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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 17,200 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

HKT reported solid financial results for the first six months of 2014 on the back of satisfactory performance across its lines of business, and the period also saw the company become the leader in the Hong Kong mobile market.

With shareholders' approval in February and subsequent regulatory approval of HKT's landmark acquisition of CSL New World Mobility Limited, the transaction was completed on May 14. The acquisition is expected to enhance the long-term distribution potential of HKT and bring about significant benefits to customers. Integration of the business commenced immediately in order to realize the operational synergies and customer benefits as soon as possible.

Within less than two months of the completion, we have already rationalized branding, revamped the retail channels and simplified service plans in order to better serve the whole spectrum of customers in the mobile market. We will continue to integrate the HKT and CSL networks to offer customers an even better mobile experience.

As to the home, fiber broadband and fixed lines generated a steady cash flow for the company in the first half, as demand for high speed connectivity remained strong. The commercial business recorded a satisfactory performance despite generally cautious telecom spending by enterprises.

The international connectivity business, PCCW Global, further expanded its network to capitalize on the general increase in voice and data traffic as well as demand driven by the development of new routes.

The Hong Kong economy has grown moderately so far this year, while the outlook for the second half is projected to improve slightly if recovery in the major global economies can continue without disruption. Against this background, HKT will further grow our business on our strong bases – now being the market leader in all three areas of fixed line, broadband and mobile services – with a view to increasing shareholder value.

I would like to note the tremendous support given to us by our shareholders, who took up over 99.3% of our recent rights issue. This remarkable acceptance level gives us additional confidence in executing on our strategies to grow HKT.

Finally, I would like to express our heartfelt thanks to Sir Roger Lobo, who retired from his position of Independent Non-Executive Director (INED) in May, for the immense contributions that he has made over the years to the company. At the same time, I welcome Mr. Aman Mehta to join the Board as an INED.



**Richard Li**  
Chairman  
August 5, 2014

# STATEMENT FROM THE GROUP MANAGING DIRECTOR

I am pleased to report sound operational results of HKT in the six months to June 30, 2014.

While business progress was positive across various lines in the first half, the single most exciting development must be the return to the HKT family of the CSL business.

## TAKING LEADERSHIP IN HONG KONG'S MOBILE MARKET

Last December, HKT announced a proposal to acquire CSL New World Mobility Limited, operator of mobile services under the one2free, 1010, and New World Mobility brands. Through this acquisition, we expect to see enhancement of mobile services income stream through increased scale, enlargement of service capacity and improvement of indoor signal coverage, strengthening of roaming business, and the opportunity to realize operational synergies. In addition to enhancing the long-term distribution potential of HKT, the acquisition can bring about significant benefits to our customers.

Holders of HKT Share Stapled Units and shareholders of HKT's parent company PCCW Limited approved the transaction in February. The Communications Authority of Hong Kong announced its approval in early May. The acquisition was formally completed on May 14, 2014.

Immediately after the completion of the transaction, HKT commenced the integration of CSL. Within a short period of time of less than eight weeks, we integrated the CSL staff, unveiled new branding, rationalized the retail network, simplified pricing and commenced integrating the networks.

Since HKT now has a very large amount of radio spectrum after the acquisition, we will continue to integrate the networks over the next few months in order to improve the network service quality and to build a technically superior network and derive a competitive edge in the market – particularly with support from our 1,000Mbps optical-fiber backhaul and extensive Wi-Fi network.

## INNOVATIVE OFFERINGS

The “傾King” VoIP app has been made available to our mobile customers so that they can make unlimited voice calls to any Hong Kong phone number whether they are in Hong Kong or overseas. Customers can also enjoy convenient Near Field Communication (NFC)-based Octopus payment service.

Locally, HKT has pioneered NFC mobile payment applications with the launch of Octopus SIM and cooperation with major bank credit cards. The next advancement will be the development of an all-in-one SIM which supports Octopus and credit card payments at the same time. This is scheduled to be available later this year.

HKT is one of several Asian telecom operators which have joined together to form the Asia NFC Alliance, which aims to extend NFC services beyond national borders so that users can have a seamless experience in mobile payment, hotel booking and other applications while traveling. The other parties are Chunghwa Telecom of Taiwan, KDDI of Japan, and SK Planet of South Korea. The alliance was announced at the Mobile World Congress 2014 in Barcelona in February.

HKT's commitment to continuous innovation has also brought to our 4G customers the first Voice over LTE (VoLTE) service in Hong Kong – in fact also the world's first commercially available VoLTE service when it was launched in May jointly with ICT solution provider Huawei and leading smartphone maker Samsung. VoLTE users can enjoy faster voice call set-up and clearer sound, better video call quality, and instant switching between voice and video calls.

## RE-SHAPING EVERYDAY LIFE

HKT's broadband service also continued to perform robustly with significant revenue contribution. The number of customers of our genuine fiber-to-the-home (FTTH) service grew further in the first half of 2014, comprising new customers and upgrades. Our fiber infrastructure has now been installed within buildings accounting for 86% of all households in Hong Kong.

High-speed fiber connection and technology advancement are reshaping the lifestyle of Hong Kong people. HKT's Smart Living service, which uses the latest technologies to enhance the quality of daily life, has gained further traction. In February, our first Smart Living Store opened at HomeSquare in Shatin, Hong Kong's largest shopping mall for home furnishing. In addition to home automation and networking services, the 1,000 sq.ft. store also showcases trendy smart devices for health and entertainment, and offers end-to-end smart home creation solutions tailor-made by technical consultants and interior designers. The store complements the Smart Living showrooms in HKT shops and customer service centers.

HKT endeavors to elevate the user experience of all our services. eye3 Smart Communications is a comprehensive home communication and infotainment service accessible via a Samsung tablet, which can also be taken outdoors. Recently we upgraded the device with the higher-speed Tab 4 model and strengthened the content such as educational content for children, which consistently sits at the top part of the popularity chart. The user interface of the tablet has also been modified to allow more customization by the user.

## SERVING LOCAL AND GLOBAL ENTERPRISES

As Hong Kong recorded moderate economic growth in the first half, business sentiment among large enterprises was largely positive although they continued to be cautious about major spending. Nevertheless, with extensive fiber coverage of major commercial buildings in Hong Kong, HKT has maintained its position as the telecom service provider of choice.

HKT offers affordable end-to-end ICT solutions integrated with telecom services to local small- and medium-sized enterprises (SMEs) which otherwise may not enjoy ICT benefits because of cost and manpower constraints. Since the launch of these solutions late last year, there has been encouraging take-up in the retail, catering, trading and manufacturing, and professional services industries on which we have specifically focused.

During the period, PCCW Global continued to expand its cooperation with overseas operators to enhance its connectivity capability. It signed a collaborative agreement in March with Phase3 Telecom, a West African market leader in telecom infrastructure and broadband solutions, and then signed a MPLS interconnection agreement in April with Telecom Namibia which augments PCCW Global's ability to provide international customers with greater local access to the Southern African Development Community region.

Investing in new capacity to meet customer needs and to strengthen the resilience and diversity of our connectivity capabilities, PCCW Global has joined a consortium of prominent service providers around the world in building a new high capacity cable system interconnecting Hong Kong, other parts of Asia, the Middle East, Africa and Europe. The construction agreement for the system, known as AAE-1 (Asia Africa Europe-1), was signed in Hong Kong in January 2014. It is expected to come into service in 2016, when it will become the first high capacity cable system to link all of the major South East Asian nations to Africa and Europe via the Middle East.

Last year, PCCW Global launched a High-Definition (HD) video calling service for enterprise customers and carrier partners to capitalize on the rapid HD communications growth. In May, PCCW Global opened a Global HD Video Communication Center at the Telecom House, Wanchai, where a full range of innovative HD calling, conferencing and collaboration services are available in telepresence rooms and on multiple devices.

## BUILDING FOR TOMORROW, TODAY

For about a century HKT (including its predecessors) has served the Hong Kong community well. We have continued to invest to ensure that Hong Kong's citizens have first class services of high quality but affordable prices. We also understand the relentless advance of technology – when we design our networks we seek to ensure that we anticipate the future requirements that will be loaded onto our networks and that we are ready to serve our customers' needs as new technology and new services become available. By steadfastly continuing to invest in our business we are very much building for tomorrow, today.



**Alex Arena**  
Group Managing Director  
August 5, 2014



However the world changes,  
HKT will stay committed to building the future for you.

# BOARD OF DIRECTORS

## EXECUTIVE DIRECTORS

### **LI Tzar Kai, Richard**

#### *Executive Chairman*

Mr Li, aged 47, was appointed the Executive Chairman and an Executive Director of HKT Limited (HKT) and HKT Management Limited, the trustee-manager of the HKT Trust, in November 2011. He is the Chairman of HKT's Executive Committee and a member of the Nomination Committee of the HKT Board. Mr Li has also been an Executive Director and the Chairman of PCCW Limited (PCCW) since August 1999, the Chairman of PCCW's Executive Committee and a member of the Nomination Committee of the board of directors of PCCW. He is also the Chairman and Chief Executive of the Pacific Century Group, an Executive Director and the Chairman of Pacific Century Premium Developments Limited (PCPD), the Chairman of PCPD's Executive Committee, a member of PCPD's Remuneration Committee and Nomination Committee, the Chairman and an Executive Director of Singapore-based Pacific Century Regional Developments Limited (PCRD), and the Chairman of PCRD's Executive Committee.

Mr Li is a Non-Executive Director of The Bank of East Asia, Limited. He is also a representative of Hong Kong, China to the APEC Business Advisory Council, a member of the Center for Strategic and International Studies' International Councillors' Group in Washington, D.C., and a member of the Global Information Infrastructure Commission. Mr Li was awarded the Lifetime Achievement Award by the Cable & Satellite Broadcasting Association of Asia in November 2011.

### **Alexander Anthony ARENA**

#### *Group Managing Director*

Mr Arena, aged 63, 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 and holds directorships in various Group companies. 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 49, 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 and holds directorships in various Group companies. 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. 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 59, 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 an Executive Director and the Group Managing Director of Pacific Century Regional Developments Limited, an Executive Director and the Chief Financial Officer of the Pacific Century Group 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 Singapore Chartered Accountants.

**CHUNG Cho Yee, Mico**

**Non-Executive Director**

Mr Chung, aged 53, 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 50, 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 51, 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.

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.

#### **Srinivas Bangalore GANGAIAH (aka BG Srinivas)**

##### **Non-Executive Director**

Mr Srinivas, aged 53, was appointed a Non-Executive Director of HKT Limited and HKT Management Limited, the trustee-manager of the HKT Trust, in August 2014. He was appointed as an Executive Director and Group Managing Director of PCCW Limited (PCCW) in July 2014.

Mr Srinivas holds a degree in mechanical engineering from Bangalore University, India, and has participated in executive programs at Wharton Business School, US, and Indian Institute of Management Ahmedabad (IIMA), India. Prior to joining PCCW, Mr Srinivas has worked for the last 15 years with Infosys Group, where his last role was the President and Whole-time Director of Infosys Limited. He has also acted as Chairman of the board of Infosys Lodestone and a member of the board of Infosys Sweden. Prior to that, Mr Srinivas worked for 14 years with Asea Brown Boveri Group, where he held several leadership positions. Mr Srinivas has been on the panel of judges for the European Business Awards (EBA) for three consecutive years and is a frequent speaker at academic institutions such as INSEAD and Saïd Business School, Oxford.

