

# HKT

## Interim Report 2015

Stock Code: 6823

BUILDING FOR  
**TOMORROW,  
TODAY.**



a **PCCW** Group member

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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 17,500 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

I am pleased to report a set of solid results for HKT for the six months ended June 30, 2015 despite the challenging operating environment.

HKT's fixed broadband service maintained a steady and moderate growth, as it remained the preferred service provider in the market which saw unrelenting competition during the period. We will continuously drive the fiber service and enhance customers' broadband experience. Following a successful pilot earlier this year, ultra-fast 10Gbps fiber broadband service has been made available as a commercial service to customers in the third quarter as scheduled.

The mobile business also performed satisfactorily in the first half. Integration of CSL has been on track and the expected efficiencies and synergies are being achieved as planned. As the leading mobile operator in Hong Kong, HKT has launched a new payment service whereby consumers can use their Near Field Communication (NFC)-enabled mobile phones to make payments at more than three million retail terminals in Hong Kong and overseas.

PCCW Global, HKT's international business, benefitted from sustained growth in connectivity demand of multinational corporations and carriers. Its footprint and service offerings have expanded to embrace this positive trend which is especially evident in the emerging markets.

HKT will continue to innovate and provide customers with the best networks and best services, so we can further grow our Hong Kong and overseas business and add value for shareholders. In doing so, we will however proceed cautiously in view of the tepid local economic outlook and the range of uncertainties in the external environment.



**Richard Li**  
Chairman  
August 5, 2015

# STATEMENT FROM THE GROUP MANAGING DIRECTOR

I am pleased to report that HKT's various lines of business continued to perform well against a soft local economy and sustained market competition.

## **BROADBAND SERVICE BREAKTHROUGH**

The fixed broadband business continued its steady growth in both the residential and commercial markets, maintaining a strong customer base which contributes a solid cashflow to the group. During the period, we again recorded an increase in the number of customers using our genuine fiber-to-the-home (FTTH) service, which represents a growth driver for the business. HKT continues to provide quality telecommunication services at prices that offer Hong Kong consumers good value compared to global price benchmarks.

In the first half, HKT successfully conducted a pilot launch of 10Gbps fiber broadband service. The NETVIGATOR 10G PON (passive optical network) service has been commercially launched in the third quarter; all premises within our FTTH coverage – currently comprising more than 80% of Hong Kong households and progressively expanding – will have the opportunity to enjoy this ultra-fast network speed on demand.

As the first operator to introduce 10Gbps service in Hong Kong, HKT has the unique capability of offering this service to every customer under our FTTH footprint because of the investments that we have made in the past in building a dense, fiber-rich network to handle both technological evolution and high levels of market demand.

Meeting the needs of today and tomorrow, HKT offers a range of Smart Living and related services on the back of its extensive network and expertise. In addition to helping individual customers build a modern and convenient home, we have established an increasing number of partnerships with property developers to equip their projects with Smart Living features.

## **BEST-OF-BREED MOBILE SERVICES**

Since the acquisition of CSL New World Mobility Limited (now CSL Holdings Limited) in mid-2014, one of our priorities has been the integration of our two mobile networks to release the synergies due to the acquisition and to enhance customers' mobile experience. During the first half, integration of the radio cell sites progressed smoothly and we target to have one unified radio network by the end of 2015.

HKT is one of the early adopters of LTE-A technology among global players. Building on our fiber-rich fixed network and leveraging our wide range of mobile spectrum, HKT commercially launched Hong Kong's first LTE-A 300Mbps network last December.

We endeavor to make the most of our frequency resources and to further raise the bar to LTE-A 450Mbps by combining disparate blocks of 20MHz spectrum from different sites, using an IP-RAN based Carrier Aggregation solution developed by technology partner Huawei. In April, we successfully demonstrated this network capability, and we expect to activate commercial service once compatible smartphones become available in 2016. This will continue to bring improved Internet experience to mobile users, enabling even faster downloads, enhanced audio and video streaming, and higher quality video conferencing.

## **UNLEASHING THE POWER OF MOBILE PAYMENTS**

HKT believes that only by continuous innovation can we satisfy the needs of our customers in this increasingly mobile-centric age. Recently, we have introduced a payment service whereby customers can use a Near Field Communication (NFC)-enabled mobile phone with an all-in-one SIM card to make payments at retail outlets, for online purchase, and even to instantly transfer money to friends via phone to phone connection.

The service, branded as Tap & Go, enables payments at more than three million MasterCard PayPass readers in Hong Kong and overseas. Customers may set up automatic top-up of the stored value in the account, or top up as and when necessary through instructions on the Tap & Go app or at physical outlets including HKT, csl or 1010 shops.

Payments can be effected by simply tapping the phone on a reader, or through the additional step of PIN verification if the customer prefers greater security for larger transactions. The Tap & Go app will show all transaction history in the past three months for easy tracking including payments, cash transfers, top-ups, and account balance.

This new service, provided by HKT subsidiary HKT Payment Limited, demonstrates the company's commitment to enriching customers' lifestyle through a convenient, secure and versatile mobile payment system.

## **GROWING INTERNATIONAL CONNECTIVITY DEMAND**

PCCW Global, the international operating division of HKT, delivered encouraging operational performance in the first half, on growing connectivity demand by both enterprises and carriers in its expanding footprint.

It has also progressively enhanced its service offerings via collaboration with partners and via targeted, cost-effective acquisitions. In June, PCCW Global acquired Syntelligence, a holding company which owns Voxclever, a UK hosted Unified Communications-as-a-Service provider, and Weavesys, a software development business with an advanced service orchestration platform capability for unified communications.

Syntelligence's service platform delivers integrated voice, video and collaboration solutions using the flexibility and agility of the cloud, allowing customers to avoid the need for capex-intensive investments. The acquisition has provided PCCW Global with the ability to accelerate the development of its global unified communications offering and deliver an easy to use, flexible self-service model for our customers.

### REWARDS FOR CUSTOMERS

The new payment service Tap & Go complements HKT's excellent service standards and loyalty program in our effort to enhance customer experience and increase stickiness.

Our loyalty program, The Club, has attracted a substantial membership since its introduction last December. The program offers prestigious membership tier benefits including a rewards program where Clubpoints can be earned and redeemable for HKT services and other merchandise. Among others, The Club has formed a coalition with Asia Miles, so that members may redeem Clubpoints for Asia Miles.

The Club has also enhanced its e-platform for members to check their Clubpoints online and browse a comprehensive rewards catalogue of products in the categories of electronics, travel & leisure, wine & dine, household & gifts, and health & beauty. Members receive monthly electronic statements showing their Clubpoints balance and the latest activities of The Club.

### CONTRIBUTING TO SOCIETY

As a leading brand in Hong Kong, HKT is mindful of its social responsibilities. HKT's community service teams have over the years worked closely with non-government organizations and charities to support the elderly, the youth, and disadvantaged and other needy people. HKT also recognizes the importance of protecting the environment when conducting our business.

We have been modernizing our network facilities and air-conditioning systems at the exchange buildings with better energy efficiency. We have adopted paperless systems and practices in our daily operations such as human resources and procurement, as well as in retail shops and for customer services. Because of these efforts, HKT was awarded the Gold Award in the media and communication sector of the Hong Kong Awards for Environmental Excellence 2014 granted by the Environmental Campaign Committee and the Environmental Protection Department.

Our business brands have also been supportive of good causes. For instance, csl and 1010 have partnered with St. James Settlement to promote proper handset recycling. We encourage customers to donate their handsets and accessories after assisting them to erase all data. Donated phones will be given to the needy while those that are beyond repair will be dismantled and the useful parts recycled.

NETVIGATOR is synonymous with reliable, high-speed broadband service. In May, it launched a development program across music, drama, sports and other artistic expressions to help groom local creative young talents. "NETVIGATOR x MOOV Imagine Natives" is a collaboration with the MOOV music and entertainment service of PCCW, HKT's holding company. The program includes a series of stage performances and workshops with famous artistes and mentors over the summer months.

### OUTLOOK

HKT has built a fiber-rich fixed broadband network while our market-leading mobile network is also being dimensioned for higher speeds – we view this as a crucial success factor for the future of our business because consumers are increasingly bandwidth-hungry due to the continuing development of faster consumer devices and the emergence of more sophisticated applications. We have positioned ourselves as the one-stop-shop which can meet the various communication needs of our individual and business customers. Our continuous enhancement of user experience in both fixed and mobile services – 10G PON and the new payment service being examples – will fuel further growth of these segments.

Meanwhile, we anticipate more synergies will be unlocked as we press on with the integration of CSL, as the enlarged mobile business marches into its second year of operation as Hong Kong's leading mobile operator.

Internationally, despite uncertainties in some advanced economies, HKT expects to continue to benefit from the growth in demand for connectivity services, especially in emerging markets.

Having grown at a modest pace this year, the Hong Kong economy looks set to face further uncertainties given the generally weak macro-conditions within the major global economies. Management will retain a cautious approach in our operations, but we are confident that our innovation and market-leading services will continue to give us a competitive advantage even in a challenging environment.



