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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, enterprise solutions, 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 smarter, whether they are at home, in the workplace, or on the go. Consumers and merchants alike may also enjoy HKT's financial-related services such as mobile payment, smart mobile point-of-sale solutions, and insurance.

For enterprises, HKT delivers end-to-end integrated solutions employing emerging technologies such as cloud computing, Internet of Things (IoT) and Artificial Intelligence (AI) to accelerate their digital transformation, contributing to Hong Kong's development into a smart city.

The Club is HKT's loyalty program and one of the largest of its kind in Hong Kong, not only offering a variety of privileges and benefits to enrich the lifestyle of members, but also increasingly amalgamating merchants and becoming an integral part of a new digital ecosystem connecting consumers and merchants.

Employing over 17,300 staff, HKT is headquartered in Hong Kong and maintains a presence in mainland China as well as other parts of the world.

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

## STATEMENT FROM THE CHAIRMAN

I am pleased to report that HKT recorded solid operational results across its main lines of businesses in the six months ended June 30, 2019.

While our consumer broadband business continued to perform steadily in a highly competitive market, HKT's enterprise services made notable contribution to the first half results. Incorporating emerging technologies such as Artificial Intelligence (AI) and analytics, we provide end-to-end solutions that are beyond connectivity to meet transformation needs in the private and public sectors. During the period, we won a significant project for the design, deployment and management of Hong Kong's new generation parking meter system.

On the mobile front, we welcome the Government's decision in July to set the reserve prices of the mid-band 5G spectrum slated for auction later this year at more reasonable levels, which would be in the overall interest of the industry and consumers. HKT is getting ready for the launch of 5G services next year.

In March, a joint venture comprising HKT, PCCW and other partners was among the first applicants that were granted a virtual bank licence. We have since been working diligently to deliver a digital bank service that blends the unique contributions of each partner.

Our loyalty program, The Club, has been successful in reducing customer churn. As we understand our customers better, we have also extended service offerings for them and attracted more merchant partners to the program.

Hong Kong's economy is beset with external headwinds such as U.S.-Mainland trade tensions, and unfavorable local sentiment. Accordingly, we will perform judicious assessments and risk management as we grow our businesses, which are underpinned by our resilient telecommunications operations. We remain committed to delivering a stable return to unitholders.



**Richard Li**  
Chairman  
August 7, 2019

# STATEMENT FROM THE GROUP MANAGING DIRECTOR

In the first half of 2019, HKT continued our strategy of strengthening our existing businesses while seeking growth in new verticals. On the core businesses such as broadband and mobile communications, we focus on profitability and cash accretion with service cross-selling and upgrades, as well as enhanced operational efficiencies. On new businesses, progress has been made on many fronts which together form a rapidly maturing ecosystem of consumers and merchants.

In the following sections, I am pleased to present a review of HKT's business activities in the first six months of 2019.

## LEADING SMART SERVICES PROVIDER

HKT's fixed broadband service, NETVIGATOR, offers the most extensive FTTH (fiber-to-the-home) coverage and a broad spectrum of services with different functionalities and speeds to meet the varying needs in a home. The premium brand HKT Premier provides more customized services for customers, while LiKE100 caters to the value-seeking segment. Despite intense price competition, HKT has maintained our leadership position in the broadband market.

HKT differentiates itself from other service providers with our network reliability, excellent customer experience and continuous rollout of ARPU (average revenue per user) uplifting value-added services. For instance, nearly 300,000 households currently enjoy our home Wi-Fi solutions, representing 20% of our residential broadband customer base. The latest addition was HKT Smart Living's introduction in May of Samsung SmartThings Wifi, an AI-based mesh Wi-Fi router using multiple access points to optimize performance for a reliable home Wi-Fi experience. It also performs as a hub to control compatible smart devices and appliances.