\* For identification only

## INDEPENDENT NON-EXECUTIVE DIRECTORS

### **Professor CHANG Hsin Kang,**

**FREng, GBS, JP**

#### **Independent Non-Executive Director**

Professor Chang, aged 74, was appointed an Independent Non-Executive Director of HKT Limited (HKT) and HKT Management Limited (Trustee-Manager), the trustee-manager of the HKT Trust, in November 2011. He is the Chairman of HKT's Regulatory Compliance Committee, a member of HKT's Audit Committee, Remuneration Committee and Nomination Committee, and a member of the Trustee-Manager's Audit Committee.

Professor Chang was an Independent Non-Executive Director of PCCW Limited from October 2000 to November 2011.

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

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

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

### **The Hon Raymond George Hardenbergh SEITZ**

#### **Independent Non-Executive Director**

Mr Seitz, aged 73, 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 70, was appointed an Independent Non-Executive Director of HKT Limited (HKT) and HKT Management Limited (Trustee-Manager), the trustee-manager of the HKT Trust, in November 2011. He is also the Chairman of both HKT's Audit Committee and the Trustee-Manager's Audit Committee and a member of HKT's Nomination Committee, Remuneration Committee and Regulatory Compliance Committee.

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

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

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

#### **Aman MEHTA**

##### **Independent Non-Executive Director**

Mr Mehta, aged 67, was appointed an Independent Non-Executive Director of HKT Limited (HKT) and HKT Management Limited, the trustee-manager of the HKT Trust, in May 2014. He is the Chairman of HKT's Nomination Committee. Mr Mehta has been an Independent Non-Executive Director of PCCW Limited (PCCW) since February 2004. He is also the Chairman of the Audit Committee, the Nomination Committee and the Remuneration Committee of the board of directors of PCCW.

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

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

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

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

Mr Mehta is also a member of the Governing Board of Indian School of Business, Hyderabad, and a member of the Advisory Panel of Prudential Financial Inc. in the United States.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

- Total revenue increased by 13% to HK\$12,520 million
- Total EBITDA increased by 15% to HK\$4,425 million
- Profit attributable to holders of Share Stapled Units increased by 18% to HK\$1,400 million; basic earnings per Share Stapled Unit were 21.84 HK cents
- Adjusted funds flow increased by 7% to HK\$1,590 million; adjusted funds flow per Share Stapled Unit was 24.78 HK cents before the Rights Issue and 21.00 HK cents after the Rights Issue
- Interim distribution per Share Stapled Unit of 21.00 HK cents, on an enlarged basis of 7,571,742,334 Share Stapled Units in issue after the Rights Issue

## MANAGEMENT REVIEW

We are pleased to announce a solid set of HKT financial results for the six months ended June 30, 2014. These results reflect the robust performance of HKT's various lines of business and have consolidated the results of CSL New World Mobility Limited (now known as CSL Holdings Limited, "CSL") since the completion of HKT's acquisition of CSL in May 2014.

Total revenue for the six months ended June 30, 2014 increased by 13% to HK\$12,520 million and total EBITDA during the period was HK\$4,425 million, an increase of 15% over the same period in 2013.

Profit attributable to holders of Share Stapled Units was HK\$1,400 million, an increase of 18% over the same period in 2013. Basic earnings per Share Stapled Unit were 21.84 HK cents.

Adjusted funds flow for the six months ended June 30, 2014 reached HK\$1,590 million, an increase of 7% over the same period in 2013.

As at end of July 2014, the refinancing of the CSL acquisition was wholly completed with the conclusion of approximately HK\$11,700 million in 5-year banking facilities and the successful closing of the rights issue ("Rights Issue") in July 2014 which raised approximately HK\$7,900 million in gross proceeds.

The board of directors of the Trustee-Manager has resolved an interim distribution of 21 HK cents per Share Stapled Unit for the six months ended June 30, 2014. This distribution is based on the total number of Share Stapled Units that is currently outstanding after the completion of the Rights Issue.

## OUTLOOK

Following the successful acquisition of CSL, HKT has immediately embarked on an integration exercise in order to offer customers an enhanced mobile experience via the combined retail channels and commencement of the network integration. At the same time, we expect the synergies that can be realized from the increased scale and rationalization of the operations to manifest more evidently over the course of the next 18-24 months.

Meanwhile, the broadband business and international connectivity are expected to remain key contributors to HKT's financial results, as we continue to monetize on the growing demand.

The Hong Kong economy has been tracking at around 3% growth so far this year and is expected to hold up for the full year should recovery in the major global economies continue without disruption. Against this background, HKT will strive to further increase shareholder value by growing our business on the strong bases that we have built, now being the market leader in all three areas of fixed line, broadband and mobile services.

## FINANCIAL REVIEW BY SEGMENT

For the six months ended HK\$ million	June 30, 2013 <i>(Note 7)</i>	December 31, 2013 <i>(Note 7)</i>	<b>June 30, 2014</b>	Better/ (Worse) y-o-y
<b>Revenue</b>				
TSS	9,200	10,051	<b>9,565</b>	4%
Mobile	1,790	1,581	<b>2,910</b>	63%
Other Businesses	318	370	<b>286</b>	(10)%
Eliminations	(237)	(241)	<b>(241)</b>	(2)%
<b>Total revenue</b>	11,071	11,761	<b>12,520</b>	13%
<b>Cost of sales</b>	(4,901)	(5,216)	<b>(5,333)</b>	(9)%
<b>Operating costs before depreciation, amortization, and gain/(loss) on disposal of property, plant and equipment, net</b>	(2,331)	(2,483)	<b>(2,762)</b>	(18)%
<b>EBITDA<sup>1</sup></b>				
TSS	3,510	3,725	<b>3,594</b>	2%
Mobile	453	427	<b>965</b>	113%
Other Businesses	(124)	(90)	<b>(134)</b>	(8)%
<b>Total EBITDA<sup>1</sup></b>	3,839	4,062	<b>4,425</b>	15%
<b>TSS EBITDA<sup>1</sup> margin</b>	38%	37%	<b>38%</b>	
<b>Mobile EBITDA<sup>1</sup> margin</b>	25%	27%	<b>33%</b>	
<b>Total EBITDA<sup>1</sup> margin</b>	35%	35%	<b>35%</b>	
Depreciation and amortization	(2,399)	(2,301)	<b>(2,350)</b>	2%
Gain/(loss) on disposal of property, plant and equipment, net	10	3	<b>(2)</b>	NA
Other gains, net	49	35	<b>41</b>	(16)%
Finance costs, net	(458)	(375)	<b>(452)</b>	1%
Share of results of an associate and joint ventures	6	44	<b>2</b>	(67)%
<b>Profit before income tax</b>	1,047	1,468	<b>1,664</b>	59%

## ADJUSTED FUNDS FLOW

For the six months ended HK\$ million	June 30, 2013	December 31, 2013	June 30, 2014	Better/ (Worse) y-o-y
<b>Total EBITDA<sup>1</sup></b>	3,839	4,062	<b>4,425</b>	15%
Less cash outflows in respect of:				
Customer acquisition costs and licence fees	(712)	(891)	<b>(770)</b>	(8)%
Capital expenditures <sup>6</sup>	(988)	(992)	<b>(1,135)</b>	(15)%
<b>Adjusted funds flow before tax paid, net finance costs paid and changes in working capital</b>	2,139	2,179	<b>2,520</b>	18%
Adjusted for:				
Tax payment	(107)	(224)	<b>(80)</b>	25%
Net finance costs paid	(239)	(450)	<b>(368)</b>	(54)%
Changes in working capital	(309)	(88)	<b>(482)</b>	(56)%
<b>Adjusted funds flow<sup>2</sup></b>	1,484	1,417	<b>1,590</b>	7%

KEY OPERATING DRIVERS<sup>4</sup>

	June 30, 2013	December 31, 2013	June 30, 2014	Better/(Worse) y-o-y	h-o-h
Exchange lines in service ('000)	2,651	2,651	<b>2,654</b>	0%	0%
Business lines ('000)	1,242	1,242	<b>1,245</b>	0%	0%
Residential lines ('000)	1,409	1,409	<b>1,409</b>	0%	0%
Total broadband access lines ('000) (Consumer, business and wholesale customers)	1,567	1,567	<b>1,567</b>	0%	0%
Retail consumer broadband subscribers ('000)	1,408	1,408	<b>1,408</b>	0%	0%
Retail business broadband subscribers ('000)	128	130	<b>131</b>	2%	1%
Traditional data (Exit Gbps)	2,276	2,967	<b>3,016</b>	33%	2%
Retail IDD minutes (million minutes)	521	474	<b>431</b>	(17)%	(9)%
Mobile subscribers ('000)	1,652	1,654	<b>4,512</b>	173%	173%
Post-paid subscribers ('000)	1,017	1,019	<b>3,183</b>	213%	212%
Prepaid subscribers ('000)	635	635	<b>1,329</b>	109%	109%

- 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 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 joint ventures, and the Group's share of results of an associate and joint ventures. While EBITDA is commonly used in the telecommunications industry worldwide as an indicator of operating performance, leverage and liquidity, it is not presented as a measure of operating performance in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") and should not be considered as representing net cash flows from operating activities. The computation of the Group's EBITDA may not be comparable to similarly titled measures of other companies.*
- Note 2 Adjusted Funds Flow is defined as EBITDA less capital expenditures, customer acquisition costs and licence fees paid, taxes paid, finance costs and interest expense paid, and adjusted for interest income received and changes in working capital. It is not presented as a measure of leverage or liquidity in accordance with HKFRSs and should not be considered as representing net cash flows or any other similar measures derived in accordance with HKFRSs, or an alternative to cash flow from operations or a measure of liquidity. The Group's Adjusted Funds Flow is computed in accordance with the above definition using financial information derived from the Group's unaudited condensed consolidated financial statements. The Adjusted Funds Flow may be used for debt repayment.*
- Note 3 Adjusted Funds Flow per Share Stapled Unit is calculated by dividing the adjusted funds flow for the period by the number of issued Share Stapled Units in issue.*
- Note 4 Figures are stated as at the period end, except for International Direct Dial ("IDD") minutes which is the total for the period.*
- Note 5 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 6 Group capital expenditures represent additions to property, plant and equipment, and interests in leasehold land.*
- Note 7 During the six months ended June 30, 2014, the Group completed an internal reorganization in connection with the acquisition of CSL Holdings Limited (formerly known as CSL New World Mobility Limited) and its subsidiaries. As a result, management has made changes to the Group's internal reporting that caused changes to reportable segments and segment presentation. The prior period ended June 30, 2013 and December 31, 2013 segment information has been restated to conform with the revised presentation.*



## Telecommunications Services ("TSS")

For the six months ended HK\$ million	June 30, 2013 (Note 7)	December 31, 2013 (Note 7)	June 30, 2014	Better/ (Worse) y-o-y
Local Telephony Services	1,680	1,754	<b>1,682</b>	0%
Local Data Services	3,140	3,320	<b>3,236</b>	3%
International Telecommunications Services	3,222	3,489	<b>3,465</b>	8%
Other Services	1,158	1,488	<b>1,182</b>	2%
<b>TSS revenue</b>	9,200	10,051	<b>9,565</b>	4%
Cost of sales	(4,117)	(4,534)	<b>(4,301)</b>	(4)%
Operating costs before depreciation and amortization	(1,573)	(1,792)	<b>(1,670)</b>	(6)%
<b>TSS EBITDA<sup>1</sup></b>	3,510	3,725	<b>3,594</b>	2%
<b>TSS EBITDA<sup>1</sup> margin</b>	38%	37%	<b>38%</b>	

TSS revenue for the six months ended June 30, 2014 increased by 4% to HK\$9,565 million and EBITDA increased by 2% to HK\$3,594 million for the period. The EBITDA margin remained steady at 38% year-on-year for the six months ended June 30, 2014.

