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CORPORATE PROFILE

HKT is Hong Kong's premier telecommunications service provider. It meets the needs of the Hong Kong public and local and international businesses with a wide range of services including local telephony, local data and broadband, international telecommunications, mobile, and other telecommunications businesses such as customer premises equipment sale, outsourcing, consulting, and contact centers.

Together with the highly successful media business of its parent company, PCCW Limited, HKT offers innovative media content and services across the PCCW Group's unique quadruple-play platforms – fixed-line, broadband Internet access, TV and mobile.

Employing approximately 14,900 staff, HKT is headquartered in Hong Kong and maintains a presence in mainland China as well as other parts of the world.

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

STATEMENT FROM THE CHAIRMAN

During 2012, global business sentiment has remained cautious in view of the persistent financial volatility caused by the Eurozone debt problems. In Hong Kong, while economic growth further slowed down in the first quarter, the telecom sector has been relatively insulated by the resilient domestic consumption and more specifically excitement around smart gadgets and the ever-increasing Internet usage.

Against this backdrop, we are pleased to report another set of solid results for HKT for the first half of 2012, with mobile and fiber broadband businesses continuing to be the key growth drivers.

The successful implementation of our strategy for the mobile business saw both customer take-up and revenue increase notably, continuing the strong trend of 2011. The number of postpaid customers has now exceeded one million. HKT has also enhanced its mobile proposition with the launch of the 4G LTE network in the first half, complementing its 3G and unique Wi-Fi networks.

Our extensive network of Wi-Fi hotspots has also been further strengthened, with the number of hotspots already exceeding 10,000. In fact, our superior Wi-Fi know-how is demonstrated by the Hong Kong Government's award in May of a significant additional contract to provide Wi-Fi facilities at public premises all over Hong Kong.

During the period, our optical fiber network continued to expand to reach more homes. Benefiting also from scaled-up efforts to serve high-value premier customers, our fiber broadband service recorded an impressive growth in both customers and ARPU (average revenue per user).

Meanwhile, the launch of a new Android-based **eye** multimedia device with more applications and functionality revived demand for our fixed-line service, which led to a stabilization of the local telephony business.

Overall, the first-half results reflected the fundamental strengths of the Company and our determination to meet the needs of our customers with high quality service offerings and an excellent user experience. Board members and management are fully aware of our remit to ensure that HKT provides a steady distribution to its holders, and we remain committed to achieving this objective.



Richard Li
Chairman
August 9, 2012

STATEMENT FROM THE GROUP MANAGING DIRECTOR

I am pleased to report that HKT recorded a satisfactory overall performance for the six months to June 30, 2012. This is the first full six months of performance since the initial public offering of HKT in November 2011.

We stayed focused on implementing our fixed and mobile strategies, including successful campaigns to develop and promote our fast-growing mobile and fiber broadband businesses, which strengthened our competitive position in the market and yielded good financial results.

Achieving higher levels of customer service remains a priority for HKT. In the first half of 2012, we launched an online customer service portal where customers can manage their quadruple-play services using a single log-in. These services include HKT's fixed lines and **eye**, broadband, mobile, as well as **now TV** provided by the parent group. Customers may check their bills and details of service plans and appointments, get technical support, download useful forms, or get timely responses from our customer service staff via the Live Chat function.

RAPID TAKE-UP OF **eye**

The **eye** device is a unique multimedia service by HKT which has played an important role in sustaining the fixed-line business, despite the migration of voice services to mobile.

Through years of evolution, the **eye** device is data- and video-centric and not only offers the multitude of infotainment made available by HKT for different members of the household, but also enables them to connect to the Internet for browsing. This has made the portable tablet, preloaded with Android apps, a perfect companion at home for information and entertainment purposes.

During the period, we continued to see an increase of **eye** subscribers, to 242,000 at the end of June – representing 17% of the residential customer base. This contributed to the stable overall fixed-line customer number and an increase in ARPU. In addition, the always-on nature of **eye** offers good opportunities for advertising revenue, especially with the increasing take-up.

FAST-EXPANDING FIBER COVERAGE

HKT, through its NETVIGATOR brand, is the leading broadband provider in Hong Kong. During the period under review, our broadband business enjoyed a steady growth.

As in the previous period, customers subscribing to high-speed broadband services including HKT's real fiber service increased at an encouraging pace, driving overall ARPU growth. At the end of June, 224,000 customers were enjoying our fiber-to-the-home (FTTH) service, an increase of 57% from December 2011. In the meantime, HKT's FTTH coverage also expanded significantly to 70% of all Hong Kong households.

Our powerful and extensive fiber infrastructure supports a range of value-added services, uHub being one of them since its launch in the second half of 2011. uHub is a cloud-based multimedia storage giving users a convenient and cost-effective way to upload and retrieve a large volume of files. The service can now be accessed via selected models of smart TV, and both customer number and usage of uHub are expected to continue to rise. The cloud-based health data management service, eSmartHealth, which was launched last November, has also been well received.

HKT meets the telecom needs of our customers in more diverse ways – e.g. we also provide a home networking consultancy service for customers who are moving into a new home or redecorating their premises. Our experts will advise on the best locations for the telecom equipment so customers can enjoy the best experience. For those who need more customized service and have even higher expectations than our regular quality service, a dedicated HKT Premier team has been set up recently.

ULTIMATE MOBILITY

The mobile service business had a promising performance in the first half of 2012, continuing the strong trend of last year. Our decision to stop offering unlimited data plans and replace them with plans with pre-set usage caps last year proved to be a sound business decision – instead of having an adverse impact on the business we have seen continued improvement of the customer portfolio. We are pleased to report that the number of postpaid mobile customers has exceeded one million.

With the advent of more attractive 4G-enabled mobile devices, HKT launched its LTE network in May as planned. HKT provides comprehensive LTE coverage in the main business districts, which will be progressively extended to other areas. Furthermore, we are strengthening indoor coverage by deploying for LTE the 1800 MHz spectrum previously used for 2G communications – this will improve the indoor reach of our 4G LTE network.

Our 4G initiative is part of our strategy and marketing push to capitalize on the booming mobile data market. HKT now offers customers an “ultimate mobility” proposition comprising 4G, DC-HSPA+, and unlimited Wi-Fi plus seamless auto-connection between the mobile and Wi-Fi networks.

By the end of June 2012, there were more than 10,000 Wi-Fi hotspots all over Hong Kong that are operated by HKT – a major milestone achievement. The hotspots, many with 100MB fiber backhaul, are located at shopping malls, convenience stores, coffee shops, phone kiosks and numerous other places. Moreover, HKT is the only operator offering Wi-Fi hotspots at many key locations throughout the MTR.

In order to let the public experience the benefits of unlimited Wi-Fi, HKT opened up its Wi-Fi network for smartphone and tablet users in April for trial until the end of July. We are confident that our extensive and reliable Wi-Fi network differentiates PCCW mobile from other service providers in Hong Kong.

We are also a leader in satisfying customer demand for more advanced mobile phones. With the continuous introduction of new models during the period, PCCW mobile became the mobile service provider offering the widest choice of quad-core smartphones in Hong Kong.

MAJOR TELECOM PROJECTS WON

The unstable global economic environment impacted particularly on certain commercial sectors such as banking and finance. Nevertheless, there was net gain in local lines in the commercial segment in the first half, which was largely attributable to growth in the retail sector and professional service industries. With our territory-wide coverage of fiber-to-the-office, we also recognized continued growth in broadband lines.

In May, the Hong Kong Government awarded HKT another major contract to design, build and support Wi-Fi facilities at various premises under the Government Wi-Fi Program. The work primarily involves the implementation of Wi-Fi facilities with more than 2,300 access points and the latest wireless network technology which will provide better signal coverage, enable faster data transfer and reduce interference for even better Internet access experience.

In March, HKT won another significant contract for the supply, implementation and maintenance of network equipment and structured cabling at Hong Kong Exchanges and Clearing Limited's new Next Generation Data Center at Tseung Kwan O. This project was a continuation of HKT's long-term business partnership with the stock exchange.

In addition to the public sector and large corporations, HKT also caters to the needs of small- and medium-sized enterprises (SMEs). For instance, our **ONE** communications service, a popular all-in-one package of telephony, broadband and telecom equipment, makes business communications highly versatile and cost-efficient for SMEs. The number of users increased steadily, rising to more than 120,000 by the end of June.

As part of its services to the business sector, HKT runs a number of call centers in Hong Kong, mainland China, the Philippines and the U.S. During the first half, a new center of initially 500 seats was opened in the mainland city of Chongqing to cope with new business and operational needs. This center complements those in Guangzhou, Shanghai and Beijing.

WIDENING THE GLOBAL CONNECTIVITY FOOTPRINT

PCCW Global provides international voice, satellite and data connectivity services to both enterprise and carrier customers all over the world. During the period, PCCW Global continued to strengthen its presence in various regions with interconnection partnerships and strategic alliances with other operators. Its global network infrastructure has expanded to reach more than 1,800 cities across 120 countries worldwide.

In June, PCCW Global enhanced its capabilities in the Europe, Middle East and Africa (EMEA) region with an agreement to acquire certain assets from Vodacom in order to better serve customers and develop new opportunities in this growing market.

STEADY OUTLOOK FOR 2012

HKT's businesses were able to display a solid performance in the first six months of 2012. However, the global macro-environment is not encouraging, and we have seen some evidence of a slowdown in China. Against this background, we are monitoring the market cautiously.

We injected new impetus into our businesses in the past months and will endeavor to further grow them with continuous innovation and a passion to provide improved levels of customer service. Barring a major deterioration in global economic conditions, we expect a steady and positive outlook for our businesses for the remainder of 2012.

The price of the share stapled units of HKT Limited and the HKT Trust has held up well in the volatile stock market, and this has strengthened management's resolve to strive harder to enhance the value of the HKT share stapled units.



Alex Arena

Group Managing Director
August 9, 2012

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

LI Tzar Kai, Richard

Executive Chairman

Mr Li, aged 45, 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 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, an Executive Director and the Chairman of Pacific Century Premium Developments Limited (PCPD), Chairman of PCPD's Executive Committee, a member of PCPD's Remuneration Committee and Nomination Committee, and Chairman of Singapore-based Pacific Century Regional Developments Limited.

Mr Li is a Non-Executive Director of The Bank of East Asia, Limited. He is also 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.

Alexander Anthony ARENA

Group Managing Director

Mr Arena, aged 61, has been the Group Managing Director of HKT Limited (HKT) and HKT Management Limited, the trustee-manager of the HKT Trust, since November 2011. He is also a member of HKT's Executive Committee. Mr Arena is primarily responsible for the overall corporate management, planning, operation and development of the Group. Mr Arena is also a Non-Executive Director of Pacific Century Regional Developments Limited. Prior to the spin-off and separate listing of HKT, Mr Arena was an Executive Director of PCCW Limited (PCCW) from August 1999 to November 2011 and the

Group Managing Director of PCCW from April 2007 to November 2011. He was also the Group Chief Financial Officer of PCCW from June 2002 to April 2007. Mr Arena was also the Deputy Chairman of PCCW's Executive Committee, a member of PCCW's Regulatory Compliance Committee, an Executive Director and Deputy Chairman of Pacific Century Premium Developments Limited (PCPD) and a member of PCPD's Executive Committee prior to November 2011.