Alex Arena

Group Managing Director  
August 5, 2015

# BOARD OF DIRECTORS

## EXECUTIVE DIRECTORS

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

#### *Executive Chairman*

Mr Li, aged 48, 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 an Independent Non-Executive Director of The Bank of East Asia, Limited. He is also 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 64, 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 50, 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 60, was appointed a Non-Executive Director of HKT Limited (HKT) and HKT Management Limited (Trustee-Manager), the trustee-manager of the HKT Trust, in November 2011. He is a member of the HKT's Audit Committee and the Trustee-Manager's Audit Committee. He is an Executive Director and the Group Managing Director of Pacific Century Regional Developments Limited, an Executive Director and the Chief Financial Officer of the Pacific Century Group 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 54, 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 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 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<sup>#</sup>). 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 52, 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<sup>#</sup>). 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 54, 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 an Executive Director and Group Managing Director of PCCW Limited (PCCW) in July 2014. He is also a member of PCCW's Executive Committee.

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.

<sup>#</sup> For identification only

## INDEPENDENT NON-EXECUTIVE DIRECTORS

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

**FREng, GBS, JP**

**Independent Non-Executive Director**

Professor Chang, aged 75, 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 Brightoil Petroleum (Holdings) Limited, Hang Lung Properties Limited and Nanyang Commercial Bank, Limited. He was an Independent Non-Executive Director of Hon Kwok Land Investment Company, Limited.

### **Sunil VARMA**

**Independent Non-Executive Director**

Mr Varma, aged 71, was appointed an Independent Non-Executive Director of HKT Limited (HKT) and HKT Management Limited (Trustee-Manager), the trustee-manager of the HKT Trust, in November 2011. He is 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. Mr Varma was a Director and a member of the Audit Committee of Shriram EPC Ltd., a Director and the Chairman of the Audit Committee of Vistaar Livelihood Finance Pvt. Ltd. and a Director and the Chairman of Audit and Risk Management Committee of Shriram City Union Finance 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 68, 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.

### **Frances Waikwun WONG**

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

Ms Wong, aged 53, was appointed an Independent Non-Executive Director of HKT Limited (HKT) and HKT Management Limited, the trustee-manager of the HKT Trust, in May 2015. She is the Chairwoman of HKT's Remuneration Committee. Ms Wong has been an Independent Non-Executive Director of PCCW Limited (PCCW) since March 2012 and is the Chairwoman of the Regulatory Compliance Committee and a member of the Nomination Committee and the Remuneration Committee of the board of directors of PCCW. She is also an Independent Non-Executive Director of Pacific Century Regional Developments Limited.

Ms Wong is currently a financial advisor of Good Harbour Finance Limited. She began her career as a management consultant at McKinsey & Company in the United States in 1986. Ms Wong returned to Hong Kong and joined the Hutchison Whampoa group of companies in 1988, taking on various positions. She was managing director of Weatherite Manufacturing Limited, an air conditioning manufacturer. Later, Ms Wong became chief executive officer of Metro Broadcast Corporation Limited. Eventually, she became chief financial officer of Star TV, Asia's first satellite television company. After leaving the Hutchison Whampoa Group in 1992, she became group chief financial officer for the Pacific Century Group. After she resigned from the Pacific Century Group, she founded the Independent Schools Foundation in Hong Kong in 2000.

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

## MANAGEMENT'S DISCUSSION AND ANALYSIS

- Total revenue increased by 28% to HK\$15,974 million
- Total EBITDA increased by 30% to HK\$5,770 million
- Profit attributable to holders of Share Stapled Units increased by 27% to HK\$1,778 million; basic earnings per Share Stapled Unit was 23.50 HK cents
- Adjusted funds flow increased by 23% to HK\$1,953 million; adjusted funds flow per Share Stapled Unit was 25.79 HK cents
- Interim distribution per Share Stapled Unit of 25.79 HK cents

### MANAGEMENT REVIEW

We are pleased to announce another set of solid financial results for HKT during the six months ended June 30, 2015, demonstrating the strong market position of all of our lines of business and the successful integration of CSL since the completion of the acquisition in May 2014.

Total revenue for the six months ended June 30, 2015 increased by 28% to HK\$15,974 million and total EBITDA for the period was HK\$5,770 million, an increase of 30% over the same period in 2014. This growth reflected a full six-month integration of CSL as well as steady growth in the Telecommunications Services ("TSS") business.

Profit attributable to holders of Share Stapled Units was HK\$1,778 million, an increase of 27% over the same period in 2014. Basic earnings per Share Stapled Unit were 23.50 HK cents.

Adjusted funds flow for the six months ended June 30, 2015 reached HK\$1,953 million, an increase of 23% over the same period in 2014. Adjusted funds flow per Share Stapled Unit was 25.79 HK cents.

The board of directors of the Trustee-Manager has resolved an interim distribution of 25.79 HK cents per Share Stapled Unit for the six months ended June 30, 2015.

### OUTLOOK

HKT has built a fiber-rich fixed broadband network while our market-leading mobile network is also being dimensioned for higher speeds – we view this as a crucial success factor for the future of our business because consumers are increasingly bandwidth-hungry due to the continuing development of faster consumer devices and the emergence of more sophisticated applications. We have positioned ourselves as the one-stop-shop which can meet the various communication needs of our individual and business customers. Our continuous enhancement of user experience in both fixed and mobile services – 10G PON and the new payment service being examples – will fuel further growth of these segments.

Meanwhile, we anticipate more synergies will be unlocked as we press on with the integration of CSL, as the enlarged mobile business marches into its second year of operation as Hong Kong's leading mobile operator.

Internationally, despite uncertainties in some advanced economies, HKT expects to continue to benefit from the growth in demand for connectivity services, especially in emerging markets.

Having grown at a modest pace this year, the Hong Kong economy looks set to face further uncertainties given the generally weak macro-conditions within the major global economies. Management will retain a cautious approach in our operations, but we are confident that our innovation and market-leading services will continue to give us a competitive advantage even in a challenging environment.

## FINANCIAL REVIEW BY SEGMENT

For the six months ended HK\$ million	Jun 30, 2014	Dec 31, 2014	<b>Jun 30, 2015</b>	Better/ (Worse) y-o-y
<b>Revenue</b>				
TSS	9,565	10,348	<b>10,145</b>	6%
Mobile	2,910	6,040	<b>6,044</b>	108%
Other Businesses	286	278	<b>84</b>	(71)%
Eliminations	(241)	(363)	<b>(299)</b>	(24)%
<b>Total revenue</b>	12,520	16,303	<b>15,974</b>	28%
<b>Cost of sales</b>	(5,333)	(6,720)	<b>(6,544)</b>	(23)%
<b>Operating costs before depreciation, amortization, and (loss)/gain on disposal of property, plant and equipment, net</b>	(2,762)	(3,766)	<b>(3,660)</b>	(33)%
<b>EBITDA<sup>1</sup></b>				
TSS	3,594	3,768	<b>3,654</b>	2%
Mobile	965	2,182	<b>2,298</b>	138%
Other Businesses	(134)	(133)	<b>(182)</b>	(36)%
<b>Total EBITDA<sup>1</sup></b>	4,425	5,817	<b>5,770</b>	30%
<b>TSS EBITDA<sup>1</sup> margin</b>	38%	36%	<b>36%</b>	
<b>Mobile EBITDA<sup>1</sup> margin</b>	33%	36%	<b>38%</b>	
<b>Total EBITDA<sup>1</sup> margin</b>	35%	36%	<b>36%</b>	
Depreciation and amortization	(2,350)	(3,536)	<b>(3,194)</b>	(36)%
(Loss)/gain on disposal of property, plant and equipment, net	(2)	–	<b>3</b>	NA
Other gains, net	41	58	<b>33</b>	(20)%
Finance costs, net	(452)	(672)	<b>(631)</b>	(40)%
Share of results of an associate and joint ventures	2	(31)	<b>(15)</b>	NA
<b>Profit before income tax</b>	1,664	1,636	<b>1,966</b>	18%

## ADJUSTED FUNDS FLOW

For the six months ended HK\$ million	Jun 30, 2014	Dec 31, 2014	Jun 30, 2015	Better/ (Worse) y-o-y
<b>Total EBITDA<sup>1</sup></b>	4,425	5,817	<b>5,770</b>	30%
Less cash outflows in respect of:				
Customer acquisition costs and licence fees	(770)	(2,032)	<b>(1,519)</b>	(97)%
Capital expenditures <sup>5</sup>	(1,135)	(1,375)	<b>(1,304)</b>	(15)%
<b>Adjusted funds flow before tax paid, net finance costs paid and changes in working capital</b>	2,520	2,410	<b>2,947</b>	17%
Adjusted for:				
Tax payment	(80)	(315)	<b>(75)</b>	6%
Net finance costs paid	(368)	(433)	<b>(435)</b>	(18)%
Changes in working capital	(482)	102	<b>(484)</b>	0%
<b>Adjusted funds flow<sup>2</sup></b>	1,590	1,764	<b>1,953</b>	23%

KEY OPERATING DRIVERS<sup>3</sup>

	Jun 30, 2014	Dec 31, 2014	Jun 30, 2015	Better/(Worse) y-o-y      h-o-h	
Exchange lines in service ('000)	2,654	2,654	<b>2,657</b>	0%	0%
Business lines ('000)	1,245	1,245	<b>1,248</b>	0%	0%
Residential lines ('000)	1,409	1,409	<b>1,409</b>	0%	0%
Total broadband access lines ('000)	1,567	1,567	<b>1,567</b>	0%	0%
(Consumer, business and wholesale customers)					
Retail consumer broadband subscribers ('000)	1,408	1,404	<b>1,404</b>	0%	0%
Retail business broadband subscribers ('000)	131	136	<b>138</b>	5%	1%
Traditional data (Exit Gbps)	3,016	3,372	<b>3,673</b>	22%	9%
Retail IDD minutes (million minutes)	431	397	<b>356</b>	(17)%	(10)%
Mobile subscribers ('000)	4,512	4,585	<b>4,653</b>	3%	1%
Post-paid subscribers ('000)	3,183	3,178	<b>3,147</b>	(1)%	(1)%
Prepaid subscribers ('000)	1,329	1,407	<b>1,506</b>	13%	7%