*Local Telephony Services.* Local telephony services revenue remained steady at HK\$1,682 million for the six months ended June 30, 2014, as compared to HK\$1,680 million a year earlier. Total fixed lines in service at the end of June 2014 remained steady at 2,654,000. Average revenue per user ("ARPU") improved slightly and our focus is to grow ARPU in this challenging segment in order to maintain its contribution.

*Local Data Services.* Local data services revenue, comprising broadband network revenue and local data revenue, increased by 3% year-on-year to HK\$3,236 million for the six months ended June 30, 2014. The broadband network business exhibited solid 5% revenue growth during the period driven by sustained additions to our high speed fibre subscriber base and ARPU improvement. At the end of the period, there were 462,000 FTTH subscribers which represented an increase of 28% from a year earlier. Local data revenue was flat during the period amid the continued pricing pressure and cautious spending by enterprise customers in Hong Kong.

*International Telecommunications Services.* International telecommunications services revenue for the six months ended June 30, 2014 continued to exhibit strong growth, increasing by 8% year-on-year to HK\$3,465 million. This performance was driven by the solid demand for wholesale voice and data connectivity services from international carrier and enterprise customers as well as growth potential stemming from the increased Internet usage in Asia and the Middle East.

*Other Services.* Other services revenue primarily comprises 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, 2014 increased by 2% year-on-year to HK\$1,182 million on modest growth of CPE sales and the Teleservices business during the period.

## Mobile

For the six months ended HK\$ million	June 30, 2013 <i>(Note 7)</i>	December 31, 2013 <i>(Note 7)</i>	June 30, 2014	Better/ (Worse) y-o-y
<b>Mobile Revenue</b>	1,790	1,581	<b>2,910</b>	63%
Mobile Services	1,346	1,280	<b>2,328</b>	73%
Handset Sales	444	301	<b>582</b>	31%
<b>Mobile EBITDA<sup>1</sup></b>	453	427	<b>965</b>	113%
Mobile Services	440	401	<b>964</b>	119%
Handset Sales	13	26	<b>1</b>	(92)%
<b>Mobile EBITDA<sup>1</sup> margin</b>	25%	27%	<b>33%</b>	
<i>Mobile Services EBITDA<sup>1</sup> margin</i>	33%	31%	<b>41%</b>	

The Mobile business, which included the CSL results since May 2014, registered a 63% year-on-year increase in total revenue to HK\$2,910 million for the six months ended June 30, 2014. Mobile services revenue increased by 73% year-on-year to HK\$2,328 million from HK\$1,346 million.

Handset sales, now being an important building block in the Mobile business, were reclassified under the Mobile segment from the TSS segment. For the period under review, revenue from handset sales increased by 31% to HK\$582 million from HK\$444 million.

With a higher ARPU contribution from CSL, the post-paid exit ARPU improved by 3% to HK\$216 as at June 30, 2014 from HK\$209 a year earlier. As at June 30, 2014, the total subscriber base increased to 4,512,000, of which 3,183,000 were post-paid subscribers. Of these post-paid subscribers, approximately 76% were smart device users.

For the six months ended June 30, 2014, mobile data revenue increased by 49% year-on-year and accounted for 68% of mobile services revenue for the period, while IDD and roaming revenue accounted for 18% of mobile services revenue for the period.

EBITDA increased by 113% to HK\$965 million with the margin improving significantly to 33% from 25%, reflecting the benefits of the enlarged scale of the Mobile business. More importantly, EBITDA margin for mobile services increased to 41% from 33% a year ago.

Following completion of the CSL acquisition, HKT has moved quickly to unveil a new brand and its three-brand strategy to meet the communication needs of all mobile users in Hong Kong. It has also rationalized the retail network and simplified the tariff plans across the enlarged business while offering extra value-added services. Integration of the HKT and CSL networks has commenced and will continue over the next few months.

### Other Businesses

Other Businesses primarily comprised Unihub China Information Technology Company Limited (the "Zhong Ying JV"), which provides network integration and related services to telecommunications operators in the PRC. Revenue from Other Businesses was HK\$286 million for the six months ended June 30, 2014, as compared to HK\$318 million a year ago.

### Eliminations

Eliminations were HK\$241 million for the six months ended June 30, 2014, as compared to HK\$237 million a year ago. Eliminations mainly related to internal charges for telecommunications services consumed amongst HKT's business units.

### Cost of Sales

Cost of sales for the six months ended June 30, 2014 increased by 9% year-on-year to HK\$5,333 million, which was in line with the revenue growth during the period. Gross margin increased to 57% from 56% a year ago.

### General and Administrative Expenses

During the period, operating costs before depreciation, amortization, and gain/(loss) on disposal of property, plant and equipment, net, ("operating costs") increased by 18% year-on-year to HK\$2,762 million largely due to the CSL acquisition. Other contributing factors included inflationary pressure on staff costs and rental expenses. Operating costs to revenue ratio was 22%, as compared to 21% a year ago.

Depreciation expenses increased by 6% year-on-year but was offset by a 8% decline in amortization expenses for the period. Consequently, depreciation and amortization expenses decreased by 2% to HK\$2,350 million for the six months ended June 30, 2014.

As a result, general and administrative expenses increased by 8% year-on-year to HK\$5,114 million for the six months ended June 30, 2014.

### EBITDA<sup>1</sup>

As a result of the steady performance in the TSS business and the contribution of the CSL acquisition to the Mobile business, overall EBITDA improved by 15% year-on-year to HK\$4,425 million for the six months ended June 30, 2014. The EBITDA margin remained steady at 35% during the period.

### Finance Costs, Net

Net finance costs for the six months ended June 30, 2014 decreased slightly to HK\$452 million from HK\$458 million a year ago. The decline in net finance costs resulted from a reduction in the average cost of debt during the period, as we repaid the US\$500 million 10-year guaranteed notes due in July 2013 upon maturity which carried a higher interest rate of 6%.

### Income Tax

Income tax expense for the six months ended June 30, 2014 was HK\$245 million, as compared to a net income tax credit of HK\$161 million a year ago, representing an effective tax rate of 15%. The increase in the tax expense is mainly due to prior period's recognition of a deferred income tax resulting from a loss-making company turning profitable.

### Non-controlling Interests

Non-controlling interests of HK\$19 million (June 30, 2013: HK\$19 million) primarily represented the net profit attributable to the minority shareholders of the Zhong Ying 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, 2014 increased by 18% year-on-year to HK\$1,400 million (June 30, 2013: HK\$1,189 million).

### LIQUIDITY AND CAPITAL RESOURCES

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

HKT's gross debt<sup>5</sup> increased to HK\$44,673 million as at June 30, 2014 due to the need to finance the acquisition of CSL (December 31, 2013: HK\$24,626 million). Cash and cash equivalents totaled HK\$3,335 million as at June 30, 2014 (December 31, 2013: HK\$2,134 million). HKT's net debt<sup>6</sup> was HK\$41,338 million as at June 30, 2014 (December 31, 2013: HK\$22,492 million).

HKT's gross debt<sup>6</sup> to total assets was 49% as at June 30, 2014 (December 31, 2013: 37%).

As at end of July 2014, the refinancing of the CSL acquisition was wholly completed with the conclusion of approximately HK\$11,700 million in 5-year banking facilities and the successful closing of the Rights Issue in July 2014 which raised approximately HK\$7,900 million in gross proceeds. As a result, the gross debt of HKT as at July 31, 2014 was HK\$36,847 million.

As at July 31, 2014, HKT had ample liquidity as evidenced by committed banking facilities totaling HK\$29,377 million, of which HK\$4,230 million remained undrawn.

## CREDIT RATINGS OF HONG KONG TELECOMMUNICATIONS (HKT) LIMITED

As at June 30, 2014, Hong Kong Telecommunications (HKT) Limited, an indirect wholly-owned subsidiary of the Company, had investment grade ratings with Moody's Investors Service ("Moody's") (Baa2) and Standard & Poor's Ratings Services ("S&P's") (BBB). Moody's and S&P's recently revised the rating outlook on Hong Kong Telecommunications (HKT) Limited from negative to stable following the completion of the Rights Issue by the HKT Trust and HKT Limited and the use of cash proceeds to reduce debt.

## CAPITAL EXPENDITURE<sup>6</sup>

Capital expenditure including capitalized interest for the six months ended June 30, 2014 was HK\$1,145 million (June 30, 2013: HK\$1,015 million). Capital expenditure remained at 9% of revenue for the six months ended June 30, 2014 (June 30, 2013: 9%). 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.

HKT 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, HKT continues to manage the market risk directly relating to its operations and financing and does not undertake any speculative derivative trading activities. The Finance and Management Committee, a sub-committee of the Executive Committee of the board of directors of the Company, determines 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.

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

As for financing, a significant portion of HKT's debt is denominated in United States dollars. Accordingly, HKT has entered into swap contracts in order to manage its exposure to adverse fluctuations in foreign currency exchange rates and interest rates. These instruments are executed with creditworthy financial institutions. As at June 30, 2014, all cross currency interest rate swap contracts were designated as cash flow hedges and/or fair value hedges for the Company's foreign currency denominated long-term borrowings.

As a result, HKT's operational and financial risks are considered minimal.

## CHARGE ON ASSETS

As at June 30, 2014, no assets of the Group (December 31, 2013: nil) were pledged to secure loans and banking facilities of HKT.

## CONTINGENT LIABILITIES

HK\$ million	As at December 31, 2013 (Audited)	As at June 30, 2014 (Unaudited)
Performance guarantee	182	183
Others	69	76
	251	259

HKT is subject to certain corporate guarantee obligations to guarantee performance of its 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 are of the opinion that any resulting liability would not materially affect the financial position of HKT.

## HUMAN RESOURCES

After successful integration of CSL staff in May 2014, HKT had approximately 17,200 employees as at June 30, 2014 (June 30, 2013: 15,900). About 62% of these employees work in Hong Kong and the others are based mainly in mainland China, the Philippines, the United States and Panama. HKT has established incentive bonus schemes designed to motivate and reward employees at all levels to achieve business performance targets. Payment of bonuses is generally based on achievement of EBITDA and free cash flow targets for HKT 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 21 HK cents per Share Stapled Unit (after deduction of any operating expenses permissible under the trust deed dated November 7, 2011 constituting the HKT Trust (the "Trust Deed")), in respect of the six months ended June 30, 2014 (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 21 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, that (i) the auditors of the Group have performed limited assurance procedures in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the Hong Kong Institute of Certified Public Accountants to review and verify the Trustee-Manager's calculation of the above distribution entitlement per Share Stapled Unit and (ii) having made all reasonable enquiries, immediately after making the above distribution to the registered unitholders of the HKT Trust, the Trustee-Manager will be able to fulfill, from the Trust Property (as defined in the Trust Deed), the liabilities of the HKT Trust as they fall due.