Prior to joining the Pacific Century Group in 1998, Mr Arena was a Special Policy Adviser to the Hong Kong Government from 1997 to 1998. From 1993 to 1997, he was the Director-General of Telecommunications at the Office of the Telecommunications Authority (OFTA) of Hong Kong, as well as a member of the Broadcasting Authority of Hong Kong.

Before taking up his post at OFTA, Mr Arena was appointed by the Hong Kong Government to plan a reform program for the liberalization of Hong Kong's telecommunications sector. Prior to his appointment to the Hong Kong Government, he served as an inaugural member of the Australian Telecommunications Authority for four years. Mr Arena has led an extensive career in public administration, specializing in high technology and infrastructure industries. From a practicing radio/communications engineer to a public policy maker, his experience spans such diverse areas as commercialization of government-owned business enterprises and deregulation in the aviation, transport, telecommunications and postal industries.

Mr Arena completed a bachelor's degree in electrical engineering from the University of New South Wales, Australia in 1972 and graduated in 1973. He completed an MBA at the University of Melbourne, Australia in 1977 and graduated in 1978. He has been a Fellow of the Hong Kong Institution of Engineers since 2001.

HUI Hon Hing, Susanna

Group Chief Financial Officer

Ms Hui, aged 47, has been the Group Chief Financial Officer of HKT Limited (HKT) and an Executive Director of HKT and HKT Management Limited, the trustee-manager of the HKT Trust, since November 2011. She is also a member of HKT's Executive Committee. Ms Hui is primarily responsible for overseeing the financial matters of the Group. Ms Hui is and has been the Group Chief Financial Officer of PCCW Limited (PCCW) since April 2007 and an Executive Director of PCCW since May 2010. She is also a member of PCCW's Executive Committee and Regulatory Compliance Committee. Prior to her appointment as the Group Chief Financial Officer of PCCW, she was the Director of Group Finance of the PCCW Group from September 2006 to April 2007, and the Director of Finance of the PCCW Group with responsibility for the telecommunications services sector and regulatory accounting. Ms Hui was also the Chief Financial Officer of Pacific Century Premium Developments Limited from July 2009 to November 2011.

Prior to joining Cable & Wireless HKT Limited (which was subsequently acquired by PCCW) in September 1999, Ms Hui was the chief financial officer of a listed company engaged in hotel and property investment and management.

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

NON-EXECUTIVE DIRECTORS

Peter Anthony ALLEN

Non-Executive Director

Mr Allen, aged 57, was appointed a Non-Executive Director of HKT Limited and HKT Management Limited, the trustee-manager of the HKT Trust, in November 2011. He is the Group Managing Director of Pacific Century Regional Developments Limited, an Executive Director and the Chief Financial Officer of the Pacific Century Group and Senior Advisor to PCCW Limited (PCCW). 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 and a Fellow of the Institute of Certified Public Accountants of Singapore.

CHUNG Cho Yee, Mico

Non-Executive Director

Mr Chung, aged 51, 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, University of 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 is also an Independent Non-Executive Director of HKC (Holdings) Limited. He was an Independent Non-Executive Director of CIAM Group Limited between March 9, 2001 and May 31, 2008.

LU Yimin

Non-Executive Director

Mr Lu, aged 48, was appointed a Non-Executive Director of HKT Limited (HKT) and HKT Management Limited, the trustee-manager of the HKT Trust, in November 2011. He is a member of HKT's Remuneration Committee, Nomination Committee and Executive Committee of the Board. Mr Lu became a Non-Executive Director of PCCW Limited (PCCW) in May 2008 and the Deputy Chairman of the board of directors of PCCW in November 2011. He is a member of PCCW's Executive Committee.

Mr Lu is an Executive Director and President of China Unicom (Hong Kong) Limited. He is Vice Chairman and President of 中國聯合網絡通信集團有限公司 (China United Network Communications Group Company Limited*). He is also a Director and President of China United Network Communications Limited and a Director and President of China United Network Communications Corporation Limited.

Mr Lu joined China Network Communications Group Corporation (CNC) in December 2007, serving as senior management. Prior to joining CNC, Mr Lu was a member of the Secretary Bureau of the General Office of the Chinese Communist Party Central Committee, serving as the Deputy Director and the Director of the Information Processing Office since 1992, Secretary at deputy director general level since 2001 and Secretary at director general level since 2005.

Mr Lu is a researcher level senior engineer and has extensive experience in government administration and business management. He graduated from Shanghai Jiao Tong University in 1985 with a bachelor's degree in computer science and then was awarded a master's degree in public administration by the John F. Kennedy School of Government at Harvard University in the United States.

LI Fushen

Non-Executive Director

Mr Li, aged 49, was appointed a Non-Executive Director of HKT Limited (HKT) and HKT Management Limited, the trustee-manager of the HKT Trust, in November 2011. He is a member of HKT's Regulatory Compliance Committee. Mr Li became a Non-Executive Director of PCCW Limited (PCCW) in July 2007. He is a member of the Nomination Committee of the board of directors of PCCW.

For identification only

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr Li is an Executive Director and Chief Financial Officer of China Unicom (Hong Kong) Limited (Unicom HK). He is a Director, Vice President and Chief Accountant of 中國聯合網絡通信集團有限公司 (China United Network Communications Group Company Limited[#]). He is also a Director of China United Network Communications Limited and a Director and Senior Vice President of China United Network Communications Corporation Limited.

He served as a Senior Vice President of Unicom HK from February 2009 to March 2011. He served as an Executive Director of China Netcom Group Corporation (Hong Kong) Limited (CNC HK) since January 2007 and as Chief Financial Officer of CNC HK since September 2005. He served as Joint Company Secretary of CNC HK from December 2006 to March 2008. Since October 2005, he has served as Chief Accountant of China Network Communications Group Corporation (CNC). From October 2003 to August 2005, he served as General Manager of the Finance Department of CNC. From November 2001 to October 2003, he served as Deputy General Manager of the former Jilin Provincial Telecommunications Company and Jilin Communications Company.

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

Professor CHANG Hsin Kang, FEng, GBS, JP

Independent Non-Executive Director

Professor Chang, aged 72, 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 a member of HKT's Audit Committee, Remuneration Committee, Nomination Committee and Regulatory Compliance Committee, and a member of the Trustee-Manager's Audit Committee. Professor Chang was an Independent Non-Executive Director of PCCW Limited from October 2000 to November 2011.

Professor Chang became a Tsinghua University (Honorary Professor and) Wei Lun Senior Visiting Scholar in September 2007, and (Honorary Professor and) Yeh-Lu Xun Chair Professor at Peking University in February 2008. He was the President and University Professor of City University of Hong Kong from 1996 to 2007. Prior to that, he was the Dean of the School of Engineering at the University of Pittsburgh in the United States from 1994 to 1996, Founding Dean of the School of Engineering at Hong Kong University of Science and Technology from 1990 to 1994 and the Chairperson of the Department of Biomedical Engineering at the University of Southern California in the United States from 1985 to 1990.

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

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

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

Sir Rogerio (Roger) Hyndman LOBO, CBE, LLD, JP

Independent Non-Executive Director

Sir Roger, aged 88, 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 both HKT's Regulatory Compliance Committee and Nomination Committee, a member of HKT's Audit Committee and Remuneration Committee, and a member of the Trustee-Manager's Audit Committee. Sir Roger was an Independent Non-Executive Director of PCCW Limited from August 1999 to November 2011.

Sir Roger is also a Director of several organizations, including Shun Tak Holdings Limited, Johnson & Johnson (HK) Ltd., Kjeldsen & Co. (HK) Ltd., Pictet (Asia) Limited and Melco International Development Limited.

[#] For identification only

Sir Roger's extensive record of public service includes membership of the Hong Kong Housing Authority, the Urban Council, the Executive Council and serving as a senior member of the Legislative Council. Sir Roger served as Commissioner of the Civil Aid Service, Chairman of the Hong Kong Broadcasting Authority, Chairman of the Advisory Committee on Post-retirement Employment and also served as Advisory Committee Chairman, Complaints Committee Member and Corruption Prevention Advisory Committee Member of Independent Commission Against Corruption.

Sir Roger currently serves as Chairman (Board of Trustees) of the Vision 2047 Foundation, Vice Patron of the Community Chest of Hong Kong and The Society of Rehabilitation and Crime Prevention, Hong Kong, Advisory Board Member of the Hong Kong Aids Foundation, Member of the Board of Trustees of Business and Professionals Federation of Hong Kong, and Council Member of Caritas Hong Kong.

Sir Roger has received several awards and honors from the British Crown and the Vatican.

The Hon Raymond George Hardenbergh SEITZ

Independent Non-Executive Director

Mr Seitz, aged 71, 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 Remuneration Committee and a member of HKT's Audit Committee and the Trustee-Manager's Audit Committee. Mr Seitz was an Independent Non-Executive Director of PCCW Limited (PCCW) from February 2005 to November 2011. He was a Non-Executive Director of PCCW from October 2000 and was re-designated as an Independent Non-Executive Director in February 2005.

Mr Seitz was Vice-Chairman of Lehman Brothers International from April 1995 to April 2003 and was United States Ambassador to Great Britain from 1991 to 1994. Prior to that, Mr Seitz acted as the United States Assistant Secretary of State for Europe from 1989 to 1991 and Minister at the United States Embassy in London from 1984 to 1989. He was Non-Executive Chairman and a member of the Special Committee of Sun-Times Media Group, Inc. from July 2003 to January 2009.

Sunil VARMA

Independent Non-Executive Director

Mr Varma, aged 68, 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.

Mr Varma is a certified chartered accountant as well as a cost and management accountant. He has extensive working experience of over 40 years including with Price Waterhouse Management Consultants and the IBM Consulting Group, specializing in management and business-problem consulting. He was the partner responsible for establishing and developing the Price Waterhouse consulting practice in Indonesia and was the Head of the Price Waterhouse consulting practice in Hong Kong until 1994. Mr Varma was the Vice President and Principal responsible for the IBM Consulting Group in India between 1996 and 1998. He was the Interim Chief Financial Officer and Managing Director of Asia Online, Ltd. from 1999 to 2000 and was the Interim Chief Financial Officer of HCL – Perot Systems in India in 2003.

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

Mr Varma is also a Director and the Chairman of Audit Committee of various companies in India including International Asset Reconstruction Company Pvt. Ltd., Shriram City Union Finance Ltd. and Vistaar Livelihood Finance Pvt. Ltd.* Mr Varma was a Director and a member of the Audit Committee of Shriram EPC Ltd. in India.

Mr Varma obtained his Bachelor of Arts degree in mathematics and economics from Punjab 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.

* Subsequent to the date of this report, Mr Varma ceased to be a Director and the Chairman of the Audit Committee of Vistaar Livelihood Finance Pvt. Ltd. with effect from August 27, 2012.