## EMBRACING THE 5G ERA

In April, the Government allocated to HKT 400 MHz of spectrum on the 28 GHz frequency band for 5G use. One month later, we became the first Hong Kong mobile operator to conduct 5G application demo on 28 GHz band with good results. The demo achieved an end-to-end low latency of below 10ms and peak downlink speed of 2.6 Gbps in use cases including 4K camera live streaming, 4K video streaming and file download. HKT also raised the public's awareness of 5G at the HKT 5G Tech Carnival, a four-day event held in June which attracted nearly 18,000 visitors.

Although 28 GHz spectrum does not afford wide coverage, it can provide ultra high-speed and massive connectivity within the coverage area, such as hotspots at busy districts, a large compound, campus or exhibition arena. HKT is currently working to introduce 5G using 28 GHz at a number of such locations.

Mid-band spectrum on the other hand can provide more extensive coverage. HKT will participate in the Government's auction of mid-band spectrum scheduled for October this year. We appreciate the Government setting more rational reserve prices and will cautiously roll out 5G next year when the necessary ecosystem is in place, taking reference from overseas experience.

As mobile users wait for the arrival of new 5G handsets, and in the absence of other hero models, mobile phone sales generally in the market in the first half of 2019 were sluggish. Notwithstanding that, CSL Mobile's services revenue remained steady because of customer upgrades to the premium 1010 brand, our value-added services such as sports and movie content on Now E, roaming passes which can be purchased online conveniently via Club SIM, and travel insurance. Furthermore, our loyalty program, The Club, has also been effective in reducing churn.

## ENHANCING EFFICIENCIES AND MANAGEMENT

Nowadays, emerging technologies like AI, IoT (Internet of Things) and big data analytics are bringing dramatic changes to the market. Commercial enterprises and public organizations are cognizant of the need to accelerate digital transformation to achieve cost savings, improve productivity and understand customers better. Given our long-standing relationship with corporate customers, our leading fixed and mobile networks, carrier-grade cloud platform and solid solution ecosystem including partners, HKT is ideally positioned to serve customers' needs with versatility and increased speed-to-market.

During the period, HKT was awarded significant contracts by the Transport Department for the design, deployment and management of the new generation of parking meter system in Hong Kong. The system is a key smart mobility initiative of the Government's Smart City Blueprint, aiming to provide a smart on-street parking experience for motorists and to enhance the effectiveness of city management. Through a mobile app, motorists can obtain real-time information on parking vacancy, pay parking fees with multiple payment means, and top up remotely and easily.

Apart from government projects, we are building a private LTE network and a cable management system to empower the Smart Airport initiatives of the Airport Authority. We also help MTR Corporation to design and implement an integrated AV system with avant-garde digital signages and video walls to raise the brand image and shopping experience at one of its major shopping malls. In the retail sector, we empower a home products chain to enjoy scalability and versatility through the migration of its critical application to a managed private cloud platform. As a member of a new virtual bank (VB) joint venture, HKT is also closely involved in the design and build of the VB platform to combine cutting edge technologies and leading customer experiences.

### RESILIENT LOCAL AND INTERNATIONAL NETWORK

Reliability and extensive coverage of our telecommunications networks are key to HKT's success in both the consumer and enterprise markets. HKT's FTTH network covers 88% of households in Hong Kong. Our fiber network also links over 7,600 non-residential buildings. It is our objective to continue to expand our fiber coverage in a cost-effective manner to serve more customers, including those living in remote areas and outlying islands.

Ultra Express Link is a subsea fiber optic cable being constructed to link Tseung Kwan O Industrial Estate and Chai Wan. Barring unforeseen circumstances, this super-high capacity cable is expected to be operational in the fourth quarter of this year.

Our international business, PCCW Global, operates a Tier-1 global Internet backbone, increasingly driven by our software defined interconnection platform, Console Connect, which provides enterprises and service providers with on-demand access to cloud, services and applications. PCCW Global also maintains submarine cable coverage along many global routes. In a key development of PEACE (Pakistan & East Africa Connecting Europe) cable, PCCW Global secured a landing party agreement in April enabling the system to land and cross Egypt, effectively linking Asia, Africa and Europe with a 12,000km ultra-low latency high-speed cable system that will relieve congestion on one of the most critical data routes worldwide.

