HKT®

Interim Report 2018

Stock Code: 6823

a PCCW Group member

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CORPORATE PROFILE

HKT is Hong Kong's premier telecommunications service provider and leading operator in fixed-line, broadband and mobile communication services. 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 sales, outsourcing, consulting, and contact centers.

HKT offers a unique quadruple-play experience in Hong Kong delivering media content on its fixed-line, broadband Internet access and mobile platforms jointly with its parent company, PCCW Limited.

HKT also provides a range of innovative and smart living services beyond connectivity to make the daily lives of customers more convenient, whether they are at home, in the workplace, or on the go.

Employing over 17,400 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

It is my pleasure to report that HKT's operations performed satisfactorily and the Group recorded a continued growth of AFF (adjusted funds flow) for the six months ended June 30, 2018.

Amid intense market competition, the performance of HKT's broadband and mobile businesses met expectation. Through product innovation and the provision of quality, reliable services, HKT continues to be regarded as offering value-for-money services to consumers and as a trusted telecom partner of commercial enterprises requiring local and international connectivity services.

Backed by its strong core foundation, HKT is progressively building new businesses to further diversify and grow the company. Mobile payment service Tap & Go saw steady increases in customer numbers and usage in the first half. It is poised for opportunities arising from new government measures later this year to facilitate electronic money transfers, which will be conducive to the development of Hong Kong's cashless payment market.

Hong Kong's economy has displayed encouraging signs of recovery so far this year, but the external environment is fraught with new uncertainties in particular due to trade tensions. HKT has in the past withstood very challenging operating and economic conditions and we remain cautiously optimistic about the outlook of the company for the rest of the year.

Richard Li
Chairman
August 6, 2018

STATEMENT FROM THE GROUP MANAGING DIRECTOR

I am pleased to outline some main activities of HKT during the first half of the year.

SOLID LEADERSHIP IN BROADBAND AND MOBILE MARKETS

The Hong Kong broadband and mobile communications markets continue to be characterized by intense competition in both the consumer and commercial segments. Since most of our competitors tend to focus on price tactics, which we believe are unsustainable in the long run, there continues to be downward pressure on pricing. Despite such a challenging operating environment, HKT has firmly held its market leader position in each market segment.

As the largest fixed line and Internet service provider, HKT is constantly minded to offer customers the latest products and services, as innovation is one of the best responses to competition. Following the introduction of 4x1000M multi-use fiber broadband service last year, NETVIGATOR has recently rolled out a new generation solution to enable users to optimize their Wi-Fi signals at home. A single advanced device replaces the data modem and the Wi-Fi router, and customers may use a mobile app to monitor and manage their Wi-Fi usage, with greater protection against cyber attacks. In February, HKT launched another value-added service whereby customers can use the new Star Home Call mobile app to control a number of features on their residential fixed line telephones. One very useful feature is the blocking of junk calls.

SERVING CURRENT AND FUTURE NEEDS

Deployment of the latest technology is also a differentiating factor in relation to mobile services. To prepare for 5G (5th Generation) mobile communications and Smart City development, HKT successfully conducted 5G field tests in June. The results in both a stationary environment and outdoor mobility conditions exceeded our expectation with peak data speed reaching 8Gbps.

Before 5G is commercially available, we continue to enhance our 4G mobile services via both network investment and new features such as eSIM which enabled us to be the first mobile operator to sell Apple Watch Series 3 (GPS + Cellular) in Hong Kong.

In February, CSL Mobile collaborated with Jumbo Taxi to equip Jumbo's fleet with a connected-car solution which tracks a taxi's real-time location and assesses driver behavior. Commuters can enjoy onboard Wi-Fi connectivity and settle the fare with HKT's mobile payment service Tap & Go.

ENCOURAGING PROSPECT FOR MOBILE PAYMENT MARKET

Tap & Go is operated under HKT Payment Limited, a Stored Value Facilities (SVFs) license holder. Tap & Go has been growing steadily with increases in both the number of user accounts and the transaction amounts settled through the service. This has been partly attributable to the introduction in March of the Tap & Go UnionPay Prepaid Card in collaboration with UnionPay International. Customers can convert Hong Kong dollar into RMB in their mobile wallet instantaneously and make payments in RMB when they are traveling in mainland China. The card can be used at some 50 million merchants in China and around the world, as well as for online transactions.

Tap & Go has also been working closely with the Hong Kong Monetary Authority (HKMA) in the development of the Faster Payment System (FPS), a new financial infrastructure under which participating SVFs and banks can provide real time credit transfer and direct debit services to facilitate payments between merchants and customers. FPS is set to be launched in the third quarter of 2018. In addition, HKMA is also establishing a common QR code standard so that merchants can use a single QR code to accept payments from customers using different SVFs. We believe these measures will increase adoption of mobile payment in Hong Kong and create further growth opportunities for Tap & Go.

PRIVILEGES FOR CUSTOMERS

To further differentiate HKT as a customer-focused company, HKT's loyalty and rewards program, The Club, offers throughout the year a wide range of activities and benefits to its members, which numbered more than 2.5 million as at the end of June. Many coalition partners in the retail, restaurant and other sectors also participate by providing various special offers for members of The Club.

The Club was one of the first channels where customers could get the Now E box, which was introduced by Now TV, the pay-TV business of HKT's parent group PCCW, in May prior to its exclusive broadcast of the 2018 FIFA World Cup™. Now E is a one-stop entertainment OTT platform and the Now E box is the first Google Android TV box offered by a Hong Kong operator. Also in May, The Club launched a WeChat Go Club SIM for travelers from mainland China. Among other features, visitors can enjoy free Hong Kong mobile data while using WeChat to keep in touch with their friends and relatives. More recently, we introduced Club Travel service providing customers with direct access to a wide range of travel options at competitive prices.

DRIVING BUSINESS GROWTH

Combining our expertise in fixed and mobile networks, HKT this year announced an IoT (Internet of Things) ecosystem with multiple connectivity technologies to assist enterprises to transform their business and grow. The IoT ecosystem will capture data with sensors, transmit such data through secure fixed and mobile connectivity and analyze the same at the data analytics platform which is stored at the HKT Enterprise Cloud. These end-to-end solutions have been playing an increasingly important role in property management, transportation and logistics, utilities, healthcare, retail, infrastructure, and other sectors.

HKT has also recently launched a cloud-based service where enterprises can transform their surveillance video streams into intelligence for better service delivery, security and operational efficiency. Branded "Iris", it analyzes information such as people flow, demographics, facial and license plate recognition to produce key intelligence to optimize business strategies and provide more personalized customer service.

As to HKT's international services, PCCW Global launched Console Connect in May, a software-defined interconnect platform powered by a Tier 1 global IP network and offering enterprises and service providers access to an ecosystem of major cloud service providers and business-critical applications worldwide, and serving as a social platform for knowledge sharing and growing the customers' network and business.

LOOKING AHEAD

The interim results have once again reflected the resilience of our core businesses in Hong Kong's highly competitive broadband and mobile communications markets. We are confident that our continuous innovation and our commitment to providing excellent customer experience will continue to put HKT at the forefront of the industry. We will continue to meet the increasing customer demand for high-speed and reliable connectivity on both advanced mobile and fixed, fiber networks as we continue to research, trial and deploy future technologies such as 5G.

HKT's relatively new initiatives such as The Club and Tap & Go which have gained further traction will continue to actively engage customers. Implementation of the Faster Payment System is also expected to accelerate the adoption of mobile payments by the public and merchants.

Despite intense market competition, we are confident that HKT can continue to build on its scale and strengths to not only maintain its leadership position but also find new areas of growth as both technology and the Hong Kong markets continue to evolve.

Alex Arena
Group Managing Director
August 6, 2018

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

LI Tzar Kai, Richard

Executive Chairman

Mr Li, aged 51, was appointed the Executive Chairman and an Executive Director of HKT Limited (HKT) and HKT Management Limited, the trustee-manager of the HKT Trust, in November 2011. He is the Chairman of HKT's Executive Committee and a member of the Nomination Committee of the HKT Board. Mr Li has also been an Executive Director and the Chairman of PCCW Limited (PCCW) since August 1999, the Chairman of PCCW's Executive Committee and a member of the Nomination Committee of the board of directors of PCCW. He is also the Chairman and Chief Executive of the Pacific Century Group, an Executive Director and the Chairman of Pacific Century Premium Developments Limited (PCPD), the Chairman of PCPD's Executive Committee, a member of PCPD's Remuneration Committee and Nomination Committee, the Chairman and an Executive Director of Singapore-based Pacific Century Regional Developments Limited (PCRD), and the Chairman of PCRD's Executive Committee.

Mr Li is a 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 67, has been the Group Managing Director* of HKT Limited (HKT) and HKT Management Limited (Trustee-Manager), 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.

* Subsequent to the date of this report, Mr Arena retired as Group Managing Director and Executive Director of HKT and the Trustee-Manager with effect from the end of August 31, 2018. He also retired as a Non-Executive Director of Pacific Century Regional Developments Limited with effect from August 31, 2018.

HUI Hon Hing, Susanna

Group Chief Financial Officer

Ms Hui, aged 53, has been the Group Chief Financial Officer* of HKT Limited (HKT) and an Executive Director of HKT and HKT Management Limited (Trustee-Manager), the trustee-manager of the HKT Trust, since November 2011. She is a member of HKT's Executive Committee and holds directorships in various Group companies. Ms Hui's primary responsibility has been overseeing the financial matters of the Group. Ms Hui is also the Group Chief Financial Officer and Executive Director of PCCW Limited (PCCW), a member of PCCW's Executive Committee, and an Executive Director of Pacific Century Premium Developments Limited (PCPD).

Ms Hui joined Cable & Wireless HKT Limited (which was subsequently acquired by PCCW) in September 1999. Since then, she has served the PCCW Group in various capacities in the past 19 years, including as Director of Group Finance of the PCCW Group from September 2006 to April 2007, and the Director of Finance of the PCCW Group with responsibility for the telecommunications services sector and regulatory accounting. Ms Hui was also the Chief Financial Officer of PCPD from July 2009 to November 2011.

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

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

NON-EXECUTIVE DIRECTORS

Peter Anthony ALLEN

Non-Executive Director

Mr Allen, aged 63, was appointed a Non-Executive Director of HKT Limited (HKT) and HKT Management Limited (Trustee-Manager), the trustee-manager of the HKT Trust, in November 2011. He is a member of HKT's Audit Committee and the Trustee-Manager's Audit Committee. He is an Executive Director and the Group Managing Director of Pacific Century Regional Developments Limited, an Executive Director and the Chief Financial Officer of the Pacific Century Group, a Director of certain FWD group companies and Senior Advisor to PCCW Limited (PCCW). He is also a Director of certain other companies controlled by Mr Li Tzar Kai, Richard, the Executive Chairman of HKT and the Trustee-Manager. Mr Allen was an Executive Director of PCCW from August 1999 to November 2011.

Prior to joining the Pacific Century Group, Mr Allen joined KPMG in 1976 before taking up an appointment at Occidental International Oil Incorporated in 1980. In 1983, he joined Schlumberger Limited and worked in various countries holding key management positions. In 1989, he moved to Singapore as Regional Financial Director of the Vestey Group.

Mr Allen joined Boustead Singapore Limited as the Group Operations Controller in 1992 before taking up an appointment with Morgan Grenfell Investment Management (Asia) Limited as a Director and Chief Operating Officer in 1995. He joined the Pacific Century Group in 1997.

Mr Allen was educated in England and graduated from the University of Sussex with a degree in economics. He is a Fellow of the Institute of Chartered Accountants in England and Wales, a Fellow Member of CPA Australia and a Fellow of the Institute of Singapore Chartered Accountants.

CHUNG Cho Yee, Mico

Non-Executive Director

Mr Chung, aged 57, was appointed a Non-Executive Director of HKT Limited and HKT Management Limited, the trustee-manager of the HKT Trust, in November 2011. 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.

LU Yimin

Non-Executive Director

Mr Lu, aged 54, 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 currently a Director and President of 中國通用技術（集團）控股有限責任公司 (China General Technology (Group) Holding Co., Ltd.#).

* Subsequent to the date of this report, Ms Hui became Group Managing Director of HKT and the Trustee-Manager and stepped down as Group Chief Financial Officer with effect from September 1, 2018.

\# *For identification only*

Mr Lu was an Executive Director and President of China Unicom (Hong Kong) Limited and President and Vice Chairman of 中國聯合網絡通信集團有限公司 (China United Network Communications Group Company Limited#). He was 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 55, 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 of China Unicom (Hong Kong) Limited (Unicom HK). He is a Director of 中國聯合網絡通信集團有限公司 (China United Network Communications Group Company Limited#). He is also a Director of China United Network Communications Limited and a Director 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 57, was appointed a Non-Executive Director of HKT Limited (HKT) and HKT Management Limited (Trustee-Manager), the trustee-manager of the HKT Trust, in August 2014. He is an Executive Director and Group Managing Director of PCCW Limited (PCCW) since July 2014. He is also a member of PCCW's Executive Committee. He is also an Alternate Director of certain FWD group companies controlled by Mr Li Tzar Kai, Richard, the Executive Chairman of HKT and the Trustee-Manager.