MANAGEMENT'S DISCUSSION AND ANALYSIS

- Total revenue increased by 2% to HK\$9,715 million
- Total EBITDA increased by 3% to HK\$3,736 million
- Profit attributable to holders of Share Stapled Units increased by 45% to HK\$778 million; basic earnings per Share Stapled Unit was 12.13 HK cents
- Adjusted funds flow for the period was HK\$1,430 million; adjusted funds flow per Share Stapled Unit was 22.29 HK cents
- Interim distribution per Share Stapled Unit of 20.06 HK cents

MANAGEMENT REVIEW

During the first half of 2012, HKT delivered a solid performance across all its business segments, highlighted by the fast-growing fiber broadband and mobile businesses, resulting in a strong set of financial results that showed growth in revenue, EBITDA, net profit and most importantly, adjusted funds flow.

Total revenue for the six months ended June 30, 2012 increased by 2% to HK\$9,715 million driven by the steady performance of the Telecommunications Services ("TSS") business and continued growth from the Mobile business. Total EBITDA during the period was HK\$3,736 million, an increase of 3% over the same period in 2011.

Profit attributable to holders of Share Stapled Units was HK\$778 million, a substantial increase of 45% over the same period in 2011. This impressive growth was attributable to the higher EBITDA achieved from the TSS and Mobile businesses and substantial savings in net finance costs during the period.

Adjusted funds flow for the six months ended June 30, 2012 was HK\$1,430 million which represented 56% of the forecast of HK\$2,574 million for the 12 months ending December 31, 2012 as provided in HKT's Global Offering prospectus. Adjusted funds flow per Share Stapled Unit was 22.29 HK cents.

The board of directors of the Trustee-Manager has resolved to declare an interim distribution of 20.06 HK cents per Share Stapled Unit for the six months ended June 30, 2012.

OUTLOOK

Each of HKT's business segments displayed a solid performance in the first six months of 2012 as demand continued for our high quality telecom services. However, the global economic condition has been weakening amid the persistent Eurozone debt crisis which could lead to reduced consumer and business spending in Hong Kong. Against this backdrop, we are monitoring each of HKT's business segments closely and making investments cautiously.

Nevertheless, we will continue to invest to support the steady demand for our high speed fiber broadband and mobile services as well as continually improving our customer service and level of customer engagement. Barring any unforeseen circumstances, we remain confident that we will meet the forecasts for 2012 as disclosed in HKT's Global Offering prospectus.

The price of the Share Stapled Units of HKT Limited and the HKT Trust has held up well relative to the overall volatility in the stock market and we will continue to work hard to enhance the value of the HKT Share Stapled Units.

FINANCIAL REVIEW BY SEGMENT

For the six months ended HK\$ million	June 30, 2011	December 31, 2011	June 30, 2012	Better/ (Worse) y-o-y
Revenue				
TSS	8,259	9,036	8,425	2%
Mobile	919	1,048	1,133	23%
Other Businesses	479	331	368	(23)%
Eliminations	(120)	(127)	(211)	(76)%
Total revenue	9,537	10,288	9,715	2%
Cost of sales	(3,758)	(4,391)	(3,922)	(4)%
Operating costs before depreciation, amortization, and gain on disposal of property, plant and equipment, net	(2,156)	(2,109)	(2,057)	5%
EBITDA¹				
TSS	3,386	3,619	3,467	2%
Mobile	218	292	342	57%
Other Businesses	19	(123)	(73)	NA
Total EBITDA¹	3,623	3,788	3,736	3%
TSS EBITDA margin¹	41%	40%	41%	
Mobile EBITDA margin¹	24%	28%	30%	
Total EBITDA margin¹	38%	37%	38%	
Depreciation and amortization	(2,132)	(2,118)	(2,281)	(7)%
Gain on disposal of property, plant and equipment, net	1	4	2	100%
Other (losses)/gains, net	(28)	–	10	NA
Finance costs, net	(733)	(771)	(411)	44%
Share of results of associates and jointly controlled companies	(5)	(14)	(62)	NA
Profit before income tax	726	889	994	37%

ADJUSTED FUNDS FLOW

For the six months ended HK\$ million	June 30, 2011	December 31, 2011	June 30, 2012	Better/ (Worse) y-o-y
Total EBITDA¹	3,623	3,788	3,736	3%
Less cash outflows in respect of:				
Customer acquisition costs and licence fees	(613)	(802)	(756)	(23)%
Capital expenditures ⁵	(721)	(848)	(832)	(15)%
Adjusted funds flow before tax paid, net finance costs paid and changes in working capital	2,289	2,138	2,148	(6)%
Adjusted for:				
Tax payment	(24)	(106)	(23)	4%
Net finance costs paid	(660)	(662)	(355)	46%
Changes in working capital	(253)	(335)	(340)	(34)%
Adjusted funds flow²	1,352	1,035	1,430	6%

KEY OPERATING DRIVERS³

As of or for the 6 months ended	June 30, 2011	December 31, 2011	June 30, 2012	Better/(Worse) y-o-y h-o-h	
Exchange lines in service ('000)	2,625	2,636	2,641	1%	0%
Business lines ('000)	1,217	1,228	1,233	1%	0%
Residential lines ('000)	1,408	1,408	1,408	0%	0%
Total broadband access lines ('000) (Consumer, business and wholesale customers)	1,437	1,518	1,540	7%	1%
Retail consumer broadband subscribers ('000)	1,285	1,363	1,385	8%	2%
Retail business broadband subscribers ('000)	116	119	122	5%	3%
Traditional data (Exit Gbps)	1,243	1,501	1,689	36%	13%
Retail IDD minutes (million minutes)	618	591	558	(10)%	(6)%
Mobile subscribers ('000)	1,506	1,535	1,605	7%	5%
Post-paid subscribers ('000)	923	945	1,005	9%	6%
Prepaid subscribers ('000)	583	590	600	3%	2%

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

- Note 1 EBITDA represents earnings before interest income, finance costs, income tax, depreciation of property, plant and equipment, amortization of land lease premium and intangible assets, gain/loss on disposal of property, plant and equipment, investment properties and interests in leasehold land, net other gains/losses, losses on property, plant and equipment, restructuring costs, impairment losses on goodwill, tangible and intangible assets and interests in an associate and jointly controlled companies, and the Group's share of results of an associate and jointly controlled companies. 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 ("HKFRS") 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 Adjusted Funds Flow is defined as EBITDA less capital expenditures, customer acquisition costs and licence fees paid, taxes paid, net finance costs paid, and adjusted for changes in working capital. It is not presented as a measure of leverage or liquidity in accordance with HKFRS and should not be considered as representing net cash flows or any other similar measures derived in accordance with HKFRS, 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 financial statements. The Adjusted Funds Flow may be used for debt repayment.*
- Note 3 Figures are stated as at the period end, except for International Direct Dial ("IDD") minutes which is the total for the period.*
- Note 4 Gross debt refers to the principal amount of short-term borrowings and long-term borrowings. Net debt refers to the principal amount of short-term borrowings and long-term borrowings minus cash and cash equivalents.*
- Note 5 Group capital expenditures represent additions to property, plant and equipment, and interests in leasehold land.*

Telecommunications Services (“TSS”)

For the six months ended HK\$ million	June 30, 2011	December 31, 2011	June 30, 2012	Better/ (Worse) y-o-y
Local Telephony Services	1,653	1,744	1,680	2%
Local Data Services	2,660	3,020	2,875	8%
International Telecommunications Services	2,188	2,011	2,188	0%
Other Services	1,758	2,261	1,682	(4)%
TSS revenue	8,259	9,036	8,425	2%
Cost of sales	(3,205)	(3,989)	(3,488)	(9)%
Operating costs before depreciation and amortization	(1,668)	(1,428)	(1,470)	12%
TSS EBITDA¹	3,386	3,619	3,467	2%
TSS EBITDA margin¹	41%	40%	41%	

HKT's TSS business delivered steady revenue growth in the first half of 2012. Driven by the significant demand for high speed broadband fiber services and continued improvements in the traditional fixed-line business, revenue increased by 2% year-on-year to HK\$8,425 million for the six months ended June 30, 2012. As a result, TSS delivered meaningful EBITDA growth of 2% year-on-year to HK\$3,467 million with margins remaining steady at 41%.

Local Telephony Services. Local telephony services revenue for the six months ended June 30, 2012 increased by 2% year-on-year to HK\$1,680 million as a result of the healthy take-up of our innovative *eye* multimedia service. Total fixed lines in service at the end of June 2012 increased to 2.64 million, and the *eye* penetration of the residential customer base grew to 17% for the period.

Local Data Services. Local data services revenue for the six months ended June 30, 2012, comprising broadband network revenue and local data revenue, increased by 8% to HK\$2,875 million. Broadband network revenue grew impressively by 11% year-on-year driven by the continued roll-out of our fiber broadband network and upgrades to the service. At the end of June 2012, the total number of broadband access lines increased by 7% year-on-year to 1.54 million. Of these broadband access lines, 224,000 were fiber-to-the-home (FTTH) connections representing a penetration rate of 16% of the retail consumer broadband customer base. Meanwhile, local data revenue also recorded a steady growth due to increased business demand for local data services.

International Telecommunications Services. International telecommunications services sustained its strong performance from a year ago with revenue of HK\$2,188 million for the six months ended June 30, 2012. The wholesale voice and international connectivity services continued to perform well due to strong demand from wholesale and enterprise customers. However, IDD revenue from consumer and business customers continued to decline during the period.

Other Services. Other services revenue primarily comprise revenue from the sales of network equipment and customer premises equipment (“CPE”), provision of technical and maintenance subcontracting services and contact centre services (“Teleservices”). Other services revenue for the six months ended June 30, 2012 decreased by 4% year-on-year to HK\$1,682 million, primarily due to the timing of project completions and lower CPE sales as a result of limited handset choices in the market in the first half of 2012.

Mobile

For the six months ended HK\$ million	June 30, 2011	December 31, 2011	June 30, 2012	Better/ (Worse) y-o-y
Mobile Revenue	919	1,048	1,133	23%
Mobile EBITDA¹	218	292	342	57%
Mobile EBITDA margin¹	24%	28%	30%	

The Mobile business delivered another set of strong financial results in the first half of 2012 with mobile revenue increasing by 23% year-on-year to HK\$1,133 million. Mobile service revenue increased by 24% driven by a growing customer base and improved average revenue per user ("ARPU").

PCCW mobile registered strong customer growth during the period. The total subscriber base reached 1.61 million at the end of June 2012 up 7% from a year ago and the number of post-paid subscribers increased by 9% to over 1 million. With the continued focus on acquiring quality, high-end smart device customers and increasing mobile data usage, the blended post-paid exit ARPU increased 16% to HK\$185 from HK\$160 a year ago.

The growing adoption of smart-phones and tablets resulted in significantly higher mobile data usage with mobile data revenue for the six months ended June 30, 2012 increasing by 68% year-on-year and accounting for 73% of mobile service revenue for the period. PCCW mobile launched a 4G LTE network during the period complementing its already high speed 3G HSPA+ network. Despite a limited availability of 4G handsets, the customer reception to the launch has been encouraging.

HKT enjoys unparalleled competitive cost advantages because of its unique fixed-mobile integrated network which is supported by an extensive fiber backhaul network and more than 10,000 Wi-Fi hotspots as at the end of the period. Benefiting from this cost advantage and the continued improvement in ARPU, the Mobile business recorded impressive growth of 57% year-on-year in EBITDA to HK\$342 million with the margin improving from 24% to 30%.