# CONSOLIDATED INCOME STATEMENT OF HKT TRUST AND OF HKT LIMITED

For the six months ended June 30, 2014

In HK\$ million (except for earnings per Share Stapled Unit/share of the Company)	Note(s)	2013 (Unaudited)	2014 (Unaudited)
Turnover	2	11,071	<b>12,520</b>
Cost of sales		(4,901)	<b>(5,333)</b>
General and administrative expenses		(4,720)	<b>(5,114)</b>
Other gains, net	3	49	<b>41</b>
Interest income		20	<b>27</b>
Finance costs		(478)	<b>(479)</b>
Share of results of an associate		(15)	<b>(13)</b>
Share of results of joint ventures		21	<b>15</b>
Profit before income tax	2, 4	1,047	<b>1,664</b>
Income tax	5	161	<b>(245)</b>
Profit for the period		1,208	<b>1,419</b>
Attributable to:			
Holders of Share Stapled Units/shares of the Company		1,189	<b>1,400</b>
Non-controlling interests		19	<b>19</b>
		1,208	<b>1,419</b>
Earnings per Share Stapled Unit/share of the Company			
Basic and diluted	7	18.54 cents	<b>21.84 cents</b>

The notes on pages 27 to 40 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 the 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, 2014

In HK\$ million	2013 (Unaudited)	2014 (Unaudited)
Profit for the period	1,208	<b>1,419</b>
Other comprehensive loss		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	(63)	<b>(8)</b>
Available-for-sale financial assets:		
– changes in fair value	(3)	<b>(35)</b>
Cash flow hedges:		
– effective portion of changes in fair value	(25)	<b>(11)</b>
– transfer from equity to consolidated income statement	(19)	<b>(9)</b>
Other comprehensive loss for the period	(110)	<b>(63)</b>
Total comprehensive income for the period	1,098	<b>1,356</b>
Attributable to:		
Holders of Share Stapled Units/shares of the Company	1,079	<b>1,337</b>
Non-controlling interests	19	<b>19</b>
	1,098	<b>1,356</b>

The notes on pages 27 to 40 form an integral part of this unaudited condensed consolidated interim financial information. As explained in note 1, the unaudited condensed consolidated interim financial information of the HKT Trust and the unaudited condensed consolidated interim financial information of HKT Limited are presented together.



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

As at June 30, 2014

In HK\$ million

	Note	As at December 31, 2013 (Audited)	As at June 30, 2014 (Unaudited)
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment		14,108	17,203
Interests in leasehold land		291	285
Goodwill		36,044	49,721
Intangible assets		3,892	9,019
Interest in an associate		207	227
Interests in joint ventures		645	662
Available-for-sale financial assets		171	136
Financial assets at fair value through profit or loss		8	18
Derivative financial instruments		67	56
Defined benefit assets		–	22
Deferred income tax assets		359	359
Other non-current assets		556	631
		56,348	78,339
<b>Current assets</b>			
Prepayments, deposits and other current assets		3,259	3,933
Inventories		1,018	1,071
Trade receivables, net	8	3,000	4,239
Amounts due from related companies		49	66
Financial assets at fair value through profit or loss		11	17
Cash and cash equivalents		2,134	3,335
		9,471	12,661
<b>Current liabilities</b>			
Trade payables	9	1,803	2,369
Accruals and other payables		2,403	4,050
Carrier licence fee liabilities		209	486
Amounts due to related companies		136	128
Amounts due to fellow subsidiaries		441	897
Advances from customers		1,738	2,112
Current income tax liabilities		427	997
		7,157	11,039
<b>Net current assets</b>		2,314	1,622
<b>Total assets less current liabilities</b>		58,662	79,961

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

As at June 30, 2014

In HK\$ million	Note	As at December 31, 2013 (Audited)	As at June 30, 2014 (Unaudited)
<b>Non-current liabilities</b>			
Long-term borrowings		24,022	43,917
Derivative financial instruments		405	232
Deferred income tax liabilities		1,811	2,481
Deferred income		951	1,127
Carrier licence fee liabilities		616	1,436
Other long-term liabilities		52	94
		27,857	49,287
<b>Net assets</b>		30,805	30,674
<b>CAPITAL AND RESERVES</b>			
Share capital	10	6	6
Reserves		30,617	30,431
<b>Equity attributable to holders of Share Stapled Units/shares of the Company</b>		30,623	30,437
Non-controlling interests		182	237
<b>Total equity</b>		30,805	30,674

The notes on pages 27 to 40 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.

# STATEMENT OF FINANCIAL POSITION OF HKT LIMITED

As at June 30, 2014

In HK\$ million

	As at December 31, 2013 (Audited)	As at June 30, 2014 (Unaudited)
<b>ASSETS AND LIABILITIES</b>		
<b>Non-current assets</b>		
Interests in subsidiaries	20,004	20,004
	20,004	20,004
<b>Current assets</b>		
Prepayments, deposits and other current assets	9	22
Amount due from subsidiaries	7,490	7,507
Cash and cash equivalents	3	102
	7,502	7,631
<b>Current liabilities</b>		
Accruals and other payables	1	134
Amounts due to subsidiaries	93	96
Current income tax liabilities	–	1
	94	231
<b>Net current assets</b>	7,408	7,400
<b>Net assets</b>	27,412	27,404
<b>CAPITAL AND RESERVES</b>		
Share capital	6	6
Reserves	27,406	27,398
<b>Total equity</b>	27,412	27,404

The notes on pages 27 to 40 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, 2014

In HK\$ million	2013 (Unaudited)										Non- controlling interests	Total equity
	Attributable to holders of Share Stapled Units/shares of the Company											
	Share capital	Capital contribution reserve	Currency translation reserve	Merger reserve	Hedging reserve	Other reserve	Equity compensation reserve	Treasury stock	Retained profits	Total		
<b>At January 1, 2013</b>	6	26,250	464	(347)	177	–	4	(7)	4,387	30,934	183	31,117
<b>Total comprehensive income for the period</b>												
Profit for the period	–	–	–	–	–	–	–	–	1,189	1,189	19	1,208
Other comprehensive loss that may be reclassified subsequently to income statement:												
Exchange differences on translating foreign operations	–	–	(63)	–	–	–	–	–	–	(63)	–	(63)
Available-for-sale financial assets:												
– changes in fair value	–	–	–	–	–	(3)	–	–	–	(3)	–	(3)
Cash flow hedges:												
– effective portion of changes in fair value	–	–	–	–	(25)	–	–	–	–	(25)	–	(25)
– transfer from equity to income statement	–	–	–	–	(19)	–	–	–	–	(19)	–	(19)
	–	–	(63)	–	(44)	(3)	–	–	1,189	1,079	19	1,098
<b>Transactions with equity holders</b>												
Total contributions by and distributions to equity holders:												
Purchase of Share Stapled Units under the Share Stapled Units Award Schemes	–	–	–	–	–	–	–	(20)	–	(20)	–	(20)
Employee share-based compensation	–	–	–	–	–	–	5	–	–	5	–	5
Vesting of Share Stapled Units under the Share Stapled Units Award Schemes	–	–	–	–	–	–	(3)	3	–	–	–	–
Distribution/Dividend paid in respect of the previous year (note 6(b))	–	–	–	–	–	–	–	–	(1,385)	(1,385)	–	(1,385)
	–	–	–	–	–	–	2	(17)	(1,385)	(1,400)	–	(1,400)
<b>At June 30, 2013</b>	6	26,250	401	(347)	133	(3)	6	(24)	4,191	30,613	202	30,815

In HK\$ million

2014  
(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		
<b>At January 1, 2014</b>	6	26,250	442	(347)	114	86	12	(56)	4,116	30,623	182	30,805
<b>Total comprehensive income for the period</b>												
Profit for the period	-	-	-	-	-	-	-	-	1,400	1,400	19	1,419
Other comprehensive loss that may be reclassified subsequently to income statement:												
Exchange differences on translating foreign operations	-	-	(8)	-	-	-	-	-	-	(8)	-	(8)
Available-for-sale financial assets:												
– changes in fair value	-	-	-	-	-	(35)	-	-	-	(35)	-	(35)
Cash flow hedges:												
– effective portion of changes in fair value	-	-	-	-	(11)	-	-	-	-	(11)	-	(11)
– transfer from equity to income statement	-	-	-	-	(9)	-	-	-	-	(9)	-	(9)
	-	-	(8)	-	(20)	(35)	-	-	1,400	1,337	19	1,356
<b>Transactions with equity holders</b>												
Employee share-based compensation	-	-	-	-	-	-	8	-	-	8	-	8
Vesting of Share Stapled Units under the Share Stapled Units Award Schemes	-	-	-	-	-	-	(12)	13	(1)	-	-	-
Receipt of PCCW shares under the PCCW Subscription Scheme	-	-	-	-	-	21	-	-	-	21	-	21
Distribution/dividend paid in respect of the previous year (note 6(b))	-	-	-	-	-	-	(1)	-	(1,551)	(1,552)	-	(1,552)
Total contributions by and distributions to equity holders	-	-	-	-	-	21	(5)	13	(1,552)	(1,523)	-	(1,523)
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	-	36	36
Total changes in ownership interest in subsidiaries that do not result in a loss of control	-	-	-	-	-	-	-	-	-	-	36	36
	-	-	-	-	-	21	(5)	13	(1,552)	(1,523)	36	(1,487)
<b>At June 30, 2014</b>	6	26,250	434	(347)	94	72	7	(43)	3,964	30,437	237	30,674

The notes on pages 27 to 40 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, 2014

In HK\$ million	Note	2013 (Unaudited)	2014 (Unaudited)
<b>NET CASH GENERATED FROM OPERATING ACTIVITIES</b>		3,403	<b>3,891</b>
<b>INVESTING ACTIVITIES</b>			
Net outflow of cash and cash equivalents in respect of business combination	16(a)	–	<b>(18,757)</b>
Other investing activities		(2,146)	<b>(2,316)</b>
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		(2,146)	<b>(21,073)</b>
<b>FINANCING ACTIVITIES</b>			
New borrowings raised		13,252	<b>51,718</b>
Repayments of borrowings		(11,706)	<b>(32,020)</b>
Other financing activities		(1,793)	<b>(1,291)</b>
<b>NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES</b>		(247)	<b>18,407</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		1,010	<b>1,225</b>
Exchange differences		3	<b>(24)</b>
<b>CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents at January 1,		2,401	<b>2,134</b>
Cash and cash equivalents at June 30,		3,414	<b>3,335</b>
Analysis of the balance of cash and cash equivalents:			
Cash and bank balances		3,414	<b>3,335</b>
		3,414	<b>3,335</b>

The notes on pages 27 to 40 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, 2014 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 an associate and joint ventures. The HKT Limited unaudited condensed consolidated interim financial information for the period ended June 30, 2014 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 an associate and joint ventures, and the Company’s statement of financial position.

The HKT Trust controls HKT Limited and the sole activity of the HKT Trust during the period ended June 30, 2014 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 “Stock Exchange”).

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 and Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The HKT Trust and HKT Limited unaudited condensed consolidated interim financial information should be read in conjunction with the annual consolidated financial statements of the HKT Trust and HKT Limited for the year ended December 31, 2013.

The HKT Trust and HKT Limited unaudited condensed consolidated interim financial information is presented in Hong Kong dollars, unless otherwise stated. The HKT Trust and HKT Limited unaudited condensed consolidated interim financial information was approved for issue on August 5, 2014.

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 HKT Trust’s and the Company’s independent auditor.



## 1 BASIS OF PREPARATION AND PRESENTATION (CONTINUED)

The preparation of the HKT Trust and HKT Limited unaudited condensed consolidated interim financial information in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets 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 the HKT Trust and HKT Limited unaudited condensed consolidated interim financial information are consistent with those followed in preparing the Groups' annual consolidated financial statements for the year ended December 31, 2013, 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, 2014 as described below.