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

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

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

For identification only

INDEPENDENT NON-EXECUTIVE DIRECTORS

Professor CHANG Hsin Kang,
FREng, GBS, JP

Independent Non-Executive Director

Professor Chang, aged 78, was appointed an Independent Non-Executive Director of HKT Limited (HKT) and HKT Management Limited (Trustee-Manager), the trustee-manager of the HKT Trust, in November 2011. He is the Chairman of HKT's Regulatory Compliance Committee, a member of HKT's Audit Committee, Remuneration Committee and Nomination Committee, and a member of the Trustee-Manager's Audit Committee. Professor Chang was an Independent Non-Executive Director of PCCW Limited from October 2000 to November 2011.

Professor Chang became an Honorary Professor of Beijing Foreign Studies University in 2005, an Honorary Professor of Peking University in 2006, an Honorary Professor of Tsinghua University in September 2007, and the Honorary President of China Institute of Our Hong Kong Foundation in 2017. He was the President and University Professor of City University of Hong Kong from 1996 to 2007. Prior to that, he was the Dean of the School of Engineering at the University of Pittsburgh in the United States from 1994 to 1996, Founding Dean of the School of Engineering at Hong Kong University of Science and Technology from 1990 to 1994 and the Chairperson of the Department of Biomedical Engineering at the University of Southern California in the United States from 1985 to 1990.

Professor Chang is a Foreign Member of the Royal Academy of Engineering of the United Kingdom, a Member of International Eurasian Academy of Sciences; and Chevalier dans l'Ordre National de la Lègion d'Honneur as well as Commandeur dans l'Ordre des Palmes Acadèmiques 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 74, was appointed an Independent Non-Executive Director of HKT Limited (HKT) and HKT Management Limited (Trustee-Manager), the trustee-manager of the HKT Trust, in November 2011. He is also the Chairman of both HKT's Audit Committee and the Trustee-Manager's Audit Committee and a member of HKT's Nomination Committee, Remuneration Committee and Regulatory Compliance Committee.

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

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

Mr Varma is also a Director and the Chairman of Audit Committee of various companies in India including International Asset Reconstruction Company Pvt. Ltd. and Dr. Lal PathLabs Limited.

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

Aman MEHTA

Independent Non-Executive Director

Mr Mehta, aged 71, 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 Tata Consultancy Services Limited, Godrej Consumer Products Limited, Wockhardt Limited, Tata Steel Limited and Vedanta Limited in Mumbai, India; and Max Financial Services Limited (formerly Max India Limited) in New Delhi, India. He was an Independent Non-Executive Director of Emaar MGF Land Limited, Jet Airways (India) Limited, Cairn India Limited and Vedanta Resources plc; 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 56, was appointed an Independent Non-Executive Director of HKT Limited (HKT) and HKT Management Limited, the trustee-manager of the HKT Trust, in May 2015. She is the Chairwoman of HKT's Remuneration Committee. Ms Wong has been an Independent Non-Executive Director of PCCW Limited (PCCW) since March 2012 and is the Chairwoman of the Regulatory Compliance Committee and a member of the Nomination Committee and the Remuneration Committee of the board of directors of PCCW. She is also an Independent Non-Executive Director of Pacific Century Regional Developments Limited.

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

- Total revenue increased by 12% to HK$17,022 million; Total revenue (excluding Mobile Product Sales) increased by 1% to HK$13,648 million
- Total EBITDA increased by 2% to HK$5,639 million
- Profit before income tax was steady at HK$2,306 million
- Profit attributable to holders of Share Stapled Units was HK$1,868 million and basic earnings per Share Stapled Unit was 24.67 HK cents
- Adjusted funds flow increased by 4% to HK$2,205 million; adjusted funds flow per Share Stapled Unit was 29.12 HK cents
- Interim distribution per Share Stapled Unit of 29.12 HK cents

MANAGEMENT REVIEW

We are pleased to announce a solid set of financial results for HKT for the six months ended June 30, 2018, reflecting the strength and resilience across our lines of core business as well as continued operating efficiency improvements. The results for the six months ended June 30, 2018 reflect the adoption of several new accounting standards and, for comparative purposes, the results for the six months ended June 30, 2017 and December 31, 2017 have been restated as if these new accounting standards had been in place during these periods.

Total revenue for the six months ended June 30, 2018 increased by 12% to HK$17,022 million, driven in particular by a strong demand for mobile handsets during the period. Excluding Mobile Product Sales, underlying revenue for the period increased by 1% to HK$13,648 million, as compared to HK$13,519 million for the corresponding period last year, supported by steady growth in revenue from both Telecommunications Services ("TSS") and Mobile Services.

Total EBITDA for the period was HK$5,639 million, an increase of 2% over the same period in 2017. Profit before income tax was steady at HK$2,306 million while profit attributable to holders of Share Stapled Units was HK$1,868 million. Basic earnings per Share Stapled Unit was 24.67 HK cents.

Adjusted funds flow for the six months ended June 30, 2018 expanded by 4% to HK$2,205 million, compared to the same period in 2017. Adjusted funds flow per Share Stapled Unit[6] correspondingly grew by 4% to 29.12 HK cents compared to the same period in 2017.

The board of directors of the Trustee-Manager has resolved an interim distribution of 29.12 HK cents per Share Stapled Unit for the six months ended June 30, 2018.

OUTLOOK

The results for the first six months of 2018 have once again reflected the resilience of our core businesses in Hong Kong's highly competitive broadband and mobile communications markets. We are confident that our continuous innovation and our commitment to providing excellent customer experience will continue to put HKT at the forefront of the industry. We will continue to meet the increasing customer demand for high-speed and reliable connectivity on both advanced mobile and fixed, fiber networks as we continue to research, trial and deploy future technologies such as 5G.

HKT's relatively new initiatives such as The Club and Tap & Go which have gained further traction will continue to actively engage customers. Implementation of the Faster Payment System is also expected to accelerate the adoption of mobile payments by the public and merchants.

Despite intense market competition, we are confident that HKT can continue to build on its scale and strengths to not only maintain its leadership position but also find new areas of growth as both technology and the Hong Kong markets continue to evolve.

Note: The results for the six months ended June 30, 2018 reflect the adoption of several new accounting standards and, for comparative purposes, the results for the six months ended June 30, 2017 and December 31, 2017 have been restated as if these new accounting standards had been in place during these periods.

FINANCIAL REVIEW BY SEGMENT

For the six months ended HK$ million	Jun 30, 2017 *(Restated)*	Dec 31, 2017 *(Restated)*	**Jun 30, 2018**	Better/ (Worse) y-o-y
Revenue				
TSS	10,042	11,482	**10,155**	1%
Mobile	5,505	6,733	**7,212**	31%
– Mobile Services	3,813	4,275	**3,838**	1%
– Mobile Product Sales	1,692	2,458	**3,374**	99%
Other Businesses	78	77	**77**	(1)%
Eliminations	(414)	(436)	**(422)**	(2)%
Total revenue	15,211	17,856	**17,022**	**12%**
Cost of sales	(7,124)	(8,848)	**(8,858)**	(24)%
Gross Margin	*53%*	*50%*	***48%***	
Gross Margin (excluding Mobile Product Sales)	*60%*	*59%*	***60%***	
Operating costs before depreciation, amortization, and (loss)/gain on disposal of property, plant and equipment and intangible assets, net	(2,540)	(2,270)	**(2,525)**	1%
EBITDA[1]				
TSS	3,689	4,371	**3,762**	2%
Mobile	2,121	2,695	**2,170**	2%
– Mobile Services	2,153	2,744	**2,201**	2%
– Mobile Product Sales	(32)	(49)	**(31)**	3%
Other Businesses	(263)	(328)	**(293)**	(11)%
Total EBITDA[1]	5,547	6,738	**5,639**	**2%**
TSS EBITDA[1] Margin	*37%*	*38%*	***37%***	
Mobile EBITDA[1] Margin	*39%*	*40%*	***30%***	
– Mobile Services EBITDA[1] Margin	*56%*	*64%*	***57%***	
Total EBITDA[1] Margin	*36%*	*38%*	***33%***	
Total EBITDA[1] Margin (excluding Mobile Product Sales)	*41%*	*44%*	***42%***	
Depreciation and amortization	(2,681)	(2,648)	**(2,701)**	(1)%
(Loss)/gain on disposal of property, plant and equipment and intangible assets, net	(1)	3	**2**	NA
Other losses, net	(2)	(143)	**(2)**	–
Finance costs, net	(560)	(588)	**(626)**	(12)%
Share of results of associates and joint ventures	7	(17)	**(6)**	NA
Profit before income tax	2,310	3,345	**2,306**	–

ADJUSTED FUNDS FLOW

For the six months ended HK$ million	Jun 30, 2017 *(Restated)*	Dec 31, 2017 *(Restated)*	**Jun 30, 2018**	Better/ (Worse) y-o-y
Total EBITDA[1]	5,547	6,738	**5,639**	**2%**
Less cash outflows in respect of capital expenditures, customer acquisition costs and licence fees:				
Capital expenditures[5]	(1,302)	(1,300)	**(1,322)**	(2)%
Customer acquisition costs and licence fees	(483)	(619)	**(444)**	8%
Fulfillment costs	(218)	(209)	**(180)**	17%
Right-of-use of leased assets	(791)	(870)	**(847)**	(7)%
Adjusted funds flow before tax paid, net finance costs paid and changes in working capital	2,753	3,740	**2,846**	**3%**
Adjusted for:				
Tax payment	(141)	(570)	**(174)**	(23)%
Net finance costs paid	(418)	(412)	**(436)**	(4)%
Changes in working capital	(65)	25	**(31)**	52%
Adjusted funds flow[2]	2,129	2,783	**2,205**	**4%**

KEY OPERATING DRIVERS[3]

	Jun 30, 2017	Dec 31, 2017	**Jun 30, 2018**	Better/(Worse) y-o-y	 h-o-h
Exchange lines in service ('000)	2,645	2,638	**2,636**	–	–
Business lines ('000)	1,250	1,249	**1,251**	–	–
Residential lines ('000)	1,395	1,389	**1,385**	(1)%	–
Total broadband access lines ('000) (Consumer, business and wholesale)	1,572	1,591	**1,606**	2%	1%
Retail consumer broadband access lines ('000)	1,407	1,423	**1,439**	2%	1%
Retail business broadband access lines ('000)	149	154	**155**	4%	1%
Traditional data (Exit Gbps)	6,552	7,121	**7,400**	13%	4%
Retail IDD minutes (million minutes)	217	199	**173**	(20)%	(13)%
Mobile subscribers ('000)	4,218	4,407	**4,232**	–	(4)%
Post-paid subscribers ('000)	3,168	3,217	**3,242**	2%	1%
Prepaid subscribers ('000)	1,050	1,190	**990**	(6)%	(17)%

Note 1 *EBITDA represents earnings before interest income, finance costs, income tax, depreciation and amortization, gain/loss on disposal of property, plant and equipment, interests in leasehold land and intangible assets, net other gains/losses, losses on property, plant and equipment, restructuring costs, impairment losses on goodwill, tangible and intangible assets and interests in associates and joint ventures, and the Group's share of results of associates and joint ventures. While EBITDA is commonly used in the telecommunications industry worldwide as an indicator of operating performance, leverage and liquidity, it is not presented as a measure of operating performance in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") and should not be considered as representing net cash flows from operating activities. The computation of the Group's EBITDA may not be comparable to similarly titled measures of other companies.*

Note 2 *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, 2018.*

Telecommunications Services

For the six months ended HK$ million	Jun 30, 2017 *(Restated)*	Dec 31, 2017 *(Restated)*	**Jun 30, 2018**	Better/ (Worse) y-o-y
TSS Revenue				
Local Telephony Services	1,656	1,729	**1,634**	(1)%
Local Data Services	3,219	3,908	**3,372**	5%
International Telecommunications Services	3,602	3,874	**3,637**	1%
Other Services	1,565	1,971	**1,512**	(3)%
Total TSS Revenue	10,042	11,482	**10,155**	**1%**
Cost of sales	(4,789)	(5,501)	**(4,839)**	(1)%
Operating costs before depreciation and amortization	(1,564)	(1,610)	**(1,554)**	1%
Total TSS EBITDA[1]	3,689	4,371	**3,762**	**2%**
TSS EBITDA[1] margin	*37%*	*38%*	***37%***	

TSS revenue for the six months ended June 30, 2018 increased by 1% year-on-year to HK$10,155 million, while EBITDA increased by 2% year-on-year to HK$3,762 million during the period, yielding a stable EBITDA margin of 37%.

Local Telephony Services. Local telephony services revenue was HK$1,634 million for the six months ended June 30, 2018, as compared to HK$1,656 million a year earlier, reflecting the continued gradual decline in local fixed lines in service. Total fixed lines in service at the end of June 2018 were 2.636 million, as compared to 2.645 million a year earlier.

Local Data Services. Local data services revenue, comprising broadband network revenue and local data revenue, increased by 5% year-on-year to HK$3,372 million for the six months ended June 30, 2018. Despite continued price focused competition, the broadband network business sustained its revenue growth, with a 2% year-on-year improvement in the first six months of 2018. The growth in revenue was underpinned by a healthy number of net broadband customer additions in both the consumer and business segments, and further subscriptions and upgrades on our fiber-to-the-home ("FTTH") service. The total number of broadband access lines at the end of June 2018 grew by 2% to 1.606 million from 1.572 million as at the end of June 2017. Of these broadband access lines, there were 743,000 FTTH access lines which represented a net increase of 91,000 or 14% growth from a year earlier. Subscription to our 1Gbps FTTH service grew notably during the period, stimulated by the launch of the innovative Multi-Use Broadband Service in the second half of 2017.