### A FLOURISHING ECOSYSTEM

As reported above, The Club contributes to HKT's ability to retain customers with a range of special offers and redemption items from our merchant partners. During the first half, there was a more notable growth of members who were not current HKT customers, reflecting the program's value in engaging new customers as it continues to build up an ecosystem of consumers, merchants and services. As at the end of June, there were more than 2.8 million members and over 500 coalition partners and merchants who provide products for redemption.

As a service extension to members, and to facilitate merchants to reach out to more customers, an online shopping platform, Club Like, was launched in June. Members and non-members can make purchases with Clubpoints and in cash. We leverage our retail outlets as collection points, which in turn helps increase customer traffic to the shops. In May, Club Travel launched a premier one-stop online portal offering booking of air tickets, hotels, overseas study tours, MICE (Meetings, Incentives, Conventions and Exhibitions) and show tickets. In addition to serving The Club members, corporates and other members of the public, Club Travel also serves the corporate travel needs of HKT and PCCW.

HKT Payment, a Stored Value Facilities Licence holder, continued to record growth in customer accounts of Tap & Go mobile payment service and transaction values. Tap & Go Marketplace, a virtual store in the e-wallet, was introduced in March for the expanding game-savvy younger segment, enabling customers to purchase online games virtual gift cards. We also provide solutions for estate and building management offices to collect fees and communicate with residents. Meanwhile, a smart POS (point-of-sale) device was officially launched in May with a pipeline of merchant customers in retail, food and beverages and other sectors.

On virtual banking, a joint venture comprising HKT, PCCW, Standard Chartered Bank and Ctrip Financial Management was granted a virtual bank licence by the Hong Kong Monetary Authority in March. We aim to deliver a new standalone digital retail bank in Hong Kong, integrating banking into the service offerings to customer bases of our group and our partners.

## OUTLOOK

Going forward, HKT will continue to seek to increase profitability and cash flow of our underlying businesses by providing increased value for customers and through improvements in operational efficiencies. At the same time, we will cautiously develop our new businesses, which from relatively small bases will in time provide additional momentum for growth.

We will stay at the forefront of the market, rolling out at opportune times innovative services and solutions to meet consumers' needs for smart living and to address the demand of enterprises of different sizes for smarter operations. We believe the prospect of the market of larger enterprises and public organizations is particularly positive for HKT as we have a strong niche in these segments which require complex system integration and managed services skill sets.

We welcome the Government's decision to set lower reserve prices for the mid-band 5G spectrum, which will create a more conducive environment for the industry to introducing 5G for commercial use. As Hong Kong's leading mobile service operator, we are making preparation to roll out innovative 5G services next year when the handsets, applications and content are in place.

So far this year, Hong Kong has witnessed a significant slowdown of its economic growth and a challenging environment for businesses. The outlook of the economy is subject to a high degree of uncertainty because of events taking place internationally and locally. Against this background, we will be particularly mindful of the need to conduct our businesses prudently with a view to delivering a stable return for unitholders.



**Susanna Hui**

Group Managing Director

August 7, 2019

# BOARD OF DIRECTORS

## EXECUTIVE DIRECTORS

### LI Tzar Kai, Richard

#### Executive Chairman

Mr Li, aged 52, 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 of Pacific Century Premium Developments Limited (PCPD), the Chairman of PCPD's Executive Committee, a member of PCPD's Remuneration Committee and Nomination Committee, the Chairman and an Executive Director of Singapore-based Pacific Century Regional Developments Limited (PCRD), and the Chairman of PCRD's Executive Committee.

