvigator added to its diverse and complementary range of household broadband solutions, reinforcing its industry leadership by becoming the first in the market to offer 5000M fibre-to-the-home ("FTTH") broadband service. Tapping the sustained demand for greater bandwidth driven by the permanent shift to hybrid work arrangements as well as the availability of 2.5G-enabled devices and Wi-Fi 6E routers, we stepped up promotion efforts for our 2500M FTTH broadband service. Its differentiating symmetrical uplink and downlink speeds have driven upgrade momentum, creating impetus for average revenue per user ("ARPU") uplift and customer acquisition. The latest equipment is also ready for even higher bandwidth connectivity, enabling seamless future upgrades without the need for on-site visits to enhance efficiency and customer experience whilst reducing our

operational cost. Our FTTH network coverage with 10G fibre capacity and 5G wireless-to-the-home ("WTTH") technology has reached 98%.

Content aggregator Now TV has been building its repertoire in earnest. Featuring three seasons of La Liga as well as Formula 1® and Wimbledon in 4K, the Home of Sports is also exclusively broadcasting the English Premier League, UEFA European Under-21 Championship, FIFA Women's World Cup, and US Open Golf Championship. Now TV has further invested in exclusive award-winning movies, children's favourites and simulcast dramas to appeal to a diverse family audience, boosting subscriber acquisition against a changing market landscape. With hotels planning major upgrades alongside tourism recovery, our penetration in the hospitality sector increased as we saw our commercial subscription revenue grow by 17% year-on-year.

Backed by the Government's Subsidy Scheme to Extend Fibre-based Networks to Villages in Remote Areas, we completed a dedicated optic-fibre cable connecting Lamma Island, on top of similar connections to Peng Chau and Cheung Chau. Households in these locations are now ready for home broadband speeds of up to 10G. The network also improves 5G mobile reception while lending itself to cross-selling and upselling for ARPU increase.

Endeavours for smart city and digital economy development

On the enterprise side, we have seen accelerating demand across different industries for our unique integrated fixed-mobile solutions in Hong Kong and mainland China, including the Greater Bay Area. Incorporating 5G applications into smart city solutions such as blockchain, artificial intelligence ("AI"), machine learning and the Internet of Things ("IoT"), we have recorded a 10% year-on-year growth in local data revenue, with widening penetration into smart healthcare, campus, and property management.

Broadening our digital transformation service portfolio, we have integrated connectivity and cloud computing with AI-powered resources and Enterprise Managed Services ("EMS"). These include single-helpdesk service with omni-channel touchpoints as well as modern workplace, connected audio-visual and cybersecurity solutions. In addition to improving productivity, promoting sustainability and addressing manpower shortage for government and enterprise customers across different industries, our services have empowered businesses expanding from Hong Kong to the mainland and vice versa in fields such as retail, financial services and bio-pharmaceuticals.

As borders reopened, we recorded a significant 21% year-on-year revenue growth in our local data business in mainland China providing high-quality, reliable connectivity through well-established HKT Enterprise Solutions services such as Multi-Protocol Label Switching (“MPLS”), Premium Internet, SD-WAN, and EMS. We are confident about the accelerating demand in the mainland as well as Macau from the revival of its gaming sector and initiatives to stimulate its non-gaming economy.

In support of the Government’s economic stimulation efforts, we continued to participate in the latest rounds of the Consumption Voucher Scheme through our mobile wallet, Tap & Go. To capitalise on the strengths of our e-wallet and e-commerce ecosystem, Tap & Go has partnered with The Club to provide exclusive merchandise and offers for our customers while helping to drive the wider adoption of digital payment.

The Club has also been actively expanding its product range to stimulate customer spending through collaboration with Hong Kong’s major retail groups, Asia’s leading dining platform, and a global travel service portal. These partnerships enable The Club to extend its digital footprint to the commerce, food & beverage, and tourism sectors, on top of unlocking user privileges such as access to the most in-demand concerts in town.

As an advocate of fintech and digital economy, we are delighted to participate in the Hong Kong Monetary Authority’s e-HKD Pilot Programme as part of a consortium comprising an international consultancy and other fintech pioneers. We look forward to leveraging our experience from Tap & Go to facilitate Web3 development, explore potential e-HKD use cases, and support Hong Kong’s development into an international digital asset hub.

With the pandemic having accelerated the popularisation of healthtech, market demand for our DrGo telemedicine platform has maintained its steady growth. Following borders reopening and the lift of mandatory mask-wearing requirements, the rising number of flu cases has driven up DrGo usage. We also have plans for personalised supplements in the pipeline to address the needs of increasingly health-conscious customers.

Contributing to a sustainable future

Smart Charge, our electric vehicle (“EV”) home-charging solutions venture with CLP Holdings Limited, has further expanded its diverse and reasonably priced offerings to resolve the pain points of EV owners in Hong Kong and champion green transport. It has been awarded a contract by the Environmental Protection Department to provide EV-charging service for the trial of electric taxis on Lantau Island, allowing us to strengthen our concrete

support for Hong Kong’s Climate Action Plan 2050. Meanwhile, our Smart Living team has furthered its collaboration with a growing group of property developers to encourage a more convenient and sustainable lifestyle leveraging technology.

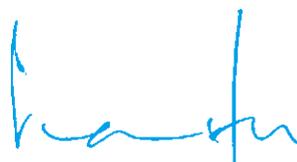
For the greater community, we have introduced the Smart Kiosk pilot, revitalising traditional phone booths to provide a one-stop service station for residents and visitors alike. On top of payphone functions, the kiosks offer free Wi-Fi, USB chargers, community information, news, and weather and transportation updates. They also extend the coverage of Dementia’s Secret Angel, an application that helps locate missing dementia patients, to better support patients and their carers. The first HKT Smart Kiosks have already been installed in the bustling areas of Causeway Bay and Central, serving the public while making Hong Kong a smarter and more connected city.

Alongside innovation, the Group seeks to facilitate Hong Kong’s cultural exchange. We presented HKT x WestK Popfest, the city’s largest music festival, with a wide array of performances spotlighting the city’s return to the centre of the international stage.

As an enterprise that has been proudly serving our community for more than 150 years, HKT is pleased to take part in the Strive and Rise Programme and contribute to the development and upward mobility of underprivileged youth through donation and corporate volunteering. We have hosted a series of group-wide events including visits to the production facilities of Now TV and the HKT Innovation Lab with the aim of broadening the horizons of the youngsters to inspire their vision for the future.

Outlook

As Hong Kong emerges from the epidemic, HKT is poised to promote and capitalise on the city’s accelerated transformation into a world inno-tech centre. We look forward to tapping our distinct edge as a cross-industry innovator to embrace emerging trends, connect the community with its sustainable future and continue delivering quality returns for our stakeholders.



Susanna Hui
Group Managing Director
2 August 2023

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

LI Tzar Kai, Richard

Executive Chairman

Mr Li, aged 56, 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 58, is the Group Managing Director of HKT Limited (HKT) and HKT Management Limited (Trustee-Manager), the trustee-manager of the HKT Trust, since September 2018. She has also been an Executive Director of HKT and the Trustee-Manager since November 2011. She is a member of HKT's Executive Committee and holds directorships in various Group companies. She was the Group Chief Financial Officer of HKT from November 2011 to August 2018 primarily responsible for overseeing the financial matters of the Group. Ms Hui is also the Acting Group Managing Director, Group Chief Financial Officer and Executive Director of PCCW Limited (PCCW) and a member of PCCW's Executive Committee.

Ms Hui joined Cable & Wireless HKT Limited (which was subsequently acquired by PCCW) in September 1999. Since then, she has served the PCCW Group in various capacities in the past 24 years, including as Director of Group Finance of the PCCW Group from September 2006 to April 2007, and the Director of Finance of the PCCW Group with responsibility for the telecommunications services sector and regulatory accounting. Ms Hui was also an Executive Director of Pacific Century Premium Developments Limited (PCPD) from May 2018 to December 2021 and the Chief Financial Officer of PCPD from July 2009 to November 2011.

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

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

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

NON-EXECUTIVE DIRECTORS

Peter Anthony ALLEN

Non-Executive Director

Mr Allen, aged 68, 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 62, 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.

TANG Yongbo

Non-Executive Director

Mr Tang, aged 49, was appointed a Non-Executive Director of HKT Limited (HKT) and HKT Management Limited, the trustee-manager of the HKT Trust, in August 2023. He is a member of HKT's Remuneration Committee, Nomination Committee and Executive Committee. Mr Tang became a Non-Executive Director and the Deputy Chairman of the board of directors of PCCW Limited (PCCW) in August 2023. He is a member of PCCW's Executive Committee.

Mr Tang is a vice general manager of China United Network Communications Group Company Limited, a senior vice president of China United Network Communications Limited, a senior vice president of China Unicom (Hong Kong) Limited, and a director and a senior vice president of China United Network Communications Corporation Limited. In addition, he serves as a non-executive director of China Tower Corporation Limited and China Communications Services Corporation Limited.

Mr Tang was a deputy general manager and a general manager of Hunan Branch of China Unicom, and a general manager of marketing department of China United Network Communications Group Company Limited. He was a deputy to the 13th National People's Congress.

Mr Tang received a master's degree in Business Administration from Central South University. He has extensive experience in management and the telecommunications industry.

WANG Fang

Non-Executive Director

Ms Wang, aged 52, was appointed a Non-Executive Director of HKT Limited (HKT) and HKT Management Limited, the trustee-manager of the HKT Trust, in December 2021. She is a member of HKT's Regulatory Compliance Committee. Ms Wang is also a Non-Executive Director of PCCW Limited (PCCW) and a member of the Nomination Committee of the board of directors of PCCW.

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

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

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

CHANG Hsin Kang

Independent Non-Executive Director

Mr Chang, aged 83, 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. Mr Chang was an Independent Non-Executive Director of PCCW Limited from October 2000 to November 2011.

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

Mr 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.

Mr 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.

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

Sunil VARMA

Independent Non-Executive Director

Mr Varma, aged 79, was appointed an Independent Non-Executive Director of HKT Limited (HKT) and HKT Management Limited (Trustee-Manager), the trustee-manager of the HKT Trust, in November 2011. He is also the Chairman of both HKT's Audit Committee and the Trustee-Manager's Audit Committee and a member of HKT's Nomination Committee, Remuneration Committee and Regulatory Compliance Committee.

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

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

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

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

Aman MEHTA

Independent Non-Executive Director

Mr Mehta, aged 76, was appointed an Independent Non-Executive Director of HKT Limited (HKT) and HKT Management Limited, the trustee-manager of the HKT Trust, in May 2014. He is the Chairman of HKT's Nomination Committee. Mr Mehta has been an Independent Non-Executive Director of PCCW Limited (PCCW) since February 2004. He is also the Chairman of the Audit Committee, the Nomination Committee and the Remuneration Committee of the board of directors of PCCW.

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

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

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

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

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

Frances Waikwun WONG

Independent Non-Executive Director

Ms Wong, aged 61, was appointed an Independent Non-Executive Director of HKT Limited (HKT) and HKT Management Limited, the trustee-manager of the HKT Trust, in May 2015. She is the Chairwoman of HKT's Remuneration Committee. Ms Wong has been an Independent Non-Executive Director of PCCW Limited (PCCW) since March 2012 and is the Chairwoman of the Regulatory Compliance Committee and a member of the Nomination Committee and the Remuneration Committee of the board of directors of PCCW. She was an Independent Non-Executive Director of Pacific Century Regional Developments Limited from June 2013 to April 2023.