Other Businesses

Other Businesses primarily comprise Unihub China Information Technology Company Limited (the "ZhongYing JV"), which provides network integration and related services to telecommunications operators in the PRC. Revenue from Other Businesses was HK\$368 million for the six months ended June 30, 2012, as compared to HK\$479 million a year ago.

Eliminations

Eliminations were HK\$211 million for the six months ended June 30, 2012, as compared to HK\$120 million a year ago. Eliminations mainly related to internal charges for telecommunications services consumed among HKT's business units.

Cost of Sales

Cost of sales for the six months ended June 30, 2012 increased by 4% year-on-year to HK\$3,922 million. The increase in cost of sales was in line with the growth in revenue.

General and Administrative Expenses

To mitigate the impact of the overall inflationary environment, HKT focused on enhancing its operational efficiency and productivity during the period. As a result, we managed to reduce operating expenses before depreciation, amortization, and gain on disposal of property, plant and equipment, net, by 5% year-on-year to HK\$2,057 million. During the period, customer acquisition costs increased in line with business growth and as a result depreciation and amortization expenses increased by 7% year-on-year to HK\$2,281 million. General and administrative expenses increased modestly by 1% year-on-year to HK\$4,336 million for the six months ended June 30, 2012.

EBITDA¹

Solid performance in the TSS business and continued growth in the Mobile business led to an overall EBITDA improvement in the first half of 2012. EBITDA increased by 3% to HK\$3,736 million for the six months ended June 30, 2012.

Finance Costs, Net

Net finance costs for the six months ended June 30, 2012 decreased by 44% year-on-year to HK\$411 million. The significant reduction in finance costs was primarily due to the interest savings after the repayment of the US\$1 billion 7.75% guaranteed notes due 2011 in November 2011.

Income Tax

Income tax expense for the six months ended June 30, 2012 was HK\$189 million compared to HK\$168 million a year ago representing an effective tax rate of 19% (June 30, 2011: 23%). The increase in the tax expense was mainly due to higher profit before income tax during the period.

Non-controlling Interests

Non-controlling interests of HK\$27 million primarily represented the net profit attributable to the minority shareholders of the ZhongYing JV.

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

Profit attributable to holders of Share Stapled Units/shares of the Company for the six months ended June 30, 2012 increased by 45% year-on-year to HK\$778 million (June 30, 2011: HK\$537 million).

LIQUIDITY AND CAPITAL RESOURCES

The Group actively and regularly reviews and manages its capital structure to maintain a balance between shareholders' return and a sound capital position. The Group also makes adjustments to maintain an optimal capital structure in light of changes in economic conditions and to reduce the cost of capital.

The Group's gross debt⁴ remained at HK\$23,539 million as at June 30, 2012 (December 31, 2011: HK\$23,583 million). Cash and cash equivalents totaled HK\$2,030 million as at June 30, 2012 (December 31, 2011: HK\$2,226 million). The Group's net debt⁴ was HK\$21,509 million as at June 30, 2012 (December 31, 2011: HK\$21,357 million).

As at June 30, 2012, the Group had ample liquidity as evidenced by committed bank loan facilities totaling HK\$20,382 million, of which HK\$8,542 million remained undrawn.

The Group's gross debt⁴ to total assets was 36% as at June 30, 2012 (December 31, 2011: 36%).

CREDIT RATINGS OF HONG KONG TELECOMMUNICATIONS (HKT) LIMITED

As at June 30, 2012, Hong Kong Telecommunications (HKT) Limited, an indirect wholly-owned subsidiary of the Company, had investment grade ratings with Moody's Investors Service (Baa2) and Standard & Poor's Ratings Services (BBB).

CAPITAL EXPENDITURES⁵

Capital expenditures including capitalized interest for the six months ended June 30, 2012 was HK\$852 million (June 30, 2011: HK\$734 million). Major outlays for the period were mainly in network expansion and enhancement to meet demand for high-speed broadband fiber services, mobile services and international networks.

Going forward, the Group will continue to invest in its delivery platforms and networks taking into account the prevailing market conditions, and using assessment criteria including internal rate of return, net present value and payback period.

HEDGING

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

In the normal course of business, the Group enters into forward contracts and other derivative contracts in order to limit its exposure to adverse fluctuations in foreign currency exchange rates and interest rates. These instruments are executed with creditworthy financial institutions, and all contracts are denominated in currencies of major industrial countries. As at June 30, 2012, all cross currency swap contracts were designated as cash flow hedges and fair value hedges for the Group's foreign currency denominated long-term borrowings.

CHARGE ON ASSETS

As at June 30, 2012, no assets of the Group (December 31, 2011: certain assets of the Group with an aggregate carrying value of HK\$62 million) were pledged to secure loans and banking facilities of the Group.

CONTINGENT LIABILITIES

HK\$ million	As at December 31, 2011 (Audited)	As at June 30, 2012 (Unaudited)
Performance guarantee	240	249
Tender guarantee	1	1
Others	2	4
	243	254

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

HUMAN RESOURCES

As at June 30, 2012, the Group had approximately 14,900 employees (June 30, 2011: 15,700). About 63% of these employees work in Hong Kong and the others are based mainly in the PRC, the Philippines and the United States. The Group has established incentive bonus schemes designed to motivate and reward employees at all levels to achieve the Group's business performance targets. Payment of bonuses is generally based on achievement of EBITDA and free cash flow targets for the Group as a whole and for each of the individual business units.

INTERIM DIVIDEND/DISTRIBUTION

The board of directors of the Trustee-Manager has resolved to declare an interim distribution by the HKT Trust in respect of the Share Stapled Units, of 20.06 HK cents per Share Stapled Unit, for the six months ended June 30, 2012 (and in order to enable the HKT Trust to pay that distribution, the board of directors of the Company has resolved to declare an interim dividend in respect of the ordinary shares in the Company held by the Trustee-Manager, of 20.06 HK cents per ordinary share, in respect of the same period) to holders of the Share Stapled Units.

The board of directors of the Trustee-Manager has confirmed, in accordance with the trust deed constituting the HKT Trust (the "Trust Deed"), that (i) the auditors of the Group have performed procedures in accordance with Hong Kong Standard on Related Services 4400 "Engagements to Perform Agreed-Upon Procedures Regarding Financial Information" issued by the Hong Kong Institute of Certified Public Accountants on the Trustee-Manager's calculation of the above distribution entitlement per Share Stapled Unit and (ii) having made all reasonable enquiries, immediately after making the above distribution to the registered unitholders of the HKT Trust, the Trustee-Manager will be able to fulfill, from the Trust Property (as defined in the Trust Deed), the liabilities of the HKT Trust as they fall due.

CONSOLIDATED INCOME STATEMENT OF HKT TRUST AND OF HKT LIMITED

For the six months ended June 30, 2012

In HK\$ million (except for earnings per Share Stapled Unit/share of the Company)	Note(s)	2011 (Unaudited)	2012 (Unaudited)
Turnover	2	9,537	9,715
Cost of sales		(3,758)	(3,922)
General and administrative expenses		(4,287)	(4,336)
Other (losses)/gains, net	3	(28)	10
Interest income		20	9
Finance costs		(753)	(420)
Share of results of associates		–	(13)
Share of results of jointly controlled companies		(5)	(49)
Profit before income tax	2, 4	726	994
Income tax	5	(168)	(189)
Profit for the period		558	805
Attributable to:			
Holders of Share Stapled Units/shares of the Company		537	778
Non-controlling interests		21	27
		558	805
Earnings per Share Stapled Unit/share of the Company			
Basic and diluted	7	12.31 cents	12.13 cents

The notes on pages 23 to 32 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.

Details of distribution/dividend payable to holders of Share Stapled Units/shareholders attributable to the profit for the period are set out in note 6.

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

For the six months ended June 30, 2012

In HK\$ million	2011 (Unaudited)	2012 (Unaudited)
Profit for the period	558	805
Other comprehensive income/(loss)		
Exchange differences on translating foreign operations	72	9
Available-for-sale financial assets:		
– changes in fair value	27	8
Cash flow hedges:		
– effective portion of changes in fair value	(34)	(14)
– transfer from equity to consolidated income statement	(9)	16
Other comprehensive income for the period	56	19
Total comprehensive income for the period	614	824
Attributable to:		
Holders of Share Stapled Units/shares of the Company	594	797
Non-controlling interests	20	27
	614	824

The notes on pages 23 to 32 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 BALANCE SHEET OF HKT TRUST AND OF HKT LIMITED

As at June 30, 2012

In HK\$ million

	Note	As at December 31, 2011 (Audited)	As at June 30, 2012 (Unaudited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		14,253	14,023
Interests in leasehold land		316	310
Goodwill		35,893	35,894
Intangible assets		4,872	4,742
Interests in associates		95	146
Interests in jointly controlled companies		577	563
Available-for-sale financial asset		72	80
Financial asset at fair value through profit or loss		–	3
Derivative financial instruments		275	285
Deferred income tax assets		3	3
Other non-current assets		498	503
		56,854	56,552
Current assets			
Prepayments, deposits and other current assets		2,273	2,557
Inventories		1,076	1,129
Trade receivables, net	8	2,541	2,518
Financial asset at fair value through profit or loss		–	3
Tax recoverable		68	–
Cash and cash equivalents		2,226	2,030
		8,184	8,237
Current liabilities			
Short-term borrowings		31	–
Trade payables	9	1,532	1,642
Accruals and other payables		2,315	1,951
Carrier licence fee liabilities		190	244
Amounts due to related companies		29	7
Amounts due to fellow subsidiaries and the ultimate holding company		1,282	629
Advances from customers		1,483	1,432
Current income tax liabilities		–	207
		6,862	6,112
Net current assets		1,322	2,125
Total assets less current liabilities		58,176	58,677

In HK\$ million	Note	As at December 31, 2011 (Audited)	As at June 30, 2012 (Unaudited)
Non-current liabilities			
Long-term borrowings		23,470	23,497
Deferred income tax liabilities		1,991	1,882
Deferred income		893	937
Carrier licence fee liabilities		838	818
Other long-term liabilities		51	50
		27,243	27,184
Net assets		30,933	31,493
CAPITAL AND RESERVES			
Share capital	10	6	6
Retained profits		4,066	4,842
Other reserves		26,684	26,481
Equity attributable to holders of Share Stapled Units/shares of the Company			
		30,756	31,329
Non-controlling interests		177	164
Total equity		30,933	31,493

The notes on pages 23 to 32 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.

BALANCE SHEET OF HKT LIMITED

As at June 30, 2012

In HK\$ million

	As at December 31, 2011 (Audited)	As at June 30, 2012 (Unaudited)
ASSETS AND LIABILITIES		
Non-current assets		
Investment in subsidiaries	19,837	19,837
	19,837	19,837
Current assets		
Prepayments, deposits and other current assets	1	–
Amount due from a subsidiary	8,339	7,626
Cash and cash equivalents	434	2
	8,774	7,628
Current liabilities		
Accruals and other payables	53	18
Amounts due to holding companies and subsidiaries	988	72
Current income tax liabilities	1	4
	1,042	94
Net current assets	7,732	7,534
Net assets	27,569	27,371
CAPITAL AND RESERVES		
Share capital	6	6
Reserves	27,563	27,365
Total equity	27,569	27,371

The notes on pages 23 to 32 form an integral part of this unaudited condensed consolidated interim financial information of the Company.