With the increasing adoption of business enabling communication services and as the leading services provider in the enterprise segment, our local data business performed solidly and recorded an 11% year-on-year increase in revenue during the period. This growth reflected the strong enterprise demand for cross-border connectivity solutions and network facility management solutions integrating connectivity, cloud-based applications and ancillary co-location services.

International Telecommunications Services. International telecommunications services revenue for the six months ended June 30, 2018 increased by 1% year-on-year to HK$3,637 million. The growth was driven by the growing demand for connectivity services from international carriers and enterprise customers, particularly in emerging markets, as well the cross-selling of cloud-based services such as unified communications and managed security.

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, 2018 decreased by 3% year-on-year to HK$1,512 million primarily due to the variation in the timing of the completion of certain network and infrastructure projects.

Mobile

For the six months ended HK$ million	Jun 30, 2017 *(Restated)*	Dec 31, 2017 *(Restated)*	**Jun 30, 2018**	Better/ (Worse) y-o-y
Mobile Revenue				
Mobile Services	3,813	4,275	**3,838**	1%
Mobile Product Sales	1,692	2,458	**3,374**	99%
Total Mobile Revenue	5,505	6,733	**7,212**	**31%**
Mobile EBITDA[1]				
Mobile Services	2,153	2,744	**2,201**	2%
Mobile Product Sales	(32)	(49)	**(31)**	3%
Total Mobile EBITDA[1]	2,121	2,695	**2,170**	**2%**
Mobile EBITDA[1] margin	*39%*	*40%*	***30%***	
Mobile Services EBITDA[1] margin	*56%*	*64%*	***57%***	

The Mobile business registered a 31% increase in total revenue to HK$7,212 million for the six months ended June 30, 2018, as compared to HK$5,505 million a year earlier.

Mobile Services revenue for the six months ended June 30, 2018 expanded by 1% to HK$3,838 million, from HK$3,813 million a year earlier. During the period, Mobile Services revenue benefited from the continued growth in the post-paid customer base, customers upgrading to our premium 1O1O service, as well as higher revenue from mobile enterprise solutions. This more than offset the continued decline in IDD and roaming revenue and sustained price disruption in the market. During the period, IDD and roaming revenue accounted for 14% of Mobile Services revenue, as compared to 16% a year earlier.

The post-paid exit average revenue per user ("ARPU") as at the end of June 2018 was HK$195, as compared to HK$198 a year earlier. This reflected a dilution from acquiring a more diversified customer base with lower service plan fees.

As at June 30, 2018, the Mobile business had 3.242 million post-paid customers, an increase of 2% from a year earlier. The churn rate for post-paid customers held steady at 1.1% in the first half of 2018, reflecting the effectiveness of our multi-brand strategy, network supremacy and loyalty programs offered by The Club.

Revenue from Mobile Product Sales increased by 99% to HK$3,374 million from HK$1,692 million a year earlier. This significant revenue growth was attributable to the strong demand for certain models of handsets during the period, which included both handsets sold standalone and bundled with our service plans.

Mobile Services EBITDA increased by 2% to HK$2,201 million, with the margin further improving to 57% from 56% a year earlier as a result of recurring savings from cell site rental and third-party backhaul, as well as additional operational efficiencies achieved during the period. Total Mobile EBITDA for the period also increased by 2% to HK$2,170 million. Blended EBITDA margin was 30% which was a result of the dilutionary impact of the increased proportion of lower margin Mobile Product Sales.

Other Businesses

Other Businesses primarily comprises new business areas such as the Tap & Go mobile payment service and The Club program, and corporate support functions. Revenue from Other Businesses held steady at HK$77 million for the six months ended June 30, 2018, as compared to HK$78 million a year earlier.

Eliminations

Eliminations were HK$422 million for the six months ended June 30, 2018, as compared to HK$414 million a year earlier. 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, 2018 increased by 24% year-on-year to HK$8,858 million, reflecting the costs associated with the increase in Mobile Product Sales during the period. Gross margin was 48% in the first half of 2018, as compared to 53% a year earlier, mainly due to the dilutionary impact of Mobile Product Sales.

General and Administrative Expenses

For the six months ended June 30, 2018, operating costs before depreciation, amortization, and gain/(loss) on disposal of property, plant and equipment and intangible assets, net, ("operating costs") improved by 1% year-on-year to HK$2,525 million as a result of sustained improvements in operating efficiencies, particularly in the Mobile segment, slightly offset by an increase in other operating costs due to new business initiatives such as the Tap & Go mobile payment service and The Club program. The operating costs to Mobile Services revenue ratio for the Mobile business improved to 22.6% from 23.6% a year earlier, while the operating costs to revenue ratio for the TSS business improved to 15.3% from 15.6% a year earlier. Overall operating costs to revenue ratio, therefore, improved to 14.8% from 16.7% a year earlier.

Depreciation expenses decreased by 1% year-on-year, while amortization expenses increased by 3% due to continued investments in business-enabling platforms during the period. As a result, total depreciation and amortization expenses increased by 1% year-on-year to HK$2,701 million for the six months ended June 30, 2018.

General and administrative expenses, therefore, were steady at HK$5,224 million for the six months ended June 30, 2018, as compared to HK$5,222 million a year earlier.

EBITDA[1]

As a result of the steady performance in the TSS and Mobile businesses and the sustainment of operating efficiencies, overall EBITDA increased by 2% year-on-year to HK$5,639 million for the six months ended June 30, 2018. The overall EBITDA margin was 33% in the first half of 2018, as compared to 36% a year earlier, primarily due to the dilutionary impact of Mobile Product Sales.

Finance Costs, Net

Net finance costs for the six months ended June 30, 2018 increased by 12% to HK$626 million from HK$560 million a year earlier as a result of generally higher HIBOR. The average cost of debt increased to 2.8% during the period, as compared to 2.6% a year earlier.

Income Tax

Income tax expense for the six months ended June 30, 2018 was HK$423 million, as compared to HK$161 million a year earlier, representing an effective tax rate of 18% for the period versus an effective tax rate of 7% a year earlier. The income tax expense was lower a year earlier due to the recognition of a deferred income tax asset resulting from a loss-making company turning profitable.

Non-controlling Interests

Non-controlling interests of HK$15 million (June 30, 2017: HK$10 million) primarily comprised 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, 2018 was HK$1,868 million (June 30, 2017: HK$2,139 million).

LIQUIDITY AND CAPITAL RESOURCES

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

HKT's gross debt[4] was HK$39,688 million as at June 30, 2018 (December 31, 2017: HK$39,338 million). Cash and short-term deposits totaled HK$2,707 million as at June 30, 2018 (December 31, 2017: HK$3,667 million). HKT's gross debt[4] to total assets was 41% as at June 30, 2018 (December 31, 2017: 41%).

As at June 30, 2018, HKT had ample liquidity as evidenced by committed banking facilities totaling HK$27,767 million, of which HK$5,734 million remained undrawn.

CREDIT RATINGS OF HONG KONG TELECOMMUNICATIONS (HKT) LIMITED

As at June 30, 2018, 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[5]

Capital expenditure including capitalized interest for the six months ended June 30, 2018 was HK$1,345 million (June 30, 2017: HK$1,334 million). Capital expenditure relative to revenue was 7.9% for the six months ended June 30, 2018 (June 30, 2017: 8.8%). Capital expenditures for the Mobile business slightly declined reflecting the efficiencies achieved following the CSL network integration, while capital expenditures for the TSS business grew to meet the continued demand for fiber broadband connectivity and to get ready for 5G deployment, Internet of Things ("IoT") related services, customized solutions for enterprises, as well as in relation to smart city development in the public sector.

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 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.

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

As for financing, a significant portion of HKT's debt is denominated in foreign currencies including United States dollars. Accordingly, HKT has entered into forward and swap contracts in order to manage its exposure to adverse fluctuations in foreign currency exchange rates and interest rates. These instruments are executed with creditworthy financial institutions. As at June 30, 2018, all forward and swap contracts were designated as cash flow hedges for the related borrowings of HKT.

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

CHARGE ON ASSETS

As at June 30, 2018, no assets of the Group (December 31, 2017: nil) were pledged to secure loans and banking facilities of HKT.

CONTINGENT LIABILITIES

HK$ million	As at Dec 31, 2017 (Audited)	**As at Jun 30, 2018 (Unaudited)**
Performance guarantees	237	**261**
Others	64	**63**
	301	**324**

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

HUMAN RESOURCES

HKT had over 17,400 employees as at June 30, 2018 (June 30, 2017: 17,500) located in 44 countries and cities. About 64% of these employees work in Hong Kong and the others are based mainly in mainland China, the United States and the Philippines. HKT has established performance based bonus and incentive schemes designed to motivate and reward employees at all levels to achieve business performance targets. Payment of performance bonuses is generally based on achievement of revenue, EBITDA and free cash flow targets for HKT as a whole and for each of the individual business units and performance ratings of employees.

INTERIM DIVIDEND/DISTRIBUTION

The board of directors of the Trustee-Manager has resolved to declare an interim distribution by the HKT Trust in respect of the Share Stapled Units, of 29.12 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, 2018 (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 29.12 HK cents per ordinary share, in respect of the same period) to holders of Share Stapled Units.

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

CONSOLIDATED INCOME STATEMENT OF HKT TRUST AND OF HKT LIMITED

For the six months ended June 30, 2018

In HK$ million (except for earnings per Share Stapled Unit/share of the Company)	Note(s)	2017 (Restated#)	**2018 (Unaudited)**
Revenue	4	15,211	**17,022**
Cost of sales		(7,124)	**(8,858)**
General and administrative expenses		(5,222)	**(5,224)**
Other losses, net		(2)	**(2)**
Finance costs, net		(560)	**(626)**
Share of results of associates		(7)	**–**
Share of results of joint ventures		14	**(6)**
Profit before income tax	4, 5	2,310	**2,306**
Income tax	6	(161)	**(423)**
Profit for the period		2,149	**1,883**
Attributable to:			
Holders of Share Stapled Units/shares of the Company		2,139	**1,868**
Non-controlling interests		10	**15**
Profit for the period		2,149	**1,883**
Earnings per Share Stapled Unit/share of the Company			
Basic	8	28.26 cents	**24.67 cents**
Diluted	8	28.25 cents	**24.67 cents**

See note 2 for details regarding the restatement as a result of changes in accounting policies.

The notes on pages 26 to 48 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, 2018

In HK$ million	2017 (Restated#)	**2018 (Unaudited)**
Profit for the period	2,149	**1,883**
Other comprehensive income/(loss)		
Items that have been reclassified or may be reclassified subsequently to consolidated income statement:		
Exchange differences on translating foreign operations	98	**(22)**
Cash flow hedges:		
– effective portion of changes in fair value	(563)	**105**
– transfer from equity to consolidated income statement	(213)	**(36)**
Costs of hedging	–	**2**
Other comprehensive (loss)/income for the period	(678)	**49**
Total comprehensive income for the period	1,471	**1,932**
Attributable to:		
Holders of Share Stapled Units/shares of the Company	1,461	**1,917**
Non-controlling interests	10	**15**
Total comprehensive income for the period	1,471	**1,932**

See note 2 for details regarding the restatement as a result of changes in accounting policies.

The notes on pages 26 to 48 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, 2018

In HK$ million	Note	As at December 31, 2017 (Restated#)	**As at June 30, 2018 (Unaudited)**
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		19,386	**20,003**
Right-of-use assets		2,220	**2,944**
Interests in leasehold land		240	**234**
Goodwill		49,814	**49,808**
Intangible assets		7,966	**8,042**
Fulfillment costs		1,378	**1,335**
Customer acquisition costs		611	**596**
Contract assets		350	**348**
Interests in joint ventures		720	**710**
Available-for-sale financial assets		77	**–**
Financial assets at fair value through other comprehensive income		–	**77**
Financial assets at fair value through profit or loss		20	**7**
Derivative financial instruments		223	**277**
Deferred income tax assets		468	**468**
Other non-current assets		842	**868**
		84,315	**85,717**
Current assets			
Inventories		749	**963**
Prepayments, deposits and other current assets		2,772	**2,054**
Contract assets		737	**712**
Trade receivables, net	9	2,787	**3,726**
Amounts due from related companies		77	**112**
Financial assets at fair value through profit or loss		17	**13**
Restricted cash		51	**75**
Short-term deposits		450	**405**
Cash and cash equivalents		3,217	**2,302**
		10,857	**10,362**
Current liabilities			
Short-term borrowings	10	–	**(7,423)**
Trade payables	11	(1,874)	**(1,688)**
Accruals and other payables		(5,129)	**(5,004)**
Carrier licence fee liabilities		(173)	**(218)**
Amounts due to fellow subsidiaries		(969)	**(1,329)**
Advances from customers		(241)	**(260)**
Contract liabilities		(1,288)	**(1,550)**
Lease liabilities		(1,157)	**(1,164)**
Current income tax liabilities		(856)	**(972)**
		(11,687)	**(19,608)**

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

As at June 30, 2018

In HK$ million	Note	As at December 31, 2017 (Restated#)	**As at June 30, 2018 (Unaudited)**
Non-current liabilities			
Long-term borrowings		(39,146)	**(32,142)**
Derivative financial instruments		(150)	**(80)**
Deferred income tax liabilities		(2,989)	**(3,122)**
Carrier licence fee liabilities		(455)	**(409)**
Contract liabilities		(952)	**(983)**
Lease liabilities		(1,307)	**(2,015)**
Other long-term liabilities		(596)	**(690)**
		(45,595)	**(39,441)**
Net assets		37,890	**37,030**
CAPITAL AND RESERVES			
Share capital	12(a)	8	**8**
Reserves		37,842	**36,975**
Equity attributable to holders of Share Stapled Units/shares of the Company		37,850	**36,983**
Non-controlling interests		40	**47**
Total equity		37,890	**37,030**

See note 2 for details regarding the restatement as a result of changes in accounting policies.