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

- Total revenue excluding Mobile product sales increased by 3% to HK\$15,247 million, reflecting the delivery of digital transformation projects for enterprise and government customers, continued strong demand for our reliable fibre services, gradual recovery in roaming revenue and further momentum in 5G adoption; total revenue grew by 2% to HK\$16,400 million despite softer Mobile product sales;
- Total EBITDA increased by 3% to HK\$6,009 million spurred by sustained cost efficiency initiatives across the Group;
- Adjusted funds flow increased by 2.2% to HK\$2,429 million;
- Profit attributable to holders of Share Stapled Units increased by 2.2% to HK\$1,952 million; basic earnings per Share Stapled Unit was 25.77 HK cents; and
- Interim distribution per Share Stapled Unit is 32.05 HK cents.

MANAGEMENT REVIEW

Hong Kong started to witness economic recovery in the first half of 2023 with the Government unveiling a series of initiatives and the reopening of borders creating upward momentum for local consumption and travel-related spending. Leveraging our leading telecom infrastructure and continual innovation to offer appealing customer-centric services, HKT delivered resilient results for the six months ended 30 June 2023 and is poised to benefit from the continued growth in consumer spending and business investment.

The Mobile business started to record accelerated growth in services revenue of 5% to HK\$3,815 million for the six months ended 30 June 2023. This reflected the gradual recovery in roaming revenue and further 5G adoption by our post-paid customer base. As travel resumed with the full border reopening in the first quarter, the Mobile business witnessed a return in demand for roaming services, particularly outbound roaming. Notably, the number of roamers and consumer outbound roaming revenue in June 2023 surpassed pre-COVID levels. This drove outbound roaming revenue in June 2023 to hit 80% of pre-COVID levels, although cautious sentiment has held back

business related travel. As such, total roaming revenue in the first half of 2023 soared by 166% year-on-year, albeit from a low base. 5G penetration continued, although at a slower pace, with the customer base reaching almost 1.2 million, 35% of our total post-paid customers as of 30 June 2023. Total revenue, including Mobile product sales, grew by 1% to HK\$4,968 million, despite softer handset sales although we expect an uplift in the second half as the economic recovery gains momentum and new handsets are released. EBITDA from the Mobile segment increased by 3% to HK\$2,194 million during the period.

Demand for our services from enterprises in Hong Kong, as well as in mainland China, was robust as they accelerated upgrades to their infrastructure and systems in anticipation of the continued recovery of the economy. As a result, local data revenue registered impressive growth of 10% during the period. With continued demand for high-speed, reliable broadband solutions from individuals, households and enterprises in the new normal, broadband revenue increased by 2% year-on-year which was spurred by the further uptake of fibre connectivity and value-added services such as Home Wi-Fi solutions. Our Pay TV business delivered a steady performance in the first half of the year as the appeal of Now TV's diverse content offering, in particular live sporting events, has driven steady growth in customer subscription particularly in the hospitality sector. Consequently, revenue in the Local Telecommunications Services ("TSS") segment grew by 2% to HK\$8,159 million.

MANAGEMENT REVIEW (CONTINUED)

Total TSS revenue grew by 1% year-on-year to HK\$11,685 million reflecting steady performance in Local TSS Services revenue which was partially offset by lower revenue in International Telecommunications Services business due to the absence of one-off capacity sales. Total TSS EBITDA increased by 3% to HK\$4,219 million with an improved margin of 36%.

On a consolidated basis, HKT's total revenue, excluding Mobile product sales, for the six months ended 30 June 2023 increased by 3% to HK\$15,247 million, while total revenue increased by 2% to HK\$16,400 million.

Operating costs improved by 4% as a result of enhanced operating efficiencies across the Group, which lifted total EBITDA by 3% year-on-year to HK\$6,009 million with margin improving from 36% to 37%.

Profit attributable to holders of share stapled units of the HKT Trust and HKT ("Share Stapled Units") was HK\$1,952 million for the period, an increase of 2.2% over the previous year. Basic earnings per Share Stapled Unit was 25.77 HK cents.

Adjusted funds flow for the six months ended 30 June 2023 rose to HK\$2,429 million, an increase of 2.2% over the previous year. Adjusted funds flow per Share Stapled Unit⁴ was 32.05 HK cents.

The board of directors of the Trustee-Manager declared an interim distribution of 32.05 HK cents per Share Stapled Unit for the six months ended 30 June 2023.

OUTLOOK

As Hong Kong emerges from the epidemic, HKT is poised to promote and capitalise on the city's accelerated transformation into a world inno-tech centre. We look forward to tapping our distinct edge as a cross-industry innovator to embrace emerging trends, connect the community with its sustainable future and continue delivering quality returns for our stakeholders.

FINANCIAL REVIEW BY SEGMENT

For the six months ended HK\$ million	30 Jun 2022	31 Dec 2022	30 Jun 2023	Better/ (Worse) y-o-y
Revenue				
TSS	11,596	12,376	11,685	1%
– Local TSS Services	7,968	8,535	8,159	2%
– International Telecommunications Services	3,628	3,841	3,526	(3)%
Mobile	4,936	6,630	4,968	1%
– Mobile Services	3,647	4,295	3,815	5%
– Mobile Product Sales	1,289	2,335	1,153	(11)%
Other Businesses	567	314	596	5%
Eliminations	(942)	(1,352)	(849)	10%
Total revenue	16,157	17,968	16,400	2%
Total revenue (excluding Mobile Product Sales)	14,868	15,633	15,247	3%
Cost of sales	(8,134)	(8,960)	(8,279)	(2)%
Operating costs before depreciation, amortisation, and losses on disposal of property, plant and equipment and right-of-use assets, net	(2,189)	(1,778)	(2,112)	4%
EBITDA¹				
TSS	4,104	5,036	4,219	3%
Mobile	2,122	2,766	2,194	3%
– Mobile Services	2,107	2,705	2,194	4%
– Mobile Product Sales	15	61	–	NA
Other Businesses	(392)	(572)	(404)	(3)%
Total EBITDA¹	5,834	7,230	6,009	3%
TSS EBITDA¹ Margin	35%	41%	36%	
Mobile EBITDA¹ Margin	43%	42%	44%	
– Mobile Services EBITDA ¹ Margin	58%	63%	58%	
Total EBITDA¹ Margin	36%	40%	37%	
Total EBITDA¹ Margin (excluding Mobile Product Sales)	39%	46%	39%	
Depreciation and amortisation	(2,825)	(2,982)	(2,700)	4%
Losses on disposal of property, plant and equipment and right-of-use assets, net	–	(3)	–	NA
Other gains/(losses), net	3	(11)	9	200%
Finance costs, net	(627)	(962)	(925)	(48)%
Share of results of associates and joint ventures	(38)	(59)	(60)	(58)%
Profit before income tax	2,347	3,213	2,333	(1)%

ADJUSTED FUNDS FLOW³

For the six months ended HK\$ million	30 Jun 2022	31 Dec 2022	30 Jun 2023	Better/ (Worse) y-o-y
Total EBITDA¹	5,834	7,230	6,009	3%
Less cash outflows in respect of capital expenditures, customer acquisition costs and licence fees ² :				
Capital expenditures	(1,140)	(1,113)	(1,078)	5%
Customer acquisition costs and licence fees	(595)	(970)	(794)	(33)%
Fulfilment costs	(309)	(258)	(270)	13%
Right-of-use assets	(687)	(702)	(686)	–
Adjusted funds flow³ before tax paid, net finance costs paid and changes in working capital	3,103	4,187	3,181	3%
Adjusted for:				
Net finance costs paid	(353)	(528)	(693)	(96)%
Tax payment	(75)	(9)	(251)	(235)%
Changes in working capital	(298)	(379)	192	NA
Adjusted funds flow³	2,377	3,271	2,429	2%

KEY OPERATING DRIVERS⁵

	30 Jun 2022	31 Dec 2022	30 Jun 2023	Better/(Worse)	
				y-o-y	h-o-h
Exchange lines in service ('000)	2,405	2,343	2,283	(5)%	(3)%
Business lines ('000)	1,186	1,176	1,160	(2)%	(1)%
Residential lines ('000)	1,219	1,167	1,123	(8)%	(4)%
Total broadband access lines ('000) (Consumer, business and wholesale)	1,640	1,640	1,642	0.1%	0.1%
Retail consumer broadband access lines ('000)	1,464	1,465	1,468	0.3%	0.2%
Retail business broadband access lines ('000)	163	162	162	(1)%	–
Mobile subscribers ('000)	4,817	4,787	4,656	(3)%	(3)%
Post-paid subscribers ('000)	3,305	3,323	3,383	2%	2%
Prepaid subscribers ('000)	1,512	1,464	1,273	(16)%	(13)%
Pay TV installed base ('000)	1,378	1,398	1,428	4%	2%
The Club members ('000)	3,630	3,707	3,778	4%	2%
Tap & Go accounts in use ('000)	3,522	3,634	3,711	5%	2%

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

- Note 1 EBITDA represents earnings before interest income, finance costs, income tax, depreciation and amortisation, gains/losses on disposal of property, plant and equipment, interests in leasehold land, right-of-use assets and intangible assets, net other gains/losses, losses on property, plant and equipment, restructuring costs, impairment losses on goodwill, tangible and intangible assets and interests in associates and joint ventures, and the Group's share of results of associates and joint ventures. While EBITDA is commonly used in the telecommunications industry worldwide as an indicator of operating performance, leverage and liquidity, it is not presented as a measure of operating performance in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") and should not be considered as representing net cash flows from operating activities. The computation of the Group's EBITDA may not be comparable to similarly titled measures of other companies.*
- Note 2 Group capital expenditures represent additions to property, plant and equipment and interests in leasehold land. Fulfilment costs and right-of-use assets are considered as part of customer acquisition costs and capital expenditures, respectively, for the purpose of adjusted funds flow calculation.*
- Note 3 Adjusted funds flow is defined as EBITDA less capital expenditures, customer acquisition costs and licence fees paid, taxes paid, finance costs and interest expense paid, and adjusted for interest income received and changes in working capital. It is not presented as a measure of leverage or liquidity in accordance with HKFRSs and should not be considered as representing net cash flows or any other similar measures derived in accordance with HKFRSs, or an alternative to cash flow from operations or a measure of liquidity. The Group's adjusted funds flow is computed in accordance with the above definition using financial information derived from the Group's unaudited condensed consolidated interim financial information. The adjusted funds flow may be used for debt repayment.*
- Note 4 Adjusted funds flow per Share Stapled Unit is calculated by dividing the adjusted funds flow for the period by the number of Share Stapled Units in issue as at 30 June 2023.*
- Note 5 Figures are stated as at the period end.*
- Note 6 Gross debt refers to the principal amount of short-term borrowings and long-term borrowings.*

Telecommunications Services

For the six months ended HK\$ million	30 Jun 2022	31 Dec 2022	30 Jun 2023	Better/ (Worse) y-o-y
TSS Revenue				
Local TSS Services	7,968	8,535	8,159	2%
International Telecommunications Services	3,628	3,841	3,526	(3)%
Total TSS Revenue	11,596	12,376	11,685	1%
Cost of sales	(6,302)	(6,356)	(6,306)	–
Operating costs before depreciation and amortisation	(1,190)	(984)	(1,160)	3%
Total TSS EBITDA¹	4,104	5,036	4,219	3%
TSS EBITDA¹ margin	35%	41%	36%	

Local TSS Services revenue grew by 2% to HK\$8,159 million for the six months ended 30 June 2023, underpinned by an increase of 7% in Local Data Services revenue to HK\$6,055 million. Local Data Services represents the largest component of the Local TSS Services segment, comprising 74% of revenue. Pay TV Services revenue edged up slightly to HK\$1,205 million while Local Telephony Services revenue dropped to HK\$1,173 million. During the period, the International Telecommunications Services business experienced lower revenue to HK\$3,526 million due to the absence of one-off capacity sales. As a result, total TSS revenue rose by 1% year-on-year to HK\$11,685 million.