Mr Li is a member of the Center for Strategic and International Studies' International Councillors' Group in Washington, D.C., and a member of the Global Information Infrastructure Commission. Mr Li was awarded the Lifetime Achievement Award by the Cable & Satellite Broadcasting Association of Asia in November 2011.

### HUI Hon Hing, Susanna

#### Group Managing Director

Ms Hui, aged 54, is the Group Managing Director of HKT Limited (HKT) and HKT Management Limited (Trustee-Manager), the trustee-manager of the HKT Trust, since September 2018. She has been an Executive Director of HKT and the Trustee-Manager since November 2011. She is a member of HKT's Executive Committee and holds directorships in various Group companies. She was the Group Chief Financial Officer of HKT from November 2011 to August 2018 primarily responsible for overseeing the financial matters of the Group. Ms Hui is also the 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 20 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 64, was appointed a Non-Executive Director of HKT Limited (HKT) and HKT Management Limited (Trustee-Manager), the trustee-manager of the HKT Trust, in November 2011. He is a member of HKT's Audit Committee and the Trustee-Manager's Audit Committee. He is an Executive Director and the Group Managing Director of Pacific Century Regional Developments Limited, an Executive Director and the Chief Financial Officer of the Pacific Century Group, a Director of certain FWD group companies and Senior Advisor to PCCW Limited (PCCW). He is also a Director of certain other companies controlled by Mr Li Tzar Kai, Richard, the Executive Chairman of HKT and the Trustee-Manager. Mr Allen was an Executive Director of PCCW from August 1999 to November 2011.

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

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

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

**CHUNG Cho Yee, Mico****Non-Executive Director**

Mr Chung, aged 58, 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.

**LI Fushen****Non-Executive Director**

Mr Li, aged 56, 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. Mr Li became a Non-Executive Director of PCCW Limited (PCCW) in July 2007 and the Deputy Chairman of the board of directors of PCCW in September 2018. He is a member of PCCW's Executive Committee.

Mr Li is an Executive Director of China Unicom (Hong Kong) Limited (Unicom HK). He is also a Director of China United Network Communications Group Company Limited (Unicom), China United Network Communications Limited (Unicom A-Share) and China United Network Communications Corporation Limited.

He served as Deputy General Manager of the former Jilin Provincial Telecommunications Company and Jilin Communications Company, General Manager of the Finance Department and Chief Accountant of China Network Communications Group Corporation, Chief Financial Officer, Executive Director and Joint Company Secretary of China Netcom Group Corporation (Hong Kong) Limited, Vice President and Chief Accountant of Unicom, Senior Vice President of Unicom A-Share, and Senior Vice President and Chief Financial Officer of Unicom HK.

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.

**ZHU Kebing****Non-Executive Director**

Mr Zhu, aged 44, was appointed a Non-Executive Director of HKT Limited (HKT) and HKT Management Limited, the trustee-manager of the HKT Trust, in September 2018. He is a member of HKT's Regulatory Compliance Committee. Mr Zhu is also a Non-Executive Director of PCCW Limited (PCCW) and a member of the Nomination Committee of the board of directors of PCCW.

Mr Zhu is an Executive Director and Chief Financial Officer of China Unicom (Hong Kong) Limited, the Chief Accountant of China United Network Communications Group Company Limited, the Chief Financial Officer and Board Secretary of China United Network Communications Limited, and a Director and the Chief Financial Officer of China United Network Communications Corporation Limited.

Mr Zhu previously worked as Deputy Head of the Financial Department, General Manager, Budgeting Controller and Asset Management Controller of the Operation and Financial Department of Baosteel Group Co., Ltd., Chief Financial Officer, Board Secretary and Supervisor of Baoshan Iron and Steel Co., Ltd., General Manager of the Industry Finance Development Center of China Baowu Steel Group Corporation Limited, Director of Shanghai Baosight Software Co., Ltd., Non-Executive director of China Pacific Insurance (Group) Co., Ltd., General Manager of Hwabao Investment Co., Ltd., Director of Sailing Capital International Investment Fund (Shanghai) Co., Ltd., Director of Sailing Capital Management Co., Ltd., Director of Siyuanhe Equity Investment Management Co., Ltd. and Vice President of PE Association of Shanghai etc.