The notes on pages 26 to 48 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, 2018

In HK$ million	2017 (Restated#)												
	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 reserves	Equity compensation reserve	Treasury stock	Retained profits	Total		
At January 1, 2017, as originally presented	8	7,769	26,250	12	(347)	491	26	36	(47)	4,898	39,096	63	39,159
Changes in accounting policies *(note 2)*	–	–	–	–	–	–	–	–	–	(818)	(818)	–	(818)
At January 1, 2017 (restated#)	8	7,769	26,250	12	(347)	491	26	36	(47)	4,080	38,278	63	38,341
Total comprehensive income/(loss) for the period													
Profit for the period (restated#)	–	–	–	–	–	–	–	–	–	2,139	2,139	10	2,149
Other comprehensive income/(loss)													
Items that have been reclassified or may be reclassified subsequently to consolidated income statement:													
Exchange differences on translating foreign operations	–	–	–	98	–	–	–	–	–	–	98	–	98
Cash flow hedges:													
– effective portion of changes in fair value	–	–	–	–	–	(563)	–	–	–	–	(563)	–	(563)
– transfer from equity to consolidated income statement	–	–	–	–	–	(213)	–	–	–	–	(213)	–	(213)
Total comprehensive income/(loss) for the period (restated#)	–	–	–	98	–	(776)	–	–	–	2,139	1,461	10	1,471
Transactions with equity holders													
Purchase of Share Stapled Units under the Share Stapled Units Award Schemes	–	–	–	–	–	–	–	–	(6)	–	(6)	–	(6)
Employee share-based compensation	–	–	–	–	–	–	–	13	–	–	13	–	13
Vesting of Share Stapled Units under the Share Stapled Units Award Schemes	–	–	–	–	–	–	–	(37)	43	(6)	–	–	–
Distribution/Dividend paid in respect of the previous year *(note 7(b))*	–	–	–	–	–	–	–	(2)	–	(2,630)	(2,632)	–	(2,632)
Dividend paid to the non-controlling shareholder of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	(20)	(20)
Total transactions with equity holders	–	–	–	–	–	–	–	(26)	37	(2,636)	(2,625)	(20)	(2,645)
At June 30, 2017 (restated#)	8	7,769	26,250	110	(347)	(285)	26	10	(10)	3,583	37,114	53	37,167

See note 2 for details regarding the restatement as a result of changes in accounting policies.

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

For the six months ended June 30, 2018

In HK$ million	2018 (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	Costs of hedging reserves	Other reserves	Equity compensation reserve	Treasury stock	Retained profits	Total		
At December 31, 2017 as originally presented	8	7,769	26,250	192	(347)	(121)	–	26	22	(10)	5,230	39,019	40	39,059
Changes in accounting policies *(note 2)*	–	–	–	1	–	–	–	–	–	–	(1,170)	(1,169)	–	(1,169)
At December 31, 2017 (restated#)	8	7,769	26,250	193	(347)	(121)	–	26	22	(10)	4,060	37,850	40	37,890
Changes in accounting policies *(note 2)*	–	–	–	–	–	252	(208)	–	–	–	(44)	–	–	–
At January 1, 2018 (restated#)	8	7,769	26,250	193	(347)	131	(208)	26	22	(10)	4,016	37,850	40	37,890
Total comprehensive income/(loss) for the period														
Profit for the period	–	–	–	–	–	–	–	–	–	–	1,868	1,868	15	1,883
Other comprehensive income/(loss)														
Items that have been reclassified or may be reclassified subsequently to consolidated income statement:														
Exchange differences on translating foreign operations	–	–	–	(22)	–	–	–	–	–	–	–	(22)	–	(22)
Cash flow hedges:														
– effective portion of changes in fair value	–	–	–	–	–	105	–	–	–	–	–	105	–	105
– transfer from equity to consolidated income statement	–	–	–	–	–	(36)	–	–	–	–	–	(36)	–	(36)
Costs of hedging	–	–	–	–	–	–	2	–	–	–	–	2	–	2
Total comprehensive income/(loss) for the period	–	–	–	(22)	–	69	2	–	–	–	1,868	1,917	15	1,932
Transactions with equity holders														
Purchase of Share Stapled Units under the Share Stapled Units Award Schemes	–	–	–	–	–	–	–	–	–	(11)	–	(11)	–	(11)
Employee share-based compensation	–	–	–	–	–	–	–	–	10	–	–	10	–	10
Vesting of Share Stapled Units under the Share Stapled Units Award Schemes	–	–	–	–	–	–	–	–	(22)	21	1	–	–	–
Distribution/Dividend paid in respect of the previous year *(note 7(b))*	–	–	–	–	–	–	–	–	–	–	(2,783)	(2,783)	–	(2,783)
Dividend paid to the non-controlling shareholder of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	(10)	(10)
Total contributions by and distributions to equity holders	–	–	–	–	–	–	–	–	(12)	10	(2,782)	(2,784)	(10)	(2,794)
Contribution from a non-controlling shareholder of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	2	2
Total transactions with equity holders	–	–	–	–	–	–	–	–	(12)	10	(2,782)	(2,784)	(8)	(2,792)
At June 30, 2018	8	7,769	26,250	171	(347)	200	(206)	26	10	–	3,102	36,983	47	37,030

See note 2 for details regarding the restatement as a result of changes in accounting policies.

The notes on pages 26 to 48 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, 2018

In HK$ million	2017 (Restated#)	**2018 (Unaudited)**
NET CASH GENERATED FROM OPERATING ACTIVITIES	4,680	**4,881**
INVESTING ACTIVITIES		
Investment in a joint venture	–	**(30)**
Other investing activities	(1,634)	**(1,986)**
NET CASH USED IN INVESTING ACTIVITIES	(1,634)	**(2,016)**
FINANCING ACTIVITIES		
New borrowings raised, net	4,152	**3,186**
Other financing activities (including repayment of borrowings)	(7,965)	**(6,975)**
NET CASH USED IN FINANCING ACTIVITIES	(3,813)	**(3,789)**
NET DECREASE IN CASH AND CASH EQUIVALENTS	(767)	**(924)**
Exchange differences	11	**9**
CASH AND CASH EQUIVALENTS		
Cash and cash equivalents at January 1,	2,882	**3,217**
Cash and cash equivalents at June 30,	2,126	**2,302**
Analysis of the balance of cash and cash equivalents:		
Total cash and bank balances	2,625	**2,782**
Less: short-term deposits	(450)	**(405)**
restricted cash	(49)	**(75)**
	2,126	**2,302**

See note 2 for details regarding the restatement as a result of changes in accounting policies.

The notes on pages 26 to 48 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, 2018 comprises the unaudited condensed consolidated interim financial information of the HKT Trust, HKT Limited (or the "Company") and its subsidiaries (together the "Group"), and the Group's interests in associates and joint ventures. The HKT Limited unaudited condensed consolidated interim financial information for the period ended June 30, 2018 comprises the unaudited condensed consolidated interim financial information of HKT Limited and its subsidiaries (together the "HKT Limited Group") and the HKT Limited Group's interests in associates and joint ventures, and the Company's statement of financial position.

The HKT Trust controls HKT Limited and the sole activity of the HKT Trust during the period ended June 30, 2018 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 interim financial information of the HKT Trust and of the Company together. The unaudited condensed consolidated interim financial information of the HKT Trust and the unaudited condensed consolidated interim financial information of HKT Limited are presented together to the extent they are identical and are hereinafter referred to as the "HKT Trust and HKT Limited unaudited condensed consolidated interim financial information".

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

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

The HKT Trust and HKT Limited unaudited condensed consolidated interim financial information has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The HKT Trust and HKT Limited unaudited condensed consolidated interim financial information should be read in conjunction with the annual consolidated financial statements of the HKT Trust and HKT Limited for the year ended December 31, 2017.

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 6, 2018.

1 BASIS OF PREPARATION AND PRESENTATION *(CONTINUED)*

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

The preparation of the HKT Trust and HKT Limited unaudited condensed consolidated interim financial information in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses on a year-to-date basis. Actual results may differ from these estimates. In preparing this unaudited condensed consolidated interim financial information, the significant judgements made by management in applying the Groups' accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended December 31, 2017, except for changes in estimates that are required by the changes in accounting policies as described in note 2.

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, 2017, except for the adoption of the following new or amended Hong Kong Financial Reporting Standards ("HKFRSs"), HKASs and Interpretations ("Ints") (collectively "new HKFRSs").

The following new HKFRSs are mandatory for the first time for the financial year beginning January 1, 2018 and the impacts of the adoption of the new HKFRSs are disclosed in note 2.

- HKFRS 9 (2014), *Financial Instruments*
- HKFRS 15, *Revenue from Contracts with Customers*

The following new HKFRSs are mandatory for the first time for the financial year beginning January 1, 2018, but have no material effect on the Groups' reported results and financial position for the current and prior accounting periods:

- HKAS 40 (Amendment), *Investment Property*
- HKFRS 2 (Amendment), *Share-based Payment*
- HKFRS 4 (Amendment), *Insurance Contracts*
- HK(IFRIC) – Int 22, *Foreign Currency Transactions and Advance Consideration*
- Annual Improvements to HKFRSs 2014-2016 Cycle published in March 2017 by HKICPA

The Groups have early adopted HKFRS 16 *Leases* that is mandatory for the first time for the financial year beginning January 1, 2019 and the impact of the adoption is disclosed in note 2. The Groups have not early adopted any other new HKFRSs that are not yet effective for the current accounting period.

2 CHANGES IN ACCOUNTING POLICIES UPON ADOPTION OF NEW HKFRSs

This note explains the impact of the adoption of HKFRS 9 (2014) *Financial Instruments* and HKFRS 15 *Revenue from Contracts with Customers*, and the early adoption of HKFRS 16 *Leases* on the Groups' financial statements.

a. Impacts on the financial statements

As a result of the changes in the Groups' accounting policies, prior period financial statements had to be restated as follows:

In HK$ million (except for earnings per Share Stapled Unit/share of the Company)

Consolidated income statement for the six months ended June 30, 2017 (extract)	As originally presented	HKFRS 15 (note 2(a)(i))	HKFRS 16 (note 2(a)(ii))	Restated
Revenue	15,649	(427)	(11)	15,211
Cost of sales	(6,508)	(803)	187	(7,124)
General and administrative expenses	(6,012)	937	(147)	(5,222)
Finance costs, net	(522)	–	(38)	(560)
Profit before income tax*	2,612	(293)	(9)	2,310
Income tax	(213)	48	4	(161)
Profit for the period*	2,399	(245)	(5)	2,149
Profit attributable to:				
Holders of Share Stapled Units/shares of the Company	2,389	(245)	(5)	2,139
Non-controlling interests	10	–	–	10
Profit for the period	2,399	(245)	(5)	2,149
Earnings per Share Stapled Unit/share of the Company				
Basic (cents)	31.57	(3.24)	(0.07)	28.26
Diluted (cents)	31.56	(3.24)	(0.07)	28.25

In HK$ million

Consolidated statement of comprehensive income for the six months ended June 30, 2017 (extract)	As originally presented	HKFRS 15 (note 2(a)(i))	HKFRS 16 (note 2(a)(ii))	Restated
Profit for the period	2,399	(245)	(5)	2,149
Total comprehensive income for the period*	1,721	(245)	(5)	1,471
Attributable to:				
Holders of Share Stapled Units/shares of the Company	1,711	(245)	(5)	1,461
Non-controlling interests	10	–	–	10
Total comprehensive income for the period	1,721	(245)	(5)	1,471

* The tables show the adjustments recognized for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided.