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

For the six months ended June 30, 2012

In HK\$ million

2011
(Unaudited)

	Attributable to holders of Share Stapled Units/shares of the Company							Non-controlling interests	Total equity
	Capital contribution reserve	Currency translation reserve	Merger reserve	Hedging reserve	Other reserve	Retained profits	Total		
	At January 1, 2011	16,667	355	(695)	208	(37)	2,853		
Total comprehensive income for the period	–	73	–	(43)	27	537	594	20	614
Distribution to equity owners	–	–	–	–	–	(8)	(8)	–	(8)
Dividend declared and paid to non-controlling shareholders of a subsidiary	–	–	–	–	–	–	–	(35)	(35)
At June 30, 2011	16,667	428	(695)	165	(10)	3,382	19,937	147	20,084

In HK\$ million

2012
(Unaudited)

	Attributable to holders of Share Stapled Units/shares of the Company									Non-controlling interests	Total equity	
	Share capital	Capital contribution reserve	Currency translation reserve	Merger reserve	Hedging reserve	Other reserve	Equity compensation reserve	Treasury stock	Retained profits			Total
	At January 1, 2012	6	26,466	366	(347)	212	(13)	–	–			4,066
Total comprehensive income for the period	–	–	9	–	2	8	–	–	778	797	27	824
Purchase of Share Stapled Units under the Share Stapled Units Award Schemes	–	–	–	–	–	–	–	(7)	–	(7)	–	(7)
Employee share-based compensation	–	–	–	–	–	–	1	–	–	1	–	1
Distribution/Dividend paid in respect of the previous year	–	(216)	–	–	–	–	–	–	–	(216)	–	(216)
Dividend paid to non-controlling shareholders of a subsidiary	–	–	–	–	–	–	–	–	–	–	(37)	(37)
Increase in ownership interest in subsidiaries	–	–	–	–	–	–	–	–	(2)	(2)	(3)	(5)
	–	(216)	–	–	–	–	1	(7)	(2)	(224)	(40)	(264)
At June 30, 2012	6	26,250	375	(347)	214	(5)	1	(7)	4,842	31,329	164	31,493

The notes on pages 23 to 32 form an integral part of this unaudited condensed consolidated interim financial information. As explained in note 1, the unaudited condensed consolidated interim financial information of the HKT Trust and the unaudited condensed consolidated interim financial information of HKT Limited are presented together.

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

For the six months ended June 30, 2012

In HK\$ million	Note	2011 (Unaudited)	2012 (Unaudited)
Net cash generated from operating activities		3,352	3,370
Net cash used in investing activities		(1,336)	(1,977)
Net cash used in financing activities		(2,185)	(1,575)
Net decrease in cash and cash equivalents		(169)	(182)
Exchange differences		(58)	(14)
Cash and cash equivalents at January 1,		5,456	2,226
Cash and cash equivalents at June 30,		5,229	2,030
Analysis of the balance of cash and cash equivalents:			
Cash and bank balances		5,236	2,030
Bank overdrafts		(7)	–
		5,229	2,030

The notes on pages 23 to 32 form an integral part of this unaudited condensed consolidated interim financial information. As explained in note 1, the unaudited condensed consolidated interim financial information of the HKT Trust and the unaudited condensed consolidated interim financial information of HKT Limited are presented together.

1 BASIS OF PREPARATION AND PRESENTATION

The HKT Trust (the “HKT Trust”) is constituted by a Hong Kong law governed trust deed and as supplemented, amended or substituted from time to time (the “Trust Deed”), entered into between HKT Management Limited (the “Trustee-Manager”, in its capacity as the trustee-manager of the HKT Trust) and HKT Limited. In accordance with the Trust Deed, the HKT Trust and HKT Limited are each required to prepare their own interim financial information on a consolidated basis. The HKT Trust unaudited condensed consolidated interim financial information for the period ended June 30, 2012 comprises the unaudited condensed consolidated interim financial information of the HKT Trust, HKT Limited (or the “Company”) and its subsidiaries (together the “Group”), and the Group’s interests in associates and jointly controlled companies. The HKT Limited unaudited condensed consolidated interim financial information for the period ended June 30, 2012 comprises the unaudited condensed financial information of HKT Limited and its subsidiaries (together the “HKT Limited Group”) and the HKT Limited Group’s interests in associates and jointly controlled companies, and the Company’s balance sheet.

The HKT Trust controls HKT Limited and the sole activity of the HKT Trust during the period ended June 30, 2012 was investing in HKT Limited. Therefore, the consolidated results and financial position that would be presented in the unaudited condensed consolidated interim financial information of the HKT Trust are identical to the consolidated financial results and financial position of HKT Limited with the only differences being disclosures of the capital of HKT Limited. Directors of the Trustee-Manager and of the Company believe therefore that it is clearer to present the unaudited condensed consolidated financial information of the HKT Trust and of the Company together. The unaudited condensed consolidated interim financial information of the HKT Trust and the unaudited condensed consolidated interim financial information of HKT Limited are presented together to the extent they are identical and are hereinafter referred as the “HKT Trust and HKT Limited unaudited condensed consolidated interim financial information”.

The Group and the HKT Limited Group are referred 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, held by the Trustee-Manager as legal owner in its capacity as the trustee-manager of the HKT Trust, which is “linked” to the unit; 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”). This unaudited condensed consolidated interim financial information should be read in conjunction with the annual consolidated financial statements of the HKT Trust and HKT Limited for the year ended December 31, 2011.

The HKT Trust and HKT Limited unaudited condensed consolidated interim financial information is presented in Hong Kong dollars, unless otherwise stated. This unaudited condensed consolidated interim financial information was approved for issue on August 9, 2012.

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.

1 BASIS OF PREPARATION AND PRESENTATION (CONTINUED)

The preparation of the unaudited condensed consolidated interim financial information in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year-to-date basis. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Groups make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The accounting policies, basis of presentation and methods of computation used in preparing this unaudited condensed consolidated interim financial information are consistent with those followed in preparing the Groups' annual consolidated financial statements for the year ended December 31, 2011, except for the adoption of the following new, revised or amended Hong Kong Financial Reporting Standards ("HKFRSs"), HKASs and Interpretations ("Ints") (collectively "new HKFRSs") which are effective for accounting periods beginning on or after January 1, 2012.

The following new HKFRSs are mandatory for the first time for the financial year beginning January 1, 2012, but have no material effect on the Groups' results and financial position for the current and prior periods.

- HKFRS 7 (Amendment) Disclosures – Transfers of financial assets.
- HKFRS 1 (Amendment) Severe hyperinflation and removal of fixed dates for first-time adopters.
- HKAS 12 (Amendment) Deferred tax: Recovery of underlying assets.

The Groups have not adopted any new HKFRSs that are not yet effective for the current accounting period.

2 SEGMENT INFORMATION

The chief operating decision-maker (the "CODM") is the Groups' senior executive management. The CODM reviews the Groups' internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these internal reports.

The CODM considers the business from both geographic and product perspectives. From a product perspective, management assesses the performance of the following segments:

- Telecommunications Services ("TSS") is the leading provider of telecommunications products and services including local telephony, broadband access services, local and international data, international direct dial, sales of equipment, technical, maintenance and subcontracting services, and teleservices businesses.
- Mobile includes the Groups' mobile telecommunications businesses in Hong Kong.
- Other businesses of the Groups primarily comprise Unihub China Information Technology Company Limited, which provides network integration and related services to telecommunications operators in the PRC.

The CODM assesses the performance of the operating segments based on a measure of adjusted earnings before interest, tax, depreciation and amortization ("EBITDA"). EBITDA represents earnings before interest income, finance costs, income tax, depreciation of property, plant and equipment, amortization of land lease premium and intangible assets, gains/losses on disposal of property, plant and equipment, investment properties and interests in leasehold land, net other gains/losses, losses on property, plant and equipment, restructuring costs, impairment losses on interests in associates and jointly controlled companies and the Groups' share of results of associates and jointly controlled companies.

2 SEGMENT INFORMATION (CONTINUED)

Segment revenue, expense and segment performance include transactions between segments. Inter-segment pricing is based on similar terms as 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	For the six months ended June 30, 2011 (Unaudited)				
	TSS	Mobile	Other Businesses	Eliminations	Total
REVENUE					
External revenue	8,139	919	479	–	9,537
Inter-segment revenue	120	–	–	(120)	–
Total revenue	8,259	919	479	(120)	9,537
RESULTS					
EBITDA	3,386	218	19	–	3,623

In HK\$ million	For the six months ended June 30, 2012 (Unaudited)				
	TSS	Mobile	Other Businesses	Eliminations	Total
REVENUE					
External revenue	8,214	1,133	368	–	9,715
Inter-segment revenue	211	–	–	(211)	–
Total revenue	8,425	1,133	368	(211)	9,715
RESULTS					
EBITDA	3,467	342	(73)	–	3,736

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

In HK\$ million	Six months ended	
	June 30, 2011 (Unaudited)	June 30, 2012 (Unaudited)
Total segment EBITDA	3,623	3,736
Gain on disposal of property, plant and equipment, net	1	2
Depreciation and amortization	(2,132)	(2,281)
Other (losses)/gains, net	(28)	10
Interest income	20	9
Finance costs	(753)	(420)
Share of results of associates	–	(13)
Share of results of jointly controlled companies	(5)	(49)
Profit before income tax	726	994

For the six months ended June 30, 2012

3 OTHER (LOSSES)/GAINS, NET

In HK\$ million	Six months ended	
	June 30, 2011 (Unaudited)	June 30, 2012 (Unaudited)
Net gain on cash flow hedging instruments transferred from equity	–	10
Impairment loss on an interest in a jointly controlled company	(16)	–
Others	(12)	–
	(28)	10

4 PROFIT BEFORE INCOME TAX

Profit before income tax is stated after crediting and charging the following:

In HK\$ million	Six months ended	
	June 30, 2011 (Unaudited)	June 30, 2012 (Unaudited)
Crediting:		
Gross rental income	11	15
Gain on disposal of property, plant and equipment, net	1	2
Charging:		
Cost of inventories sold	1,283	1,182
Cost of sales, excluding inventories sold	2,475	2,740
Depreciation of property, plant and equipment	1,163	1,103
Amortization of intangible assets	963	1,172
Amortization of land lease premium – interests in leasehold land	6	6
Finance costs on borrowings	716	386
Staff costs	886	836

5 INCOME TAX

In HK\$ million	Six months ended	
	June 30, 2011 (Unaudited)	June 30, 2012 (Unaudited)
Current income tax:		
Hong Kong profits tax	181	275
Overseas tax	23	23
Movement of deferred income tax	(36)	(109)
	168	189

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profits for the period.

Overseas tax has been calculated on the estimated assessable profits for the period at the rates prevailing in the respective jurisdictions.

6 DISTRIBUTIONS/DIVIDENDS

a. Distribution/Dividend attributable to the interim period

In HK\$ million	Six months ended	
	June 30, 2011 (Unaudited)	June 30, 2012 (Unaudited)
Interim distribution/dividend declared after the interim period of 20.06 HK cents (2011: nil) per Share Stapled Unit/ordinary share of the Company	–	1,287

At meetings held on August 9, 2012, the directors of the Trustee-Manager and the Company declared an interim distribution/dividend of 20.06 HK cents per Share Stapled Unit/ordinary share of the Company for the year ending December 31, 2012. This interim distribution/dividend is not reflected as a distribution/dividend payable in this unaudited condensed consolidated interim financial information.