Local Data Services. Comprising broadband revenue and local data revenue, Local Data Services revenue rose by 7% year-on-year to HK\$6,055 million for the six months ended 30 June 2023.

Broadband revenue grew by 2% as demand for our high speed, reliable fibre service from individuals, households and enterprises continued in the new normal. Since its launch, our 2500M fibre-to-the-home (“FTTH”) service has gathered momentum as it further taps the demand for greater bandwidth at home. The 2500M FTTH service, which has symmetric uplink and downlink speeds that will encourage upgrades from the 1000M service, will drive average revenue per user (“ARPU”) uplift for our existing customers and support new customer acquisition. It also enables seamless future upgrades to 10Gbps without the need for field visits thereby enhancing customer convenience whilst reducing

our operating costs. The further take-up of the 2500M FTTH service and beyond will help drive future growth in broadband revenue as the service is available city-wide including in the remote islands such as Lamma Island, Cheung Chau and Peng Chau.

Despite sustained market competition and the lingering impact of emigration, the broadband business achieved an overall net gain in customers, with total broadband access lines growing to 1.642 million as at the end of June 2023. Of these, 986,000 were FTTH connections which represented a net increase of 22,000 or 2% growth from a year earlier and 67% of consumer broadband lines. Penetration of our Home Wi-Fi solutions also continued to rise steadily, which helped lift overall ARPU. As at the end of June 2023, a total of 345,000 customers have subscribed to our Home Wi-Fi solutions, up 2% from the previous year and representing 24% of the consumer broadband base.

On the enterprise side, local data revenue achieved impressive growth of 10% year-on-year, reflecting the accelerating demand for our unique integrated fixed-mobile solutions across different industries that incorporate 5G applications with smart city solutions including blockchain, artificial intelligence (“AI”), machine learning and the Internet of Things (“IoT”) in Hong Kong and mainland China, including the Greater Bay Area.

Telecommunications Services (CONTINUED)

During the period, we expanded our 5G application portfolio to cater for additional industries, including healthcare, education and property management that will improve our customer's productivity, promote sustainability and address manpower shortages. We also continued to broaden our digital transformation service portfolio including connected audio-visual solutions with a focus on the exhibition, aviation and hospitality sectors as they embark on infrastructure upgrades to prepare for the large-scale return of events and visitors. We have also enhanced our enterprise managed services ("EMS") offering with additional functionalities such as digital transformation, IT infrastructure and application support, end-user support and multi-vendor management capabilities.

Across the border in mainland China, the local data business registered significant growth with revenue expanding by 21% year-on-year as economic activity resumed. With our well-established HKT Enterprise Solutions offering of high-quality, reliable connectivity services including MPLS, premium internet, SD-WAN and EMS, we are confident that demand in mainland China will accelerate and also in Macau as it experiences a revival in its gaming sector as well as through its initiatives to stimulate non-gaming parts of the economy.

Pay TV Services. Pay TV Services revenue increased slightly to HK\$1,205 million for the six months ended 30 June 2023 versus HK\$1,203 million a year earlier despite competition from the global direct to consumer services. Now TV as a leading content aggregator continued to enrich its content slate with comprehensive and compelling world-class offerings focused on the sports, entertainment and kids segments. As a result, it continued to grow its installed base by 4% to 1.428 million versus 1.378 million a year earlier.

Now TV's comprehensive offerings of its unrivalled sports proposition such as the live broadcast of Formula 1, English Premier League, La Liga, UEFA European Under-21 Championship, FIFA Women's World Cup, and the Wimbledon and U.S. Open Golf Championship, together with the exclusive multi-award-winning movies, children's favourites and simulcast dramas to a diverse family audience, have driven growth in both residential and commercial subscription despite a changing market landscape. With many hotels improving their facilities and services in anticipation of the recovery in tourism, our penetration into the hospitality sector increased which saw commercial subscription revenue grow by 17% year-on-year.

Local Telephony Services. Local Telephony Services revenue registered a decline of 11% to HK\$1,173 million for the six months ended 30 June 2023 versus HK\$1,325 million a year earlier. This reflected the continued trend of mobile and broadband substitution, lingering effect of emigration and weakness in the small and medium-sized enterprise segment. As such, the total number of fixed lines in service at the end of June 2023 dropped to 2.283 million from 2.405 million a year earlier.

International Telecommunications Services. International Telecommunications Services revenue was HK\$3,526 million for the six months ended 30 June 2023 versus HK\$3,628 million a year earlier. The lower revenue primarily stemmed from the wholesale voice business which carries thin margin as well as the one-off cable revenues recorded in the prior year period. As cloud computing adoption continues to spread globally, demand for cloud interconnectivity services grew further.

The TSS business registered an increase of 3% year-on-year in EBITDA to HK\$4,219 million, which was assisted by further operating efficiencies and an ongoing focus on cost initiatives during the period resulting in an improved EBITDA margin of 36%.

Mobile

For the six months ended HK\$ million	30 Jun 2022	31 Dec 2022	30 Jun 2023	Better/ (Worse) y-o-y
Mobile Revenue				
Mobile Services	3,647	4,295	3,815	5%
Mobile Product Sales	1,289	2,335	1,153	(11)%
Total Mobile Revenue	4,936	6,630	4,968	1%
Mobile EBITDA¹				
Mobile Services	2,107	2,705	2,194	4%
Mobile Product Sales	15	61	–	NA
Total Mobile EBITDA¹	2,122	2,766	2,194	3%
Mobile EBITDA¹ margin	43%	42%	44%	
<i>Mobile Services EBITDA¹ margin</i>	<i>58%</i>	<i>63%</i>	<i>58%</i>	

The Mobile business started to record accelerated growth in services revenue of 5% to HK\$3,815 million for the six months ended 30 June 2023, underpinned by the gradual recovery in roaming revenue and higher 5G adoption across our post-paid customer base. As travel resumed with the full border reopening in the first quarter of the year, the Mobile business saw a strong rebound in demand for data roaming services. Notably, the number of roamers and consumer outbound roaming revenue in June 2023 surpassed pre-COVID levels. This drove rebound in outbound roaming revenue in June 2023 to 80% of pre-pandemic levels, although cautious sentiment has held back business related travel. As such, total roaming revenue in the first half of 2023 soared by 166% year-on-year, albeit from a low base.

Despite intense market competition, the Mobile business reported a net gain of 78,000 or 2% growth year-on-year to 3.383 million in post-paid customers in the first half of 2023. Of note, our premium 1010 customer base also expanded by 2% year-on-year. Our 5G customer base further increased to 1.194 million at the end of June 2023, representing 35% of our post-paid base.

The post-paid exit ARPU as at 30 June 2023 rose by 1% to HK\$189 versus HK\$187 as at 30 June 2022, as the ARPU uplift from the roaming recovery and 5G services were partially offset by the impact from intense competition in the price-conscious segment of the market. By leveraging The Club to deepen customer engagement and loyalty, the churn rate for post-paid customers improved to 0.8% during the period versus 0.9% a year earlier.

Mobile product sales of HK\$1,153 million for the six months ended 30 June 2023 was comparatively softer due to cautious market sentiment, lack of new handsets during the period and a longer handset replacement cycle.

Mobile services EBITDA for the period rose by 4% to HK\$2,194 million with a margin of 58%, reflecting sustained efficiency gains from mobile network operations including improved cell site architecture enabling network design optimisation and the enhancement of O2O sales channels. Total Mobile EBITDA for the period increased by 3% to HK\$2,194 million from HK\$2,122 million a year earlier. The overall EBITDA margin improved to 44% from 43% a year earlier.

Other Businesses

Other Businesses primarily comprise new business areas such as The Club's loyalty platform and HKT Financial Services, and corporate support functions, which recorded a steady revenue growth of 5% year-on-year to HK\$596 million for the six months ended 30 June 2023 versus HK\$567 million a year earlier.

The Club's membership base further expanded by 4% to 3.78 million members from 3.63 million a year earlier. With travel resuming during the period, The Club launched new product offers to stimulate more customer spending on lifestyle products including collaboration with Agoda, a global travel service portal, Chope, Asia's leading dining platform and Hong Kong's leading retail groups. With these efforts, the lifestyle spending on The Club platform for the period increased by 8% from a year earlier.

In April 2023, Tap & Go continued to participate in the latest rounds of the Consumption Voucher Scheme ("CVS") for a third year. With the sustained adoption of mobile payments fostered by CVS as well as its growing popularity particularly amongst the Gen Z and Millennial market segment, Tap & Go's number of accounts rose to 3.71 million, an increase of 5% from 3.52 million a year earlier. The positive impact of CVS also drove the non-CVS spending to increase by 9% year-on-year during the period. To capitalise on the strengths of fintech and e-commerce ecosystem, The Club has introduced Club Mini Shop with exclusive merchandise and offers within Tap & Go to strengthen the loyalty and shopping proposition.

Eliminations

Eliminations were HK\$849 million for the six months ended 30 June 2023 versus HK\$942 million a year earlier, reflecting the continued collaboration across all HKT's business segments.

Cost of Sales

Cost of sales for the six months ended 30 June 2023 increased by 2% year-on-year to HK\$8,279 million, which was in line with the revenue growth during the period.

General and Administrative Expenses

For the six months ended 30 June 2023, operating costs before depreciation, amortisation, and losses on disposal of property, plant and equipment and right-of-use assets, net ("operating costs") improved by 4% to HK\$2,112 million, reflecting the Group's continued focus on operating efficiency across each of the business lines through digitalising business processes as well as optimising O2O sales channels and retail footprint to drive higher sales efficiency. Overall operating costs-to-revenue ratio for the period further improved to 12.9% versus 13.5% a year earlier.

Depreciation and amortisation expenses decreased by 4% year-on-year to HK\$2,700 million for the six months ended 30 June 2023, as certain intangible assets in relation to customer base were fully amortised in 2022.

As a result of the above, general and administrative expenses decreased by 4% to HK\$4,812 million for the six months ended 30 June 2023 versus HK\$5,014 million a year earlier.

EBITDA¹

With the steady growth in the TSS and Mobile businesses and further operating efficiencies, total EBITDA increased by 3% to HK\$6,009 million for the six months ended 30 June 2023 versus HK\$5,834 million a year earlier. The overall EBITDA margin improved to 37% during the period versus 36% a year earlier. Excluding Mobile product sales, the EBITDA margin held steady at 39% during the period.