2 CHANGES IN ACCOUNTING POLICIES UPON ADOPTION OF NEW HKFRSs *(CONTINUED)*

a. Impacts on the financial statements *(continued)*

In HK$ million

Consolidated statement of financial position (extract)	As at December 31, 2017 As originally presented	HKFRS 15 (note 2(a)(i))	HKFRS 16 (note 2(a)(ii))	As at December 31, 2017 Restated	HKFRS 9 (2014) (note 2(a)(iii))	As at January 1, 2018 Restated
ASSETS AND LIABILITIES						
Non-current assets						
Right-of-use assets	–	–	2,220	2,220	–	2,220
Intangible assets	10,895	(2,929)	–	7,966	–	7,966
Fulfillment costs	–	1,378	–	1,378	–	1,378
Customer acquisition costs	–	611	–	611	–	611
Contract assets	–	350	–	350	–	350
Available-for-sale financial assets	77	–	–	77	(77)	–
Financial assets at FVOCI[i]	–	–	–	–	77	77
Deferred income tax assets	466	–	2	468	–	468
Other non-current assets	692	–	150	842	–	842
Current assets						
Prepayments, deposits and other current assets	5,484	(2,665)	(47)	2,772	–	2,772
Contract assets	–	737	–	737	–	737
Current liabilities						
Accruals and other payables	(5,183)	–	54	(5,129)	–	(5,129)
Advances from customers	(2,326)	2,085	–	(241)	–	(241)
Contract liabilities	–	(1,288)	–	(1,288)	–	(1,288)
Lease liabilities	–	–	(1,157)	(1,157)	–	(1,157)
Current income tax liabilities	(1,138)	271	11	(856)	–	(856)
Non-current liabilities						
Deferred income	(1,307)	1,307	–	–	–	–
Contract liabilities	–	(952)	–	(952)	–	(952)
Lease liabilities	–	–	(1,307)	(1,307)	–	(1,307)
Net assets*	39,059	(1,095)	(74)	37,890	–	37,890
CAPITAL AND RESERVES						
Reserves	39,011	(1,095)	(74)	37,842	–	37,842
Total equity*	39,059	(1,095)	(74)	37,890	–	37,890

i Fair value through other comprehensive income ("FVOCI")

* The table shows the adjustments recognized for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided.

2 CHANGES IN ACCOUNTING POLICIES UPON ADOPTION OF NEW HKFRSs *(CONTINUED)*

a. Impacts on the financial statements *(continued)*

In HK$ million

Condensed consolidated statement of cash flows for the six months ended June 30, 2017 (extract)	As originally presented	HKFRS 15 (note 2(a)(i))	HKFRS 16 (note 2(a)(ii))	Restated
Net cash generated from operating activities	5,381	(1,492)	791	4,680
Net cash used in investing activities	(3,126)	1,492	–	(1,634)
Net cash used in financing activities	(3,022)	–	(791)	(3,813)
Net decrease in cash and cash equivalent	(767)	–	–	(767)

(i) HKFRS 15 *Revenue from Contracts with Customers*

The Groups have adopted HKFRS 15 *Revenue from Contracts with Customers* from January 1, 2018 which resulted in changes in accounting policies and adjustments to the amounts recognized in the consolidated financial statements. In accordance with the transition provisions in HKFRS 15, the Groups have elected to apply the new standard retrospectively and have restated comparatives for the prior periods presented.

The adoption of HKFRS 15 mainly affects the accounting treatment of the Groups' sale contracts with customers in which the Groups have multiple performance obligations to customers, such as provision of telecommunications services, sale of handsets, equipment and gifts offered in the contracts.

Before adoption of HKFRS 15, the Groups capitalized the subsidized costs of handsets and gifts as customer acquisition costs under intangible assets, with no revenue being allocated to them. These customer acquisition costs were amortized over the respective minimum enforceable contractual periods on a straight-line basis. Residual value method was used to determine the fair value of the delivered element by deducting the fair value of the undelivered element from the total contract consideration.

After the adoption of HKFRS 15, the total transaction price receivable from customers in multiple-element sale contracts is allocated among all identified performance obligations of the Groups in proportion to their respective standalone selling price.

Accordingly, although the total revenue being recognized for a multiple-element sale contract over the contract period is unchanged, the amount and timing of revenue recognition for individual performance obligations would be different after the adoption of HKFRS 15. The revenue being allocated to handsets, equipment and gifts is recognized upon the delivery to customers, which is generally upfront upon entering into the sale contracts. The revenue allocated to telecommunications and other services is recognized when services are rendered, which is generally over the contract period.

Moreover, subsidized costs of handsets and gifts are no longer capitalized and amortized, but are required to be recognized as cost of sales immediately when the corresponding revenue is recognized.

Nevertheless, other direct costs incurred to acquire contractual relationships with customers and other costs incurred in fulfilling the contracts with customers are required to be capitalized as "customer acquisition costs" and "fulfillment costs" under HKFRS 15 in the consolidated statement of financial position respectively.

2 CHANGES IN ACCOUNTING POLICIES UPON ADOPTION OF NEW HKFRSs *(CONTINUED)*

a. Impacts on the financial statements *(continued)*

(i) HKFRS 15 *Revenue from Contracts with Customers* *(continued)*

As a result of the above changes, certain items in the consolidated income statement as highlighted in note 2(a) above are restated, resulting in a decrease in retained profits attributable to holders of Share Stapled Units/shares of the Company as at December 31, 2016, profit attributable to holders of Share Stapled Units/shares of the Company for the six months ended June 30, 2017 and the year ended December 31, 2017 of HK$736 million, HK$245 million and HK$359 million respectively. The Groups' EBITDA as defined and disclosed in the segment information is also restated and decreased by HK$1,230 million and HK$2,368 million for the six months ended June 30, 2017 and the year ended December 31, 2017 respectively.

For the Groups' consolidated statement of cash flows, certain items including cash outflow for certain contract related costs previously capitalized before HKFRS 15 adoption are required to be reclassified to operating activities from investing activities. Nevertheless, the Groups' total net cash flow and adjusted funds flow as defined in the Trust Deed are unaffected.

(ii) HKFRS 16 *Leases*

The Groups have early adopted HKFRS 16 *Leases* from January 1, 2018, which resulted in changes in accounting policies and adjustments to the amounts recognized in the consolidated financial statements. In accordance with the transition provisions in HKFRS 16, the Groups have elected to apply the new standard retrospectively and have restated comparatives for the prior periods presented.

Before the adoption of HKFRS 16, commitments under operating leases for future periods were not recognized by the Groups as liabilities. Operating lease rental expenses were recognized in the consolidated income statement over the lease period on a straight-line basis.

On adoption of HKFRS 16, the Groups recognized the full lease liabilities in relation to leases which had previously been classified as "operating leases" if they meet certain criteria set out in HKFRS 16. These liabilities were measured at the present value of the remaining lease payments, discounted using the Groups' incremental borrowing rate. The difference between the present value and the total remaining lease payments represents the cost of financing. Such finance cost will be charged to the consolidated income statement in the period in which it is incurred using effective interest method.

At the inception of a contract that contains a lease component, as a lessee, the Groups should allocate the consideration in the contract to each lease component on the basis of their relative standalone price. The Groups, as lessees, assessed their leases for non-lease components and separated non-lease components from lease components for certain classes of assets if the non-lease components were material.

The associated right-of-use assets were measured at the amount equal to the initial measurement of lease liabilities, adjusted by certain items as set out in note 2(b)(v). The right-of-use assets were recognized in the consolidated statement of financial position. Depreciation is charged on a straight-line basis over the shorter of the asset's useful life and the lease term.

As a result of the above changes, certain items in the consolidated income statement as highlighted in note 2(a) above are restated, resulting in a decrease in retained profits attributable to holders of Share Stapled Units/shares of the Company as at December 31, 2016 and profit attributable to holders of Share Stapled Units/shares of the Company for the six months ended June 30, 2017 of HK$82 million and HK$5 million respectively and increase in profit attributable to holders of Share Stapled Units/shares of the Company for the year ended December 31, 2017 of HK$7 million. The Groups' EBITDA as defined and disclosed in the segment information is also restated and increased by HK$809 million and HK$1,656 million for the six months ended June 30, 2017 and the year ended December 31, 2017 respectively.

Cash payments for the settlement of lease liabilities for the six months ended June 30, 2017 of HK$791 million were required to be reclassified from operating activities to financing activities according to HKFRS 16 in the restated consolidated statement of cash flows. The Groups' total net cash flow and adjusted funds flow as defined in the Trust Deed are unaffected.

2 CHANGES IN ACCOUNTING POLICIES UPON ADOPTION OF NEW HKFRSs *(CONTINUED)*

a. Impacts on the financial statements *(continued)*

(iii) HKFRS 9 (2014) *Financial Instruments*

The Groups have adopted HKFRS 9 (2014) *Financial Instruments* from January 1, 2018 which resulted in changes in accounting policies and adjustments to the amounts recognized in the consolidated financial statements. In accordance with the transition provisions, the Groups have adopted HKFRS 9 (2014) retrospectively with the reclassification and adjustment arising from initially applying HKFRS 9 (2014) recognized on January 1, 2018, with no restatements on the comparatives.

HKFRS 9 (2014) replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

On January 1, 2018 (the date of initial application of HKFRS 9 (2014)), the Groups' management has assessed the Groups' business models of management, and the contractual cash flow characteristics, of each of the Groups' financial instruments, and has classified them into the appropriate categories under HKFRS 9 (2014).

Accordingly, an investment previously classified as available-for-sale financial assets with a carrying value of HK$77 million was reclassified to financial assets at FVOCI on January 1, 2018 as these investments are held as long-term strategic investments that are not expected to be sold in the short to medium term. Such reclassification has no impact on the measurement categories.

On adoption of HKFRS 9 (2014), the Groups have applied the new hedge accounting model prospectively from January 1, 2018 except upon transition to HKFRS 9 (2014), the Groups have elected the option to separate foreign currency basis spread and exclude it from the designated hedging instrument retrospectively, resulting in a reclassification of reserves as of January 1, 2018. The Groups recognize changes in fair value of cross currency swap contracts attributable to the foreign currency basis in costs of hedging reserve within equity. This change has been applied retrospectively for cross currency swap contracts in the cash flow hedging relationships resulting in a reclassification of a credit balance of HK$44 million and a debit balance of HK$252 million from retained profits and hedging reserve, respectively, to the costs of hedging reserve as at January 1, 2018.

The Groups' financial assets classified at amortized cost, debt instruments measured at FVOCI, contract assets under HKFRS 15 and lease receivables are subject to the new expected credit loss model for impairment assessment. The results of the adopted new impairment model as at January 1, 2018 have not resulted in material impact on the carrying amount of the Groups' financial assets.

b. Accounting policies adopted since January 1, 2018

(i) Revenue recognition

Sale contracts with multiple performance obligations

The Groups enter into bundled sale contracts with customers in which, apart from provision of telecommunications services, the Groups have certain other performance obligations to customers such as delivery of handsets, equipment and gifts.
When such multiple-element arrangements exist, the total transaction price receivable from customers is allocated among the Groups' performance obligations on a relative standalone selling price basis. Management estimates the standalone selling price at contract inception based on observable retail prices of the respective performance obligations in similar circumstances to similar customers. If a bundled discount is granted, it is allocated to respective performance obligations based on their relative standalone selling prices. The costs of respective handsets, equipment and gifts delivered are required to be recognized as cost of sales when the corresponding revenue is recognized.

(ii) Contract assets/liabilities

In the case of fixed price contracts, the customer pays the fixed amount based on a payment schedule. If the performance obligations fulfilled by the Groups exceed the total payments received to date, a contract asset is recognized. If the total payments received to date exceed the performance obligation fulfilled, a contract liability is recognized. The contract assets are transferred to receivables when the Groups' rights to the contract consideration become unconditional.

2 CHANGES IN ACCOUNTING POLICIES UPON ADOPTION OF NEW HKFRSs *(CONTINUED)*

b. Accounting policies adopted since January 1, 2018 *(continued)*

(iii) Fulfillment costs

Direct costs incurred in fulfilling a contract with a customer are capitalized as an asset to the extent that the cost generates or enhances resources of the Groups that will be used in satisfying performance obligations in the future and are expected to be recovered. Fulfillment costs are amortized on a straight-line basis over the expected life of the customer contract.

(iv) Customer acquisition costs

Incremental costs incurred to obtain a contract with a customer are capitalized as customer acquisition costs if the Groups expect to recover those costs. Costs of obtaining a contract are amortized on a straight-line basis over the expected life of the customer contract.

(v) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Groups determine that the arrangement conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Such determination is made on an evaluation of the substance of the arrangement, regardless of whether the arrangements take the legal form of a lease.

Leases are initially recognized as a right-of-use asset and corresponding liability at the date of which the leased asset is available for use by the Groups. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the consolidated income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets leased by the Groups and the corresponding liabilities are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

– fixed payments (including in-substance fixed payments), less any lease incentives receivable;

– variable lease payments that are based on an index or a rate; and

– payments of penalties for terminating the lease, if the lease term reflects the Groups, as a lessee, exercising an option to terminate the lease.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Groups' incremental borrowing rate. Right-of-use assets are measured at cost comprising the following:

– the amount of the initial measurement of lease liability;

– any lease payments made at or before the commencement date, less any lease incentive received;

– any initial direct costs; and

– restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in the consolidated income statement. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise equipment and small items of office furniture.

2 CHANGES IN ACCOUNTING POLICIES UPON ADOPTION OF NEW HKFRSs *(CONTINUED)*

b. Accounting policies adopted since January 1, 2018 *(continued)*

(vi) Investments in debt and equity securities

Classification

The Groups classify its investments in debt and equity securities, other than interests in subsidiaries, associates, and joint arrangements, as:

– those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss); and

– those to be measured at amortized cost.