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

In HK\$ million	Six months ended	
	June 30, 2011 (Unaudited)	June 30, 2012 (Unaudited)
Final distribution/dividend in respect of the previous financial year, approved and paid during the interim period of 3.36 HK cents (2011: nil) per Share Stapled Unit/ordinary share of the Company	–	216

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 are based on the following data:

	Six months ended	
	June 30, 2011 (Unaudited)	June 30, 2012 (Unaudited)
Earnings (in HK\$ million)		
Earnings for the purposes of basic and diluted earnings per Share Stapled Unit/share of the Company	537	778
Number of Share Stapled Units/shares of the Company		
Weighted average number of Share Stapled Units/ordinary shares of the Company outstanding at the beginning of period	4,363,376,792	6,416,730,792
Effect of Share Stapled Units/shares of the Company purchased from the market under the Company's Share Stapled Units Award Schemes	–	(419,934)
Weighted average number of Share Stapled Units/ordinary shares of the Company for the purpose of basic and diluted earnings per Share Stapled Unit/share of the Company	4,363,376,792	6,416,310,858

For the six months ended June 30, 2012

8 TRADE RECEIVABLES, NET

An aging of trade receivables is set out below:

In HK\$ million	As at	
	December 31, 2011 (Audited)	June 30, 2012 (Unaudited)
0 – 30 days	1,426	1,443
31 – 60 days	356	462
61 – 90 days	145	205
91 – 120 days	102	211
Over 120 days	622	356
Less: Impairment loss for doubtful debts	(110)	(159)
	2,541	2,518

Trade receivables have a normal credit period 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 payable are requested to settle all outstanding balances before any further credit is granted.

9 TRADE PAYABLES

An aging of trade payables is set out below:

In HK\$ million	As at	
	December 31, 2011 (Audited)	June 30, 2012 (Unaudited)
0 – 30 days	657	630
31 – 60 days	97	112
61 – 90 days	53	71
91 – 120 days	35	70
Over 120 days	690	759
	1,532	1,642

10 EQUITY OF HKT LIMITED

	Number of shares (Unaudited)	Nominal value (Unaudited) HK\$
Authorized: Ordinary shares of HK\$0.0005 each	20,000,000,000	10,000,000
Preference shares of HK\$0.0005 each	20,000,000,000	10,000,000
Issued and fully paid: Ordinary shares of HK\$0.0005 each Balances as at January 1, 2012 and June 30, 2012	6,416,730,792	3,208,365
Preference shares of HK\$0.0005 each Balances as at January 1, 2012 and June 30, 2012	6,416,730,792	3,208,365

Movements in reserves of the Company during the period ended June 30, 2012 are as follows:

In HK\$ million	Share premium (Unaudited)	The Company 2011 Retained profits (Unaudited)	Total (Unaudited)
At January 1, 2011	–	–	–
Total comprehensive income for the period	–	–	–
At June 30, 2011	–	–	–
In HK\$ million	Share premium (Unaudited)	The Company 2012 Retained profits (Unaudited)	Total (Unaudited)
At January 1, 2012	27,560	3	27,563
Total comprehensive income for the period	–	18	18
Distribution to equity owners	(216)	–	(216)
At June 30, 2012	27,344	21	27,365

For the six months ended June 30, 2012

11 CAPITAL COMMITMENTS

In HK\$ million	As at	
	December 31, 2011 (Audited)	June 30, 2012 (Unaudited)
Authorized and contracted for	982	1,203
Authorized but not contracted for	887	703
	1,869	1,906

12 CONTINGENT LIABILITIES

In HK\$ million	As at	
	December 31, 2011 (Audited)	June 30, 2012 (Unaudited)
Performance guarantee	240	249
Tender guarantee	1	1
Others	2	4
	243	254

The Groups are subject to certain corporate guarantee obligations to guarantee performance of the Company's subsidiaries and fellow subsidiaries in the normal course of their businesses. The amount of liabilities arising from such obligations, if any, cannot be ascertained but the directors of the Company are of the opinion that any resulting liability would not materially affect the financial position of the Groups.

13 CHARGE ON ASSETS

Security pledged for certain bank loan facilities includes:

In HK\$ million	As at	
	December 31, 2011 (Audited)	June 30, 2012 (Unaudited)
Property, plant and equipment	23	–
Trade receivables	37	–
Bank deposit	2	–
	62	–

14 RELATED PARTY TRANSACTIONS

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

a. Related party transactions

In HK\$ million	Six months ended	
	June 30, 2011 (Unaudited)	June 30, 2012 (Unaudited)
Telecommunications service fees and systems integration charges received or receivable from a substantial shareholder of PCCW Limited ("PCCW")	77	57
Telecommunications service fees paid or payable to a substantial shareholder of PCCW	79	58
Telecommunications service fees received or receivable from a jointly controlled company	23	27
Telecommunications service fees, outsourcing fees and rental charges paid or payable to a jointly controlled company	186	115
Telecommunications service fees, IT and logistics charges, management fee and other costs recharge received or receivable from fellow subsidiaries	290	352
Insurance premium paid or payable to a fellow subsidiary	7	–
Telecommunications service fees, IT and logistics charges, system development and integration charges, consultancy fee, management fee and other costs recharge paid or payable to fellow subsidiaries	721	733
Rental and facilities management charges paid or payable to fellow subsidiaries	33	59
Key management compensation (<i>Note b</i>)	–	27

In addition to the above during the period ended June 30, 2011, a jointly controlled company (the "JV") issued to the Groups a credit note in the amount of approximately HK\$491 million in settlement of the Groups' claim against the JV. Accordingly, the Groups recorded credits to revenue, costs of sales, operating expenses and an increase in amounts due to the ultimate holding company and fellow subsidiaries in the amounts of approximately HK\$339 million, HK\$97 million, HK\$29 million and HK\$26 million respectively.

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

b. Details of key management compensation

Certain directors of the Groups, being the key management personnel, received remuneration from the Groups' fellow subsidiaries in respect of their services to PCCW and its subsidiaries ("PCCW Group") during the period ended June 30, 2011. The amounts paid by the fellow subsidiaries have not been allocated between their services to the Groups and the PCCW Group during the period ended June 30, 2011, as there is no arrangement to recharge the Groups such expenses and it is not meaningful to perform a retrospective allocation of the services rendered by the directors to the various group companies within the PCCW Group.

In HK\$ million	Six months ended	
	June 30, 2011 (Unaudited)	June 30, 2012 (Unaudited)
Salaries and other short-term employee benefits		26
Post-employment benefits		1
		27

For the six months ended June 30, 2012

15 SHARE AWARD SCHEMES OF PCCW AND SHARE STAPLED UNITS AWARD SCHEMES OF THE COMPANY

Pursuant to the share incentive award schemes of PCCW, namely the Purchase Scheme and the Subscription Scheme (collectively “PCCW Share Award Schemes”) and the 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, respectively, to eligible employees of the Company and/or its subsidiaries during the six months ended June 30, 2012.

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

	Number of PCCW shares (Unaudited)	Number of Share Stapled Units (Unaudited)
As at January 1, 2011, June 30, 2011 and January 1, 2012	–	–
Purchase from the market by the trustee at average market price of HK\$2.87 per PCCW share/HK\$6.07 per Share Stapled Unit	2,215,122	1,158,000
As at June 30, 2012	2,215,122	1,158,000

The average fair values of PCCW shares and Share Stapled Units awarded during the six months ended June 30, 2012 at the measurement dates are HK\$2.80 per PCCW share and HK\$5.98 per Share Stapled Unit respectively, which are measured by the quoted market price of the PCCW shares and Share Stapled Units at the respective award dates.

16 TRANSACTIONS WITH NON-CONTROLLING INTEREST

In HK\$ million	Six months ended	
	June 30, 2011 (Unaudited)	June 30, 2012 (Unaudited)
Consideration paid to non-controlling interests for an increase in ownership interest in a subsidiary	–	5
Less: Carrying amount of non-controlling interests acquired	–	(3)
Excess of consideration paid in the transactions with non-controlling interests recognized within equity	–	2

During the six months ended June 30, 2012, the Groups acquired an additional 30% and 15% of the issued shares of two subsidiaries of IP BPO Holdings Pte. Ltd., PCCW Teleservices (Philippines) Inc. and PCCW Teleservices (US) Inc. respectively, for an aggregate purchase consideration of approximately HK\$5 million. The aggregate carrying amount of the non-controlling interests in PCCW Teleservices (Philippines) Inc. and PCCW Teleservices (US) Inc. on the dates of acquisition was approximately HK\$3 million. The Groups recognized a decrease in equity attributable to the holders of Share Stapled Units/shares of the Company of approximately HK\$2 million.

INCOME STATEMENT OF HKT MANAGEMENT LIMITED

For the six months ended June 30, 2012

In HK\$'000		For the period from June 14, 2011 (date of incorporation) to June 30, 2011 (Unaudited)	Six months ended June 30, 2012 (Unaudited)
Management fee income		–	27
General and administrative expenses		–	(27)
Profit before income tax	3	–	–
Income tax	4	–	–
Profit for the period		–	–

The notes on pages 38 to 40 form an integral part of this unaudited condensed interim financial information.

STATEMENT OF COMPREHENSIVE INCOME OF HKT MANAGEMENT LIMITED

For the six months ended June 30, 2012

In HK\$'000

	For the period from June 14, 2011 (date of incorporation) to June 30, 2011 (Unaudited)	Six months ended June 30, 2012 (Unaudited)
Profit for the period	–	–
Other comprehensive income	–	–
Total comprehensive income for the period	–	–

The notes on pages 38 to 40 form an integral part of this unaudited condensed interim financial information.

BALANCE SHEET OF HKT MANAGEMENT LIMITED

As at June 30, 2012

In HK\$'000	Note	As at December 31, 2011 (Audited)	As at June 30, 2012 (Unaudited)
ASSETS AND LIABILITIES			
Current assets			
Amounts due from a fellow subsidiary		–	27
		–	27
Current liabilities			
Accruals and other payables		–	26
Amounts due to a fellow subsidiary		–	1
		–	27
Net current assets		–	–
Net assets		–	–
CAPITAL AND RESERVES			
Share capital	5	–	–
Reserves		–	–
Total equity		–	–

The notes on pages 38 to 40 form an integral part of this unaudited condensed interim financial information.

STATEMENT OF CHANGES IN EQUITY OF HKT MANAGEMENT LIMITED

For the six months ended June 30, 2012

In HK\$'000

2011
(Unaudited)

	Share capital	Retained profits	Total
As at June 14, 2011 (date of incorporation)	–	–	–
Total comprehensive income for the period	–	–	–
As at June 30, 2011	–	–	–

In HK\$'000

2012
(Unaudited)

	Share capital	Retained profits	Total
As at January 1, 2012	–	–	–
Total comprehensive income for the period	–	–	–
As at June 30, 2012	–	–	–

The notes on pages 38 to 40 form an integral part of this unaudited condensed interim financial information.