The following new HKFRSs are mandatory for the first time for the financial year beginning January 1, 2014, but have had no material effect on the Groups' reported results and financial position for the current and prior periods:

- HKAS 27 (2011) (Amendment), Separate Financial Statements – Investment Entities.
- HKAS 32 (Amendment), Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities.
- HKAS 36 (Amendment), Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets.
- HKAS 39 (Amendment), Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting.
- HK(IFRIC) – Int 21, 'Levies'.
- HKFRS 10 (Amendment), Consolidated Financial Statements – Investment Entities.
- HKFRS 12 (Amendment), Disclosure of Interest in Other Entities – Investment Entities.

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 and the segment information is reported below in accordance with this internal reporting.

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.

## 2 SEGMENT INFORMATION (CONTINUED)

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, gain/loss on disposal of property, plant and equipment 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 joint ventures and the Groups’ share of results of an associate and joint ventures.

Segment revenue, expense and segment performance include transactions between segments. Inter-segment pricing is based on similar terms to those available to 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, 2013 (Unaudited)				
	TSS (note (a))	Mobile (note (a))	Other Businesses	Eliminations	Total
<b>REVENUE</b>					
External revenue	8,976	1,777	318	–	11,071
Inter-segment revenue	224	13	–	(237)	–
Total revenue	9,200	1,790	318	(237)	11,071
<b>RESULTS</b>					
EBITDA	3,510	453	(124)	–	3,839

In HK\$ million	For the six months ended June 30, 2014 (Unaudited)				
	TSS	Mobile	Other Businesses	Eliminations	Total
<b>REVENUE</b>					
External revenue	9,338	2,896	286	–	12,520
Inter-segment revenue	227	14	–	(241)	–
Total revenue	9,565	2,910	286	(241)	12,520
<b>RESULTS</b>					
EBITDA	3,594	965	(134)	–	4,425

- a. During the six months ended June 30, 2014, the Groups completed an internal reorganization in connection with the acquisition of CSL Holdings Limited (formerly known as CSL New World Mobility Limited) and its subsidiaries. As a result, management has made changes to the Groups’ internal reporting that caused changes to reportable segments and segment presentation. The prior period ended June 30, 2013 segment information has been restated to conform with the revised presentation.

For the six months ended June 30, 2014

**2 SEGMENT INFORMATION (CONTINUED)**

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

In HK\$ million	Six months ended	
	June 30, 2013 (Unaudited)	June 30, 2014 (Unaudited)
Total segment EBITDA	3,839	4,425
Gain/(loss) on disposal of property, plant and equipment, net	10	(2)
Depreciation and amortization	(2,399)	(2,350)
Other gains, net	49	41
Interest income	20	27
Finance costs	(478)	(479)
Share of results of an associate and joint ventures	6	2
Profit before income tax	1,047	1,664

**3 OTHER GAINS, NET**

In HK\$ million	Six months ended	
	June 30, 2013 (Unaudited)	June 30, 2014 (Unaudited)
Net gain on cash flow hedging instruments transferred from equity	10	11
Net gain on fair value hedging instruments	17	23
Recovery of impairment loss on an interest in a joint venture	22	–
Others	–	7
	49	41

**4 PROFIT BEFORE INCOME TAX**

Profit before income tax is stated after charging the following:

In HK\$ million	Six months ended	
	June 30, 2013 (Unaudited)	June 30, 2014 (Unaudited)
Cost of inventories sold	1,153	1,326
Cost of sales, excluding inventories sold	3,748	4,007
Depreciation of property, plant and equipment	1,037	1,096
Amortization of intangible assets	1,356	1,248
Amortization of land lease premium – interests in leasehold land	6	6
Finance costs on borrowings	448	438
Staff costs	960	1,018

## 5 INCOME TAX

In HK\$ million	Six months ended	
	June 30, 2013 (Unaudited)	June 30, 2014 (Unaudited)
Current income tax:		
Hong Kong profits tax	280	315
Overseas tax	17	20
Movement of deferred income tax	(458)	(90)
Income tax (credit)/expense	(161)	245

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 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, 2013 (Unaudited)	June 30, 2014 (Unaudited)
Interim distribution/dividend declared after the interim period of 21 HK cents (2013: 21 HK cents) per Share Stapled Unit/ordinary share of the Company	1,348	1,590

At meetings held on August 5, 2014, the directors of the Trustee-Manager and the Company declared an interim distribution/dividend of 21 HK cents per Share Stapled Unit/ordinary share of the Company for the year ending December 31, 2014. This amount is based on the total number of Share Stapled Units/ordinary shares of the Company issued and outstanding as at August 5, 2014 of 7,571,742,334, which includes a total of 1,155,011,542 Share Stapled Units/ordinary shares issued in July 2014 pursuant to a rights issue as described in note 17. This interim distribution/dividend is not reflected as a distribution/dividend payable in the HKT Trust and HKT Limited unaudited condensed consolidated interim financial information.

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

In HK\$ million	Six months ended	
	June 30, 2013 (Unaudited)	June 30, 2014 (Unaudited)
Distribution/dividend in respect of the previous financial year, approved and paid during the interim period of 24.21 HK cents (2013: 21.58 HK cents) per Share Stapled Unit/ordinary share of the Company	1,385	1,553
Less: Distribution/dividend for Share Stapled Units held by the Company's Share Stapled Units Award Schemes	–	(1)
	1,385	1,552

For the six months ended June 30, 2014

**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, 2013 (Unaudited)	June 30, 2014 (Unaudited)
<b>Earnings (in HK\$ million)</b>		
Earnings for the purposes of basic and diluted earnings per Share Stapled Unit/share of the Company	1,189	1,400
<b>Number of Share Stapled Units/shares of the Company</b>		
Weighted average number of Share Stapled Units/ordinary shares of the Company	6,416,730,792	6,416,730,792
Effect of Share Stapled Units held under the Company's Share Stapled Units Award Schemes	(1,855,225)	(6,433,236)
Weighted average number of Share Stapled Units/ordinary shares of the Company for the purpose of basic earnings per Share Stapled Unit/share of the Company	6,414,875,567	6,410,297,556
Effect of Share Stapled Units awarded under the Company's Share Stapled Units Award Schemes	160,661	993,185
Weighted average number of Share Stapled Units/ordinary shares of the Company for the purpose of diluted earnings per Share Stapled Unit/share of the Company	6,415,036,228	6,411,290,741

**8 TRADE RECEIVABLES, NET**

An aging of trade receivables is set out below:

In HK\$ million	As at	
	December 31, 2013 (Audited)	June 30, 2014 (Unaudited)
0–30 days	1,563	2,489
31–60 days	478	427
61–90 days	192	332
91–120 days	87	181
Over 120 days	803	965
Less: Impairment loss for doubtful debts	(123)	(155)
	3,000	4,239

Included in trade receivables, net of the Groups were amounts due from related parties of HK\$68 million and HK\$47 million as at June 30, 2014 and December 31, 2013, respectively.

## 8 TRADE RECEIVABLES, NET (CONTINUED)

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 payables 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, 2013 (Audited)	June 30, 2014 (Unaudited)
0–30 days	895	1,248
31–60 days	114	175
61–90 days	98	111
91–120 days	19	103
Over 120 days	677	732
	1,803	2,369

Included in trade payables of the Groups were amounts due to related parties of HK\$57 million and HK\$36 million as at June 30, 2014 and December 31, 2013, respectively.

## 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, 2014 and June 30, 2014	6,416,730,792	3,208,365
Preference shares of HK\$0.0005 each Balances as at January 1, 2014 and June 30, 2014	6,416,730,792	3,208,365

For the six months ended June 30, 2014

**10 EQUITY OF HKT LIMITED (CONTINUED)**

Movements in reserves of the Company during the period ended June 30, 2014 are as follows:

In HK\$ million	Share premium (Unaudited)	The Company 2013 Retained profits (Unaudited)	Total (Unaudited)
<b>At January 1, 2013</b>	27,344	36	27,380
Total comprehensive income for the period	–	1,398	1,398
Distribution to equity owners	–	(1,385)	(1,385)
<b>At June 30, 2013</b>	27,344	49	27,393

In HK\$ million	Share premium (Unaudited)	The Company 2014 Retained profits (Unaudited)	Total (Unaudited)
<b>At January 1, 2014</b>	27,344	62	27,406
Total comprehensive income for the period	–	1,545	1,545
Distribution to equity owners	–	(1,553)	(1,553)
<b>At June 30, 2014</b>	27,344	54	27,398

**11 SHARE AWARD SCHEMES OF PCCW LIMITED (“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 the “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 shares of PCCW (“PCCW Shares”) and Share Stapled Units, respectively, to eligible employees of the Company and/or its subsidiaries during the six months ended June 30, 2014.

A summary of movements in the PCCW Shares and the Share Stapled Units held under the PCCW Share Award Schemes and the Share Stapled Units Award Schemes respectively during the six months ended June 30, 2014 are as follows:

	Number of PCCW Shares (Unaudited)	Number of Share Stapled Units (Unaudited)
As at January 1, 2013	2,236,000	1,158,000
Purchase from the market by the trustee at average market price of HK\$3.85 per PCCW Share/HK\$7.99 per Share Stapled Unit	4,277,000	2,531,000
PCCW Shares/Share Stapled Units vested	(1,025,870)	(534,203)
As at June 30, 2013	5,487,130	3,154,797

## 11 SHARE AWARD SCHEMES OF PCCW LIMITED ("PCCW") AND SHARE STAPLED UNITS AWARD SCHEMES OF THE COMPANY (CONTINUED)

	Number of PCCW Shares (Unaudited)	Number of Share Stapled Units (Unaudited)
<b>As at January 1, 2014</b>	<b>5,487,130</b>	<b>7,360,797</b>
PCCW Shares newly issued by PCCW at issue price of HK\$0.01 per PCCW Share	<b>5,000,000</b>	<b>–</b>
PCCW Shares/Share Stapled Units vested	<b>(3,095,371)</b>	<b>(1,767,120)</b>
<b>As at June 30, 2014</b>	<b>7,391,759</b>	<b>5,593,677</b>

The average fair values of PCCW Shares and Share Stapled Units awarded during the six months ended June 30, 2014 at the dates of award are HK\$3.99 (2013: HK\$3.62) per PCCW Share and HK\$8.26 (2013: HK\$7.59) 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.

## 12 CAPITAL COMMITMENTS

In HK\$ million	As at	
	December 31, 2013 (Audited)	June 30, 2014 (Unaudited)
Authorized and contracted for	856	<b>821</b>
Authorized but not contracted for	617	<b>635</b>
	1,473	<b>1,456</b>

## 13 CONTINGENT LIABILITIES

In HK\$ million	As at	
	December 31, 2013 (Audited)	June 30, 2014 (Unaudited)
Performance guarantee	182	<b>183</b>
Others	69	<b>76</b>
	251	<b>259</b>

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.