- 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 Figures are stated as at the period end, except for International Direct Dial ("IDD") minutes which is the total for the period.*
- Note 4 Gross debt refers to the principal amount of short-term borrowings and long-term borrowings.*
- Note 5 Group capital expenditures represent additions to property, plant and equipment, and interests in leasehold land.*
- Note 6 Adjusted Funds Flow per Share Stapled Unit is calculated by dividing the adjusted funds flow for the period by the number of Share Stapled Units in issue as at June 30, 2015.*

## Telecommunications Services

For the six months ended HK\$ million	Jun 30, 2014	Dec 31, 2014	Jun 30, 2015	Better/ (Worse) y-o-y
Local Telephony Services	1,682	1,801	1,690	0%
Local Data Services	3,236	3,490	3,356	4%
International Telecommunications Services	3,465	3,538	3,869	12%
Other Services	1,182	1,519	1,230	4%
<b>TSS revenue</b>	9,565	10,348	10,145	6%
Cost of sales	(4,301)	(4,638)	(4,569)	(6)%
Operating costs before depreciation and amortization	(1,670)	(1,942)	(1,922)	(15)%
<b>TSS EBITDA<sup>1</sup></b>	3,594	3,768	3,654	2%
<b>TSS EBITDA<sup>1</sup> margin</b>	38%	36%	36%	

TSS revenue for the six month ended June 30, 2015 increased by 6% year-on-year to HK\$10,145 million and EBITDA for the period increased by 2% to HK\$3,654 million resulting in an EBITDA margin of 36%.

*Local Telephony Services.* Local telephony services revenue remained steady at HK\$1,690 million for the six months ended June 30, 2015, as compared to HK\$1,682 million a year earlier. Total fixed lines in service at the end of June 2015 remained stable at 2.66 million.

*Local Data Services.* Local data services revenue, comprising broadband network revenue and local data revenue, increased by 4% year-on-year to HK\$3,356 million for the six months ended June 30, 2015. The broadband network business reinforced its strong market position and generated solid revenue growth of 5% in the first half of 2015. This expansion in revenue occurred as a result of continued customer upgrades to our high speed fiber service, the take-up of higher speed plans and further pricing improvements. At the end of June 2015, there were 537,000 fiber-to-the-home (“FTTH”) subscribers which represented an increase of 16% from a year earlier. Local data revenue was steady during the period despite persistent pricing pressure and cautious spending by enterprise customers amid the lackluster economic conditions in Hong Kong.

*International Telecommunications Services.* International telecommunications services revenue for the six months ended June 30, 2015 increased by 12% year-on-year to HK\$3,869 million. This was driven by the high demand for IP transit traffic and Internet usage from enterprise customers, as well as the solid demand for voice and data connectivity services from international carriers and enterprise customers in HKT’s expanding footprint.

*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, 2015 increased by 4% year-on-year to HK\$1,230 million.



## Mobile

For the six months ended HK\$ million	Jun 30, 2014	Dec 31, 2014	Jun 30, 2015	Better/ (Worse) y-o-y
Mobile Services	2,328	4,570	<b>4,583</b>	97%
Handset Sales	582	1,470	<b>1,461</b>	151%
<b>Mobile Revenue</b>	2,910	6,040	<b>6,044</b>	108%
Mobile Services	964	2,123	<b>2,272</b>	136%
Handset Sales	1	59	<b>26</b>	>500%
<b>Mobile EBITDA<sup>1</sup></b>	965	2,182	<b>2,298</b>	138%
<b>Mobile EBITDA<sup>1</sup> margin</b>	33%	36%	<b>38%</b>	
<i>Mobile Services EBITDA<sup>1</sup> margin</i>	41%	46%	<b>50%</b>	

The Mobile business, which included the full six-month contribution from the acquired CSL business, registered a 108% increase in total revenue to HK\$6,044 million for the six months ended June 30, 2015. Mobile services revenue for the period increased by 97% to HK\$4,583 million from HK\$2,328 million a year earlier. Revenue from handset sales increased by 151% to HK\$1,461 million from HK\$582 million a year earlier reflecting the continued take-up of several popular handsets that were launched in the second half of 2014. Mobile revenues represented 38% of total HKT revenues for the six months ended June 30, 2015 as compared to 23% a year ago.

The post-paid exit average revenue per user (“ARPU”) increased by 4% to HK\$224 as at the end of June 2015 from HK\$216 a year earlier. As at June 30, 2015, the total mobile customer base was 4,653,000, of which 3,147,000 were post-paid customers. Of these post-paid customers, approximately 80% were smart device users. The churn rate for post-paid customers improved to 1.4% in the first half of 2015, as compared to 1.6% a year earlier.

For the six months ended June 30, 2015, mobile data revenue increased by 100% year-on-year and accounted for 69% of mobile services revenue for the period, while IDD and roaming revenue accounted for 18% of mobile services revenue for the period.

EBITDA for the period increased by 138% to HK\$2,298 million, with the margin improving significantly to 38% from 33% a year earlier. More importantly, the EBITDA margin for mobile services increased to 50% from 41% a year earlier benefiting from the synergies achieved so far in the integration of CSL and the enlarged scale of the Mobile business. Integration of the radio cell sites progressed smoothly and we target to have one unified radio network by the end of 2015.

## Other Businesses

Revenue from Other Businesses was HK\$84 million for the six months ended June 30, 2015, as compared to HK\$286 million a year ago. The decrease in revenue was mainly due to the disposal of the entire 38.2% effective equity interest in Unihub China Information Technology Company Limited (“ZhongYing JV”) so as to optimize the investment value of this non-core business in China. The disposal of ZhongYing JV was completed in December 2014 and a gain of HK\$55 million was recognized in 2014.

## Eliminations

Eliminations were HK\$299 million for the six months ended June 30, 2015, as compared to HK\$241 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, 2015 increased by 23% year-on-year to HK\$6,544 million, which was in line with the revenue growth during the period. Gross margin improved to 59% from 57% a year ago.

### General and Administrative Expenses

During the period, operating costs before depreciation, amortization, and (loss)/gain on disposal of property, plant and equipment, net, ("operating costs") increased by 33% year-on-year to HK\$3,660 million largely due to the enlarged business scale following the CSL acquisition. Other contributing factors included inflationary pressure on staff costs and rental expenses. Operating costs to revenue ratio was 23%, as compared to 22% a year ago due to the higher contribution of the Mobile business.

Depreciation and amortization expenses increased by 36% year-on-year to HK\$3,194 million for the six months ended June 30, 2015, which reflected higher customer acquisition costs in the prior year due to the enlarged business scale following the CSL acquisition.

As a result, general and administrative expenses increased by 34% year-on-year to HK\$6,851 million for the six months ended June 30, 2015.

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

As a result of the steady performance in the TSS business and the contribution from the enlarged Mobile business, overall EBITDA increased by 30% year-on-year to HK\$5,770 million for the six months ended June 30, 2015. The EBITDA margin improved slightly to 36% from 35% a year ago.

### Finance Costs, Net

Net finance costs for the six months ended June 30, 2015 increased to HK\$631 million from HK\$452 million a year ago due to the incurrence of interest on the borrowings raised to finance the CSL acquisition and the recognition of additional finance costs associated with the spectrum license fees arising from the CSL acquisition.

### Income Tax

Income tax expense for the six months ended June 30, 2015 was HK\$171 million, as compared to HK\$245 million a year ago, representing an effective tax rate of 9% for the period. The decrease in the tax expense is mainly due to recognition of a deferred income tax asset resulting from a loss-making company turning profitable.

### Non-controlling Interests

Non-controlling interests of HK\$17 million (June 30, 2014: HK\$19 million) primarily represented the net profit attributable to the minority shareholders of Sun Mobile Limited.

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

Profit attributable to holders of Share Stapled Units/shares of the Company for the six months ended June 30, 2015 increased by 27% year-on-year to HK\$1,778 million (June 30, 2014: HK\$1,400 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.

During the first half of 2015, HKT took advantage of the favorable interest rate environment and raised a total of approximately US\$1,013 million through the issuance of US\$300 million in 15-year, zero coupon guaranteed notes, US\$500 million in 10-year, 3.625% guaranteed notes and €200 million in 12-year, 1.65% guaranteed notes. The use of proceeds was for general corporate purposes including the refinancing of outstanding debt. HKT's gross debt<sup>4</sup> increased to HK\$37,041 million as at June 30, 2015 (December 31, 2014: HK\$36,847 million). Cash and cash equivalents totaled HK\$2,885 million as at June 30, 2015 (December 31, 2014: HK\$3,613 million).

HKT's gross debt<sup>4</sup> to total assets was 41% as at June 30, 2015 (December 31, 2014: 41%).

As at July 31, 2015, HKT had ample liquidity as evidenced by committed banking facilities totaling HK\$27,147 million, of which HK\$6,003 million remained undrawn.

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

As at June 30, 2015, Hong Kong Telecommunications (HKT) Limited, an indirect wholly-owned subsidiary of the Company, had investment grade ratings with Moody's Investors Service (Baa2) and Standard & Poor's Ratings Services (BBB).