CONDENSED STATEMENT OF CASH FLOWS OF HKT MANAGEMENT LIMITED

For the six months ended June 30, 2012

In HK\$'000	For the period from June 14, 2011 (date of incorporation) to June 30, 2011 (Unaudited)	Six months ended June 30, 2012 (Unaudited)
Net cash generated from operating activities	–	–
Net cash used in investing activities	–	–
Net cash used in financing activities	–	–
Net decrease in cash and cash equivalents	–	–
Cash and cash equivalents at January 1,	–	–
Cash and cash equivalents at June 30,	–	–

The notes on pages 38 to 40 form an integral part of this unaudited condensed interim financial information.

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

For the six months ended June 30, 2012

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 for the year ended December 31, 2011.

This unaudited condensed interim financial information is presented in Hong Kong dollars, unless otherwise stated. This unaudited condensed interim financial information was approved for issue on August 9, 2012.

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 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 policies and reported amounts of assets and liabilities, income and expenses on a year-to-date basis. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The accounting policies and methods of computation used in preparing this unaudited condensed interim financial information are consistent with those followed in preparing the Company’s financial statements for the period from June 14, 2011 (date of incorporation) to December 31, 2011, except for the adoption of the following new, revised or amended Hong Kong Financial Reporting Standards (“HKFRSs”), HKASs and Interpretations (“Ints”) (collectively “new HKFRSs”) which are effective for accounting period beginning on or after January 1, 2012:

The following new HKFRSs are mandatory for the first time for the financial year beginning January 1, 2012, but have no material effect on the Company’s results and financial position for the current and prior periods.

- HKFRS 7 (Amendment) Disclosures – Transfers of financial assets.
- HKFRS 1 (Amendment) Severe hyperinflation and removal of fixed dates for first-time adopters.
- HKAS 12 (Amendment) Deferred tax: Recovery of underlying assets.

The Company has not adopted any new HKFRSs that are not yet effective for the current accounting period.

2 RELATED PARTY TRANSACTIONS

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

In HK\$'000	For the period from June 14, 2011 (date of incorporation) to June 30, 2011 (Unaudited)	Six months ended June 30, 2012 (Unaudited)
Management fee refund from a fellow subsidiary	–	27

(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 periods from June 14, 2011 (date of incorporation) to June 30, 2011 and January 1, 2012 to June 30, 2012.

3 PROFIT BEFORE INCOME TAX

Profit before income tax is stated after crediting and charging the following:

In HK\$'000	For the period from June 14, 2011 (date of incorporation) to June 30, 2011 (Unaudited)	Six months ended June 30, 2012 (Unaudited)
Charging:		
Auditor's remuneration	–	26
Professional and consultancy fees	–	1

For the six months ended June 30, 2012

4 INCOME TAX

No Hong Kong profits tax has been provided as the Company does not have any assessable profit during the periods from June 14, 2011 (date of incorporation) to June 30, 2011 and January 1, 2012 to June 30, 2012.

5 SHARE CAPITAL

	2012	
	Number of shares (Unaudited)	Nominal value (Unaudited) HK\$
Authorized: Ordinary shares of HK\$1 each	10,000	10,000
Issued and fully paid: Ordinary shares of HK\$1 each	1	1

GENERAL INFORMATION

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

As at June 30, 2012, the directors of HKT Limited (the "Company") and the directors of HKT Management Limited (the "Trustee-Manager", in its capacity as the trustee-manager of the HKT Trust) (collectively referred to as the "Directors"); the chief executives of the Company and the Trustee-Manager (collectively referred to as the "Chief Executives") and their respective associates had the following interests and short positions in the share stapled units of the HKT Trust and the Company (the "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 the 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	Number of Share Stapled Units				Number of underlying Share Stapled Units held under equity derivatives	Total	Approximate percentage of issued Share Stapled Units
	Personal interests	Family interests	Corporate interests	Other interests			
Li Tzar Kai, Richard	–	–	219,573,506 <i>(Note 1(a))</i>	125,358,732 <i>(Note 1(b))</i>	–	344,932,238	5.38%
Alexander Anthony Arena	1,054,756	–	–	–	–	1,054,756	0.02%
Peter Anthony Allen	18,245	–	–	–	–	18,245	0.0003%
Chung Cho Yee, Mico	84,100	802 <i>(Note 2)</i>	–	–	–	84,902	0.001%
Professor Chang Hsin Kang	2,790	–	–	–	–	2,790	0.00004%

Each Share Stapled Unit confers an interest in:

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

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

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

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

(CONTINUED)

1. Interests in the 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 17,142,046 Share Stapled Units and Eisner Investments Limited ("Eisner") held 202,431,460 Share Stapled Units. Li Tzar Kai, Richard owned 100% of the issued share capital of Chiltonlink and Eisner.
- (b) These interests represented:
 - (i) a deemed interest in 2,646,156 Share Stapled Units held by Yue Shun Limited ("Yue Shun"), a subsidiary of Hutchison Whampoa Limited ("HWL"). Cheung Kong (Holdings) Limited ("Cheung Kong") through certain subsidiaries held more than one-third of the issued share capital of HWL. Li Tzar Kai, Richard was a discretionary beneficiary of certain discretionary trusts which held units in unit trusts which in turn held interests in certain shares of Cheung Kong and HWL. Li Tzar Kai, Richard was also interested in one-third of the issued share capital of two companies ("Trustee Holding Companies"), which owned all the shares of the trustee companies which acted as trustees of such discretionary trusts and unit trusts. Accordingly, Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the 2,646,156 Share Stapled Units held by Yue Shun. With effect from July 16, 2012, Li Tzar Kai, Richard ceased to have any interest in the issued share capital of the Trustee Holding Companies;
 - (ii) a deemed interest in 11,152,220 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 11,152,220 Share Stapled Units held by PCGH;
 - (iii) a deemed interest in 111,548,140 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 75.78% interest. Li Tzar Kai, Richard was the founder of certain trusts which held 100% interests in PCGH. Li Tzar Kai, Richard was also deemed to be interested in 0.91% of the issued share capital of PCRD through Hopestar Holdings Limited, a company wholly-owned by Li Tzar Kai, Richard. Accordingly, Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the 111,548,140 Share Stapled Units held by PCRD; and
 - (iv) a deemed interest in 12,216 Share Stapled Units held by PineBridge Investments LLC ("PBI LLC") in the capacity of investment manager. PBI LLC was an indirect subsidiary of Chiltonlink and Li Tzar Kai, Richard owned 100% of the issued share capital of Chiltonlink. Accordingly, Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the 12,216 Share Stapled Units held by PBI LLC.
2. These Share Stapled Units were held by the spouse of Chung Cho Yee, Mico.

2. Interests in Associated Corporations of the Company

A. PCCW Limited ("PCCW", being the holding company of the HKT Trust and the Company and therefore an associated corporation)

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

Name of Director/ Chief Executive	Number of ordinary shares of PCCW				Number of underlying shares of PCCW held under equity derivatives	Total	Approximate percentage of issued share capital of PCCW
	Personal interests	Family interests	Corporate interests	Other interests			
Li Tzar Kai, Richard	–	–	271,666,824 (Note 1(a))	1,740,004,335 (Note 1(b))	–	2,011,671,159	27.66%
Alexander Anthony Arena (Note 3)	760,000	–	–	–	6,400,200 (Note 2)	7,160,200	0.10%
Peter Anthony Allen	253,200	–	–	–	2,000,000 (Note 4)	2,253,200	0.03%
Chung Cho Yee, Mico	1,176,260	18,455 (Note 5)	–	–	5,695,200 (Note 4)	6,889,915	0.09%
Professor Chang Hsin Kang	64,180	–	–	–	–	64,180	0.001%

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

(CONTINUED)

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

A. PCCW Limited ("PCCW", being the holding company of the HKT Trust and the Company and therefore an associated corporation) (continued)

(i) (continued)

Notes:

1. (a) Of these PCCW shares, PCD held 237,919,824 shares and Eisner held 33,747,000 shares.

(b) These interests represented:

- (i) a deemed interest in 36,726,857 shares of PCCW held by Yue Shun. Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the 36,726,857 shares of PCCW held by Yue Shun;
 - (ii) a deemed interest in 154,785,177 shares of PCCW held by PCGH. Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the 154,785,177 shares of PCCW held by PCGH;
 - (iii) a deemed interest in 1,548,211,301 shares of PCCW held by PCRD. Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the 1,548,211,301 shares of PCCW held by PCRD; and
 - (iv) a deemed interest in 281,000 shares of PCCW held by PBI LLC in the capacity of investment manager. Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the 281,000 shares of PCCW held by PBI LLC.
2. These interests represented Alexander Anthony Arena's beneficial interest in: (a) 200 underlying shares in PCCW held in the form of 20 American Depositary Receipts which constituted listed equity derivatives; and (b) 6,400,000 underlying shares of PCCW in respect of share options granted by PCCW to Alexander Anthony Arena as beneficial owner pursuant to a share option scheme of PCCW adopted on September 20, 1994, termination of which was approved by the shareholders of PCCW at its annual general meeting held on May 19, 2004 ("1994 PCCW Scheme"), the details of which are set out in paragraph 2A(ii) below.
3. As disclosed previously in the prospectus dated November 16, 2011 jointly issued by the HKT Trust and the Company and the annual reports and interim reports of PCCW, in 2009 a private company owned by Li Tzar Kai, Richard has provided a seven year interest-free loan in the amount of US\$10,000,000 to Alexander Anthony Arena at his request and for personal reasons. Alexander Anthony Arena has entered into a seven year consultancy agreement with another private company owned by Li Tzar Kai, Richard with an annual consultancy fee sufficient to repay the aforementioned loan over its seven year term. This private arrangement was reviewed by the remuneration committee of PCCW prior to its finalization. The committee noted that the consultancy services provided to the private company would be publicly disclosed, would not conflict with Alexander Anthony Arena's duties at PCCW and overall would be in the interests of PCCW.
4. These interests represented the interests in underlying shares of PCCW in respect of share options granted by PCCW to these directors as beneficial owners pursuant to the 1994 PCCW Scheme, the details of which are set out in paragraph 2A(ii) below.
5. These PCCW shares were held by the spouse of Chung Cho Yee, Mico.

(ii) The table below sets out the interests of the Directors and the Chief Executives in share options of PCCW which remain outstanding under the 1994 PCCW Scheme and the share options movements during the six months ended June 30, 2012:

Name of Director/ Chief Executive	Date of grant (Note)	Vesting period (Note)	Exercisable period (Note)	Exercise price HK\$	Number of options	
					Outstanding at 01.01.2012	Outstanding at 06.30.2012
Alexander Anthony Arena	07.25.2003	07.25.2004 to 07.25.2006	07.25.2004 to 07.23.2013	4.35	6,400,000	6,400,000
Peter Anthony Allen	07.25.2003	07.25.2004 to 07.25.2006	07.25.2004 to 07.23.2013	4.35	2,000,000	2,000,000
Chung Cho Yee, Mico	07.25.2003	07.25.2004 to 07.25.2006	07.25.2004 to 07.23.2013	4.35	5,695,200	5,695,200

Note: All dates are shown month/day/year.