Mr Zhu is a Senior Accountant graduated from Northeastern University in 1997 and he received a Professional Accountancy master's degree from Chinese University of Hong Kong in 2011. Mr Zhu has extensive experience in corporate finance and investment management.

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

**Non-Executive Director**

Mr Srinivas, aged 58, 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 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.

**INDEPENDENT NON-EXECUTIVE DIRECTORS**

**Professor CHANG Hsin Kang,**

**FREng, GBS, JP**

**Independent Non-Executive Director**

Professor Chang, aged 79, was appointed an Independent Non-Executive Director of HKT Limited (HKT) and HKT Management Limited (Trustee-Manager), the trustee-manager of the HKT Trust, in November 2011. He is 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 Légion d'Honneur as well as Commandeur dans l'Ordre des Palmes Académiques of France. He was appointed Justice of the Peace in July 1999 and awarded the Gold Bauhinia Star by the Hong Kong Government in July 2002.

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

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

#### **Sunil VARMA**

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

Mr Varma, aged 75, was appointed an Independent Non-Executive Director of HKT Limited (HKT) and HKT Management Limited (Trustee-Manager), the trustee-manager of the HKT Trust, in November 2011. He is 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 a Lead Independent Director, the Chairman of Audit Committee and a member of various committees of Dr. Lal PathLabs Limited in India.

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

#### **Aman MEHTA**

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

Mr Mehta, aged 72, 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 Godrej Consumer Products Limited, Wockhardt Limited, Tata Steel Limited and Vedanta Limited in Mumbai, India; and Max Financial Services Limited in New Delhi, India. He was an Independent Non-Executive Director of Emaar MGF Land Limited, Jet Airways (India) Limited, Cairn India Limited, Vedanta Resources plc and Tata Consultancy Services Limited; and an Independent Director on the Supervisory Board of ING Groep N.V., a Netherlands company.

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

#### **Frances Waikwun WONG**

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

Ms Wong, aged 57, 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 excluding Mobile product sales increased by 1% to HK\$13,768 million
- Total EBITDA increased by 2% to HK\$5,733 million
- Profit attributable to holders of Share Stapled Units increased by 16% to HK\$2,162 million; basic earnings per Share Stapled Unit was 28.55 HK cents
- Adjusted funds flow increased by 3% to HK\$2,272 million; adjusted funds flow per Share Stapled Unit was 30.01 HK cents
- Interim distribution per Share Stapled Unit of 30.01 HK cents

### MANAGEMENT REVIEW

We are pleased to announce that HKT delivered another solid set of financial results for the six months ended June 30, 2019, demonstrating the underlying strength of our core businesses and our leading market position as an integrated telecommunication service provider to both consumers and business customers.

During the period, we continued to invest for business growth and drive further efficiencies across all lines of our business. Total revenue excluding Mobile product sales increased by 1% to HK\$13,768 million, underpinned by steady growth in Telecommunications Services ("TSS") and Mobile services revenue. Revenue from Mobile product sales of HK\$1,341 million was recorded during the period, as compared to HK\$3,374 million a year earlier, reflecting the continued lengthening of the handset replacement cycle especially in view of the impending arrival of 5G handsets.

Total EBITDA for the period was HK\$5,733 million, an increase of 2% over the same period in 2018, as a result of further operating cost efficiencies. Profit attributable to holders of the share stapled units of the HKT Trust and HKT ("Share Stapled Units") was HK\$2,162 million, an increase of 16% over the same period in 2018. Basic earnings per Share Stapled Unit was 28.55 HK cents.

Adjusted funds flow for the six months ended June 30, 2019 expanded by 3% to HK\$2,272 million, compared to the same period in 2018. Adjusted funds flow per Share Stapled Unit<sup>4</sup> correspondingly grew by 3% to 30.01 HK cents, as compared to the same period in 2018.