The classification depends on the Groups' business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments that are not held for trading, this will depend on whether the Groups have made an irrevocable election at the time of initial recognition to account for the equity instrument at FVOCI.

The Groups reclassify debt instruments when and only when its business model for managing those assets changes.

Initial measurement

At initial recognition, the Groups measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the consolidated income statement.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest.

Subsequent measurement

Debt instruments

Subsequent measurement of debt instruments depends on the Groups' business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Groups classify their debt instruments:

– Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt instrument that is subsequently measured at amortized cost is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included in interest income using the effective interest rate method.

– FVOCI: Assets that are held for collection of contractual cash flows and for sale, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment losses, interest income using the effective interest rate method and foreign exchange gains and losses which are recognized in the consolidated income statement. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to the consolidated income statement and recognized in "other gains/(losses), net".

– Fair value through profit or loss ("FVPL"): Assets that do not meet the criteria for amortized cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt instrument that is subsequently measured at fair value through profit or loss is recognized and presented net in the consolidated income statement within "other gains/(losses), net", in the period in which it arises.

2 CHANGES IN ACCOUNTING POLICIES UPON ADOPTION OF NEW HKFRSs *(CONTINUED)*

b. Accounting policies adopted since January 1, 2018 *(continued)*

(vi) Investments in debt and equity securities *(continued)*

Subsequent measurement (continued)

Equity instruments

The Groups subsequently measure all equity instruments at fair value. Where the Groups' management has elected to present fair value gains and losses on equity instruments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to the consolidated income statement following the derecognition of the investment. Dividends from such investments continue to be recognized in the consolidated income statement as "other gains/(losses), net" when the Groups' right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognized in "other gains/losses, net" in the consolidated income statement as applicable.

Impairment losses (and reversal of impairment losses) on equity instruments measured at FVOCI are not reported separately from other changes in fair value.

(vii) Hedging

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges is recognized in the hedging reserve within equity. The gain or loss relating to the ineffective portion is recognized immediately in the consolidated income statement, within finance costs.

When forward contracts are used to hedge forecast transactions, the Groups designate only the change in fair value of the forward contract related to the spot component as the hedging instrument. Gains or losses relating to the effective portion of the change in the spot component of the forward contracts are recognized in the hedging reserve within equity. The change in the forward element is recognized in the consolidated income statement.

When cross currency swap contracts are used to hedge future cash flows, the Groups designate only the change in fair value of the swap contract after exclusion of the foreign currency basis spread component as the hedging instrument. Gains or losses relating to the effective portion of the swap contract after exclusion of foreign currency basis spread component are recognized in the hedging reserve within equity. The change in fair value of the foreign currency basis spread of the swap contract to the extent it relates to the hedged item is recognized in the costs of hedging reserve within equity.

Amounts accumulated in equity are reclassified in the periods when the hedged item affects the consolidated income statement, as follows:

– The gain or loss relating to the effective portion of forward contracts is recognized in the consolidated income statement as the hedged item affects profit or loss.

– The gain or loss relating to the effective portion of the cross currency swap contracts hedging borrowings in foreign currency is recognized in the consolidated income statement within finance costs at the same time as the interest expense on the hedged borrowings.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs and affects profit or loss. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to profit or loss.

Hedge ineffectiveness is recognized in the consolidated income statement within finance costs.

2 CHANGES IN ACCOUNTING POLICIES UPON ADOPTION OF NEW HKFRSs *(CONTINUED)*

b. Accounting policies adopted since January 1, 2018 *(continued)*

(viii) Impairment of assets

The Groups assess on a forward looking basis the expected credit losses associated with their debt instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, contract assets and lease receivables, the Groups apply the simplified approach permitted by HKFRS 9 (2014), which requires expected lifetime losses to be recognized from initial recognition of the receivables.

3 STATEMENT OF FINANCIAL POSITION OF THE COMPANY

In HK$ million	Note	As at December 31, 2017 (Audited)	**As at June 30, 2018 (Unaudited)**
ASSETS AND LIABILITIES			
Non-current assets			
Interests in subsidiaries		28,111	**28,141**
		28,111	**28,141**
Current assets			
Prepayments, deposits and other current assets		4	**3**
Amounts due from subsidiaries		7,321	**7,323**
		7,325	**7,326**
Current liabilities			
Accruals and other payables		(33)	**(27)**
Amounts due to subsidiaries		(115)	**(106)**
Current income tax liabilities		–	**(11)**
		(148)	**(144)**
Net assets		35,288	**35,323**
CAPITAL AND RESERVES			
Share capital	12(a)	8	**8**
Reserves	12(b)	35,280	**35,315**
Total equity		35,288	**35,323**

4 SEGMENT INFORMATION

The chief operating decision-maker (the "CODM") is the Groups' senior executive management. The CODM reviews the Groups' internal reporting in order to assess performance and allocate resources and the segment information is reported below in accordance with this internal reporting.

The CODM considers the business from the product perspective and assesses the performance of the following segments:

– Telecommunications Services ("TSS") is the leading provider of telecommunications and related services which include local telephony, local data and broadband, international telecommunications, and other telecommunications businesses such as customer premises equipment sales, outsourcing, consulting and contact centers. It operates primarily in Hong Kong, and also serves customers in mainland China and other parts of the world.

– Mobile includes the Groups' mobile telecommunications businesses in Hong Kong.

– Other businesses of the Groups ("Other Businesses") primarily comprises new business areas such as Tap & Go mobile payment service and The Club program, and corporate support functions.

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

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

4 SEGMENT INFORMATION *(CONTINUED)*

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, 2017 (Restated)				
	TSS	Mobile	Other Businesses	Eliminations	Total
REVENUE					
External revenue	9,628	5,505	78	–	15,211
Inter-segment revenue	414	–	–	(414)	–
Total revenue	10,042	5,505	78	(414)	15,211
RESULTS					
EBITDA	3,689	2,121	(263)	–	5,547

In HK$ million	**For the six months ended June 30, 2018 (Unaudited)**				
	TSS	**Mobile**	**Other Businesses**	**Eliminations**	**Total**
REVENUE					
External revenue	**9,837**	**7,108**	**77**	**–**	**17,022**
Inter-segment revenue	**318**	**104**	**–**	**(422)**	**–**
Total revenue	**10,155**	**7,212**	**77**	**(422)**	**17,022**
RESULTS					
EBITDA	**3,762**	**2,170**	**(293)**	**–**	**5,639**

For the six months ended June 30, 2018, HK$1,019 million (2017: HK$1,129 million) of TSS revenue and HK$3,374 million (2017: HK$1,692 million) of Mobile revenue were recognized at a point in time respectively.

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

In HK$ million	**Six months ended June 30,** 2017 (Restated)	**2018 (Unaudited)**
Total segment EBITDA	5,547	**5,639**
(Loss)/gain on disposal of property, plant and equipment and intangible assets, net	(1)	**2**
Depreciation and amortization	(2,681)	**(2,701)**
Other losses, net	(2)	**(2)**
Finance costs, net	(560)	**(626)**
Share of results of associates and joint ventures	7	**(6)**
Profit before income tax	2,310	**2,306**

5 PROFIT BEFORE INCOME TAX

Profit before income tax is stated after charging the following:

In HK$ million	Six months ended June 30, 2017 (Restated)	2018 (Unaudited)
Cost of inventories sold	2,594	**4,123**
Cost of sales, excluding inventories sold	4,530	**4,735**
Depreciation of property, plant and equipment	724	**698**
Depreciation of right-of-use assets	780	**789**
Amortization of intangible assets	571	**584**
Amortization of land lease premium – interests in leasehold land	6	**6**
Amortization of fulfillment costs	206	**223**
Amortization of customer acquisition costs	394	**401**
Finance costs on borrowings	525	**576**

6 INCOME TAX

In HK$ million	Six months ended June 30, 2017 (Restated)	2018 (Unaudited)
Current income tax:		
Hong Kong profits tax	316	**293**
Overseas tax	21	**(3)**
Movement of deferred income tax	(176)	**133**
Income tax expense	161	**423**

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 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 of taxation prevailing in the respective jurisdictions.

7 DISTRIBUTIONS/DIVIDENDS

a. Distributions/Dividends attributable to the interim period

In HK$ million	Six months ended June 30, 2017 (Unaudited)	2018 (Unaudited)
Interim distribution/dividend declared after the end of the interim period of 29.12 HK cents (2017: 28.12 HK cents) per Share Stapled Unit/ordinary share of the Company	2,129	**2,205**

At meetings held on August 6, 2018, the directors of the Trustee-Manager and the Company declared an interim distribution/dividend of 29.12 HK cents per Share Stapled Unit/ordinary share of the Company for the year ending December 31, 2018. 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.

7 DISTRIBUTIONS/DIVIDENDS *(CONTINUED)*

b. Distributions/Dividends approved and paid during the interim period

In HK$ million	Six months ended June 30, 2017 (Unaudited)	**2018 (Unaudited)**
Distribution/Dividend in respect of the previous financial year, approved and paid during the interim period of 36.75 HK cents (2017: 34.76 HK cents) per Share Stapled Unit/ordinary share of the Company	2,632	**2,783**
Less: distribution/dividend for Share Stapled Units/shares held by the Company's Share Stapled Units Award Schemes	(2)	**–**
	2,630	**2,783**

8 EARNINGS PER SHARE STAPLED UNIT/SHARE OF THE COMPANY

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

	Six months ended June 30, 2017 (Restated)	**2018 (Unaudited)**
Earnings (in HK$ million)		
Earnings for the purpose of basic and diluted earnings per Share Stapled Unit/share of the Company	2,139	**1,868**
Number of Share Stapled Units/shares of the Company		
Weighted average number of Share Stapled Units/ordinary shares of the Company	7,571,742,334	**7,571,742,334**
Effect of Share Stapled Units held under the Company's Share Stapled Units Award Schemes	(3,395,685)	**(678,304)**
Weighted average number of Share Stapled Units/ordinary shares of the Company for the purpose of basic earnings per Share Stapled Unit/share of the Company	7,568,346,649	**7,571,064,030**
Effect of Share Stapled Units awarded under the Company's Share Stapled Units Award Schemes	2,027,176	**1,859,493**
Weighted average number of Share Stapled Units/ordinary shares of the Company for the purpose of diluted earnings per Share Stapled Unit/share of the Company	7,570,373,825	**7,572,923,523**

9 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, 2017 (Audited)	As at **June 30, 2018 (Unaudited)**
1 – 30 days	2,008	**2,290**
31 – 60 days	207	**555**
61 – 90 days	170	**253**
91 – 120 days	99	**136**
Over 120 days	486	**683**
	2,970	**3,917**
Less: Impairment loss for doubtful debts	(183)	**(191)**
	2,787	**3,726**

Included in trade receivables, net were the amounts due from related parties of HK$44 million and HK$36 million as at June 30, 2018 and December 31, 2017, respectively.

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

10 SHORT-TERM BORROWINGS

During the six months ended June 30, 2018, certain bank borrowings of approximately HK$7,423 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 the date of approval of this unaudited condensed consolidated interim financial information, the Groups are in the process of finalizing the documentation of refinancing of this entire balance through long-term borrowings.

As at June 30, 2018, the Groups had a total of cash and cash equivalents of HK$2,302 million, short-term deposits of HK$405 million and undrawn banking facilities of approximately HK$5,734 million.

11 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, 2017 (Audited)	As at **June 30, 2018 (Unaudited)**
1 – 30 days	1,257	**1,057**
31 – 60 days	125	**123**
61 – 90 days	39	**53**
91 – 120 days	46	**47**
Over 120 days	407	**408**
	1,874	**1,688**

Included in trade payables were the amounts due to related parties of HK$38 million and HK$50 million as at June 30, 2018 and December 31, 2017, respectively.

12 EQUITY OF HKT LIMITED

a. Share capital 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, 2017, June 30, 2017, January 1, 2018 and June 30, 2018	**7,571,742,334**	**3,785,871**
Preference shares of HK$0.0005 each		
Balances as at January 1, 2017, June 30, 2017, January 1, 2018 and June 30, 2018	**7,571,742,334**	**3,785,871**

12 EQUITY OF HKT LIMITED *(CONTINUED)*

b. Movements in reserves of the Company during the periods ended June 30, 2017 and 2018 are as follows:

	The Company		
	Six months ended June 30, 2017		
In HK$ million	Share premium (Unaudited)	Retained profits (Unaudited)	Total (Unaudited)
At January 1, 2017	35,113	122	35,235
Total comprehensive income for the period	–	2,652	2,652
Dividend paid in respect of the previous year	–	(2,632)	(2,632)
At June 30, 2017	35,113	142	35,255

	The Company		
	Six months ended June 30, 2018		
In HK$ million	**Share premium (Unaudited)**	**Retained profits (Unaudited)**	**Total (Unaudited)**
At January 1, 2018	**35,113**	**167**	**35,280**
Total comprehensive income for the period	**–**	**2,818**	**2,818**
Dividend paid in respect of the previous year	**–**	**(2,783)**	**(2,783)**
At June 30, 2018	**35,113**	**202**	**35,315**

13 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 to eligible employees of the Company and/or its participating companies during the six months ended June 30, 2018.