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

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

B. PCCW-HKT Capital No.2 Limited (an indirect wholly-owned subsidiary of the Company and therefore an associated corporation)

PineBridge Investments Asia Limited ("PBIA") in the capacity of investment manager held US\$10,000,000 of 6% guaranteed notes due 2013 (the "Notes") issued by PCCW-HKT Capital No.2 Limited. PBIA was an indirect subsidiary of Chiltonlink and Li Tzar Kai, Richard owned 100% of the issued share capital of Chiltonlink. Accordingly, Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the amount of US\$10,000,000 of the Notes held by PBIA.

C. Pacific Century Premium Developments Limited ("PCPD", an indirect subsidiary of PCCW and therefore an associated corporation)

The table below sets out the long position in the shares and underlying shares of PCPD held by a Director:

Name of Director	Number of ordinary shares of PCPD				Number of underlying shares of PCPD held under equity derivatives	Total	Approximate percentage of issued share capital of PCPD
	Personal interests	Family interests	Corporate interests	Other interests			
Chung Cho Yee, Mico	-	-	-	-	5,000,000	5,000,000	1.26%

The above interests represented the interests in underlying shares in respect of share options granted by PCPD to the Director as beneficial owner pursuant to a share option scheme of PCPD adopted on March 17, 2003, the termination of which was approved by the shareholders of PCPD at its annual general meeting held on May 13, 2005 ("2003 PCPD Scheme"). Details of the PCPD share options outstanding and movements under the 2003 PCPD Scheme during the six months ended June 30, 2012 are as follows:

Name of Director	Date of grant (Note)	Vesting period (Note)	Exercisable period (Note)	Exercise price HK\$	Number of options	
					Outstanding at 01.01.2012	Outstanding at 06.30.2012
Chung Cho Yee, Mico	12.20.2004	Fully vested on 12.20.2004	12.20.2004 to 12.19.2014	2.375	5,000,000	5,000,000

Note: All dates are shown month/day/year.

As at June 30, 2012, the total number of shares of PCPD that might be issued upon exercise of all share options granted and yet to be exercised under the 2003 PCPD Scheme was 5,000,000 shares, which represented approximately 1.26% of the issued share capital of PCPD immediately after the bonus issue of shares and the issue of bonus convertible notes (which took place on June 22, 2012) (the "Bonus Issue") and the share consolidation which became effective on June 25, 2012 (the "Share Consolidation").

There was no adjustment to the number of the outstanding share options or the subscription price of such outstanding options as a result of the recent reorganization of capital structure of PCPD in relation to the Bonus Issue and the Share Consolidation announced on May 16, 2012. It was certified by Anglo Chinese Corporate Finance, Limited, the financial adviser to PCPD, that adjustments to the subscription price per share of PCPD which might fall to be issued upon the exercise of the aforesaid share options as a result of the Bonus Issue and the Share Consolidation respectively would be net off and would result in no adjustment. For details of the Bonus Issue and the Share Consolidation of PCPD, please refer to the listing document and the circular of PCPD both dated June 4, 2012 and the announcement of PCPD dated June 21, 2012.

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

(CONTINUED)

2. Interests in Associated Corporations of the Company *(continued)*

C. Pacific Century Premium Developments Limited ("PCPD", an indirect subsidiary of PCCW and therefore an associated corporation) *(continued)*

Save as disclosed in the foregoing, none of the Directors or the Chief Executives or their respective associates had any interests or short positions in any Share Stapled Units or underlying Share Stapled Units or in the 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 as at June 30, 2012.

SHARE STAPLED UNITS OPTION SCHEME

The HKT Trust and the Company conditionally adopted on November 7, 2011 (the "Adoption Date") a Share Stapled Units option scheme (the "2011-2021 Option Scheme") which became effective upon listing, under which the board of directors of the Trustee-Manager (the "Trustee-Manager Board") and the board of directors of the Company (the "Company Board") may, at their discretion, grant Share Stapled Unit options to the eligible participants to subscribe for such number of Share Stapled Units as the Trustee-Manager Board and the Company Board may determine at a subscription price on and subject to the terms and conditions stipulated therein.

No Share Stapled Unit option has been granted under the 2011-2021 Option Scheme since the Adoption Date and up to and including June 30, 2012.

SHARE STAPLED UNITS AWARD SCHEMES

On October 11, 2011, the Company conditionally 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 Share Stapled Units Award Schemes are on similar terms and were conditionally adopted by the Company which became effective upon listing as a potential means to incentivise and reward the eligible participants.

Subject to the rules of the Share Stapled Units Award Schemes, each scheme provides that following the making of an award to an employee of the Company and its subsidiaries (the "HKT Limited Group"), the relevant Share Stapled Units are held in trust for that employee and then shall vest over a period of time provided that the employee remains, at all times after the award date and on the relevant vesting date, an employee of the HKT Limited Group and satisfies any other conditions specified at the time the award is made. Please refer to the details of the awards made to employees during the six months ended June 30, 2012 which are set out in note 15 to the unaudited condensed consolidated interim financial statements of the HKT Trust and the Company on page 32.

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 the 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 respective 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 their associated corporations or had exercised any such right during the period under review.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL HOLDERS OF SHARE STAPLED UNITS

As at June 30, 2012, the following persons (other than any Directors or the 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 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	Approximate percentage of issued Share Stapled Units	Note
PCCW	Interest in controlled entity	4,047,215,832	63.07%	1
CAS Holding No. 1 Limited	Beneficial interest	4,047,215,832	63.07%	–

Each Share Stapled Unit confers an interest in:

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

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

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

Notes:

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

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

Save as disclosed above in this section, the Company and the Trustee-Manager had not been notified of any other persons (other than any 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 pursuant to Section 336 of the SFO as at June 30, 2012.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

During the six months ended June 30, 2012, 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 the Company for the six months ended June 30, 2012 and the unaudited condensed interim financial information of the Trustee-Manager for the same period. Such financial information of the HKT Trust and the Company 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 the standard required by the Model Code as set out in Appendix 10 to the Listing Rules and established a code of conduct regarding securities transactions by directors, senior management and relevant employees as defined in the Corporate Governance Code (formerly the Code on Corporate Governance Practices), namely the HKT Trust and HKT Limited Code of Conduct for Securities Transactions by Directors, Senior Management and Nominated Persons (the "HKT Code"), in terms no less exacting than the required standard indicated by the Model Code.

Having made specific inquiries of all the Directors, confirmations have been received of compliance with the required standard set out in the Model Code and the HKT Code during the accounting period covered by this interim report.

CORPORATE GOVERNANCE PRACTICES

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 business 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 Code on Corporate Governance Practices (the "Former CG Code") as set out in Appendix 14 to the Listing Rules during the period from January 1 to March 31, 2012. On April 1, 2012, the Former CG Code was amended and renamed as the Corporate Governance Code (the "New CG Code"). The HKT Trust and the Company have also complied with all relevant code provisions of the New CG Code during the period from April 1 to June 30, 2012, except that the chairman of the Remuneration Committee of the Company was unable to attend the combined annual general meeting of unitholders of the HKT Trust and shareholders of the Company held on May 3, 2012 (which was required under Code Provision A.6.7) as he had another engagement overseas. The requirement to establish a separate Remuneration Committee for the Trustee-Manager under the Code Provision B.1.1 of the Former CG Code for the period from January 1 to March 31, 2012 and Rule 3.25 under the amended Listing Rules for the period from April 1 to June 30, 2012 is not relevant to the Trustee-Manager as its directors are not entitled to any remuneration under the Trust Deed, and therefore has not been complied with. In addition, given the unique circumstances of the HKT Trust i.e., the fact that the Trust Deed requires that the directors of the Company and the directors of the Trustee-Manager must always be the same individuals, the establishment of a separate Nomination Committee for the Trustee-Manager as required by Code Provision A.5.1 of the New CG Code is not relevant to the Trustee-Manager, and therefore has not been complied with.

CORPORATE INFORMATION

HKT LIMITED

(incorporated in the Cayman Islands with limited liability)

BOARD OF DIRECTORS

Executive Directors:

Li Tzar Kai, Richard (*Executive Chairman*)

Alexander Anthony Arena (*Group Managing Director*)

Hui Hon Hing, Susanna (*Group Chief Financial Officer*)

Non-Executive Directors:

Peter Anthony Allen

Chung Cho Yee, Mico

Lu Yimin

Li Fushen

Independent Non-Executive Directors:

Professor Chang Hsin Kang, FREng, GBS, JP

Sir Rogerio (Roger) Hyndman Lobo, CBE, LL.D, JP

The Hon Raymond George Hardenbergh Seitz

Sunil Varma

GROUP GENERAL COUNSEL AND COMPANY SECRETARY

Philana WY Poon

REGISTERED OFFICE

PO Box 309, Ugland House

Grand Cayman, KY1-1104

Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

39th Floor, PCCW Tower

TaiKoo Place, 979 King's Road

Quarry Bay, Hong Kong

PRINCIPAL SHARE REGISTRAR

Maples Fund Services (Cayman) Limited

PO Box 1093, Boundary Hall, Cricket Square

Grand Cayman, KY1-1102

Cayman Islands

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

Email: hkinfo@computershare.com.hk

INTERIM REPORT 2012

This Interim Report 2012 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) and Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk).

Holders of share stapled units who:

- received the Interim Report 2012 using electronic means through the website of HKT Limited may request a printed copy, or
- received the Interim Report 2012 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 2012) 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 2012 will promptly, upon request in writing or by email to the Share Stapled Units Registrar, be sent the Interim Report 2012 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 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*)

Alexander Anthony Arena (*Group Managing Director*)

Hui Hon Hing, Susanna (*Group Chief Financial Officer*)

Non-Executive Directors:

Peter Anthony Allen

Chung Cho Yee, Mico

Lu Yimin

Li Fushen

Independent Non-Executive Directors:

Professor Chang Hsin Kang, FREng, GBS, JP

Sir Rogerio (Roger) Hyndman Lobo, CBE, LL.D, JP

The Hon Raymond George Hardenbergh Seitz

Sunil Varma

GROUP GENERAL COUNSEL AND COMPANY SECRETARY

Philana WY Poon

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TaiKoo Place, 979 King's Road

Quarry Bay, Hong Kong

SHARE STAPLED UNITS REGISTRAR

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Wan Chai, Hong Kong

Telephone: +852 2862 8555

Fax: +852 2865 0990

Email: hkinfo@computershare.com.hk

SHARE STAPLED UNITS INFORMATION

Board lot:

1,000 units

Issued units as at June 30, 2012:

6,416,730,792 units

DIVIDEND/DISTRIBUTION

Interim dividend/distribution per ordinary share/share stapled unit for the six months ended June 30, 2012:

Interim dividend/distribution

per ordinary share/share stapled unit

20.06 HK cents

FINANCIAL CALENDAR

Announcement of 2012 Interim Results

August 9, 2012

Closure of Register of Members

September 13-14, 2012
(both days inclusive)

Payment of 2012 Interim Distribution

on or around September 26, 2012

Announcement of 2012 Annual Results

February 2013

LISTING

The share stapled units of the HKT Trust and HKT Limited are listed on

The Stock Exchange of Hong Kong Limited.

STOCK CODES

The Stock Exchange of Hong Kong Limited

6823

Reuters

6823.HK

Bloomberg

6823 HK

INVESTOR RELATIONS

For more information, please contact Investor Relations at:

Telephone: +852 2514 5084

Email: ir@hkt.com

WEBSITE OF HKT LIMITED

www.hkt.com

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

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

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

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