The board of directors of the Trustee-Manager has resolved an interim distribution of 30.01 HK cents per Share Stapled Unit for the six months ended June 30, 2019.

### OUTLOOK

Going forward, HKT will continue to seek to increase profitability and cash flow of our underlying businesses by providing increased value for customers and through improvements in operational efficiencies. At the same time, we will cautiously develop our new businesses, which from relatively small bases will in time provide additional momentum for growth.

We will stay at the forefront of the market, rolling out at opportune times innovative services and solutions to meet consumers' needs for smart living and to address the demand of enterprises of different sizes for smarter operations. We believe the prospect of the market of larger enterprises and public organizations is particularly positive for HKT as we have a strong niche in these segments which require complex system integration and managed services skill sets.

We welcome the Government's decision to set lower reserve prices for the mid-band 5G spectrum, which will create a more conducive environment for the industry to introducing 5G for commercial use. As Hong Kong's leading mobile service operator, we are making preparation to roll out innovative 5G services next year when the handsets, applications and content are in place.

So far this year, Hong Kong has witnessed a significant slowdown of its economic growth and a challenging environment for businesses. The outlook of the economy is subject to a high degree of uncertainty because of events taking place internationally and locally. Against this background, we will be particularly mindful of the need to conduct our businesses prudently with a view to delivering a stable return for unitholders.

## FINANCIAL REVIEW BY SEGMENT

For the six months ended HK\$ million	Jun 30, 2018	Dec 31, 2018	Jun 30, 2019	Better/ (Worse) y-o-y
<b>Revenue</b>				
TSS	10,155	11,619	10,209	1%
Mobile	7,212	6,797	5,222	(28)%
– Mobile Services	3,838	4,414	3,881	1%
– Mobile Product Sales	3,374	2,383	1,341	(60)%
Other Businesses	77	163	103	34%
Eliminations	(422)	(414)	(425)	(1)%
<b>Total revenue</b>	17,022	18,165	15,109	(11)%
<b>Total revenue (excluding Mobile Product Sales)</b>	13,648	15,782	13,768	1%
<b>Cost of sales</b>	(8,858)	(9,122)	(6,950)	22%
<b>Gross margin</b>	48%	50%	54%	
<b>Gross margin (excluding Mobile Product Sales)</b>	60%	58%	59%	
<b>Operating costs before depreciation, amortization, and gain/(loss) on disposal of property, plant and equipment, net</b>	(2,525)	(2,124)	(2,426)	4%
<b>EBITDA<sup>1</sup></b>				
TSS	3,762	4,442	3,828	2%
Mobile	2,170	2,789	2,206	2%
– Mobile Services	2,201	2,833	2,222	1%
– Mobile Product Sales	(31)	(44)	(16)	48%
Other Businesses	(293)	(312)	(301)	(3)%
<b>Total EBITDA<sup>1</sup></b>	5,639	6,919	5,733	2%
<b>TSS EBITDA<sup>1</sup> Margin</b>	37%	38%	37%	
<b>Mobile EBITDA<sup>1</sup> Margin</b>	30%	41%	42%	
– Mobile Services EBITDA <sup>1</sup> Margin	57%	64%	57%	
<b>Total EBITDA<sup>1</sup> Margin</b>	33%	38%	38%	
<b>Total EBITDA<sup>1</sup> Margin (excluding Mobile Product Sales)</b>	42%	44%	42%	
Depreciation and amortization	(2,701)	(2,642)	(2,371)	12%
Gain/(loss) on disposal of property, plant and equipment, net	2	(1)	1	(50)%
Other (losses)/gains, net	(2)	4	1	NA
Finance costs, net	(626)	(724)	(662)	(6)%
Share of results of associates and joint ventures	(6)	(10)	(23)	(283)%
<b>Profit before income tax</b>	2,306	3,546	2,679	16%