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 are as follows:

	Six months ended June 30, 2017	
	Number of PCCW Shares (Unaudited)	Number of Share Stapled Units (Unaudited)
As at January 1, 2017	9,918,160	5,197,383
Purchase from the market by the trustee at average market price of HK$4.79 per PCCW Share/HK$10.44 per Share Stapled Unit	2,022,000	540,000
PCCW Shares/Share Stapled Units vested	(3,802,280)	(4,647,596)
As at June 30, 2017	8,137,880	1,089,787

	Six months ended June 30, 2018	
	Number of PCCW Shares (Unaudited)	**Number of Share Stapled Units (Unaudited)**
As at January 1, 2018	**8,137,880**	**1,089,787**
Purchase from the market by the trustee at weighted average market price of HK$4.63 per PCCW Share/HK$9.91 per Share Stapled Unit	**1,204,000**	**1,117,000**
PCCW Shares/Share Stapled Units vested	**(4,858,895)**	**(2,202,970)**
As at June 30, 2018	**4,482,985**	**3,817**

The weighted average fair values of PCCW Shares and Share Stapled Units awarded during the six months ended June 30, 2018 at the dates of award are HK$4.66 (2017: HK$4.60) per PCCW Share and HK$9.97 (2017: HK$10.04) per Share Stapled Unit, which are measured by the quoted market price of the PCCW Shares and Share Stapled Units at the respective award dates respectively.

14 CAPITAL COMMITMENTS

In HK$ million	As at December 31, 2017 (Audited)	As at **June 30, 2018 (Unaudited)**
Authorized and contracted for acquisition of property, plant and equipment	823	**802**

Additions of property, plant and equipment were HK$1,345 million and HK$1,334 million for the six months ended June 30, 2018 and 2017 respectively.

15 CONTINGENT LIABILITIES

In HK$ million	As at December 31, 2017 (Audited)	As at **June 30, 2018 (Unaudited)**
Performance guarantees	237	**261**
Others	64	**63**
	301	**324**

The Groups are subject to certain corporate guarantee obligations to guarantee performance of the Company's 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.

16 RELATED PARTY TRANSACTIONS

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

In HK$ million	Note	Six months ended June 30, 2017 (Unaudited)	Six months ended June 30, 2018 (Unaudited)
Telecommunications service fees received or receivable from a substantial shareholder of PCCW	a	38	**38**
Telecommunications service fees paid or payable to a substantial shareholder of PCCW	a	38	**44**
Telecommunications service fees, interest income and other recharge costs received or receivable from joint ventures	a	25	**19**
Telecommunications service fees, equipment purchase costs, outsourcing fees and rental charges paid or payable to joint ventures	a	124	**143**
Consultancy service charges and interest income received or receivable from an associate	a	8	**8**
Telecommunications service fees paid or payable to an associate	a	9	**6**
Telecommunications service fees, equipment and inventories sales, management fee and other recharge costs received or receivable from fellow subsidiaries	a	662	**639**
Telecommunications service fees, IT and logistics charges, system development and integration charges, consultancy fee, management fee and other recharge costs paid or payable to fellow subsidiaries	a	967	**1,192**
Rental and facilities management charges paid or payable to fellow subsidiaries	a	72	**1**
Key management compensation	b	42	**42**

a. These 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, 2017 (Unaudited)	Six months ended June 30, 2018 (Unaudited)
Salaries and other short-term employee benefits	32	**32**
Share-based compensation	9	**9**
Post-employment benefits	1	**1**
	42	**42**

17 FINANCIAL INSTRUMENTS

a. Financial risk factors

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

The HKT Trust and HKT Limited unaudited condensed consolidated interim financial information does not include all financial risk management information and disclosures as required in the Groups' annual consolidated financial statements. They should be read in conjunction with the Groups' annual consolidated financial statements for the year ended December 31, 2017. There have been no material changes in the financial management policies and practices since December 31, 2017.

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 included within level 1 that are observable for the asset or liability, 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, 2017:

	As at December 31, 2017 (Audited)			
In HK$ million	Level 1	Level 2	Level 3	Total
Assets				
Available-for-sale financial assets				
– Unlisted securities	–	–	77	77
Derivative financial instruments	–	223	–	223
Financial assets at FVPL				
– Listed securities (non-current)	20	–	–	20
– Listed securities (current)	17	–	–	17
Total assets	37	223	77	337
Liabilities				
Derivative financial instruments	–	(150)	–	(150)

17 FINANCIAL INSTRUMENTS *(CONTINUED)*

b. Estimation of fair values *(continued)*

The following table presents the Groups' financial instruments that are measured at fair value at June 30, 2018:

In HK$ million	Level 1	Level 2 As at June 30, 2018 (Unaudited)	Level 3	Total
Assets				
Financial assets at FVOCI				
– Unlisted securities	–	–	77	77
Derivative financial instruments	–	277	–	277
Financial assets at FVPL				
– Listed securities (non-current)	7	–	–	7
– Listed securities (current)	13	–	–	13
Total assets	20	277	77	374
Liabilities				
Derivative financial instruments	–	(80)	–	(80)

The fair value of financial instruments traded in active markets is 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.

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, interest rate swap contracts and foreign exchange forward 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. The fair value of the foreign exchange forward contracts is calculated based on the prevailing market foreign currency exchange rates quoted for contracts with same notional amounts adjusted for maturity differences.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. During the six months ended June 30, 2018, there were no movement in the unlisted financial assets at FVOCI amounted to HK$77 million which was included in level 3 category.

There were no transfers of financial assets and liabilities between fair value hierarchy classifications during the six months ended June 30, 2018.

There were no material changes in valuation techniques during the six months ended June 30, 2018.

c. Groups' valuation process

The Groups perform and monitor the valuations of financial assets required for financial reporting purposes, including level 3 fair value. 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 December 31, 2017 and June 30, 2018 except as follows:

In HK$ million	As at December 31, 2017 Carrying amount (Audited)	Fair value (Audited)	**As at June 30, 2018** **Carrying amount (Unaudited)**	**Fair value (Unaudited)**
Long-term borrowings	39,146	39,271	**32,142**	**31,755**

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

INCOME STATEMENT OF HKT MANAGEMENT LIMITED

For the six months ended June 30, 2018

In HK$'000	Note	2017 (Unaudited)	**2018 (Unaudited)**
Management fee income		28	**26**
General and administrative expenses		(28)	**(26)**
Result before income tax	2	–	**–**
Income tax	3	–	**–**
Result for the period		–	**–**

The notes on pages 54 to 55 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, 2018

In HK$'000	2017 (Unaudited)	**2018 (Unaudited)**
Result for the period	–	**–**
Other comprehensive income	–	**–**
Total comprehensive income for the period	–	**–**

The notes on pages 54 to 55 form an integral part of this unaudited condensed interim financial information.

STATEMENT OF FINANCIAL POSITION OF HKT MANAGEMENT LIMITED

As at June 30, 2018

In HK$'000	Note	As at December 31, 2017 (Audited)	**As at June 30, 2018 (Unaudited)**
ASSETS AND LIABILITIES			
Current assets			
Amount due from a fellow subsidiary		276	**302**
		276	**302**
Current liabilities			
Accruals and other payables		(131)	**–**
Amount due to a fellow subsidiary		(145)	**(302)**
		(276)	**(302)**
Net assets		–	**–**
CAPITAL AND RESERVES			
Share capital	4	–	**–**
Reserve		–	**–**
Total equity		–	**–**

The notes on pages 54 to 55 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, 2018

	2017 (Unaudited)		
In HK$'000	Share capital	Retained profit	Total
As at January 1, 2017	–	–	–
Comprehensive income			
Result for the period	–	–	–
Other comprehensive income	–	–	–
Total comprehensive income for the period	–	–	–
Transactions with equity holder	–	–	–
As at June 30, 2017	–	–	–

	2018 (Unaudited)		
In HK$'000	**Share capital**	**Retained profit**	**Total**
As at January 1, 2018	**–**	**–**	**–**
Comprehensive income			
Result for the period	**–**	**–**	**–**
Other comprehensive income	**–**	**–**	**–**
Total comprehensive income for the period	**–**	**–**	**–**
Transactions with equity holder	**–**	**–**	**–**
As at June 30, 2018	**–**	**–**	**–**

The notes on pages 54 to 55 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, 2018

In HK$'000	2017 (Unaudited)	**2018 (Unaudited)**
Net cash generated from operating activities	–	**–**
Net cash generated from investing activities	–	**–**
Net cash generated from financing activities	–	**–**
Net change in cash and cash equivalents	–	**–**
Cash and cash equivalents at January 1,	–	**–**
Cash and cash equivalents at June 30,	–	**–**

The notes on pages 54 to 55 form an integral part of this unaudited condensed interim financial information.

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, 2017.

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 6, 2018.

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

The financial information relating to the year ended December 31, 2017 that is included in this unaudited condensed interim financial information as comparative information does not constitute the Company's statutory annual financial statements for that year but is derived from those financial statements. Further information relating to those statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

- The Company's financial statements combined with the HKT Trust and HKT Limited consolidated financial statements for the year ended December 31, 2017 has been delivered to the Registrar of Companies.

- The Company's auditor has reported on those financial statements of the Company. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Cap. 622).

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

In preparing this unaudited condensed interim financial information, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended December 31, 2017.

The accounting policies, basis of presentation and methods of computation used in preparing this unaudited condensed interim financial information are consistent with those followed in preparing the Company's annual financial statements for the year ended December 31, 2017, except for the adoption of the following new or amended Hong Kong Financial Reporting Standards ("HKFRSs"), HKASs and Interpretations ("Ints") (collectively "new HKFRSs") which are effective for accounting periods beginning January 1, 2018 as described below.

1 BASIS OF PREPARATION *(CONTINUED)*

The following new HKFRSs are mandatory for the first time for the financial year beginning January 1, 2018, but have no material effect on the Company's reported results and financial position for the current and prior accounting periods:

– HKAS 40 (Amendment), *Investment Property*
– HKFRS 2 (Amendment), *Share-based Payment*
– HKFRS 4 (Amendment), *Insurance Contracts*
– HKFRS 9 (2014), *Financial Instruments*
– HKFRS 15, *Revenue from Contracts with Customers*
– HK(IFRIC) – Int 22, *Foreign Currency Transactions and Advanced Consideration*
– Annual Improvements to HKFRSs 2014-2016 Cycle published in March 2017 by HKICPA

The Company has early adopted HKFRS 16, *Leases*, that is mandatory for the first time for the financial year beginning January 1, 2019 but has no material effect on the Company's reported results and financial position for the current and prior accounting periods. The Company has not early adopted any other new HKFRSs that are not yet effective for the current accounting period.

2 RESULT BEFORE INCOME TAX

Result before income tax is stated after charging the following:

In HK$'000	Six months ended June 30, 2017 (Unaudited)	**Six months ended June 30, 2018 (Unaudited)**
Charging:		
Auditor's remuneration	24	**24**

3 INCOME TAX

No Hong Kong profits tax has been provided as the Company did not have any assessable profit during the period (2017: same).

4 SHARE CAPITAL

	As at December 31, 2017 Number of share (Audited)	As at December 31, 2017 HK$ (Audited)	**As at June 30, 2018 Number of share (Unaudited)**	**As at June 30, 2018 HK$ (Unaudited)**
Issued and fully paid:				
Ordinary share	1	1	**1**	**1**

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, 2017 (Unaudited)	**Six months ended June 30, 2018 (Unaudited)**
Management fee receivable from a fellow subsidiary	28	**26**

a. This transaction was carried out after negotiations between the Company and the related party in the ordinary course of business and on the basis of estimated market value as determined by the directors.

b. The directors' emoluments of the Company were borne by a fellow subsidiary of the Company for the period.

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, 2018, the directors of HKT Limited (the "Company") and the directors of HKT Management Limited (the "Trustee-Manager", in its capacity as the trustee-manager of the HKT Trust) (collectively referred to as the "Directors"), the chief executives of the Company and the Trustee-Manager (collectively referred to as the "Chief Executives") and their respective close associates had the following interests or short positions in the share stapled units of HKT Trust and the Company (the "Share Stapled Units") and underlying Share Stapled Units, and the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register(s) required to be kept under Section 352 of the SFO or as otherwise notified to the Company, the Trustee-Manager and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"):

1. Interests in HKT Trust and HKT Limited

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

Name of Director/Chief Executive	Number of Share Stapled Units held Personal interests	 Corporate interests	 Other interests	Number of underlying Share Stapled Units held under equity derivatives	Total	Approximate percentage of the total number of Share Stapled Units in issue
Li Tzar Kai, Richard	–	66,247,614 *(Note 1(a))*	144,786,423 *(Note 1(b))*	–	211,034,037	2.79%
Alexander Anthony Arena	3,943,477	–	922,184 *(Note 2)*	–	4,865,661	0.06%
Hui Hon Hing, Susanna	3,049,620	–	629,253 *(Note 3)*	–	3,678,873	0.05%
Peter Anthony Allen *(Note 4)*	21,530	–	–	–	21,530	0.0003%
Srinivas Bangalore Gangaiah	112,095	–	95,744 *(Note 5)*	–	207,839	0.003%

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.

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

Notes:

1. (a) Of these Share Stapled Units, Pacific Century Diversified Limited ("PCD"), a wholly-owned subsidiary of Chiltonlink Limited ("Chiltonlink"), held 20,227,614 Share Stapled Units and Eisner Investments Limited ("Eisner") held 46,020,000 Share Stapled Units. Li Tzar Kai, Richard owned 100% of the issued share capital of Chiltonlink and Eisner.