## CAPITAL EXPENDITURE<sup>5</sup>

Capital expenditure including capitalized interest for the six months ended June 30, 2015 was HK\$1,313 million (June 30, 2014: HK\$1,145 million). Capital expenditure relative to revenue was 8% for the six months ended June 30, 2015 (June 30, 2014: 9%). The capital investments made by HKT in the first six months of 2015 were attributable to the network integration work for the Mobile business as well as to satisfy demand for the high speed broadband fiber services and international voice and data connectivity services.

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 exposure 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 provide 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 foreign currency including United States dollars. Accordingly, HKT has entered into forward and swap contracts in order to manage its exposure to adverse fluctuations in foreign currency exchange rates and interest rates. These instruments are executed with creditworthy financial institutions. As at June 30, 2015, all forward contracts and cross currency interest rate swap contracts were designated as cash flow hedges and/or fair value hedges for the Company's foreign currency denominated short-term and long-term borrowings.

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

## CHARGE ON ASSETS

As at June 30, 2015, no assets of the Group (December 31, 2014: nil) were pledged to secure loans and banking facilities of HKT.

## CONTINGENT LIABILITIES

HK\$ million	As at Dec 31, 2014 (Audited)	As at Jun 30, 2015 (Unaudited)
Performance guarantees	2,076	2,084
Tender guarantees	52	52
Others	74	67
	2,202	2,203

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.

## HUMAN RESOURCES

HKT had approximately 17,500 employees as at June 30, 2015 (June 30, 2014: 17,200) located in over 40 countries and cities. About 62% of these employees work in Hong Kong and the others are based mainly in mainland China, the Philippines and the United States. HKT has established 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 revenue, EBITDA and free cash flow targets for HKT as a whole and for each of the individual business units and employees.

## 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 25.79 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, 2015 (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 25.79 HK cents per ordinary share, in respect of the same period) to holders of Share Stapled Units.

The board of directors of the Trustee-Manager has confirmed, in accordance with the Trust Deed, that (i) the 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, 2015

In HK\$ million (except for earnings per Share Stapled Unit/share of the Company)	Note(s)	2014 (Unaudited)	2015 (Unaudited)
Revenue	2	12,520	<b>15,974</b>
Cost of sales		(5,333)	<b>(6,544)</b>
General and administrative expenses		(5,114)	<b>(6,851)</b>
Other gains, net	3	41	<b>33</b>
Finance costs, net		(452)	<b>(631)</b>
Share of results of an associate		(13)	<b>(14)</b>
Share of results of joint ventures		15	<b>(1)</b>
Profit before income tax	2,4	1,664	<b>1,966</b>
Income tax	5	(245)	<b>(171)</b>
Profit for the period		1,419	<b>1,795</b>
Attributable to:			
Holders of Share Stapled Units/shares of the Company		1,400	<b>1,778</b>
Non-controlling interests		19	<b>17</b>
Profit for the period		1,419	<b>1,795</b>
Earnings per Share Stapled Unit/share of the Company		(Adjusted)	
Basic	7	20.97 cents	<b>23.50 cents</b>
Diluted	7	(Adjusted) 20.97 cents	<b>23.49 cents</b>

The notes on pages 27 to 42 form an integral part of this unaudited condensed consolidated interim financial information. As explained in note 1, the unaudited condensed consolidated interim financial information of the HKT Trust and the unaudited condensed consolidated interim financial information of HKT Limited are presented together.

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

For the six months ended June 30, 2015

In HK\$ million	2014 (Unaudited)	2015 (Unaudited)
Profit for the period	1,419	<b>1,795</b>
Other comprehensive loss		
Items that may be reclassified subsequently to consolidated income statement:		
Exchange differences on translating foreign operations	(8)	<b>(21)</b>
Available-for-sale financial assets:		
– changes in fair value	(35)	<b>(34)</b>
Cash flow hedges:		
– effective portion of changes in fair value	(11)	<b>(126)</b>
– transfer from equity to consolidated income statement	(9)	<b>(47)</b>
Other comprehensive loss for the period	(63)	<b>(228)</b>
Total comprehensive income for the period	1,356	<b>1,567</b>
Attributable to:		
Holders of Share Stapled Units/shares of the Company	1,337	<b>1,550</b>
Non-controlling interests	19	<b>17</b>
Total comprehensive income for the period	1,356	<b>1,567</b>

The notes on pages 27 to 42 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, 2015

In HK\$ million	Note	As at December 31, 2014 (Audited)	As at June 30, 2015 (Unaudited)
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment		15,489	15,922
Interests in leasehold land		278	272
Goodwill		49,655	49,831
Intangible assets		10,307	9,697
Interest in an associate		171	182
Interests in joint ventures		550	557
Available-for-sale financial assets		61	26
Financial assets at fair value through profit or loss		21	11
Derivative financial instruments		–	90
Deferred income tax assets		371	384
Other non-current assets		639	607
		77,542	77,579
<b>Current assets</b>			
Prepayments, deposits and other current assets		4,006	4,208
Inventories		621	791
Trade receivables, net	8	3,875	4,163
Amounts due from related companies		76	91
Derivative financial instruments		49	40
Financial assets at fair value through profit or loss		18	14
Cash and cash equivalents		3,613	2,885
		12,258	12,192
<b>Current liabilities</b>			
Short-term borrowings	10	3,877	11,042
Trade payables	9	1,979	2,581
Accruals and other payables		5,023	4,523
Carrier licence fee liabilities		433	447
Amounts due to related companies		94	66
Amounts due to fellow subsidiaries		278	25
Advances from customers		1,997	2,040
Current income tax liabilities		734	926
		14,415	21,650

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

As at June 30, 2015

In HK\$ million	Note	As at December 31, 2014 (Audited)	As at June 30, 2015 (Unaudited)
<b>Non-current liabilities</b>			
Long-term borrowings	10	32,549	25,514
Derivative financial instruments		100	318
Deferred income tax liabilities		2,591	2,500
Deferred income		1,033	960
Carrier licence fee liabilities		954	925
Other long-term liabilities		119	141
		37,346	30,358
<b>Net assets</b>		38,039	37,763
<b>CAPITAL AND RESERVES</b>			
Share capital	11	8	8
Reserves		37,924	37,645
<b>Equity attributable to holders of Share Stapled Units/shares of the Company</b>		37,932	37,653
Non-controlling interests		107	110
<b>Total equity</b>		38,039	37,763

The notes on pages 27 to 42 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, 2015

In HK\$ million

	As at December 31, 2014 (Audited)	As at June 30, 2015 (Unaudited)
<b>ASSETS AND LIABILITIES</b>		
<b>Non-current assets</b>		
Interests in subsidiaries	27,905	<b>27,905</b>
	27,905	<b>27,905</b>
<b>Current assets</b>		
Prepayments, deposits and other current assets	7	<b>2</b>
Amounts due from subsidiaries	7,437	<b>7,524</b>
Cash and cash equivalents	102	<b>25</b>
	7,546	<b>7,551</b>
<b>Current liabilities</b>		
Accruals and other payables	39	<b>28</b>
Amounts due to subsidiaries	224	<b>225</b>
Current income tax liabilities	–	<b>2</b>
	263	<b>255</b>
<b>Net assets</b>	35,188	<b>35,201</b>
<b>CAPITAL AND RESERVES</b>		
Share capital	8	<b>8</b>
Reserves	35,180	<b>35,193</b>
<b>Total equity</b>	35,188	<b>35,201</b>

The notes on pages 27 to 42 form an integral part of this unaudited condensed consolidated interim financial information. As explained in note 1, the unaudited condensed consolidated interim financial information of the HKT Trust and the unaudited condensed consolidated interim financial information of HKT Limited are presented together.

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

For the six months ended June 30, 2015

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 consolidated 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 consolidated 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	-	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)	-	(1,552)	(1,553)	-	(1,553)
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

In HK\$ million

2015  
(Unaudited)

	Attributable to holders of Share Stapled Units/shares of the Company											Non-controlling interests	Total equity
	Share capital	Share premium	Capital contribution reserve	Currency translation reserve	Merger reserve	Hedging reserve	Other reserve	Equity compensation reserve	Treasury stock	Retained profits	Total		
<b>At January 1, 2015</b>	8	7,769	26,250	213	(347)	72	(3)	49	(45)	3,966	37,932	107	38,039
<b>Total comprehensive income for the period</b>													
Profit for the period	-	-	-	-	-	-	-	-	-	1,778	1,778	17	1,795
Other comprehensive loss that may be reclassified subsequently to consolidated income statement:													
Exchange differences on translating foreign operations	-	-	-	(21)	-	-	-	-	-	-	(21)	-	(21)
Available-for-sale financial assets:													
– changes in fair value	-	-	-	-	-	-	(34)	-	-	-	(34)	-	(34)
Cash flow hedges:													
– effective portion of changes in fair value	-	-	-	-	-	(126)	-	-	-	-	(126)	-	(126)
– transfer from equity to consolidated income statement	-	-	-	-	-	(47)	-	-	-	-	(47)	-	(47)
	-	-	-	(21)	-	(173)	(34)	-	-	1,778	1,550	17	1,567
<b>Transactions with equity holders</b>													
Employee share-based compensation	-	-	-	-	-	-	-	30	-	-	30	-	30
Vesting of Share Stapled Units under the Share Stapled Units Award Schemes	-	-	-	-	-	-	-	(51)	(44)	-	(95)	-	(95)
Distribution/dividend paid in respect of the previous year (note 6(b))	-	-	-	-	-	-	-	(1)	-	(1,763)	(1,764)	-	(1,764)
Dividend paid to the non-controlling shareholder of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	(14)	(14)
	-	-	-	-	-	-	-	(22)	(44)	(1,763)	(1,829)	(14)	(1,843)
<b>At June 30, 2015</b>	8	7,769	26,250	192	(347)	(101)	(37)	27	(89)	3,981	37,653	110	37,763