Finance Costs, Net

Net finance costs for the six months ended 30 June 2023 increased by 48% to HK\$925 million from HK\$627 million a year earlier, mainly due to the rise in HIBOR during the period. Following the general increase in interest rates, our average cost of debt increased to 3.77% during the period, compared to 2.61% a year earlier, with the impact mitigated somewhat by our healthy mix of fixed and floating rate debt. We will continue to closely monitor the interest rate environment and optimise the ratio.

Income Tax

Income tax expense for the six months ended 30 June 2023 was HK\$379 million, as compared to HK\$435 million a year earlier. The effective tax rate for the period was 16.2%, compared to 18.5% a year earlier, mainly due to an increase in deferred income tax asset recognition.

Non-controlling Interests

Non-controlling interests of HK\$2 million (30 June 2022: HK\$2 million) comprised the net profits/losses attributable to the non-controlling shareholders of the Group's subsidiaries.

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

Profit attributable to holders of Share Stapled Units/shares of the Company for the six months ended 30 June 2023 increased by 2.2% to HK\$1,952 million (30 June 2022: HK\$1,910 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\$45,117 million as at 30 June 2023 (31 December 2022: HK\$44,179 million). Cash and short-term deposits totalled HK\$1,901 million as at 30 June 2023 (31 December 2022: HK\$2,113 million). HKT's gross debt⁶ to total assets was 41% as at 30 June 2023 (31 December 2022: 40%).

As at 30 June 2023, HKT had ample liquidity in the form of banking facilities totalling HK\$33,211 million, of which HK\$10,819 million remained undrawn.

CREDIT RATINGS OF HONG KONG TELECOMMUNICATIONS (HKT) LIMITED

As at 30 June 2023, Hong Kong Telecommunications (HKT) Limited, an indirect wholly-owned subsidiary of the Company, had investment grade ratings with Moody's Investors Service (Baa2) and S&P Global Ratings (BBB).

CAPITAL EXPENDITURE²

Capital expenditure including capitalised interest for the six months ended 30 June 2023 was HK\$1,134 million (30 June 2022: HK\$1,187 million). Capital expenditure relative to revenue was 6.9% for the six months ended 30 June 2023 (30 June 2022: 7.3%).

Capital expenditure for HKT's Mobile business declined during the period reflecting the completion of our territory-wide 5G coverage rollout in 2022, with spending focused on capacity upgrades and indoor coverage enhancement. TSS capital expenditure dropped slightly during the period, with majority of the spending to support growing demand for our unique integrated fixed-mobile solutions including smart city solutions for enterprises.

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

ADJUSTED FUNDS FLOW³

Adjusted funds flow increased by 2.2% to HK\$2,429 million for the six months ended 30 June 2023 from HK\$2,377 million for the six months ended 30 June 2022.

This growth was driven by the 3% expansion in EBITDA, disciplined capex investments, lower fulfilment costs due to the timing of delivery of enterprise projects and improvement in working capital management. These positive factors were partially offset by increases in customer acquisition costs to serve our growing base of customers and the rise in net finance costs due to the general increase in interest rates.

The increase in tax payment was due to the delayed settlement in the first half of 2023 of tax demand notes pertaining to the financial year ended 31 December 2021. Furthermore, given this tax payment was estimated and provided for as part of the changes in working capital in the year ended 31 December 2022, the changes in working capital for the current period have been adjusted accordingly to reverse the relevant provision made.

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

HEDGING

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

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

A significant portion of HKT's financing is denominated in foreign currencies including United States dollars. Accordingly, HKT has entered into forward and swap contracts in order to manage its exposure to adverse fluctuations in foreign currency exchange rates and interest rates. These instruments are executed with creditworthy financial institutions. As at 30 June 2023, 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 30 June 2023, no assets of the Group (31 December 2022: nil) were pledged to secure loans and banking facilities of HKT.

CONTINGENT LIABILITIES

HK\$ million	As at 31 Dec 2022 (Audited)	As at 30 Jun 2023 (Unaudited)
Performance guarantees	1,053	1,073
Others	6	3
	1,059	1,076

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 14,700 employees as at 30 June 2023 (30 June 2022: 15,600) located in 22 countries and cities. About 65% of these employees work in Hong Kong and the others are based mainly in mainland China, the United States, the United Kingdom and the Philippines. HKT has established performance-based bonus and incentive schemes designed to motivate and reward employees at all levels to achieve business performance targets. Payment of performance bonuses is generally based on achievement of revenue, EBITDA and free cash flow targets for HKT as a whole and for each of the individual business units and performance ratings of employees.

INTERIM DIVIDEND/DISTRIBUTION

The board of directors of the Trustee-Manager declared an interim distribution by the HKT Trust in respect of the Share Stapled Units, of 32.05 HK cents per Share Stapled Unit (after deduction of any operating expenses permissible under the trust deed dated 7 November 2011 constituting the HKT Trust (the "Trust Deed")), in respect of the six months ended 30 June 2023 (and in order to enable the HKT Trust to pay that distribution, the board of directors of the Company declared an interim dividend in respect of the ordinary shares in the Company held by the Trustee-Manager, of 32.05 HK cents per ordinary share, in respect of the same period) to holders of Share Stapled Units.

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

CONSOLIDATED INCOME STATEMENT OF HKT TRUST AND OF HKT LIMITED

For the six months ended 30 June 2023

In HK\$ million (except for earnings per Share Stapled Unit/share of the Company)	Note(s)	2022 (Unaudited)	2023 (Unaudited)
Revenue	3	16,157	16,400
Cost of sales		(8,134)	(8,279)
General and administrative expenses		(5,014)	(4,812)
Other gains, net		3	9
Finance costs, net		(627)	(925)
Share of results of associates		(53)	(52)
Share of results of joint ventures		15	(8)
Profit before income tax	3, 4	2,347	2,333
Income tax	5	(435)	(379)
Profit for the period		1,912	1,954
Profit attributable to:			
Holders of Share Stapled Units/shares of the Company		1,910	1,952
Non-controlling interests		2	2
Profit for the period		1,912	1,954
Earnings per Share Stapled Unit/share of the Company	7		
Basic		25.22 cents	25.77 cents
Diluted		25.22 cents	25.77 cents

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

As explained in note 1, the unaudited condensed consolidated interim financial information of the HKT Trust and the unaudited condensed consolidated interim financial information of HKT Limited are presented together.

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

For the six months ended 30 June 2023

In HK\$ million	2022 (Unaudited)	2023 (Unaudited)
Profit for the period	1,912	1,954
Other comprehensive income/(loss)		
Items that have been reclassified or may be reclassified subsequently to consolidated income statement:		
Translation exchange differences:		
– exchange differences on translating foreign operations of subsidiaries	(72)	(2)
– exchange differences on translating foreign operations of joint ventures	(13)	(1)
Cash flow hedges:		
– effective portion of changes in fair value	102	18
– transfer from equity to consolidated income statement	(43)	(177)
Costs of hedging	32	(33)
Other comprehensive income/(loss) for the period	6	(195)
Total comprehensive income for the period	1,918	1,759
Attributable to:		
Holders of Share Stapled Units/shares of the Company	1,916	1,757
Non-controlling interests	2	2
Total comprehensive income for the period	1,918	1,759

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

As explained in note 1, the unaudited condensed consolidated interim financial information of the HKT Trust and the unaudited condensed consolidated interim financial information of HKT Limited are presented together.

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

As at 30 June 2023

In HK\$ million	Note	As at 31 December 2022 (Audited)	As at 30 June 2023 (Unaudited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		26,286	26,837
Right-of-use assets		1,897	1,761
Interests in leasehold land		177	171
Goodwill		49,803	49,805
Intangible assets		16,415	16,659
Fulfilment costs		1,658	1,713
Customer acquisition costs		864	922
Contract assets		285	286
Interests in associates		410	440
Interests in joint ventures		493	487
Financial assets at fair value through other comprehensive income		147	147
Financial assets at fair value through profit or loss		34	27
Derivative financial instruments		27	32
Deferred income tax assets		968	975
Other non-current assets		571	575
		100,035	100,837
Current assets			
Inventories		1,607	1,419
Prepayments, deposits and other current assets		3,079	2,578
Contract assets		637	564
Trade receivables, net	8	3,254	2,147
Amounts due from related companies		25	32
Financial assets at fair value through profit or loss		12	13
Derivative financial instruments		58	-
Restricted cash		375	375
Short-term deposits		116	79
Cash and cash equivalents		1,997	1,822
		11,160	9,029
Current liabilities			
Short-term borrowings		(3,950)	(1,035)
Trade payables	9	(5,500)	(4,634)
Accruals and other payables		(5,973)	(4,789)
Derivative financial instrument		(98)	(122)
Carrier licence fee liabilities		(331)	(327)
Amount due to a fellow subsidiary		(2,049)	(3,041)
Amounts due to related companies		(54)	(64)
Advances from customers		(286)	(288)
Contract liabilities		(1,410)	(1,484)
Lease liabilities		(1,049)	(1,018)
Current income tax liabilities		(1,909)	(1,871)
		(22,609)	(18,673)

In HK\$ million	Note	As at 31 December 2022 (Audited)	As at 30 June 2023 (Unaudited)
Non-current liabilities			
Long-term borrowings		(39,888)	(43,876)
Derivative financial instruments		(223)	(257)
Deferred income tax liabilities		(5,048)	(5,220)
Carrier licence fee liabilities		(3,340)	(3,275)
Contract liabilities		(1,031)	(1,033)
Lease liabilities		(925)	(809)
Other long-term liabilities		(1,702)	(1,807)
		(52,157)	(56,277)
Net assets		36,429	34,916
CAPITAL AND RESERVES			
Share capital	10(a)	8	8
Reserves		36,361	34,853
Equity attributable to holders of Share Stapled Units/shares of the Company		36,369	34,861
Non-controlling interests		60	55
Total equity		36,429	34,916

The notes on pages 29 to 43 form an integral part of this unaudited condensed consolidated interim financial information. As explained in note 1, the unaudited condensed consolidated interim financial information of the HKT Trust and the unaudited condensed consolidated interim financial information of HKT Limited are presented together.