For the six months ended June 30, 2014

## 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, 2013 (Unaudited)	June 30, 2014 (Unaudited)
Telecommunications service fees and systems integration charges received or receivable from a substantial shareholder of PCCW	58	83
Telecommunications service fees paid or payable to a substantial shareholder of PCCW	67	52
Telecommunications service fees and interest income received or receivable from joint ventures	16	26
Telecommunications service fees, outsourcing fees and rental charges paid or payable to a joint venture	164	169
Consultancy service charges and interest income received or receivable from an associate	12	8
Telecommunications service fees, IT and logistics charges, management fee and other costs recharge received or receivable from fellow subsidiaries	386	304
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	702	829
Rental and facilities management charges paid or payable to fellow subsidiaries	65	69
Key management compensation ( <i>Note (b)</i> )	34	37

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

### b. Details of key management compensation

In HK\$ million	Six months ended	Six months ended
	June 30, 2013 (Unaudited)	June 30, 2014 (Unaudited)
Salaries and other short-term employee benefits	30	29
Share-based compensation	3	7
Post-employment benefits	1	1
	34	37

## 15 FINANCIAL INSTRUMENTS

### a. Financial risk factors

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

The HKT Trust and HKT Limited unaudited condensed consolidated interim financial information do not include all financial risk management information and disclosures required in the Groups' annual consolidated financial statements; they should be read in conjunction with the Groups' annual consolidated financial statements for the year ended December 31, 2013. There have been no changes in any financial management policies and practices since December 31, 2013.

### b. Estimation of fair values

The tables below analyze financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices that are observable either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for asset or liability that are not based on observable market data (level 3).

The following table presents the Groups' financial instruments that are measured at fair value at December 31, 2013:

In HK\$ million	As at December 31, 2013 (Audited)			Total
	Level 1	Level 2	Level 3	
<b>Assets</b>				
Available-for-sale financial assets				
– Listed equity securities	171	–	–	171
Financial assets at fair value through profit or loss	19	–	–	19
Derivative financial instruments	–	67	–	67
<b>Total assets</b>	<b>190</b>	<b>67</b>	<b>–</b>	<b>257</b>
<b>Liabilities</b>				
Derivative financial instruments	–	(405)	–	(405)

For the six months ended June 30, 2014

**15 FINANCIAL INSTRUMENTS (CONTINUED)**
**b. Estimation of fair values (continued)**

The following table presents the Groups' financial instruments that are measured at fair value at June 30, 2014:

In HK\$ million	As at June 30, 2014 (Unaudited)			Total
	Level 1	Level 2	Level 3	
Assets				
Available-for-sale financial assets				
– Listed equity securities	136	–	–	136
Financial assets at fair value through profit or loss	35	–	–	35
Derivative financial instruments	–	56	–	56
<b>Total assets</b>	<b>171</b>	<b>56</b>	<b>–</b>	<b>227</b>
Liabilities				
Derivative financial instruments	–	(232)	–	(232)

The fair values of financial instruments traded in active markets are based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Groups included in level 1 is the current bid price. Instruments included in level 1 comprise primarily available-for-sale financial assets listed on the Alternative Investment Market operated by London Stock Exchange plc and financial assets at fair value through profit or loss listed on the Stock Exchange.

The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques and making assumptions that are based on market conditions existing at the end of each reporting period. Instruments included in level 2 comprise cross currency swap contracts. In measuring the swap transactions, the fair value is the net present value of the estimated future cash flows discounted at the market quoted swap rates.

There were no transfers of financial assets and liabilities between fair value hierarchy classifications during the six months ended June 30, 2014.

**c. Groups' valuation process**

The Groups' finance department includes a team that performs the valuations of financial assets required for financial reporting purposes. Valuation results are reviewed by senior management semi-annually, in line with the Groups' reporting dates.

**d. Fair values of financial assets and liabilities measured at amortized cost**

All financial instruments are carried at amounts not materially different from their fair values as at June 30, 2014 except as follows, with fair value calculated by quoted prices:

In HK\$ million	As at December 31, 2013		As at June 30, 2014	
	Carrying amount (Audited)	Fair value (Audited)	Carrying amount (Unaudited)	Fair value (Unaudited)
Long-term borrowings	24,022	24,501	43,917	44,409

## 16 BUSINESS COMBINATION

### a. Acquisition of CSL Holdings Limited (formerly known as CSL New World Mobility Limited) and its subsidiaries (together the “CSL Group”)

On May 14, 2014, the Groups completed the acquisition of the entire issued share capital of CSL Holdings Limited (formerly known as CSL New World Mobility Limited), a company incorporated in Bermuda, and its subsidiaries. The purpose of the acquisition is to bolster the Groups’ telecommunications business and continue to meet the needs of Hong Kong public and local and international business with a wide range of telecommunications services through 4G, 3G and 2G networks, and the sales of mobile telecommunications products, to customers in Hong Kong. The estimated aggregate consideration (which is subject to potential adjustments regarding the amount of net working capital of CSL Group, if any, upon finalization of its audited completion accounts) was approximately US\$2,585 million (approximately HK\$20,076 million) was recognized in the accounts for the acquisition. A payment of US\$2,572 million (approximately HK\$19,943 million) has been made by the Groups in May 2014 upon the completion of the acquisition. The remaining balance is recorded as consideration payable as at June 30, 2014.

After considering the cash held by CSL Group of approximately HK\$1,186 million on the acquisition completion date, the net cash paid by the Groups during the six months ended June 30, 2014 for the acquisition was approximately US\$2,420 million (approximately HK\$18,757 million).

The Group is required to recognize the acquired companies’ identifiable assets, liabilities and contingent liabilities that satisfy the recognition criteria at their fair values at the acquisition date. As of the date of this unaudited condensed consolidated interim financial information, this purchase price allocation process is ongoing and has yet to be finalized. In the preparation of this unaudited condensed consolidated interim financial information, the Groups have used the estimated fair values of the acquired assets and liabilities with the excess of the cost of acquisition over these estimated fair values being recorded as goodwill. This allocation of the purchase price to the acquired assets and liabilities is provisional and will be adjusted when the purchase price allocation is finalized. Had the purchase price allocation been completed, the fair values of the assets and liabilities acquired and the amount of goodwill to be recorded could be materially different from the amounts recognized. The values of assets and liabilities acquired and the resulting goodwill will be adjusted retrospectively upon the completion of the purchase price allocation.

i. Details of net assets acquired and goodwill in respect of the acquisition of the CSL Group at the acquisition date were as follows:

In HK\$ million	Net assets acquired and goodwill (Unaudited)
Aggregate consideration	20,076
Less: Estimated fair value of net assets acquired	(6,400)
Goodwill on acquisition	13,676

The goodwill is attributable to the expected future profits generated from the telecommunications business strengthened by enhancement of mobile services income stream through increased economies of scale, enlargement of service capacity and improvement of indoor signal coverage and customer experience, strengthening of roaming business and opportunity to realize operational synergies.

None of the goodwill is expected to be deductible for tax purposes.

For the six months ended June 30, 2014

## 16 BUSINESS COMBINATION (CONTINUED)

- a. **Acquisition of CSL Holdings Limited (formerly known as CSL New World Mobility Limited) and its subsidiaries (together the “CSL Group”)** (continued)
- i. Details of net assets acquired and goodwill in respect of the acquisition of the CSL Group at the acquisition date were as follows: (continued)

The assets and liabilities of the CSL Group at the acquisition date were as follows:

In HK\$ million	Estimated fair value (Unaudited)
Property, plant and equipment	3,027
Intangible assets	5,301
Interest in a joint venture	14
Prepayments, deposits, trade receivables, net and other current and non-current assets	1,557
Deferred income tax assets	26
Defined benefit assets	26
Inventories	202
Cash and cash equivalents	1,186
Trade payables	(287)
Accruals, other payables and carrier licence fee liabilities (current and non-current)	(2,829)
Advance from customers	(622)
Deferred income	(64)
Current income tax liabilities	(315)
Deferred income tax liabilities	(786)
	6,436
Less: Non-controlling interest	(36)
<b>Net assets acquired</b>	<b>6,400</b>
In HK\$ million	Net cash outflow (Unaudited)
Purchase consideration settled in cash	19,943
Cash and cash equivalents of the CSL Group acquired	(1,186)
	18,757

### ii. Revenue and profit contribution

CSL Group’s revenue and profit attributable to shareholders for the period from January 1, 2014 to the acquisition date were HK\$2,942 million and HK\$371 million, respectively. The business of the CSL Group has been integrated into the Groups since the acquisition date. Accordingly, it is not practical to quantify the individual contribution of the CSL Group to the revenue and profit of the Groups during the period ended June 30, 2014 on a reasonable basis.

## 17 SUBSEQUENT EVENT

As disclosed in the joint announcement of the HKT Trust and the Company, and PCCW dated June 13, 2014, the HKT Trust and the Company had proposed a rights issue (“Rights Issue”) which involved the issue of 1,155,011,542 new Share Stapled Units (the “Rights Share Stapled Units”) at a subscription price of HK\$6.84 per Rights Share Stapled Unit on the basis of 18 Rights Share Stapled Units for every 100 Share Stapled Units in issue on June 27, 2014. The Rights Issue was completed in July 2014, and a total of 1,155,011,542 new Share Stapled Units were allotted and issued pursuant to the Rights Issue.

# INCOME STATEMENT OF HKT MANAGEMENT LIMITED

For the six months ended June 30, 2014

In HK\$'000	Note	Six months ended June 30, 2013 (Unaudited)	Six months ended June 30, 2014 (Unaudited)
Management fee income		13	42
General and administrative expenses		(1)	(2)
Profit before income tax	2	12	40
Income tax	3	–	–
Profit for the period		12	40

The notes on pages 46 to 47 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, 2014

In HK\$'000	Six months ended June 30, 2013 (Unaudited)	<b>Six months ended June 30, 2014 (Unaudited)</b>
Profit for the period	12	<b>40</b>
Other comprehensive income	–	<b>–</b>
Total comprehensive income for the period	12	<b>40</b>

The notes on pages 46 to 47 form an integral part of this unaudited condensed interim financial information.

# STATEMENT OF FINANCIAL POSITION OF HKT MANAGEMENT LIMITED

As at June 30, 2014

In HK\$'000

	Note	As at December 31, 2013 (Audited)	As at June 30, 2014 (Unaudited)
<b>ASSETS AND LIABILITIES</b>			
<b>Current assets</b>			
Amounts due from a fellow subsidiary		39	81
		39	81
<b>Current liabilities</b>			
Accruals and other payables		80	80
Amount due to a fellow subsidiary		1	3
		81	83
Net current liabilities		(42)	(2)
<b>Net liabilities</b>		(42)	(2)
<b>CAPITAL AND RESERVES</b>			
Share capital: nominal value	4	–	–
Deficit		(42)	(2)
<b>Total equity</b>		(42)	(2)

The notes on pages 46 to 47 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, 2014

In HK\$'000

2013  
(Unaudited)

	Share capital	Deficit	Total
<b>As at January 1, 2013</b>	–	(13)	(13)
<b>Total comprehensive income for the period</b>			
Profit for the period	–	12	12
Other comprehensive income	–	–	–
	–	(1)	(1)
<b>Transactions with equity owner of the Company</b>	–	–	–
<b>As at June 30, 2013</b>	–	(1)	(1)

In HK\$'000

2014  
(Unaudited)

	Share capital	Deficit	Total
<b>As at January 1, 2014</b>	–	(42)	(42)
<b>Total comprehensive income for the period</b>			
Profit for the period	–	40	40
Other comprehensive income	–	–	–
	–	(2)	(2)
<b>Transactions with equity owner of the Company</b>	–	–	–
<b>As at June 30, 2014</b>	–	(2)	(2)

The notes on pages 46 to 47 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, 2014

In HK\$'000	Six months ended June 30, 2013 (Unaudited)	Six months ended June 30, 2014 (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 46 to 47 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, 2014

## 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, 2013.

This unaudited condensed interim financial information is presented in Hong Kong dollars, unless otherwise stated. This unaudited condensed interim financial information was approved for issue on August 5, 2014.