The notes on pages 27 to 42 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, 2015

In HK\$ million	Note	2014 (Unaudited)	2015 (Unaudited)
<b>NET CASH GENERATED FROM OPERATING ACTIVITIES</b>		3,891	<b>5,159</b>
<b>INVESTING ACTIVITIES</b>			
Net outflow of cash and cash equivalents in respect of business combinations	17	(18,757)	<b>(253)</b>
Other investing activities		(2,316)	<b>(3,115)</b>
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		(21,073)	<b>(3,368)</b>
<b>FINANCING ACTIVITIES</b>			
New borrowings raised		51,718	<b>7,809</b>
Other financing activities (including repayment of borrowings)		(33,311)	<b>(10,307)</b>
<b>NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES</b>		18,407	<b>(2,498)</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		1,225	<b>(707)</b>
Exchange differences		(24)	<b>(21)</b>
<b>CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents at January 1,		2,134	<b>3,613</b>
Cash and cash equivalents at June 30,		3,335	<b>2,885</b>
Analysis of the balance of cash and cash equivalents:			
Cash and bank balances		3,335	<b>2,885</b>
		3,335	<b>2,885</b>

The notes on pages 27 to 42 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, 2015 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, 2015 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, 2015 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 of Hong Kong Limited and Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The HKT Trust and HKT Limited unaudited condensed consolidated interim financial information should be read in conjunction with the annual consolidated financial statements of the HKT Trust and HKT Limited for the year ended December 31, 2014.

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, 2015.

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

## 1 BASIS OF PREPARATION AND PRESENTATION (CONTINUED)

The preparation of the 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. As part of the Groups' continuous accounting procedure, it is required to reassess the useful life of their intangible assets on regular basis. Pursuant to such reassessment, the Groups' profit for the period ended June 30, 2015 decreased by HK\$334 million and the net assets as at June 30, 2015 decreased by HK\$334 million.

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, 2014, 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, 2015 as described below.

The following new HKFRSs are mandatory for the first time for the financial year beginning January 1, 2015, but have no material effect on the Groups' results and financial position for the current and prior periods:

- HKAS 19 (2011) (Amendment), Defined Benefit Plans: Employee Contributions.
- Annual Improvements to 2010-2012 Cycle published in January 2014 by HKICPA.
- Annual Improvements to 2011-2013 Cycle published in January 2014 by HKICPA.

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 the product perspective. 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 comprised Unihub China Information Technology Company Limited ("Zhong Ying JV"), which provides network integration and related services to telecommunications operators in the PRC, and corporate support functions. In December 2014, the Groups completed the disposal of its entire equity interest in Zhong Ying JV.

## 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, 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
In HK\$ million	For the six months ended June 30, 2015 (Unaudited)				
	TSS	Mobile	Other Businesses	Eliminations	Total
<b>REVENUE</b>					
External revenue	9,846	6,044	84	–	15,974
Inter-segment revenue	299	–	–	(299)	–
Total revenue	10,145	6,044	84	(299)	15,974
<b>RESULTS</b>					
EBITDA	3,654	2,298	(182)	–	5,770

For the six months ended June 30, 2015

## 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, 2014 (Unaudited)	June 30, 2015 (Unaudited)
Total segment EBITDA	4,425	5,770
(Loss)/gain on disposal of property, plant and equipment, net	(2)	3
Depreciation and amortization	(2,350)	(3,194)
Other gains, net	41	33
Finance costs, net	(452)	(631)
Share of results of an associate and joint ventures	2	(15)
Profit before income tax	1,664	1,966

## 3 OTHER GAINS, NET

In HK\$ million	Six months ended	
	June 30, 2014 (Unaudited)	June 30, 2015 (Unaudited)
Net gain on cash flow hedging instruments transferred from equity	11	11
Net gain on fair value hedging instruments	23	24
Others	7	(2)
	41	33

## 4 PROFIT BEFORE INCOME TAX

Profit before income tax is stated after charging the following:

In HK\$ million	Six months ended	
	June 30, 2014 (Unaudited)	June 30, 2015 (Unaudited)
Cost of inventories sold	1,326	1,965
Cost of sales, excluding inventories sold	4,007	4,579
Depreciation of property, plant and equipment	1,096	919
Amortization of intangible assets	1,248	2,269
Amortization of land lease premium	6	6
Finance costs on borrowings	438	594
Staff costs	1,018	1,370



## 5 INCOME TAX

In HK\$ million	Six months ended	
	June 30, 2014 (Unaudited)	June 30, 2015 (Unaudited)
Current income tax:		
Hong Kong profits tax	315	266
Overseas tax	20	1
Movement of deferred income tax	(90)	(96)
Income tax expense	245	171

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 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, 2014 (Unaudited)	June 30, 2015 (Unaudited)
Interim distribution/dividend declared after the interim period of 25.79 HK cents (2014: 21 HK cents) per Share Stapled Unit/ordinary share of the Company	1,590	1,953

At meetings held on August 5, 2015, the directors of the Trustee-Manager and the Company declared an interim distribution/dividend of 25.79 HK cents per Share Stapled Unit/ordinary share of the Company for the year ending December 31, 2015. 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, 2014 (Unaudited)	June 30, 2015 (Unaudited)
Distribution/dividend in respect of the previous financial year, approved and paid during the interim period of 23.30 HK cents (2014: 24.21 HK cents) per Share Stapled Unit/ordinary share of the Company	1,553	1,764
Less: Distribution/dividend for Share Stapled Units/shares held by the Company's Share Stapled Units Award Schemes	(1)	(1)
	1,552	1,763

For the six months ended June 30, 2015

**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, 2014 (Unaudited)	June 30, 2015 (Unaudited)
<b>Earnings (in HK\$ million)</b>		
Earnings for the purposes of basic and diluted earnings per Share Stapled Unit/share of the Company	1,400	1,778
<b>Number of Share Stapled Units/shares of the Company</b>		
Weighted average number of Share Stapled Units/ordinary shares of the Company (note(a))	6,682,895,634	7,571,742,334
Effect of Share Stapled Units held under the Company's Share Stapled Units Award Schemes (note(a))	(6,700,216)	(7,049,915)
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	6,676,195,418	7,564,692,419
Effect of Share Stapled Units awarded under the Company's Share Stapled Units Award Schemes (note(a))	1,034,402	5,380,714
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	6,677,229,820	7,570,073,133

a. The weighted average number of Share Stapled Units/ordinary shares of the Company for the period ended June 30, 2014 has been adjusted to reflect the effect of the rights issue of Share Stapled Units of the HKT Trust and the Company during the year ended December 31, 2014 (note 11(a)).

**8 TRADE RECEIVABLES, NET**

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

In HK\$ million	As at	
	December 31, 2014 (Audited)	June 30, 2015 (Unaudited)
0–30 days	2,161	2,191
31–60 days	542	698
61–90 days	258	195
91–120 days	146	231
Over 120 days	919	1,029
	4,026	4,344
Less: Impairment loss for doubtful debts	(151)	(181)
	3,875	4,163

Included in trade receivables, net of the Groups were the amounts due from related parties of HK\$24 million and HK\$25 million as at June 30, 2015 and December 31, 2014, 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

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

In HK\$ million	As at	
	December 31, 2014 (Audited)	June 30, 2015 (Unaudited)
0–30 days	974	1,646
31–60 days	128	46
61–90 days	39	41
91–120 days	37	34
Over 120 days	801	814
	1,979	2,581

Included in trade payables of the Groups were the amounts due to related parties of HK\$70 million and HK\$22 million as at June 30, 2015 and December 31, 2014, respectively.

## 10 SHORT-TERM AND LONG-TERM BORROWINGS

a. During the six months ended June 30, 2015, certain bank borrowings of approximately HK\$3,266 million and guaranteed notes of US\$500 million (approximately HK\$3,876 million) have been reclassified from long-term liabilities to short-term liabilities as their maturity dates fall due within the next twelve-month period. As at June 30, 2015, the Groups had a total of cash and cash equivalents of HK\$2,885 million and undrawn banking facilities of approximately HK\$9,711 million. In July 2015, the Groups had reduced its short-term borrowings by refinancing its maturing guaranteed notes of US\$500 million (approximately HK\$3,876 million) with the Groups' long-term borrowings.

### b. US\$300 million zero coupon guaranteed notes due 2030

On January 15, 2015, HKT Capital No. 1 Limited, an indirect wholly-owned subsidiary of the Company, issued US\$300 million (approximately HK\$2,326 million) zero coupon guaranteed notes due 2030, which are listed on the Taipei Exchange (previously known as the GreTai Securities Market) in Taiwan, China. The notes are irrevocably and unconditionally guaranteed by HKT Group Holdings Limited ("HKTGH") and Hong Kong Telecommunications (HKT) Limited ("HKTL"), both being wholly-owned subsidiaries of the Company, and rank pari passu with all other outstanding unsecured and unsubordinated obligations of HKTGH and HKTL.

### c. US\$500 million 3.625% guaranteed notes due 2025

On April 2, 2015, HKT Capital No. 2 Limited, an indirect wholly-owned subsidiary of the Company, issued US\$500 million (approximately HK\$3,876 million) 3.625% guaranteed notes due 2025, which are listed on the Singapore Exchange Securities Trading Limited. The notes are irrevocably and unconditionally guaranteed by HKTGH and HKTL and rank pari passu with all other outstanding unsecured and unsubordinated obligations of HKTGH and HKTL.