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

For the six months ended 30 June 2023

In HK\$ million	2022 (Unaudited)													Non- controlling interests	Total equity
	Attributable to holders of Share Stapled Units/shares of the Company														
	Share capital	Share premium	Capital contribution reserve	Merger reserve	Treasury stock	Employee share-based compensation reserve	Currency translation reserve	Hedging reserve	Costs of hedging reserve	Other reserves	Retained profits	Total			
As at 1 January 2022	8	7,817	26,250	(347)	(33)	14	162	75	(13)	88	3,120	37,141	56	37,197	
Total comprehensive income/(loss) for the period															
Profit for the period	-	-	-	-	-	-	-	-	-	-	1,910	1,910	2	1,912	
Other comprehensive (loss)/income															
Items that have been reclassified or may be reclassified subsequently to consolidated income statement:															
Translation exchange differences:															
- exchange differences on translating foreign operations of subsidiaries	-	-	-	-	-	-	(72)	-	-	-	-	(72)	-	(72)	
- exchange differences on translating foreign operations of joint ventures	-	-	-	-	-	-	(13)	-	-	-	-	(13)	-	(13)	
Cash flow hedges:															
- effective portion of changes in fair value	-	-	-	-	-	-	-	102	-	-	-	102	-	102	
- transfer from equity to consolidated income statement	-	-	-	-	-	-	-	(49)	6	-	-	(43)	-	(43)	
Costs of hedging	-	-	-	-	-	-	-	-	32	-	-	32	-	32	
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	(85)	53	38	-	1,910	1,916	2	1,918	
Transactions with equity holders															
Issue of Share Stapled Units/shares of the Company under the HKT Share Stapled Units Subscription Scheme (note 10(a)(i))	-*	43	-	-	-	-	-	-	-	-	-	43	-	43	
Purchase/Subscription of Share Stapled Units under the Share Stapled Units Award Schemes	-	-	-	-	(46)	-	-	-	-	-	-	(46)	-	(46)	
Receipt of shares of PCCW Limited ("PCCW Shares") under the PCCW Subscription Scheme	-	-	-	-	-	-	-	-	-	36	-	36	-	36	
Employee share-based compensation	-	-	-	-	-	8	-	-	-	-	-	8	-	8	
Vesting of Share Stapled Units under the Share Stapled Units Award Schemes	-	-	-	-	17	(15)	-	-	-	-	(2)	-	-	-	
Distribution/Dividend for Share Stapled Units/shares of the Company granted under the Share Stapled Units Award Schemes	-	-	-	-	-	(1)	-	-	-	-	-	(1)	-	(1)	
Distribution/Dividend paid in respect of the previous year (note 6(b))	-	-	-	-	-	-	-	-	-	-	(3,186)	(3,186)	-	(3,186)	
Dividends declared and paid to non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(9)	(9)	
Total transactions with equity holders	-	43	-	-	(29)	(8)	-	-	-	36	(3,188)	(3,146)	(9)	(3,155)	
As at 30 June 2022	8	7,860	26,250	(347)	(62)	6	77	128	25	124	1,842	35,911	49	35,960	

* Amount of HK\$4,000.

In HK\$ million

2023
(Unaudited)

	Attributable to holders of Share Stapled Units/shares of the Company												Non-controlling interests	Total equity
	Share capital	Share premium	Capital contribution reserve	Merger reserve	Treasury stock	Employee share-based compensation reserve	Currency translation reserve	Hedging reserve	Costs of hedging reserve	Other reserves	Retained profits	Total		
As at 1 January 2023	8	7,860	26,250	(347)	(64)	13	64	119	(116)	124	2,458	36,369	60	36,429
Total comprehensive income/(loss) for the period														
Profit for the period	-	-	-	-	-	-	-	-	-	-	1,952	1,952	2	1,954
Other comprehensive (loss)/income														
Items that have been reclassified or may be reclassified subsequently to consolidated income statement:														
Translation exchange differences:														
- exchange differences on translating foreign operations of subsidiaries	-	-	-	-	-	-	(2)	-	-	-	-	(2)	-	(2)
- exchange differences on translating foreign operations of joint ventures	-	-	-	-	-	-	(1)	-	-	-	-	(1)	-	(1)
Cash flow hedges:														
- effective portion of changes in fair value	-	-	-	-	-	-	-	18	-	-	-	18	-	18
- transfer from equity to consolidated income statement	-	-	-	-	-	-	-	(183)	6	-	-	(177)	-	(177)
Costs of hedging	-	-	-	-	-	-	-	-	(33)	-	-	(33)	-	(33)
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	(3)	(165)	(27)	-	1,952	1,757	2	1,759
Transactions with equity holders														
Purchase of Share Stapled Units under the HKT Share Stapled Units Purchase Scheme	-	-	-	-	(2)	-	-	-	-	-	-	(2)	-	(2)
Employee share-based compensation	-	-	-	-	-	7	-	-	-	-	-	7	-	7
Vesting of Share Stapled Units under the Share Stapled Units Award Schemes	-	-	-	-	15	(14)	-	-	-	-	(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 6(b))	-	-	-	-	-	-	-	-	-	-	(3,269)	(3,269)	-	(3,269)
Dividends declared and paid to non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(7)	(7)
Total transactions with equity holders	-	-	-	-	13	(8)	-	-	-	-	(3,270)	(3,265)	(7)	(3,272)
As at 30 June 2023	8	7,860	26,250	(347)	(51)	5	61	(46)	(143)	124	1,140	34,861	55	34,916

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

As explained in note 1, the unaudited condensed consolidated interim financial information of the HKT Trust and the unaudited condensed consolidated interim financial information of HKT Limited are presented together.

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

For the six months ended 30 June 2023

In HK\$ million	2022 (Unaudited)	2023 (Unaudited)
Net cash generated from operating activities	4,689	4,760
Investing activities		
Investment in an associate	(109)	(82)
Investment in a joint venture	–	(30)
Other investing activities	(2,293)	(2,051)
Net cash used in investing activities	(2,402)	(2,163)
Financing activities		
New borrowings raised	12,049	14,636
Other financing activities (including repayments of borrowings)	(15,167)	(17,402)
Net cash used in financing activities	(3,118)	(2,766)
Net decrease in cash and cash equivalents	(831)	(169)
Exchange differences	(12)	(6)
Cash and cash equivalents as at 1 January	2,411	1,997
Cash and cash equivalents as at 30 June	1,568	1,822
Analysis of cash and cash equivalents:		
Total cash and bank balances	2,494	2,276
Less: restricted cash	(455)	(375)
Less: short-term deposits	(471)	(79)
Cash and cash equivalents as at 30 June	1,568	1,822

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

As explained in note 1, the unaudited condensed consolidated interim financial information of the HKT Trust and the unaudited condensed consolidated interim financial information of HKT Limited are presented together.

1 BASIS OF PREPARATION AND PRESENTATION

The HKT Trust (the “HKT Trust”) is constituted by a Hong Kong law governed trust deed as supplemented, amended or substituted from time to time (the “Trust Deed”), entered into between HKT Management Limited (in its capacity as the trustee-manager of the HKT Trust) (the “Trustee-Manager”) and HKT Limited (the “Company”). In accordance with the Trust Deed, the HKT Trust and the Company are each required to prepare their own interim financial information on a consolidated basis. The HKT Trust unaudited condensed consolidated interim financial information for the six months ended 30 June 2023 comprises the unaudited condensed consolidated interim financial information of the HKT Trust, the Company and its subsidiaries (together the “Group”), and the Group’s interests in associates and joint ventures. The HKT Limited unaudited condensed consolidated interim financial information for the six months ended 30 June 2023 comprises the unaudited condensed consolidated interim financial information of the Company and its subsidiaries (together the “HKT Limited Group”) and the HKT Limited Group’s interests in associates and joint ventures, and the Company’s statement of financial position.

The HKT Trust controls the Company and the sole activity of the HKT Trust during the six months ended 30 June 2023 was investing in the Company. Therefore, the consolidated financial results and financial position that would be presented in the unaudited condensed consolidated interim financial information of the HKT Trust are identical to the consolidated financial results and financial position of the Company with the only differences being disclosures of the capital of the Company. The directors of the Trustee-Manager and the directors of the Company believe therefore that it is clearer to present the unaudited condensed consolidated interim financial information of the HKT Trust and of the Company together. The unaudited condensed consolidated interim financial information of the HKT Trust and the unaudited condensed consolidated interim financial information of the Company are presented together to the extent they are identical and are hereinafter referred to as the “HKT Trust and HKT Limited unaudited condensed consolidated interim financial information”.

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

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

The HKT Trust and HKT Limited unaudited condensed consolidated interim financial information has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The HKT Trust and HKT Limited unaudited condensed consolidated interim financial information should be read in conjunction with the annual consolidated financial statements of the HKT Trust and HKT Limited for the year ended 31 December 2022.

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 2 August 2023.

1 BASIS OF PREPARATION AND PRESENTATION (CONTINUED)

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

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

In preparing this unaudited condensed consolidated interim financial information, the significant judgements made by management in applying the Groups' accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2022.

The accounting policies, basis of presentation and methods of computation used in preparing the HKT Trust and HKT Limited unaudited condensed consolidated interim financial information are consistent with those followed in preparing the Groups' annual consolidated financial statements for the year ended 31 December 2022, except for the adoption of the following amended Hong Kong Financial Reporting Standards ("HKFRSs") and HKASs which are first effective for accounting periods beginning on or after 1 January 2023 as described below.

The following amended HKFRSs and HKASs are adopted for the financial year beginning 1 January 2023, but have no material effect on the Groups' reported results and financial position for the current and prior accounting periods.

- HKAS 8 (Amendments), *Accounting Policies, Changes in Accounting Estimates and Errors*
- HKAS 12 (Amendments), *Income Taxes*
- HKFRS 17 and HKFRS 17 (Amendments), *Insurance Contracts*

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

As at 30 June 2023, the current liabilities of the Groups exceeded their current assets by HK\$9,644 million. Included in the current liabilities were (i) short-term borrowings of HK\$1,035 million, which represented borrowings with maturity dates fall due within the next 12-month period and the Groups have arrangements to refinance this balance via long-term borrowings; and (ii) current portion of contract liabilities of HK\$1,484 million recognised for which no direct cash settlement is required but will gradually reduce over the contract terms through the satisfaction of performance obligations. Also, considering the Groups' ability to generate net operating cash inflows and raise additional debt financing, and the undrawn banking facilities totalling HK\$10,819 million as at 30 June 2023, management considers the Groups are able to meet their liabilities as and when they fall due within the next 12-month period. Accordingly, this unaudited condensed consolidated interim financial information has been prepared on a going concern basis.

2 STATEMENT OF FINANCIAL POSITION OF THE COMPANY

In HK\$ million	Note	As at 31 December 2022 (Audited)	As at 30 June 2023 (Unaudited)
ASSETS AND LIABILITIES			
Non-current assets			
Interests in subsidiaries		30,919	31,078
		30,919	31,078
Current assets			
Prepayments and deposits		9	11
Amounts due from subsidiaries		4,492	4,406
		4,501	4,417
Current liabilities			
Accruals and other payables		(3)	(3)
Amounts due to subsidiaries		(158)	(158)
Current income tax liabilities		(5)	(18)
		(166)	(179)
Net assets		35,254	35,316
CAPITAL AND RESERVES			
Share capital	10(a)	8	8
Reserves	10(b)	35,246	35,308
Total equity		35,254	35,316

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 technology and telecommunications and related services including enterprise solutions, total home solutions, healthtech services, and media entertainment. It operates primarily in Hong Kong, and also serves customers in mainland China and other parts of the world.
- Mobile includes the Groups’ mobile telecommunications businesses in Hong Kong.
- Other businesses of the Groups (“Other Businesses”) primarily comprise new business areas such as The Club’s loyalty platform and HKT Financial Services, and corporate support functions.