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 accounting 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.

In preparing this unaudited condensed interim financial information, the significant judgements made by management in applying the Company’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended December 31, 2013. The Company has no accounting estimates and judgements that would significantly affect its results and financial position.

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 annual financial statements for the year ended December 31, 2013, 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, 2014.

The following new HKFRSs are mandatory for the first time for the financial year beginning January 1, 2014, but have had no material effect on the Company’s reported results and financial position for the current and prior periods:

- HKAS 27 (2011) (Amendment), Separate Financial Statements – Investment Entities.
- HKAS 32 (Amendment), Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities.
- HKAS 36 (Amendment), Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets.
- HKAS 39 (Amendment), Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting.
- HK(IFRIC) – Int 21, ‘Levies’.
- HKFRS 10 (Amendment), Consolidated Financial Statements – Investment Entities.
- HKFRS 12 (Amendment), Disclosure of Interest in Other Entities – Investment Entities.

The new Hong Kong Companies Ordinance (Cap. 622) abolished the concepts of “par value” or “nominal value” of shares and “authorized share capital” for all Hong Kong incorporated companies with effect from March 3, 2014 and this change was reflected on note 4 and the statement of changes in equity.

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

## 2 PROFIT BEFORE INCOME TAX

Profit before income tax is stated after charging the following:

In HK\$'000	Six months ended June 30, 2013 (Unaudited)	Six months ended June 30, 2014 (Unaudited)
Charging:		
Professional and consultancy fees	1	2

## 3 INCOME TAX

No Hong Kong profits tax has been provided as the Company does not have any assessable profit during the period (2013: same).

## 4 SHARE CAPITAL

	December 31, 2013		As at June 30, 2014	
	Number of shares (Audited)	(Audited) HK\$	Number of shares (Unaudited)	(Unaudited) HK\$
Authorized: (note (a))				
Ordinary shares of HK\$1 each (note (b))	10,000	10,000	–	–

	December 31, 2013		As at June 30, 2014	
	Number of shares (Audited)	Share capital (Audited)	Number of shares (Unaudited)	Share capital (Unaudited)
Issued and fully paid:				
Ordinary shares of HK\$1 each	1	1	1	1

- Under the new Hong Kong Companies Ordinance (Cap. 622), which came into effect on March 3, 2014, the concept of authorized share capital no longer exists.
- In accordance with section 135 of the new Hong Kong Companies Ordinance (Cap. 622), the Company's shares no longer have a par or nominal value with effect from March 3, 2014. There is no impact on the number of shares in issue or the relative entitlement of any of the member(s) as a result of this transition.

## 5 RELATED PARTY TRANSACTIONS

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

In HK\$'000	Six months ended June 30, 2013 (Unaudited)	Six months ended June 30, 2014 (Unaudited)
Management fee refund from a fellow subsidiary	13	42

- 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.
- The directors' emoluments and audit remuneration of the Company were borne by a fellow subsidiary of the Company for the period.

# GENERAL INFORMATION

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

As at June 30, 2014, 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 underlying Share Stapled Units, and the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register(s) required to be kept under Section 352 of the SFO or as otherwise notified to the Company, the Trustee-Manager and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"):

### 1. Interests in the HKT Trust and HKT Limited

On June 13, 2014, the HKT Trust and the Company announced a proposed rights issue (the "Rights Issue") which involved the issue of 1,155,011,542 new Share Stapled Units (the "Rights Share Stapled Units") at the subscription price of HK\$6.84 per Rights Share Stapled Unit on the basis of 18 Rights Share Stapled Units for every 100 existing Share Stapled Units then held. The total number of 6,416,730,792 Share Stapled Units in issue as at June 30, 2014 was enlarged by the allotment of 1,155,011,542 Rights Share Stapled Units in fully-paid form on July 24, 2014. After completion of the Rights Issue on July 24, 2014, the total number of Share Stapled Units in issue was 7,571,742,334 (the "Enlarged Share Stapled Units").

The table below sets out the aggregate long positions in the Share Stapled Units and the nil-paid Rights Share Stapled Units ("NPRs") held by the Directors and the Chief Executives as at June 30, 2014:

Name of Director/Chief Executive	Number of Share Stapled Units and NPRs held				Number of underlying Share Stapled Units held under equity derivatives	Total	Approximate percentage of the Enlarged Share Stapled Units*
	Personal interests	Family interests	Corporate interests	Other interests			
Li Tzar Kai, Richard	–	–	209,511,414 (Note 1(a))	147,909,040 (Note 1(b))	–	357,420,454	4.72%
Alexander Anthony Arena	1,694,429 (Note 2(a))	–	–	449,816 (Note 2(b))	–	2,144,245	0.03%
Hui Hon Hing, Susanna	194,921 (Note 3(a))	–	–	442,275 (Note 3(b))	–	637,196	0.01%
Peter Anthony Allen	21,530 (Note 4)	–	–	–	–	21,530	0.0003%
Chung Cho Yee, Mico	99,238 (Note 5(a))	946 (Note 5(b))	–	–	–	100,184	0.001%
Professor Chang Hsin Kang	3,292 (Note 6)	–	–	–	–	3,292	0.00004%

\* Calculated based on the Enlarged Share Stapled Units pursuant to the SFO.

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.

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

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

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

#### Notes:

1. (a) These interests represented:

- (i) 17,142,046 Share Stapled Units and the provisionally allotted 3,085,568 NPRs held by Pacific Century Diversified Limited ("PCD"), a wholly-owned subsidiary of Chiltonlink Limited ("Chiltonlink"). PCD subsequently accepted the NPRs in full;
- (ii) 39,000,000 Share Stapled Units and the provisionally allotted 7,020,000 NPRs held by Eisner Investments Limited ("Eisner"). Eisner subsequently accepted the NPRs in full; and
- (iii) 121,410,000 Share Stapled Units and the provisionally allotted 21,853,800 NPRs held by FWD Life Insurance Company (Bermuda) Limited ("FWD"). FWD subsequently disposed of a total of 3,013,000 Share Stapled Units and all the NPRs in July 2014.

Li Tzar Kai, Richard owned 100% of the issued share capital of Chiltonlink and Eisner; and indirectly owned an approximate 87.7% interest in FWD.

(b) These interests represented:

- (i) deemed interests in 2,646,156 Share Stapled Units and the provisionally allotted 476,308 NPRs 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. Accordingly, Li Tzar Kai, Richard was deemed, under the SFO, to have interests in the 2,646,156 Share Stapled Units and the provisionally allotted 476,308 NPRs held by Yue Shun. Yue Shun subsequently accepted the NPRs in full;
- (ii) deemed interests in 11,152,220 Share Stapled Units and the provisionally allotted 2,007,399 NPRs 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 interests in the 11,152,220 Share Stapled Units and the provisionally allotted 2,007,399 NPRs held by PCGH. PCGH subsequently accepted the NPRs in full;
- (iii) deemed interests in 111,548,140 Share Stapled Units and the provisionally allotted 20,078,664 NPRs 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 77.12% interest. Li Tzar Kai, Richard was the founder of certain trusts which held 100% interests in PCGH. Accordingly, Li Tzar Kai, Richard was deemed, under the SFO, to have interests in the 111,548,140 Share Stapled Units and the provisionally allotted 20,078,664 NPRs held by PCRD. Li Tzar Kai, Richard was also deemed to be interested in 0.93% of the issued share capital of PCRD through Hopestar Holdings Limited, a company wholly-owned by Li Tzar Kai, Richard. PCRD subsequently accepted the NPRs in full; and
- (iv) deemed interests in 130 Share Stapled Units and the provisionally allotted 23 NPRs 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 interests in the 130 Share Stapled Units and the provisionally allotted 23 NPRs held by PBI LLC in the capacity of investment manager. The 23 NPRs subsequently lapsed on July 15, 2014.

2. (a) These interests represented 1,435,957 Share Stapled Units and the provisionally allotted 258,472 NPRs held by Alexander Anthony Arena. Alexander Anthony Arena subsequently accepted the NPRs in full.

(b) These interests represented an award in respect of 381,200 Share Stapled Units made to Alexander Anthony Arena and a contingent interest in respect of the provisionally allotted 68,616 NPRs held on trust for Alexander Anthony Arena, which were subject to certain vesting conditions pursuant to an award scheme of the Company, namely the HKT Share Stapled Units Purchase Scheme, the details of which are set out in the section below headed "**Share Stapled Units Award Schemes**". Alexander Anthony Arena subsequently ceased to have interest in the NPRs held under the award scheme. An award in respect of 2,210,922 Share Stapled Units subject to certain vesting conditions was made to Alexander Anthony Arena on July 1, 2014, out of which 276,366 Share Stapled Units became vested on the same day.

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

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

**Notes:** (continued)

3. (a) These interests represented 165,187 Share Stapled Units and the provisionally allotted 29,734 NPRs held by Hui Hon Hing, Susanna. Hui Hon Hing, Susanna subsequently accepted the NPRs in full.
  - (b) These interests represented awards in respect of 374,810 Share Stapled Units made to Hui Hon Hing, Susanna and a contingent interest in respect of the provisionally allotted 67,465 NPRs held on trust for Hui Hon Hing, Susanna, which were subject to certain vesting conditions pursuant to the HKT Share Stapled Units Purchase Scheme, the details of which are set out in the section below headed "Share Stapled Units Award Schemes". Hui Hon Hing, Susanna subsequently ceased to have interest in the NPRs held under the award scheme. An award in respect of 1,547,646 Share Stapled Units subject to certain vesting conditions was made to Hui Hon Hing, Susanna on July 1, 2014, out of which 193,456 Share Stapled Units became vested on the same day.
4. These interests represented 18,245 Share Stapled Units and the provisionally allotted 3,285 NPRs held by Peter Anthony Allen. Peter Anthony Allen subsequently accepted the NPRs in full.
5. (a) These interests represented 84,100 Share Stapled Units and the provisionally allotted 15,138 NPRs held by Chung Cho Yee, Mico. Chung Cho Yee, Mico subsequently accepted the NPRs in full.
  - (b) These interests represented 802 Share Stapled Units and the provisionally allotted 144 NPRs held by the spouse of Chung Cho Yee, Mico. The spouse of Chung Cho Yee, Mico subsequently accepted the NPRs in full.
6. These interests represented 2,790 Share Stapled Units and the provisionally allotted 502 NPRs held by Professor Chang Hsin Kang. The 502 NPRs subsequently lapsed on July 15, 2014.