   (b) These interests represented:

   (i) a deemed interest in 13,159,619 Share Stapled Units held by Pacific Century Group Holdings Limited ("PCGH"). Li Tzar Kai, Richard was the founder of certain trusts which held 100% interests in PCGH. Accordingly, Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the 13,159,619 Share Stapled Units held by PCGH; and

   (ii) a deemed interest in 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 88.58% 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 1.06% of the issued share capital of PCRD through Hopestar Holdings Limited, a company wholly-owned by Li Tzar Kai, Richard.

2. These interests represented awards made to Alexander Anthony Arena which were subject to certain vesting conditions pursuant to an award scheme of the Company, namely the HKT Share Stapled Units Purchase Scheme, the details of which are set out in the section below headed "**Share Stapled Units Award Schemes**".

3. These interests represented awards made to Hui Hon Hing, Susanna which were subject to certain vesting conditions pursuant to the relevant award schemes of the Company and PCCW Limited ("PCCW"), namely the HKT Share Stapled Units Purchase Scheme and the Purchase Scheme. Details of the HKT Share Stapled Units Purchase Scheme are set out in the section below headed "**Share Stapled Units Award Schemes**".

4. As disclosed in the 2017 annual report of HKT Trust and HKT Limited, a private company owned by Li Tzar Kai, Richard has provided an interest-free loan facility not exceeding the amount of S$25,000,000 (equivalent to approximately HK$148,000,000) to Peter A. Allen at his request and for personal reasons. The loan is repayable upon written request by the said private company giving six months' prior notice. This private arrangement is not connected with and does not conflict with Peter A. Allen's duties at HKT Trust and HKT Limited.

5. These interests represented an award made to BG Srinivas which was subject to certain vesting conditions pursuant to an award scheme of PCCW, namely the Purchase Scheme.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN 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

A. PCCW (the holding company of the HKT Trust and the Company)

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 Personal interests	Corporate interests	Other interests	Number of underlying shares of PCCW held under equity derivatives	Total	Approximate percentage of the total number of shares of PCCW in issue
Li Tzar Kai, Richard	–	307,694,369 *(Note 1(a))*	1,928,842,224 *(Note 1(b))*	–	2,236,536,593	28.97%
Alexander Anthony Arena	2,959,942	–	2,002,453 *(Note 3)*	200 *(Note 2)*	4,962,595	0.06%
Hui Hon Hing, Susanna	5,397,585	–	1,367,629 *(Note 3)*	–	6,765,214	0.09%
Peter Anthony Allen	272,208	–	–	–	272,208	0.004%
Srinivas Bangalore Gangaiah	782,138	–	2,963,665 *(Note 3)*	–	3,745,803	0.05%

Notes:

1. (a) Of these PCCW shares, PCD held 269,471,956 shares and Eisner held 38,222,413 shares.

   (b) These interests represented:

   (i) a deemed interest in 175,312,270 shares of PCCW held by PCGH. Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the 175,312,270 shares of PCCW held by PCGH; and

   (ii) a deemed interest in 1,753,529,954 shares of PCCW held by PCRD. Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the 1,753,529,954 shares of PCCW held by PCRD.

2. These interests represented Alexander Anthony Arena's beneficial interest in 200 underlying shares of PCCW held in the form of 20 American Depositary Receipts which constituted listed equity derivatives.

3. These interests represented awards made to these Directors which were subject to certain vesting conditions pursuant to an award scheme of PCCW, namely the Purchase Scheme.

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)*

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

The table below sets out the aggregate long positions in the 4.75% bonds due 2022 (the "2022 Bonds") issued by PCPD Capital Limited, an associated corporation of the Company, held by the Directors and the Chief Executives:

	Principal amount of the 2022 Bonds held (US$)			
Name of Director/Chief Executive	Personal interests	Corporate interests	Other interests	Total
Li Tzar Kai, Richard	–	70,000,000 *(Note 1)*	–	70,000,000
Frances Waikwun Wong	–	–	500,000 *(Note 2)*	500,000

Notes:

1. These 2022 Bonds were held by Ultimate Talent Limited, a wholly-owned subsidiary of Elderfield Limited ("Elderfield"). Li Tzar Kai, Richard owned 100% of the issued share capital of Elderfield.

2. These 2022 Bonds were held by Frances Waikwun Wong in the capacity of the founder of a discretionary trust.

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

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

Save as disclosed in the foregoing, as at June 30, 2018, 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 a Share Stapled Units option scheme (the "2011-2021 Option Scheme") which became effective upon listing of the Share Stapled Units. Under the 2011-2021 Option Scheme, the board of directors of the Trustee-Manager (the "Trustee-Manager Board") and the board of directors of the Company (the "Company Board") shall be entitled to offer to grant a Share Stapled Unit option to any eligible participant whom the Trustee-Manager Board and the Company Board may, at their absolute discretion, select.

No Share Stapled Unit options have been granted under the 2011-2021 Option Scheme since its adoption and up to and including June 30, 2018.

SHARE STAPLED UNITS AWARD SCHEMES

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

Subject to the relevant scheme rules, each scheme provides that following the making of an award to a selected participant, the relevant Share Stapled Units are held in trust for that selected participant and then shall vest over a period of time determined by the Company Board, any committee or sub-committee of the Company Board and/or any person delegated with the power and authority to administer all or any aspects of the respective Share Stapled Units Award Schemes (the "Approving Body") provided that the selected participant remains at all times up to and including the relevant vesting date (or, as the case may be, each relevant vesting date) an employee or director of the HKT Limited Group and satisfies any other conditions specified at the time the award is made, notwithstanding that the Approving Body shall be at liberty to waive such conditions.

During the six months ended June 30, 2018, an aggregate of 2,694,178 Share Stapled Units were awarded subject to certain vesting conditions pursuant to the HKT Share Stapled Units Purchase Scheme, including an award in respect of 619,673 and 268,525 Share Stapled Units made respectively to Alexander Anthony Arena and Hui Hon Hing, Susanna (the directors of the Company and the Trustee-Manager). Additionally, 39,074 Share Stapled Units have lapsed and/or been forfeited and 2,202,970 Share Stapled Units have vested during the period. As at June 30, 2018, an aggregate of 3,841,696 Share Stapled Units awarded pursuant to the HKT Share Stapled Units Purchase Scheme remained unvested. No Share Stapled Units have been awarded under the HKT Share Stapled Units Subscription Scheme since the date of its adoption and up to and including June 30, 2018.

Please also refer to the summary of movements in the Share Stapled Units held under the Share Stapled Units Award Schemes which is set out in note 13 to the HKT Trust and HKT Limited unaudited condensed consolidated interim financial information on page 44.

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

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL HOLDERS OF SHARE STAPLED UNITS

As at June 30, 2018, the following persons (other than Directors or Chief Executives) were substantial holders of Share Stapled Units, and of ordinary shares and preference shares in the Company, and had interests or short positions in the Share Stapled Units and underlying Share Stapled Units, and in the shares and underlying shares of the Company as recorded in the register(s) required to be kept under Section 336 of the SFO:

Name	Capacity	Number of Share Stapled Units held	Approximate percentage of the total number of Share Stapled Units in issue	*Note*
PCCW	Interest in controlled entity	3,934,967,681	51.97%	1
CAS Holding No. 1 Limited	Beneficial interest	3,934,967,681	51.97%	

Each Share Stapled Unit confers an interest in:

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

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

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

Notes:

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

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

Save as disclosed above in this section, the Trustee-Manager and the Company have not been notified of any other persons (other than Directors or Chief Executives) who had an interest or a short position in the Share Stapled Units or underlying Share Stapled Units, or in the shares, underlying shares or debentures of the Company as recorded in the register(s) required to be kept under Section 336 of the SFO as at June 30, 2018.

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, 2018, 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, 2018 and the unaudited condensed interim financial information of the Trustee-Manager for the same period. Such financial information of the HKT Trust and HKT Limited and of the Trustee-Manager has not been audited but has been reviewed by the independent auditor of the Trustee-Manager and the Company.

MODEL CODE SET OUT IN APPENDIX 10 TO THE LISTING RULES

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

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

CORPORATE GOVERNANCE CODE

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

The HKT Trust and the Company have applied the principles, and complied with all relevant code provisions of the Corporate Governance Code (the "CG Code") in each case as set out in Appendix 14 to the Listing Rules during the six months ended June 30, 2018, 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.

During the period covered by this report, in support of their responsibility for the risk management and internal control systems, the Directors have sought and received from the Company's management a report on the risk management and internal control systems, including an assurance that, based on the Company's ongoing assessment and validation activities, they are not aware of any material risks or internal control deficiencies which are not being adequately and appropriately mitigated and/or managed.

CORPORATE INFORMATION

HKT LIMITED

(incorporated in the Cayman Islands with limited liability)

BOARD OF DIRECTORS

Executive Directors
Li Tzar Kai, Richard *(Executive Chairman)*
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 OF HKT LIMITED AND HKT MANAGEMENT LIMITED

Bernadette M. Lomas

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

SHARE STAPLED UNITS INFORMATION

Board lot:	1,000 units
Issued units as at June 30, 2018:	7,571,742,334 units

DIVIDEND/DISTRIBUTION

Interim dividend/distribution per ordinary share/share stapled unit for the six months ended June 30, 2018:	29.12 HK cents

FINANCIAL CALENDAR

Announcement of 2018 Interim Results	August 6, 2018
Closure of books	August 30 – 31, 2018 (both days inclusive)
Record date for 2018 interim distribution	August 31, 2018
Payment of 2018 interim distribution	on or around September 27, 2018

INVESTOR RELATIONS

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

* *Subsequent to the date of this report, Alexander Anthony Arena retired as Group Managing Director and Executive Director with effect from the end of August 31, 2018; Hui Hon Hing, Susanna became Group Managing Director and stepped down as Group Chief Financial Officer with effect from September 1, 2018; and Wong Hong Kit (Evan) became Chief Financial Officer with effect from September 1, 2018.*

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

REGISTERED OFFICE

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

PRINCIPAL SHARE REGISTRAR

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

SHARE STAPLED UNITS REGISTRAR AND HONG KONG BRANCH SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
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Email: hkinfo@computershare.com.hk

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	6823
Reuters	6823.HK
Bloomberg	6823 HK

WEBSITE OF HKT LIMITED

www.hkt.com

INTERIM REPORT 2018

This Interim Report 2018 in both English and Chinese is now available in printed form from HKT Limited, HKT Management Limited and the Share Stapled Units Registrar, and in accessible format on the websites of HKT Limited (www.hkt.com/ir) and Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk).

Holders of share stapled units who:

A) received the Interim Report 2018 using electronic means through the website of HKT Limited may request a printed copy, or

B) received the Interim Report 2018 in either English or Chinese may request a printed copy of the other language version

by writing or sending email to HKT Limited and/or HKT Management Limited c/o the Share Stapled Units Registrar at:

Computershare Hong Kong Investor Services Limited
Investor Communications Centre
17M Floor, Hopewell Centre
183 Queen's Road East
Wan Chai, Hong Kong
Telephone: +852 2862 8688
Fax: +852 2865 0990
Email: hkt@computershare.com.hk

Holders of share stapled units who have chosen (or are deemed to have agreed) to receive the corporate communications of the HKT Trust, HKT Limited and HKT Management Limited (including but not limited to the Interim Report 2018) 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 2018 will promptly, upon request in writing or by email to the Share Stapled Units Registrar, be sent the Interim Report 2018 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.

Forward-Looking Statements

This interim report contains forward-looking statements. These forward-looking statements include, without limitation, statements relating to revenues and earnings. The words "believe", "intend", "expect", "anticipate", "project", "estimate", "predict", "is confident", "has confidence" and similar expressions are also intended to identify forward-looking statements. These forward-looking statements are not historical facts. Rather, the forward-looking statements are based on the current beliefs, assumptions, expectations, estimates and projections of the directors and management of HKT about the business, industry and markets in which we operate.

These forward-looking statements are not guarantees of future performance and are subject to risks, uncertainties and other factors, some of which are beyond our control and are difficult to predict. Consequently, actual results could differ materially from those expressed, implied or forecasted in the forward-looking statements. Factors that could cause actual results to differ materially from those reflected in the forward-looking statements include:

- increased competition in the Hong Kong telecommunications market;
- possible negative effects of potentially new legislation, regulations, guidelines, decisions or directives;
- possible negative effects of potentially new regulatory developments;
- our ability to implement our business plan as a consequence of our substantial debt;
- our exposure to interest rate risk;
- our ability to obtain additional capital; and
- our ability to execute our business strategy, including our ability to enter into business combinations and restructuring, strategic investments and acquisitions and challenges in growing business organically.

Reliance should not be placed on these forward-looking statements, which reflect the views of the directors and management of HKT as at the date of this interim report only. We undertake no obligation to publicly revise these forward-looking statements to reflect events or circumstances that arise after publication of this interim report.

HKT Trust (A trust constituted on November 7, 2011 under the laws of Hong Kong and managed by HKT Management Limited)
and
HKT Limited (Incorporated in the Cayman Islands with limited liability)

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