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

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

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

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

3 SEGMENT INFORMATION (CONTINUED)

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

In HK\$ million	Six months ended 30 June 2023 (Unaudited)				Consolidated
	TSS	Mobile	Other Businesses	Eliminations	
Revenue					
External revenue	11,114	4,707	579	–	16,400
Inter-segment revenue	571	261	17	(849)	–
Total revenue	11,685	4,968	596	(849)	16,400
External revenue from contracts with customers:					
Timing of revenue recognition					
At a point in time	1,359	1,043	371	–	2,773
Over time	9,714	3,664	208	–	13,586
External revenue from other sources:					
Rental income	41	–	–	–	41
	11,114	4,707	579	–	16,400
Results					
EBITDA	4,219	2,194	(404)	–	6,009

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

In HK\$ million	Six months ended 30 June	
	2022 (Unaudited)	2023 (Unaudited)
Total segment EBITDA	5,834	6,009
Depreciation and amortisation	(2,825)	(2,700)
Other gains, net	3	9
Finance costs, net	(627)	(925)
Share of results of associates and joint ventures	(38)	(60)
Profit before income tax	2,347	2,333

For the six months ended 30 June 2023

4 PROFIT BEFORE INCOME TAX

Profit before income tax was stated after charging the following:

In HK\$ million	Six months ended 30 June	
	2022 (Unaudited)	2023 (Unaudited)
Cost of inventories sold	2,815	2,547
Cost of sales, excluding inventories sold	5,319	5,732
Impairment loss for trade receivables	75	107
Depreciation of property, plant and equipment	579	579
Depreciation of right-of-use assets	696	642
Amortisation of land lease premium – interests in leasehold land	6	6
Amortisation of intangible assets	821	638
Amortisation of fulfilment costs	201	215
Amortisation of customer acquisition costs	522	620
Finance costs on borrowings	603	901

5 INCOME TAX

In HK\$ million	Six months ended 30 June	
	2022 (Unaudited)	2023 (Unaudited)
Current income tax:		
Hong Kong profits tax	196	201
Overseas tax	9	12
Movement of deferred income tax	230	166
	435	379

Hong Kong profits tax is provided at the rate of 16.5% (2022: 16.5%) on the estimated assessable profits for the period.

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

6 DISTRIBUTIONS/DIVIDENDS

a. Distribution/Dividend attributable to the interim period

In HK\$ million	Six months ended 30 June	
	2022 (Unaudited)	2023 (Unaudited)
Interim distribution/dividend declared after the end of the interim period of 32.05 HK cents (2022: 31.36 HK cents) per Share Stapled Unit/ordinary share of the Company	2,377	2,429

At meetings held on 2 August 2023, the directors of the Trustee-Manager and the Company declared an interim distribution/dividend of 32.05 HK cents per Share Stapled Unit/ordinary share of the Company for the year ending 31 December 2023. This interim distribution/dividend is not recognised as a liability in the HKT Trust and HKT Limited unaudited condensed consolidated interim financial information.

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

In HK\$ million	Six months ended 30 June	
	2022 (Unaudited)	2023 (Unaudited)
Final distribution/dividend declared in respect of the previous financial year, approved and paid during the interim period of 43.15 HK cents (2022: 42.07 HK cents) per Share Stapled Unit/ordinary share of the Company	3,189	3,271
Less: distribution/dividend for Share Stapled Units/ordinary shares of the Company held by the Share Stapled Units Award Schemes	(3)	(2)
	3,186	3,269

7 EARNINGS PER SHARE STAPLED UNIT/SHARE OF THE COMPANY

The calculations of basic and diluted earnings per Share Stapled Unit/share of the Company were based on the following data:

	Six months ended 30 June	
	2022 (Unaudited)	2023 (Unaudited)
Earnings (in HK\$ million)		
Earnings for the purpose of basic and diluted earnings per Share Stapled Unit/share of the Company	1,910	1,952
Number of Share Stapled Units/shares of the Company		
Weighted average number of Share Stapled Units/ordinary shares of the Company	7,577,156,699	7,579,742,334
Effect of Share Stapled Units held under the Share Stapled Units Award Schemes	(3,761,530)	(5,316,578)
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	7,573,395,169	7,574,425,756
Effect of Share Stapled Units awarded under the Share Stapled Units Award Schemes	1,335,462	1,272,701
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	7,574,730,631	7,575,698,457

For the six months ended 30 June 2023

8 TRADE RECEIVABLES, NET

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

In HK\$ million	As at	
	31 December 2022 (Audited)	30 June 2023 (Unaudited)
1 – 30 days	2,135	1,480
31 – 60 days	489	138
61 – 90 days	193	105
91 – 120 days	114	145
Over 120 days	469	450
	3,400	2,318
Less: loss allowance	(146)	(171)
Trade receivables, net	3,254	2,147

As at 30 June 2023, included in trade receivables, net were amounts due from related parties of HK\$79 million (as at 31 December 2022: HK\$55 million).

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

9 TRADE PAYABLES

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

In HK\$ million	As at	
	31 December 2022 (Audited)	30 June 2023 (Unaudited)
1 – 30 days	2,009	3,013
31 – 60 days	1,105	477
61 – 90 days	1,205	387
91 – 120 days	517	147
Over 120 days	664	610
	5,500	4,634

As at 30 June 2023, included in trade payables were amounts due to related parties of HK\$233 million (as at 31 December 2022: HK\$325 million).

10 EQUITY OF HKT LIMITED

a. Share capital of HKT Limited

	Six months ended 30 June			
	2022		2023	
	Number of shares (Unaudited)	Nominal value (Unaudited) HK\$	Number of shares (Unaudited)	Nominal value (Unaudited) HK\$
Authorised:				
Ordinary shares of HK\$0.0005 each				
Balances as at 1 January and 30 June	20,000,000,000	10,000,000	20,000,000,000	10,000,000
Preference shares of HK\$0.0005 each				
Balances as at 1 January and 30 June	20,000,000,000	10,000,000	20,000,000,000	10,000,000
Issued and fully paid:				
Ordinary shares of HK\$0.0005 each				
Balances as at 1 January	7,575,742,334	3,787,871	7,579,742,334	3,789,871
Issued during the period (note (i))	4,000,000	2,000	–	–
Balances as at 30 June	7,579,742,334	3,789,871	7,579,742,334	3,789,871
Preference shares of HK\$0.0005 each				
Balances as at 1 January	7,575,742,334	3,787,871	7,579,742,334	3,789,871
Issued during the period (note (i))	4,000,000	2,000	–	–
Balances as at 30 June	7,579,742,334	3,789,871	7,579,742,334	3,789,871

- (i) During the six months ended 30 June 2022, the Company issued and allotted 4,000,000 new fully paid ordinary shares with nominal value of HK\$0.0005 per share and 4,000,000 new fully paid preference shares with nominal value of HK\$0.0005 per share respectively under general mandate for grant of awards pursuant to the HKT Share Stapled Units Subscription Scheme (as disclosed in note 11) with a consideration of approximately HK\$43 million in total.

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

In HK\$ million	Six months ended 30 June 2022 (Unaudited)		
	Share premium	Retained profits	Total
As at 1 January 2022	35,161	13	35,174
Total comprehensive income for the period	–	3,192	3,192
Issue of shares (note 10(a)(i))	43	–	43
Dividend paid in respect of the previous year	–	(3,189)	(3,189)
As at 30 June 2022	35,204	16	35,220

For the six months ended 30 June 2023

10 EQUITY OF HKT LIMITED (CONTINUED)**b. Movements in reserves of the Company are as follows: (continued)**

In HK\$ million	Six months ended 30 June 2023 (Unaudited)		
	Share premium	Retained profits	Total
As at 1 January 2023	35,204	42	35,246
Total comprehensive income for the period	–	3,333	3,333
Dividend paid in respect of the previous year	–	(3,271)	(3,271)
As at 30 June 2023	35,204	104	35,308

11 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 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 30 June 2023.

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 30 June 2022 (Unaudited)	
	Number of PCCW Shares (Unaudited)	Number of Share Stapled Units (Unaudited)
As at 1 January 2022	4,895,523	2,797,914
Purchases from the market by the trustee at weighted average market price of HK\$4.39 per PCCW Share/HK\$10.61 per Share Stapled Unit	559,000	225,000
PCCW Shares obtained under the PCCW Subscription Scheme	8,000,000	–
New Share Stapled Units jointly issued by the HKT Trust and the Company at issue price of approximately HK\$10.84 per Share Stapled Unit	–	4,000,000
PCCW Shares/Share Stapled Units vested	(3,650,888)	(1,437,692)
As at 30 June 2022	9,803,635	5,585,222
	Six months ended 30 June 2023 (Unaudited)	
	Number of PCCW Shares (Unaudited)	Number of Share Stapled Units (Unaudited)
As at 1 January 2023	10,202,635	5,751,222
Purchases from the market by the trustee at weighted average market price of HK\$3.92 per PCCW Share/HK\$10.32 per Share Stapled Unit	518,000	213,000
PCCW Shares/Share Stapled Units vested	(3,385,485)	(1,412,000)
As at 30 June 2023	7,335,150	4,552,222

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

The weighted average fair values of the PCCW Shares and the Share Stapled Units awarded during the six months ended 30 June 2023 at the dates of award were HK\$4.00 (2022: HK\$4.52) per PCCW Share and HK\$10.09 (2022: HK\$10.86) 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.

12 COMMITMENTS

a. Capital

In HK\$ million	As at	
	31 December 2022 (Audited)	30 June 2023 (Unaudited)
Authorised and contracted for acquisition of property, plant and equipment	1,273	1,558

Additions of property, plant and equipment were HK\$1,187 million and HK\$1,134 million for the six months ended 30 June 2022 and 2023 respectively.

b. Others

In HK\$ million	As at	
	31 December 2022 (Audited)	30 June 2023 (Unaudited)
Purchase of rights to broadcast certain TV content	1,275	1,053
Operating expenditure commitments	507	511
	1,782	1,564

13 CONTINGENT LIABILITIES

In HK\$ million	As at	
	31 December 2022 (Audited)	30 June 2023 (Unaudited)
Performance guarantees	1,053	1,073
Others	6	3
	1,059	1,076

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.

For the six months ended 30 June 2023

14 RELATED PARTY TRANSACTIONS

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

In HK\$ million	Note	Six months ended 30 June	
		2022 (Unaudited)	2023 (Unaudited)
Telecommunications service fees, data centre service fees and contact centre service charges received or receivable from a substantial shareholder of PCCW	a	63	94
Telecommunications service fees and data centre service fees paid or payable to a substantial shareholder of PCCW	a	61	80
Telecommunications service fees, IT development and support service charges, contact centre service charges, hotline services fees, consultancy service charges, interest income and other costs recharge received or receivable from joint ventures	a	17	25
Telecommunications service fees, outsourcing fees, rental charges and interest expense paid or payable to joint ventures	a	128	137
Telecommunications service fees, connectivity service fees, contact centre service charges, equipment sales, customer acquisition services fees, consultancy service charges and other costs recharge received or receivable from associates	a	12	12
Advertising fees and licence fees received or receivable from an associate of PCCW	a	–	7
IT charges, logistics charges and other contractor services fees paid or payable to associates of PCCW	a	–	323
Telecommunications service fees, data centre service fees, connectivity service fees, equipment sales, insurance premium, insurance agency service charges, management fee, travel agency service fees and other costs recharge received or receivable from related parties under a common holder of Share Stapled Units/ shareholder with the Company	a	34	47
Insurance premium and rental charges paid or payable to related parties under a common holder of Share Stapled Units/shareholder with the Company	a	113	108
Telecommunications service fees, carriage service fees, marketing and sales services fees, connectivity service fees, management fee, equipment sales, content provision fees, insurance premium, travel agency service fees, rental charges and other costs recharge received or receivable from fellow subsidiaries	a	1,452	1,617
Data centre service fees, IT and logistics charges, system development and integration charges, consultancy service charges, management fee, content provision fees, outsourcing fees, marketing and sales services and other costs recharge paid or payable to fellow subsidiaries	a	605	114
Key management compensation	b	19	18

- 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.