### 2. Interests in the 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)

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 held				Number of underlying shares of PCCW held under equity derivatives	Total	Approximate percentage of the total number of shares of PCCW in issue
	Personal interests	Family interests	Corporate interests	Other interests			
Li Tzar Kai, Richard	–	–	280,737,665 (Note 1(a))	1,796,588,679 (Note 1(b))	–	2,077,326,344	28.09%
Alexander Anthony Arena (Note 4)	1,591,630	–	–	780,204 (Note 3)	200 (Note 2)	2,372,034	0.03%
Hui Hon Hing, Susanna	672,311	–	–	2,301,906 (Note 3)	–	2,974,217	0.04%
Peter Anthony Allen	261,654	–	–	–	–	261,654	0.004%
Chung Cho Yee, Mico	1,176,260	18,455 (Note 5)	–	–	–	1,194,715	0.02%
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 HKT LIMITED, AND SHARES, UNDERLYING SHARES AND DEBENTURES OF HKT LIMITED AND ITS ASSOCIATED CORPORATIONS *(CONTINUED)*

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

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

**Notes:**

1. (a) Of these PCCW shares, PCD held 245,863,867 shares and Eisner held 34,873,798 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 159,953,389 shares of PCCW held by PCGH. Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the 159,953,389 shares of PCCW held by PCGH;
  - (iii) a deemed interest in 1,599,905,433 shares of PCCW held by PCRD. Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the 1,599,905,433 shares of PCCW held by PCRD; and
  - (iv) a deemed interest in 3,000 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 3,000 shares of PCCW held by PBI LLC in the capacity of investment manager.
2. These interests represented Alexander Anthony Arena's beneficial interest in 200 underlying shares of PCCW held in the form of 20 American Depositary Receipts which constituted listed equity derivatives.
3. These interests represented awards made to these Directors which were subject to certain vesting conditions pursuant to an award scheme of PCCW, namely the Purchase Scheme.
4. As disclosed previously in the annual reports and interim reports of PCCW and the HKT Trust and HKT Limited, 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. A subsequent amendment made in October 2013 permits part of the loan previously repaid to be re-drawn, as an interest bearing loan repayable in cash within the original seven year term.
5. These PCCW shares were held by the spouse of Chung Cho Yee, Mico.

#### B. 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 held				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%



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

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

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

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 share options outstanding under the 2003 PCPD Scheme as at January 1, 2014 and June 30, 2014 are as follows:

Name of Director	Date of grant (Note)	Vesting period (Note)	Exercise period (Note)	Exercise price HK\$	Number of options	
					Outstanding as at 01.01.2014	Outstanding as at 06.30.2014
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, 2014, 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 as at that date.

#### C. PCCW-HKT Capital No.4 Limited (an indirect wholly-owned subsidiary of the Company and therefore an associated corporation)

FWD held US\$9,000,000 of 4.25% guaranteed notes due 2016 issued by PCCW-HKT Capital No.4 Limited. Li Tzar Kai, Richard indirectly owned an approximate 87.7% interest in FWD.

Save as disclosed in the foregoing, as at June 30, 2014, none of the Directors or the Chief Executives or their respective associates had any interests or short positions in any Share Stapled Units (including the NPRs) or underlying Share Stapled Units or in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register(s) required to be kept under Section 352 of the SFO or as otherwise notified to the Company, the Trustee-Manager and the Stock Exchange pursuant to the Model Code of the Listing Rules.

### SHARE STAPLED UNITS OPTION SCHEME

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 of the Share Stapled Units, 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 options have been granted under the 2011-2021 Option Scheme since the Adoption Date and up to and including June 30, 2014.

## 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 and became effective upon listing of the Share Stapled Units as a potential means to incentivize 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 (collectively 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, notwithstanding that the relevant committee of the Company Board shall be at liberty to waive such condition.

During the six months ended June 30, 2014, an aggregate of 1,483,076 Share Stapled Units were granted subject to certain vesting conditions pursuant to the HKT Share Stapled Units Purchase Scheme, including an award in respect of 209,623 Share Stapled Units made to Hui Hon Hing, Susanna (a director of the Company and the Trustee-Manager). Additionally, 14,059 Share Stapled Units have lapsed and/or been forfeited and 1,767,120 Share Stapled Units have vested during the period. As at June 30, 2014, 2,657,879 Share Stapled Units granted pursuant to the HKT Share Stapled Units Purchase Scheme remained unvested. No Share Stapled Units have been granted under the HKT Share Stapled Units Subscription Scheme since the date of its adoption and up to and including June 30, 2014. Please also refer to the summary of movements in the Share Stapled Units held under the above schemes which are set out in note 11 to the HKT Trust and HKT Limited unaudited condensed consolidated interim financial information on pages 34 and 35.

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 spouses or children under 18 years of age had any right to subscribe for equity or debt securities of the HKT Trust and/or the Company or any of its associated corporations or had exercised any such right during the period under review.

## INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL HOLDERS OF SHARE STAPLED UNITS

As at June 30, 2014, the following persons (other than any Directors or Chief Executives) were substantial holders of Share Stapled Units, and of ordinary shares and preference shares in the Company, and had interests or short positions in the Share Stapled Units and underlying Share Stapled Units, and 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 the total number of Share Stapled Units in issue	Note(s)
PCCW	Interest in controlled entity	4,775,714,681	63.07%*	1, 2
CAS Holding No. 1 Limited (“CAS”)	Beneficial interest	4,775,714,681	63.07%*	2
The Capital Group Companies, Inc.	Interest in controlled entities	641,744,278	10.00%	3

\* Based on the Enlarged Share Stapled Units, pursuant to a notification under the SFO due to the irrevocable undertaking dated June 13, 2014 given by PCCW in favour of the HKT Trust and the Company, and the joint underwriters (“PCCW’s Undertaking”).

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.

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

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.
2. These interests represented 4,047,215,832 Share Stapled Units and the provisionally allotted 728,498,849 NPRs held by CAS pursuant to the PCCW's Undertaking. CAS subsequently accepted the NPRs in full.
3. Based on the disclosure of interest filing made by The Capital Group Companies, Inc. under Part XV of the SFO on or about April 30, 2014, The Capital Group Companies, Inc. indirectly held these interests through its direct/indirect wholly-owned subsidiaries. Subsequent to June 30, 2014, The Capital Group Companies, Inc. through its controlled companies held 754,136,664 Share Stapled Units, representing approximately 9.96% of the Enlarged Share Stapled Units, based on the information that was publicly available to the Trustee-Manager and the Company.

Save as disclosed above in this section, the Trustee-Manager and the Company have 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 (including the NPRs) 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, 2014.

## 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, 2014, none of the HKT Trust (including the Trustee-Manager), the Company or the Company's subsidiaries purchased, sold or redeemed any Share Stapled Units.

## PUBLIC FLOAT

As disclosed in the joint announcement of the HKT Trust and the Company and PCCW dated May 2, 2014, the then public float of the HKT Trust and the Company was reduced to approximately 22.18% which was below the minimum prescribed percentage of 25% required by the Listing Rules as a result of the increase in the Share Stapled Units held by The Capital Group Companies, Inc. from approximately 9.98% to approximately 10%, based on the information that was publicly available to the Trustee-Manager and the Company.

On July 22, 2014, the HKT Trust and the Company announced the results of the Rights Issue and the restoration of the public float to approximately 32.50% of the total Share Stapled Units in issue from the completion of the Rights Issue on July 24, 2014. This exceeds the minimum prescribed percentage of 25% required by the Listing Rules.

Accordingly, as at the date of the interim results announcement of the HKT Trust and the Company for the six months ended June 30, 2014, the HKT Trust (including the Trustee-Manager) and the Company complied with the public float requirement under the Listing Rules, based on the information that is publicly available to the Trustee-Manager and the Company and within the knowledge of the Directors.

## AUDIT COMMITTEE

The Trustee-Manager's Audit Committee and the Company's Audit Committee have reviewed the accounting policies adopted by the HKT Trust and the Company together with the Company's subsidiaries; and the Trustee-Manager, the unaudited condensed consolidated interim financial information of the HKT Trust and HKT Limited for the six months ended June 30, 2014 and the unaudited condensed interim financial information of the Trustee-Manager for the same period. Such financial information of the HKT Trust and HKT Limited and of the Trustee-Manager has not been audited but has been reviewed by the independent auditor of the Trustee-Manager and the Company.

## MODEL CODE SET OUT IN APPENDIX 10 TO THE LISTING RULES

The HKT Trust and the Company have adopted their own code of conduct regarding securities transactions, namely the HKT Trust and HKT Limited Code of Conduct for Securities Transactions (the "HKT Code"), which applies to all Directors and employees of the HKT Trust and the Company 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 CODE

The HKT Trust, the Trustee-Manager and the Company are committed to maintaining a high standard of corporate governance, the principles of which serve to uphold a high standard of ethics, transparency, responsibility and integrity in all aspects of 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 Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules during the six months ended June 30, 2014. The requirement to establish a separate Remuneration Committee with written terms of reference for the Trustee-Manager under the Code Provision B.1.2 of the CG Code is not relevant to the Trustee-Manager as its directors are not entitled to any remuneration under the Trust Deed, and therefore has not been complied with. In addition, given the unique circumstances of the HKT Trust i.e., the fact that the Trust Deed requires that the directors of the Company and the directors of the Trustee-Manager must always be the same individuals, the establishment of a separate Nomination Committee for the Trustee-Manager as required by Code Provision A.5.1 of the CG Code is not relevant to the Trustee-Manager, and therefore has not been complied with.

# CORPORATE 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  
Srinivas Bangalore Gangaiah (aka BG Srinivas)

Independent Non-Executive Directors:

Professor Chang Hsin Kang, FREng, GBS, JP  
The Hon Raymond George Hardenbergh Seitz  
Sunil Varma  
Aman Mehta

### 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

### INTERIM REPORT 2014

This Interim Report 2014 in both English and Chinese is now available in printed form from HKT Limited, HKT Management Limited and the Share Stapled Units Registrar, and in accessible format on the websites of HKT Limited ([www.hkt.com/ir](http://www.hkt.com/ir)) and Hong Kong Exchanges and Clearing Limited ([www.hkexnews.hk](http://www.hkexnews.hk)).

Holders of share stapled units who:

- received the Interim Report 2014 using electronic means through the website of HKT Limited may request a printed copy, or
- received the Interim Report 2014 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](mailto: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 2014) 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 2014 will promptly, upon request in writing or by email to the Share Stapled Units Registrar, be sent the Interim Report 2014 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.

### 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

## 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  
Srinivas Bangalore Gangaiah (aka BG Srinivas)

Independent Non-Executive Directors:

Professor Chang Hsin Kang, FREng, GBS, JP  
The Hon Raymond George Hardenbergh Seitz  
Sunil Varma  
Aman Mehta

### GROUP GENERAL COUNSEL AND COMPANY SECRETARY

Philana WY Poon

### REGISTERED OFFICE

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

### PRINCIPAL SHARE REGISTRAR

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

### HONG KONG BRANCH SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited  
Shops 1712-1716  
17th Floor, Hopewell Centre  
183 Queen's Road East  
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Fax: +852 2865 0990  
Email: [hkinfo@computershare.com.hk](mailto:hkinfo@computershare.com.hk)

### SHARE STAPLED UNITS REGISTRAR

Computershare Hong Kong Investor Services Limited  
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Fax: +852 2865 0990  
Email: [hkinfo@computershare.com.hk](mailto:hkinfo@computershare.com.hk)

### SHARE STAPLED UNITS INFORMATION

Board lot: 1,000 units  
Issued units as at August 5, 2014: 7,571,742,334 units

### DIVIDEND/DISTRIBUTION

Interim dividend/distribution per ordinary share/share stapled unit for the six months ended June 30, 2014: 21 HK cents

### FINANCIAL CALENDAR

Announcement of 2014 Interim Results	August 5, 2014
Closure of books	August 27-28, 2014 (both days inclusive)
Record date for 2014 interim distribution	August 28, 2014
Payment of 2014 interim distribution	on or around September 26, 2014
Announcement of 2014 Annual Results	February 2015

### INVESTOR RELATIONS

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

### WEBSITE OF HKT LIMITED

[www.hkt.com](http://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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T: +852 2888 2888 F: +852 2877 8877 [www.hkt.com](http://www.hkt.com)

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

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