### d. €200 million 1.65% guaranteed notes due 2027

On April 10, 2015, HKT Capital No. 3 Limited, an indirect wholly-owned subsidiary of the Company, issued €200 million (approximately HK\$1,729 million) 1.65% guaranteed notes due 2027, which are listed on the Singapore Exchange Securities Trading Limited. The notes are irrevocably and unconditionally guaranteed by HKTGH and HKTL and rank pari passu with all other outstanding unsecured and unsubordinated obligations of HKTGH and HKTL.

For the six months ended June 30, 2015

**11 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, 2015 and June 30, 2015	7,571,742,334	3,785,871
Preference shares of HK\$0.0005 each		
Balances as at January 1, 2015 and June 30, 2015	7,571,742,334	3,785,871

Movements in reserves of the Company during the period ended June 30, 2015 are as follows:

In HK\$ million	The Company		
	Share premium (Unaudited)	2014 Retained profits (Unaudited)	Total (Unaudited)
At January 1, 2014	27,344	62	27,406
Total comprehensive income for the period	–	1,545	1,545
Distribution to equity owners	–	(1,553)	(1,553)
At June 30, 2014	27,344	54	27,398
In HK\$ million	The Company		
	Share premium (Unaudited)	2015 Retained profits (Unaudited)	Total (Unaudited)
<b>At January 1, 2015</b>	<b>35,113</b>	<b>67</b>	<b>35,180</b>
Total comprehensive income for the period	–	1,777	1,777
Distribution to equity owners	–	(1,764)	(1,764)
<b>At June 30, 2015</b>	<b>35,113</b>	<b>80</b>	<b>35,193</b>

a. During the year ended December 31, 2014, the Company issued 1,155,011,542 new share stapled units (the “Right Share Stapled Units”) and allocated under the rights issue at the subscription price of HK\$6.84 per Rights Share Stapled Units on the basis of 18 Rights Share Stapled Units for every 100 existing Share Stapled Units held on June 27, 2014 (the “Rights Issue”). The net proceed after issuance expenses from the Rights Issue was approximately HK\$7.8 billion.

## 12 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, 2015.

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, 2015 are as follows:

	Number of PCCW Shares (Unaudited)	Number of Share Stapled Units (Unaudited)
As at January 1, 2014	5,487,130	7,360,797
PCCW Shares newly issued by PCCW Limited at issue price of HK\$0.01 per PCCW Share	5,000,000	–
PCCW Shares/Share Stapled Units vested	(3,095,371)	(1,767,120)
As at June 30, 2014	7,391,759	5,593,677
	Number of PCCW Shares (Unaudited)	Number of Share Stapled Units (Unaudited)
<b>As at January 1, 2015</b>	<b>7,393,665</b>	<b>5,978,109</b>
Purchase from the market by the trustee at average market price of HK\$4.99 per PCCW Share/HK\$9.92 per Share Stapled Unit	<b>1,600,000</b>	<b>9,326,000</b>
PCCW Shares/Share Stapled Units vested	<b>(3,543,570)</b>	<b>(5,707,168)</b>
Transfer to grantees in lieu of cash dividends	<b>(328)</b>	–
<b>As at June 30, 2015</b>	<b>5,449,767</b>	<b>9,596,941</b>

The average fair values of PCCW Shares and Share Stapled Units awarded during the six months ended June 30, 2015 at the dates of award are HK\$5.35 (2014: HK\$3.99) per PCCW Share and HK\$10.30 (2014: HK\$8.26) 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.

For the six months ended June 30, 2015

**13 CAPITAL COMMITMENTS**

In HK\$ million	As at	
	December 31, 2014 (Audited)	June 30, 2015 (Unaudited)
Authorized and contracted for	656	<b>806</b>
Authorized but not contracted for	868	<b>725</b>
	1,524	<b>1,531</b>

Included in the capital commitments were commitments of HK\$1,522 million and HK\$1,503 million for the purchase of property, plant and equipment as at June 30, 2015 and December 31, 2014 respectively.

Additions of property, plant and equipment were HK\$1,313 million and HK\$1,145 million for the six months ended June 30, 2015 and 2014 respectively.

**14 CONTINGENT LIABILITIES**

In HK\$ million	As at	
	December 31, 2014 (Audited)	June 30, 2015 (Unaudited)
Performance guarantees	2,076	<b>2,084</b>
Tender guarantees	52	<b>52</b>
Others	74	<b>67</b>
	2,202	<b>2,203</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.

## 15 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, 2014 (Unaudited)	June 30, 2015 (Unaudited)
Telecommunications service fees and systems integration charges received or receivable from a substantial shareholder of PCCW	83	42
Telecommunications service fees paid or payable to a substantial shareholder of PCCW	52	82
Telecommunications service fees and interest income received or receivable from joint ventures	26	15
Telecommunications service fees, outsourcing fees and rental charges paid or payable to joint ventures	169	130
Consideration paid or payable for the purchase of equipment from a joint venture	–	14
Consultancy service charges and interest income received or receivable from an associate	8	7
Telecommunications service fees, IT and logistics charges, management fee and other recharge costs received or receivable from fellow subsidiaries	304	290
Telecommunications service fees, IT and logistics charges, system development and integration charges, consultancy fee, management fee and other recharged costs paid or payable to fellow subsidiaries	829	861
Rental and facilities management charges paid or payable to fellow subsidiaries	69	72
Key management compensation ( <i>Note (b)</i> )	37	47

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

### b. Details of key management compensation

In HK\$ million	Six months ended	
	June 30, 2014 (Unaudited)	June 30, 2015 (Unaudited)
Salaries and other short-term employee benefits	29	36
Share-based compensation	7	10
Post-employment benefits	1	1
	37	47

For the six months ended June 30, 2015

## 16 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, 2014. There have been no changes in any financial management policies and practices since December 31, 2014.

### 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, 2014:

In HK\$ million	As at December 31, 2014 (Audited)			Total
	Level 1	Level 2	Level 3	
<b>Assets</b>				
Available-for-sale financial assets				
– Listed equity securities	61	–	–	61
Financial assets at fair value through profit or loss	39	–	–	39
Derivative financial instruments	–	49	–	49
<b>Total assets</b>	<b>100</b>	<b>49</b>	<b>–</b>	<b>149</b>
<b>Liabilities</b>				
Derivative financial instruments	–	(100)	–	(100)

The following table presents the Groups' financial instruments that are measured at fair value at June 30, 2015:

In HK\$ million	As at June 30, 2015 (Unaudited)			Total
	Level 1	Level 2	Level 3	
<b>Assets</b>				
Available-for-sale financial assets				
– Listed equity securities	26	–	–	26
Financial assets at fair value through profit or loss	25	–	–	25
Derivative financial instruments	–	130	–	130
<b>Total assets</b>	<b>51</b>	<b>130</b>	<b>–</b>	<b>181</b>
<b>Liabilities</b>				
Derivative financial instruments	–	(318)	–	(318)



## 16 FINANCIAL INSTRUMENTS (CONTINUED)

### b. Estimation of fair values (continued)

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, 2015.

### c. Groups' valuation process

The Groups' finance department includes a team that performs the valuations of financial assets required for financial reporting purposes. Material movements in valuations are reported to senior management immediately. Valuation results are reviewed by senior management at least on a semi-annual basis.

### d. Fair values of financial 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, 2015 except as follows, with fair value calculated by quoted prices:

In HK\$ million	As at December 31, 2014		As at June 30, 2015	
	Carrying amount (Audited)	Fair value (Audited)	Carrying amount (Unaudited)	Fair value (Unaudited)
Short-term borrowings	3,877	3,963	11,042	11,096
Long-term borrowings	32,549	32,757	25,514	25,585

## 17 BUSINESS COMBINATIONS

### a. Acquisition of Keycom plc and its subsidiaries ("Keycom")

On April 7, 2015, the Groups acquired approximately 92.9 per cent of the then issued ordinary share capital of Keycom plc and increased their interest to 100 per cent by the end of June 2015 for a total consideration of approximately £16.6 million (approximately HK\$196 million). Keycom plc is a company engaged in the design, development and delivery of communications and multimedia services via high-speed connectivity in the United Kingdom. A payment of approximately £14.8 million (approximately HK\$175 million) has been made by the Groups as at June 30, 2015. The purpose of the acquisition is to expand the Groups' business to meet the growing demand for ubiquitous broadband connectivity through building resilient high availability wireless and wired network in the United Kingdom.

The Groups are 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, the purchase price allocation process is ongoing and has yet to be finalized. In 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.

For the six months ended June 30, 2015

**17 BUSINESS COMBINATIONS** (CONTINUED)**a. Acquisition of Keycom plc and its subsidiaries ("Keycom")** (continued)

(i) Details of net assets acquired and goodwill in respect of the acquisition of Keycom at the acquisition date were as follows:

In HK\$ million	Net assets acquired and goodwill (Unaudited)
Purchase consideration settled in cash	149
Consideration payable	21
Obligation assumed upon business combination	26
Aggregate purchase consideration	196
Less: Estimated fair value of net assets acquired	(53)
Goodwill on acquisition	143

The goodwill is attributable to the expected future profits generated from communications services via high-speed connectivity. As a result of the acquisition, the Groups are expected to grow and expand its broadband connectivity business in the United Kingdom via the strong, well-established business with a talented leadership team and employees of Keycom.