14 RELATED PARTY TRANSACTIONS (CONTINUED)

b. Details of key management compensation

In HK\$ million	Six months ended 30 June	
	2022 (Unaudited)	2023 (Unaudited)
Salaries and other short-term employee benefits	15	15
Share-based compensation	4	3
	19	18

15 FINANCIAL INSTRUMENTS

a. Financial risk factors

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

The HKT Trust and HKT Limited unaudited condensed consolidated interim financial information does not include all financial risk management information and disclosures as required in the Groups' annual consolidated financial statements. It should be read in conjunction with the Groups' annual consolidated financial statements for the year ended 31 December 2022. There have been no material changes in the financial management policies and practices since 31 December 2022.

b. Estimation of fair values

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

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

For the six months ended 30 June 2023

15 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:

In HK\$ million	As at 31 December 2022 (Audited)			Total
	Level 1	Level 2	Level 3	
Assets				
Financial assets at FVOCI ¹				
– Unlisted securities	–	–	147	147
Financial assets at FVPL ²				
– Unlisted securities (non-current)	–	–	10	10
– Listed securities (non-current)	24	–	–	24
– Listed securities (current)	12	–	–	12
Derivative financial instruments				
– Non-current	–	27	–	27
– Current	–	58	–	58
Total assets	36	85	157	278
Liabilities				
Derivative financial instruments				
– Current	–	(98)	–	(98)
– Non-current	–	(223)	–	(223)
Total liabilities	–	(321)	–	(321)

In HK\$ million	As at 30 June 2023 (Unaudited)			Total
	Level 1	Level 2	Level 3	
Assets				
Financial assets at FVOCI ¹				
– Unlisted securities	–	–	147	147
Financial assets at FVPL ²				
– Unlisted securities (non-current)	–	–	10	10
– Listed securities (non-current)	17	–	–	17
– Listed securities (current)	13	–	–	13
Derivative financial instruments				
– Non-current	–	32	–	32
Total assets	30	32	157	219
Liabilities				
Derivative financial instruments				
– Current	–	(122)	–	(122)
– Non-current	–	(257)	–	(257)
Total liabilities	–	(379)	–	(379)

Notes:

- 1 FVOCI refers to fair value through other comprehensive income.
- 2 FVPL refers to fair value through profit or loss.

15 FINANCIAL INSTRUMENTS (CONTINUED)

b. Estimation of fair values (continued)

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 30 June 2022 and 2023.

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

There were no transfers of financial assets and liabilities between fair value hierarchy classifications during the six months ended 30 June 2022 and 2023.

There were no material changes in valuation techniques during the six months ended 30 June 2022 and 2023.

c. Groups' valuation process

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

d. Fair values of financial instruments measured at amortised cost

All financial instruments were carried at amounts not materially different from their fair values as at 31 December 2022 and 30 June 2023 except as follows:

In HK\$ million	As at 31 December 2022		As at 30 June 2023	
	Carrying amount (Audited)	Fair value (Audited)	Carrying amount (Unaudited)	Fair value (Unaudited)
Short-term borrowings	3,950	3,945	1,035	1,035
Long-term borrowings	39,888	37,741	43,876	41,994

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

INCOME STATEMENT OF HKT MANAGEMENT LIMITED

For the six months ended 30 June 2023

In HK\$'000	Note	2022 (Unaudited)	2023 (Unaudited)
Management fee income		30	29
General and administrative expenses		(30)	(29)
Result before income tax	2	–	–
Income tax	3	–	–
Result for the period		–	–

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

STATEMENT OF COMPREHENSIVE INCOME OF HKT MANAGEMENT LIMITED

For the six months ended 30 June 2023

In HK\$'000	2022 (Unaudited)	2023 (Unaudited)
Result for the period	–	–
Other comprehensive income	–	–
Total comprehensive income for the period	–	–

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

STATEMENT OF FINANCIAL POSITION OF HKT MANAGEMENT LIMITED

As at 30 June 2023

In HK\$'000	Note	As at 31 December 2022 (Audited)	As at 30 June 2023 (Unaudited)
ASSET AND LIABILITIES			
Current asset			
Amount due from a fellow subsidiary		547	576
		547	576
Current liabilities			
Accruals and other payables		(54)	(81)
Amounts due to fellow subsidiaries		(493)	(495)
		(547)	(576)
Net assets		–	–
CAPITAL AND RESERVES			
Share capital	4	–	–
Reserves		–	–
Total equity		–	–

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

STATEMENT OF CHANGES IN EQUITY OF HKT MANAGEMENT LIMITED

For the six months ended 30 June 2023

In HK\$'000	2022 (Unaudited)		
	Share capital	Retained profits	Total
As at 1 January 2022	–	–	–
Total comprehensive income for the period			
Result for the period	–	–	–
Other comprehensive income	–	–	–
Total comprehensive income for the period	–	–	–
Transactions with the equity holder of the Company	–	–	–
As at 30 June 2022	–	–	–
In HK\$'000	2023 (Unaudited)		
	Share capital	Retained profits	Total
As at 1 January 2023	–	–	–
Total comprehensive income for the period			
Result for the period	–	–	–
Other comprehensive income	–	–	–
Total comprehensive income for the period	–	–	–
Transactions with the equity holder of the Company	–	–	–
As at 30 June 2023	–	–	–

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

CONDENSED STATEMENT OF CASH FLOWS OF HKT MANAGEMENT LIMITED

For the six months ended 30 June 2023

In HK\$'000	2022 (Unaudited)	2023 (Unaudited)
Net cash generated from operating activities	–	–
Net cash generated from investing activities	–	–
Net cash generated from financing activities	–	–
Net change in cash and cash equivalents	–	–
Cash and cash equivalents as at 1 January	–	–
Cash and cash equivalents as at 30 June	–	–

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

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

For the six months ended 30 June 2023

1 BASIS OF PREPARATION

The unaudited condensed interim financial information of HKT Management Limited (the “Company”) has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). This unaudited condensed interim financial information should be read in conjunction with the annual financial statements of the Company for the year ended 31 December 2022.

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 2 August 2023.

The unaudited condensed interim financial information has been reviewed by the Company’s Audit Committee and, in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA, by the Company’s independent auditor.

The financial information relating to the year ended 31 December 2022 that is included in this unaudited condensed interim financial information as comparative information does not constitute the Company’s statutory annual financial statements for that year but is derived from those financial statements. Further information relating to those statutory financial statements required to be disclosed in accordance with Section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

- The Company’s financial statements combined with the HKT Trust and HKT Limited consolidated financial statements for the year ended 31 December 2022 have been delivered to the Registrar of Companies.
- The Company’s auditor has reported on those financial statements of the Company. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under Sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Cap. 622).

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

In preparing this unaudited condensed interim financial information, the significant judgements made by management in applying the Company’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended 31 December 2022.

The accounting policies, basis of presentation and methods of computation used in preparing this unaudited condensed interim financial information are consistent with those followed in preparing the Company’s annual financial statements for the year ended 31 December 2022, except for the adoption of the following amended Hong Kong Financial Reporting Standards (“HKFRSs”) and HKASs which are first effective for accounting periods beginning on or after 1 January 2023 as described below.

The following amended HKFRSs and HKASs are adopted for the financial year beginning 1 January 2023, but have no material effect on the Company’s reported results and financial position for the current and prior accounting periods.

- HKAS 8 (Amendments), *Accounting Policies, Changes in Accounting Estimates and Errors*
- HKAS 12 (Amendments), *Income Taxes*
- HKFRS 17 and HKFRS 17 (Amendments), *Insurance Contracts*

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

For the six months ended 30 June 2023

2 RESULT BEFORE INCOME TAX

Result before income tax was stated after charging the following:

In HK\$'000	Six months ended 30 June	
	2022 (Unaudited)	2023 (Unaudited)
Auditor's remuneration	30	27

3 INCOME TAX

No Hong Kong profits tax has been provided as the Company did not have any assessable profit during the six months ended 30 June 2022 and 2023.

4 SHARE CAPITAL

	Number of share (Unaudited)	Share capital (Unaudited) HK\$
Issued and fully paid:		
Ordinary share of no par value		
Balances as at 1 January 2022, 30 June 2022, 1 January 2023 and 30 June 2023	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 30 June	
	2022 (Unaudited)	2023 (Unaudited)
Management fee receivable from a fellow subsidiary	30	29

- a. This transaction was carried out after negotiations between the Company and the related party in the ordinary course of business and on the basis of estimated market value as determined by the directors.
- b. The directors' emoluments of the Company were borne by a fellow subsidiary of the Company for the six months ended 30 June 2022 and 2023.

GENERAL INFORMATION

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

As at 30 June 2023, the directors of HKT Limited (the "Company") and the directors of HKT Management Limited (in its capacity as the trustee-manager of the HKT Trust) (the "Trustee-Manager") (collectively referred to as the "Directors"), the chief executives of the Company and the Trustee-Manager (collectively referred to as the "Chief Executives") and their respective close associates had the following interests or short positions in the share stapled units of HKT Trust and the Company (the "Share Stapled Units") and underlying Share 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	–	67,655,964 (Note 1(a))	152,795,631 (Note 1(b))	220,451,595	2.91%	
Hui Hon Hing, Susanna	5,692,306	–	404,706 (Note 2)	6,097,012	0.08%	
Peter Anthony Allen (Note 3)	21,530	–	17,119 (Note 4)	38,649	0.001%	

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 7 November 2011 constituting the HKT Trust entered into between the Trustee-Manager and the Company (as supplemented, amended or substituted from time to time) (the "Trust Deed") and the Company's articles of association (as amended and restated from time to time), the number of ordinary shares and preference shares of the Company in issue must be the same at all times and must also, in each case, be equal to the number of units of the HKT Trust in issue; and each of them is equal to the number of Share 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, Eisner Investments Limited ("Eisner") held 46,020,000 Share Stapled Units and Hopestar Holdings Limited ("Hopestar") held 1,408,350 Share Stapled Units. Li Tzar Kai, Richard owned 100% of the issued share capital of Chiltonlink, Eisner and Hopestar.

(b) These interests represented:
 - (i) a deemed interest in 130,511,730 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 130,511,730 Share Stapled Units held by PCGH; and
 - (ii) a deemed interest in 22,283,901 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 22,283,901 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.
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 Unit 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 ("Private Co") 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 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 Private Co giving six months' prior notice. As of 30 June 2023, S\$44,994,000 (equivalent to approximately HK\$266,000,000*) of the loan had been repaid by Peter A. Allen to Private Co, and S\$3,006,000 (equivalent to approximately HK\$18,000,000*) remained outstanding. This private arrangement is not connected with and does not conflict with Peter A. Allen's duties at HKT Trust and HKT Limited.

* Hong Kong dollar figures are for reference only based on prevailing exchange rates
4. These interests represented awards made to Peter A. Allen, which were subject to certain vesting conditions pursuant to an award scheme of PCCW, namely the Purchase Scheme.

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

2. Interests in the Associated Corporation of the Company

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 (Note 1(a))	1,928,842,224 (Note 1(b))	2,391,129,358	30.89%	
Hui Hon Hing, Susanna	11,852,645	–	984,938 (Note 2)	12,837,583	0.17%	
Peter Anthony Allen	246,596	–	44,757 (Note 2)	291,353	0.004%	

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.