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

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

In HK\$ million	Estimated fair value (Unaudited)
Property, plant and equipment	56
Intangible assets	12
Deferred income tax assets	8
Trade receivables, prepayments, deposits, and other current assets	17
Cash and cash equivalents	1
Trade payables, accruals and other payables	(30)
Advances from customers	(11)
Net assets acquired	53

In HK\$ million	Net cash outflow (Unaudited)
Purchase consideration settled in cash	149
Settlement of obligation assumed upon business combination	26
Cash and cash equivalents acquired	175
	(1)
Total net cash outflow for the six months ended June 30, 2015	174

## 17 BUSINESS COMBINATIONS (CONTINUED)

### a. Acquisition of Keycom plc and its subsidiaries (“Keycom”) (continued)

#### (ii) Acquisition-related costs

Acquisition-related costs of HK\$5 million were included in the consolidated income statement for the period ended June 30, 2015.

#### (iii) Revenue and profit contribution

Keycom’s revenue and loss attributable to shareholders for the period from January 1, 2015 to the acquisition date were HK\$24 million and HK\$2 million, respectively. The business of Keycom has been integrated into the Groups since the acquisition date. Accordingly, it is not practical to quantify the individual contribution of Keycom to the revenue and profit of the Groups during the period ended June 30, 2015 on any reasonable basis.

### b. Acquisition of Syntelligence Ltd

On May 26, 2015, the Groups completed the acquisition of the entire issued share capital of Syntelligence Ltd, a private company incorporated in the United Kingdom. The acquiree’s platform offers a complete solution for the delivery of cloud communications services to enterprises and service providers. The acquisition aims at expanding the Groups’ offerings in unified communications for enterprises and service providers worldwide. The aggregate consideration was not material.

### c. 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 businesses 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 was approximately US\$2,585 million (approximately HK\$20,054 million) which was recognized in the accounts for the acquisition.

The Groups are 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, the purchase price allocation process has been finalized. The initial accounting for the acquisition of CSL Group was completed as at May 14, 2015. In completing the initial accounting, an addition of HK\$37 million of goodwill has been recorded compared to the provisional amount previously disclosed as a result of additional information with respect to the finalization of the contingent consideration payable.

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

In HK\$ million	Net assets acquired and goodwill (Unaudited)
Aggregate purchase consideration	20,054
Less: Fair value of net assets acquired	(6,402)
Goodwill on acquisition	13,652

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, 2015

**17 BUSINESS COMBINATIONS (CONTINUED)**

**c. 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	Fair value (Unaudited)
Property, plant and equipment	1,992
Intangible assets	6,391
Interests in a joint venture	14
Prepayment, deposits, trade receivables, net and other current and non-current assets	1,574
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)	(2,745)
Advances from customers	(622)
Deferred income	(64)
Current income tax liabilities	(308)
Deferred income tax liabilities	(921)
	6,438
Non-controlling interests	(36)
<b>Net assets acquired</b>	<b>6,402</b>
	20,020
In HK\$ million	Net cash outflow (Unaudited)
Purchase consideration:	
Settled in cash during 2014	19,943
Settled in cash during six months ended June 30, 2015	77
	(1,186)
Cash and cash equivalents acquired	(1,186)
	<b>18,834</b>

**(ii) Revenue and profit contribution**

CSL Group's revenue and profit attributable to equity holders 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 its 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 any reasonable basis.

# INCOME STATEMENT OF HKT MANAGEMENT LIMITED

For the six months ended June 30, 2015

In HK\$'000	Note	2014 (Unaudited)	2015 (Unaudited)
Management fee income		42	<b>42</b>
General and administrative expenses		(2)	<b>(2)</b>
Profit before income tax	2	40	<b>40</b>
Income tax	3	–	–
Profit for the period		40	<b>40</b>

The notes on pages 48 to 49 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, 2015

In HK\$'000	2014 (Unaudited)	2015 (Unaudited)
Profit for the period	40	40
Other comprehensive income	–	–
Total comprehensive income for the period	40	40

The notes on pages 48 to 49 form an integral part of this unaudited condensed interim financial information.

# STATEMENT OF FINANCIAL POSITION OF HKT MANAGEMENT LIMITED

As at June 30, 2015

In HK\$'000	Note	As at December 31, 2014 (Audited)	As at June 30, 2015 (Unaudited)
<b>ASSETS AND LIABILITIES</b>			
<b>Current assets</b>			
Amount due from a fellow subsidiary		84	126
		84	126
<b>Current liabilities</b>			
Accruals and other payables		82	82
Amount due to a fellow subsidiary		44	46
		126	128
<b>Net liabilities</b>		(42)	(2)
<b>CAPITAL AND RESERVES</b>			
Share capital	4	–	–
Deficit		(42)	(2)
<b>Total equity</b>		(42)	(2)

The notes on pages 48 to 49 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, 2015

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)

In HK\$'000

	2015 (Unaudited)		
	Share capital	Deficit	Total
<b>As at January 1, 2015</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, 2015</b>	–	(2)	(2)

The notes on pages 48 to 49 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, 2015

In HK\$'000	2014 (Unaudited)	2015 (Unaudited)
Net cash generated from operating activities	–	–
Net cash used in investing activities	–	–
Net cash used in financing activities	–	–
Movement in cash and cash equivalents	–	–
Cash and cash equivalents at January 1,	–	–
Cash and cash equivalents at June 30,	–	–

The notes on pages 48 to 49 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, 2015

## 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, 2014.

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, 2015.

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, 2014. 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, 2014, 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, 2015.

The following new HKFRSs are mandatory for the first time for the financial year beginning January 1, 2015, but have no material effect on the Company’s results and financial position for the current and prior periods:

- HKAS 19 (2011) (Amendment), Defined Benefit Plans: Employee Contributions.
- Annual Improvements to 2010-2012 Cycle published in January 2014 by HKICPA.
- Annual Improvements to 2011-2013 Cycle published in January 2014 by HKICPA.

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, 2014 (Unaudited)	<b>Six months ended June 30, 2015 (Unaudited)</b>
Charging:		
Professional and consultancy fees	2	<b>2</b>

## 3 INCOME TAX

No Hong Kong profits tax has been provided as the Company does not have any assessable profit during the period (2014: same).

## 4 SHARE CAPITAL

	As at			
	December 31, 2014		June 30, 2015	
	Number of shares (Audited)	Share capital (Audited) HK\$	<b>Number of shares (Unaudited)</b>	<b>Share capital (Unaudited) HK\$</b>
Issued and fully paid:				
Ordinary shares of HK\$1 each	1	1	<b>1</b>	<b>1</b>

## 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, 2014 (Unaudited)	<b>Six months ended June 30, 2015 (Unaudited)</b>
Management fee refund from a fellow subsidiary	42	<b>42</b>

- a. This transaction was carried out after negotiations between the Company and the related party in the ordinary course of business and on the basis of estimated market value as determined by the directors.
- b. The directors' emoluments 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 HKT TRUST AND HKT LIMITED, AND SHARES, UNDERLYING SHARES AND DEBENTURES OF HKT LIMITED AND ITS ASSOCIATED CORPORATIONS

As at June 30, 2015, the directors of HKT Limited (the "Company") and the directors of HKT Management Limited (the "Trustee-Manager", in its capacity as the trustee-manager of the HKT Trust) (collectively referred to as the "Directors"), the chief executives of the Company and the Trustee-Manager (collectively referred to as the "Chief Executives") and their respective close associates had the following interests and short positions in the share stapled units of HKT Trust and the Company (the "Share Stapled Units") and underlying Share Stapled Units, and the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register(s) required to be kept under Section 352 of the SFO or as otherwise notified to the Company, the Trustee-Manager and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"):

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

The table below sets out the aggregate long positions in the Share Stapled Units held by the Directors and the Chief Executives:

Name of Director/Chief Executive	Number of Share Stapled Units held				Number of underlying Share Stapled Units held under equity derivatives	Total	Approximate percentage of the total number of Share Stapled Units in issue
	Personal interests	Family interests	Corporate interests	Other interests			
Li Tzar Kai, Richard	–	–	66,247,614 <i>(Note 1(a))</i>	144,786,553 <i>(Note 1(b))</i>	–	211,034,167	2.79%
Alexander Anthony Arena	1,842,092	–	–	1,205,149 <i>(Note 2)</i>	–	3,047,241	0.04%
Hui Hon Hing, Susanna	1,238,744	–	–	1,159,003 <i>(Note 2)</i>	–	2,397,747	0.03%
Peter Anthony Allen	21,530	–	–	–	–	21,530	0.0003%
Chung Cho Yee, Mico	99,238	946 <i>(Note 3)</i>	–	–	–	100,184	0.001%
Professor Chang Hsin Kang	2,790	–	–	–	–	2,790	0.00004%

Each Share Stapled Unit confers an interest in:

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

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

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

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

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

**Notes:**

1. (a) Of these Share Stapled Units, Pacific Century Diversified Limited ("PCD"), a wholly-owned subsidiary of Chiltonlink Limited ("Chiltonlink"), held 20,227,614 Share Stapled Units and Eisner Investments Limited ("Eisner") held 46,020,000 Share Stapled Units. Li Tzar Kai, Richard owned 100% of the issued share capital of Chiltonlink and Eisner.
- (b) These interests represented:
  - (i) a deemed interest in 13,159,619 Share Stapled Units held by Pacific Century Group Holdings Limited ("PCGH"). Li Tzar Kai, Richard was the founder of certain trusts which held 100% interests in PCGH. Accordingly, Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the 13,159,619 Share Stapled Units held by PCGH;
  - (ii) a deemed interest in 131,626,804 Share Stapled Units held by Pacific Century Regional Developments Limited ("PCRD"), a company in which PCGH had, through itself and certain wholly-owned subsidiaries being Anglang Investments Limited, Pacific Century Group (Cayman Islands) Limited, Pacific Century International Limited and Borsington Limited, an aggregate of 86.56% interest. Li Tzar Kai, Richard was the founder of certain trusts which held 100% interests in PCGH. Accordingly, Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the 131,626,804 Share Stapled Units held by PCRD. Li Tzar Kai, Richard was also deemed to be interested in 1.04% of the issued share capital of PCRD through Hopestar Holdings Limited, a company wholly-owned by Li Tzar Kai, Richard; and
  - (iii) a deemed interest in 130 Share Stapled Units held by PineBridge Investments LLC ("PBI LLC") in the capacity of investment manager. PBI LLC was an indirect subsidiary of Chiltonlink and Li Tzar Kai, Richard owned 100% of the issued share capital of Chiltonlink. Accordingly, Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the 130 Share Stapled Units held by PBI LLC in the capacity of investment manager.
2. These interests represented awards made to these Directors 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".
3. These Share Stapled Units were held by the spouse of Chung Cho Yee, Mico.

### 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	–	–	292,062,765 <i>(Note 1(a))</i>	1,830,855,436 <i>(Note 1(b))</i>	–	2,122,918,201	28.12%
Alexander Anthony Arena <i>(Note 4)</i>	830,834	–	–	195,793 <i>(Note 3)</i>	200 <i>(Note 2)</i>	1,026,827	0.01%
Hui Hon Hing, Susanna	2,148,558	–	–	1,806,996 <i>(Note 3)</i>	–	3,955,554	0.05%
Peter Anthony Allen	272,208	–	–	–	–	272,208	0.004%
Chung Cho Yee, Mico	1,176,260	18,455 <i>(Note 5)</i>	–	–	–	1,194,715	0.02%
Srinivas Bangalore Gangaiah	–	–	–	207,597 <i>(Note 3)</i>	–	207,597	0.003%
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 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 255,782,141 shares and Eisner held 36,280,624 shares.  
  
(b) These interests represented:
  - (i) a deemed interest in 166,405,989 shares of PCCW held by PCGH. Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the 166,405,989 shares of PCCW held by PCGH;
  - (ii) a deemed interest in 1,664,446,447 shares of PCCW held by PCRD. Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the 1,664,446,447 shares of PCCW held by PCRD; and
  - (iii) 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 award(s) 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 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. Subsequent amendments made permit 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. PCCW-HKT Capital No.4 Limited (an indirect wholly-owned subsidiary of the Company and therefore an associated corporation)

FWD Life Insurance Company (Bermuda) Limited ("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 87.25% interest in FWD.

Save as disclosed in the foregoing, as at June 30, 2015, none of the Directors or the Chief Executives or their respective close associates had any interests or short positions in any Share Stapled Units or underlying Share Stapled Units or in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register(s) required to be kept under Section 352 of the SFO or as otherwise notified to the Company, the Trustee-Manager and the Stock Exchange pursuant to the Model Code of the Listing Rules.

## SHARE STAPLED UNITS OPTION SCHEME

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, 2015.

## 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, 2015, an aggregate of 1,566,606 Share Stapled Units were granted subject to certain vesting conditions pursuant to the HKT Share Stapled Units Purchase Scheme, including awards in respect of 99,690 and 280,370 Share Stapled Units made respectively to Alexander Anthony Arena and Hui Hon Hing, Susanna (the directors of the Company and the Trustee-Manager). Additionally, 524,643 Share Stapled Units have lapsed and/or been forfeited and 5,707,168 Share Stapled Units have vested during the period. As at June 30, 2015, 8,336,126 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, 2015. Please also refer to the summary of movements in the Share Stapled Units held under the Share Stapled Units Award Schemes which are set out in note 12 to the HKT Trust and HKT Limited unaudited condensed consolidated interim financial information on page 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, 2015, 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 in the shares and underlying shares of the Company as recorded in the register(s) required to be kept under Section 336 of the SFO:

Name	Capacity	Number of Share Stapled Units held	Approximate percentage of total number of Share Stapled Units in issue	Note
PCCW	Interest in controlled entity	4,775,714,681	63.07%	1
CAS Holding No. 1 Limited	Beneficial interest	4,775,714,681	63.07%	
The Capital Group Companies, Inc.	Interest in controlled entities	545,097,500	7.20%	2

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 Holding No. 1 Limited.
2. Based on a disclosure of interest form filed by The Capital Group Companies, Inc. under Part XV of the SFO on or about January 9, 2015, The Capital Group Companies, Inc. indirectly held these interests through its direct/indirect wholly-owned subsidiaries. Subsequent to June 30, 2015, The Capital Group Companies, Inc. made a disclosure of interest filing on or about July 8, 2015 disclosing its holding of 530,247,959 Share Stapled Units, representing approximately 7.00% of the total number of Share Stapled Units in issue.

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 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, 2015.

## 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, 2015, none of the HKT Trust (including the Trustee-Manager), the Company or the Company's subsidiaries purchased, sold or redeemed any Share Stapled Units.

## AUDIT COMMITTEE

The Trustee-Manager's Audit Committee and the Company's Audit Committee have reviewed the accounting policies adopted by the HKT Trust and the Company together with the Company's subsidiaries; and the Trustee-Manager, the unaudited condensed consolidated interim financial information of the HKT Trust and HKT Limited for the six months ended June 30, 2015 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 Company on terms no less exacting than the required standard indicated by the Model Code.

Having made specific inquiries of all Directors, confirmations have been received of compliance with the required standard set out in the Model Code and the HKT Code during the accounting period covered by this interim report. Based on a director's disclosure of interest form filed by Chung Cho Yee, Mico, a non-executive Director, under Part XV of the SFO on July 20, 2015, Chung Cho Yee, Mico disposed of all of his interest in Pacific Century Premium Developments Limited ("PCPD") comprising of 5,000,000 PCPD shares on November 13, 2014. Relevant provisions within the HKT Code were not fulfilled. PCPD is an indirect subsidiary of PCCW and accordingly PCPD is an associated corporation of the Company. The Trustee-Manager and the Company have from time to time reminded all Directors of their obligations under Part XV of the SFO and the HKT Code. The Trustee-Manager and the Company will continue to implement the relevant procedures.



## 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, 2015, save and except for the code provisions set out below. The requirement to establish a separate Remuneration Committee with written terms of reference for the Trustee-Manager under the code provision B.1.2 of the CG Code is not relevant to the Trustee-Manager as its directors are not entitled to any remuneration under the Trust Deed, and therefore has not been complied with. In addition, given the unique circumstances of the HKT Trust i.e., the fact that the Trust Deed requires that the directors of the Company and the directors of the Trustee-Manager must always be the same individuals, the establishment of a separate Nomination Committee for the Trustee-Manager as required by code provision A.5.1 of the CG Code is not relevant to the Trustee-Manager, and therefore has not been complied with. The appointments of company secretaries during the period were discussed and approved at the physical executive committee meetings in accordance with the delegated board authority, of which the directors were briefed on the outcome, and therefore the requirement by code provision F.1.2 of the CG Code to approve these matters by physical board meetings has not been complied with. It is considered that the approval process is efficient and appropriate in the view of directors.

# 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  
Sunil Varma  
Aman Mehta  
Frances Waikwun Wong

### GROUP GENERAL COUNSEL AND COMPANY SECRETARY

Grace M.Y. Lee

### 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 2015

This Interim Report 2015 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 2015 using electronic means through the website of HKT Limited may request a printed copy, or
- received the Interim Report 2015 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 2015) 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 2015 will promptly, upon request in writing or by email to the Share Stapled Units Registrar, be sent the Interim Report 2015 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. Certain guaranteed notes issued by subsidiaries of HKT Limited are listed on the Singapore Exchange Securities Trading Limited and the Taipei Exchange in Taiwan, China.

### STOCK CODES

The Stock Exchange of Hong Kong Limited  
Reuters  
Bloomberg

6823  
6823.HK  
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  
Sunil Varma  
Aman Mehta  
Frances Waikwun Wong

### GROUP GENERAL COUNSEL AND COMPANY SECRETARY

Grace M.Y. Lee

### 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  
Wan Chai, Hong Kong  
Telephone: +852 2862 8555  
Fax: +852 2865 0990  
Email: [hkinfo@computershare.com.hk](mailto:hkinfo@computershare.com.hk)

### SHARE STAPLED UNITS REGISTRAR

Computershare Hong Kong Investor Services Limited  
Shops 1712-1716  
17th Floor, Hopewell Centre  
183 Queen's Road East  
Wan Chai, Hong Kong  
Telephone: +852 2862 8555  
Fax: +852 2865 0990  
Email: [hkinfo@computershare.com.hk](mailto:hkinfo@computershare.com.hk)

### SHARE STAPLED UNITS INFORMATION

Board lot: 1,000 units  
Issued units as at June 30, 2015: 7,571,742,334 units

### DIVIDEND/DISTRIBUTION

Interim dividend/distribution per ordinary share/share stapled unit for the six months ended June 30, 2015: 25.79 HK cents

### FINANCIAL CALENDAR

Announcement of 2015 Interim Results August 5, 2015

Closure of books August 26 – 27, 2015  
(both days inclusive)

Record date for 2015 interim distribution August 27, 2015

Payment of 2015 interim distribution on or around September 25, 2015

Announcement of 2015 Annual Results February 2016

### 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)

Principal Place of Business in Hong Kong:  
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T: +852 2888 2888 F: +852 2877 8877 [www.hkt.com](http://www.hkt.com)

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