Save as disclosed in the foregoing, as at 30 June 2023, 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 UNIT SCHEMES

1. Share Stapled Units Option Scheme

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

No Share Stapled Unit options have been granted under the 2021-2031 Option Scheme since its adoption and up to and including 30 June 2023.

As at each of 1 January 2023 and 30 June 2023, the number of Share Stapled Unit options available for grant under the 2021-2031 Option Scheme mandate was 757,574,233.

2. Share Stapled Units Award Schemes

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

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

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

SHARE STAPLED UNIT SCHEMES (CONTINUED)

2. Share Stapled Units Award Schemes (continued)

Details of the Share Stapled Unit awards granted and their movements during the six months ended 30 June 2023 are as follows:

Name or category of participants	Date of grant	Vesting period	Fair value at the date of grant ^(a) HK\$	Unvested as at 1 January 2023	Number of Share Stapled Unit awards			Unvested as at 30 June 2023
					Granted during the period	Lapsed/ Forfeited during the period	Vested during the period	
(I) HKT Share Stapled Units Purchase Scheme								
Director/Chief Executive								
Hui Hon Hing, Susanna	16 April 2021	16 April 2021 to 16 April 2023	11.06	159,897	–	–	(159,897) ^(e)	–
	19 April 2022	19 April 2022 to 19 April 2023	10.86	155,620	–	–	(155,620) ^(e)	–
	19 April 2022	19 April 2022 to 19 April 2024	10.86	155,619	–	–	–	155,619
Employee Participants								
In aggregate	16 April 2021	16 April 2021 to 16 April 2023	11.06	48,831	–	(437)	(48,394) ^(e)	–
	19 April 2022	19 April 2022 to 19 April 2023	10.86	57,097	–	(449)	(56,648) ^(e)	–
	19 April 2022	19 April 2022 to 19 April 2024	10.86	57,092	–	(449)	–	56,643
	19 April 2023	19 April 2023 to 19 April 2024	10.18	–	5,135 ^(b)	–	–	5,135
	19 April 2023	19 April 2023 to 19 April 2025	10.18	–	5,132 ^(b)	–	–	5,132
	30 May 2023	30 May 2023 to 30 May 2024	9.98	–	49,393 ^(c)	–	–	49,393
	30 May 2023	30 May 2023 to 30 May 2025	9.98	–	49,390 ^(c)	–	–	49,390
	1 June 2023	1 June 2023 to 1 June 2024	9.96	–	1,646 ^(c)	–	–	1,646
	1 June 2023	1 June 2023 to 1 June 2025	9.96	–	1,645 ^(c)	–	–	1,645
Total				634,156	112,341	(1,335)	(420,559)	324,603
(II) HKT Share Stapled Units Subscription Scheme								
Employee Participants								
In aggregate	11 May 2020	11 May 2020 to 16 April 2023	12.86	7,858	–	–	(7,858) ^(e)	–
	16 April 2021	16 April 2021 to 16 April 2023	11.06	440,667	–	(9,090)	(431,577) ^(e)	–
	2 July 2021	2 July 2021 to 16 April 2023	10.56	12,601	–	–	(12,601) ^(e)	–
	4 March 2022	4 March 2022 to 16 April 2023	10.60	8,537	–	–	(8,537) ^(e)	–
	19 April 2022	19 April 2022 to 19 April 2023	10.86	543,311	–	(14,790)	(528,521) ^(e)	–
	19 April 2022	19 April 2022 to 19 April 2024	10.86	542,398	–	(25,339)	–	517,059
	15 August 2022	15 August 2022 to 19 April 2023	11.00	2,347	–	–	(2,347) ^(e)	–
	15 August 2022	15 August 2022 to 19 April 2024	11.00	2,346	–	–	–	2,346
	19 April 2023	19 April 2023 to 19 April 2024	10.18	–	452,085 ^(b)	(9,024)	–	443,061
	19 April 2023	19 April 2023 to 19 April 2025	10.18	–	451,298 ^(b)	(9,006)	–	442,292
	30 May 2023	30 May 2023 to 30 May 2024	9.98	–	78,560 ^(c)	–	–	78,560
	30 May 2023	30 May 2023 to 30 May 2025	9.98	–	78,548 ^(c)	–	–	78,548
	23 June 2023	23 June 2023 to 23 June 2024	9.05	–	27,726 ^(d)	–	–	27,726
	23 June 2023	23 June 2023 to 23 June 2025	9.05	–	27,666 ^(d)	–	–	27,666
Total				1,560,065	1,115,883	(67,249)	(991,441)	1,617,258

SHARE STAPLED UNIT SCHEMES (CONTINUED)

2. Share Stapled Units Award Schemes (continued)

Notes:

- (a) The fair value of awards granted is measured by the quoted market price of the Share Stapled Units at the respective dates of grant. A description of the basis for fair value measurement is set out in note 3(ad)(iii) to the HKT Trust and HKT Limited consolidated financial statements for the year ended 31 December 2022.
- (b) The closing price of the Share Stapled Units immediately before the date on which the awards were granted was HK\$10.28 per Share Stapled Unit.
- (c) The closing price of the Share Stapled Units immediately before the date on which the awards were granted was HK\$10.00 per Share Stapled Unit.
- (d) The closing price of the Share Stapled Units immediately before the date on which the awards were granted was HK\$9.06 per Share Stapled Unit.
- (e) The weighted average closing price of the Share Stapled Units immediately before the dates on which the awards vested was HK\$10.45 per Share Stapled Unit.

As at 1 January 2023 and 30 June 2023, the number of Share Stapled Unit awards available for grant under the HKT Share Stapled Units Subscription Scheme mandate was 74,237,358 and 74,180,165 respectively.

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 11 to the HKT Trust and HKT Limited unaudited condensed consolidated interim financial information.

The number of Share Stapled Units that may be issued in respect of Share Stapled Unit options granted under the 2021-2031 Option Scheme and Share Stapled Unit awards granted under the HKT Share Stapled Units Subscription Scheme during the period, divided by the weighted average number of Share Stapled Units in issue for the period, is 0.01%.

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

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL HOLDERS OF SHARE STAPLED UNITS

As at 30 June 2023, 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 held in long position	Approximate percentage of the total number of Share Stapled Units in issue	Note
PCCW	Interest in controlled corporation	3,963,449,681	52.29%	1
CAS Holding No. 1 Limited	Beneficial owner	3,963,449,681	52.29%	

Each Share Stapled Unit confers an interest in:

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

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

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

Notes:

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

1. PCCW indirectly held these interests through its direct wholly-owned subsidiary, CAS Holding No. 1 Limited.

Save as disclosed above in this section, the Trustee-Manager and the Company have not been notified of any other persons (other than Directors or Chief Executives) who had an interest or a short position in the Share Stapled Units or underlying Share Stapled Units, or in the shares, underlying shares or debentures of the Company as recorded in the register(s) required to be kept under Section 336 of the SFO as at 30 June 2023.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

During the six months ended 30 June 2023, none of the HKT Trust (including the Trustee-Manager), the Company or the Company's subsidiaries purchased, sold or redeemed any Share Stapled Units.

AUDIT COMMITTEE

The Trustee-Manager's Audit Committee and the Company's Audit Committee have reviewed the accounting policies adopted by the HKT Trust and the Company together with the Company's subsidiaries; and the Trustee-Manager, the unaudited condensed consolidated interim financial information of the HKT Trust and HKT Limited for the six months ended 30 June 2023 and the unaudited condensed interim financial information of the Trustee-Manager for the same period. Such financial information of the HKT Trust and HKT Limited and of the Trustee-Manager has not been audited but has been reviewed by the independent auditor of the Trustee-Manager and the Company.

MODEL CODE SET OUT IN APPENDIX 10 TO THE LISTING RULES

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

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

CORPORATE GOVERNANCE CODE

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

The HKT Trust and the Company have applied the principles, and complied with all relevant code provisions of the Corporate Governance Code (the "CG Code") in each case as set out in Appendix 14 to the Listing Rules during the six months ended 30 June 2023, save and except for the code provisions set out below. The requirement to establish a separate Remuneration Committee with written terms of reference for the Trustee-Manager under the code provision E.1.2 of the CG Code is not relevant to the Trustee-Manager as its directors are not entitled to any remuneration under the Trust Deed, and therefore has not been complied with. In addition, given the unique circumstances of the HKT Trust i.e., the fact that the Trust Deed requires that the directors of the Company and the directors of the Trustee-Manager must always be the same individuals, the establishment of a separate Nomination Committee with written terms of reference for the Trustee-Manager as required by code provision B.3.1 of the CG Code is not relevant to the Trustee-Manager, and therefore has not been complied with.

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

Tang Yongbo

Wang Fang

Independent Non-Executive Directors

Chang Hsin Kang

Sunil Varma

Aman Mehta

Frances Waikwun Wong

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

Cheung Hok Chee, Vanessa

REGISTERED OFFICE

PO Box 309, Uglad House

Grand Cayman, KY1-1104

Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

39th Floor, PCCW Tower

Taikoo Place, 979 King's Road

Quarry Bay, Hong Kong

SHARE STAPLED UNITS INFORMATION

Board lot: 1,000 units

Issued units as at 30 June 2023: 7,579,742,334 units

DIVIDEND/DISTRIBUTION

Interim dividend/distribution per ordinary share/share stapled unit for the six months ended 30 June 2023: 32.05 HK cents

FINANCIAL CALENDAR

Announcement of 2023 Interim Results 2 August 2023

Closure of books 21-22 August 2023
(both days inclusive)

Record date for 2023 interim distribution 22 August 2023

Payment of 2023 interim distribution on or around 5 September 2023

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

Tang Yongbo

Wang Fang

Independent Non-Executive Directors

Chang Hsin Kang

Sunil Varma

Aman Mehta

Frances Waikwun Wong

REGISTERED OFFICE

39th Floor, PCCW Tower

Taikoo Place, 979 King's Road

Quarry Bay, Hong Kong

PRINCIPAL SHARE REGISTRAR

Maples Fund Services (Cayman) Limited

PO Box 1093, Boundary Hall, Cricket Square

Grand Cayman, KY1-1102

Cayman Islands

SHARE STAPLED UNITS REGISTRAR AND HONG KONG BRANCH SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited

Shops 1712-1716

17th Floor, Hopewell Centre

183 Queen's Road East

Wan Chai, Hong Kong

Telephone: +852 2862 8555

Fax: +852 2865 0990

Website: www.computershare.com/hk/contact

LISTINGS

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

STOCK CODES

The Stock Exchange of Hong Kong Limited 6823

Reuters 6823.HK

Bloomberg 6823 HK

WEBSITE OF HKT LIMITED

www.hkt.com

INTERIM REPORT 2023

This Interim Report 2023 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 2023 using electronic means through the website of HKT Limited may request a printed copy, or
- B) received the Interim Report 2023 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 2023) 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 2023 will promptly, upon request in writing or by email to the Share Stapled Units Registrar, be sent the Interim Report 2023 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 7 November 2011 under the laws of Hong Kong and managed by HKT Management Limited)
and

HKT Limited (Incorporated in the Cayman Islands with limited liability)

Principal Place of Business in Hong Kong:

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).

Copyright © HKT Limited 2023. All Rights Reserved.