### ADJUSTED FUNDS FLOW<sup>3</sup>

For the six months ended HK\$ million	Jun 30, 2018	Dec 31, 2018	Jun 30, 2019	Better/ (Worse) y-o-y
<b>Total EBITDA<sup>1</sup></b>	5,639	6,919	<b>5,733</b>	<b>2%</b>
Less cash outflows in respect of capital expenditures, customer acquisition costs and licence fees <sup>2</sup> :				
Capital expenditures	(1,322)	(1,214)	<b>(1,292)</b>	2%
Customer acquisition costs and licence fees	(444)	(804)	<b>(401)</b>	10%
Fulfillment costs	(180)	(195)	<b>(273)</b>	(52)%
Right-of-use assets	(847)	(818)	<b>(849)</b>	–
<b>Adjusted funds flow<sup>3</sup> before tax paid, net finance costs paid and changes in working capital</b>	2,846	3,888	<b>2,918</b>	<b>3%</b>
Adjusted for:				
Tax payment	(174)	(524)	<b>(185)</b>	(6)%
Net finance costs paid	(436)	(411)	<b>(473)</b>	(8)%
Changes in working capital	(31)	13	<b>12</b>	NA
<b>Adjusted funds flow<sup>3</sup></b>	2,205	2,966	<b>2,272</b>	<b>3%</b>

### KEY OPERATING DRIVERS<sup>5</sup>

	Jun 30, 2018	Dec 31, 2018	Jun 30, 2019	Better/(Worse) y-o-y	h-o-h
Exchange lines in service ('000)	2,636	2,631	<b>2,616</b>	(1)%	(1)%
Business lines ('000)	1,251	1,251	<b>1,247</b>	–	–
Residential lines ('000)	1,385	1,380	<b>1,369</b>	(1)%	(1)%
Total broadband access lines ('000)	1,606	1,615	<b>1,615</b>	1%	–
(Consumer, business and wholesale)					
Retail consumer broadband access lines ('000)	1,439	1,445	<b>1,446</b>	–	–
Retail business broadband access lines ('000)	155	158	<b>158</b>	2%	–
Mobile subscribers ('000)	4,232	4,324	<b>4,592</b>	9%	6%
Post-paid subscribers ('000)	3,242	3,247	<b>3,247</b>	–	–
Prepaid subscribers ('000)	990	1,077	<b>1,345</b>	36%	25%
The Club members ('000)	2,527	2,729	<b>2,845</b>	13%	4%
Tap & Go accounts in service ('000)	1,245	1,756	<b>2,086</b>	68%	19%

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

- 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, right-of-use assets and intangible assets, net other gains/losses, losses on property, plant and equipment, restructuring costs, impairment losses on goodwill, tangible and intangible assets and interests in associates and joint ventures, and the Group's share of results of associates and joint ventures. While EBITDA is commonly used in the telecommunications industry worldwide as an indicator of operating performance, leverage and liquidity, it is not presented as a measure of operating performance in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") and should not be considered as representing net cash flows from operating activities. The computation of the Group's EBITDA may not be comparable to similarly titled measures of other companies.*
- Note 2 Group capital expenditures represent additions to property, plant and equipment, and interests in leasehold land. Fulfillment costs and right-of-use assets are considered as part of customer acquisition costs and capital expenditures, respectively, for the purpose of adjusted funds flow calculation.*
- Note 3 Adjusted funds flow is defined as EBITDA less capital expenditures, customer acquisition costs and licence fees paid, taxes paid, finance costs and interest expense paid, and adjusted for interest income received and changes in working capital. It is not presented as a measure of leverage or liquidity in accordance with HKFRSs and should not be considered as representing net cash flows or any other similar measures derived in accordance with HKFRSs, or an alternative to cash flow from operations or a measure of liquidity. The Group's adjusted funds flow is computed in accordance with the above definition using financial information derived from the Group's unaudited condensed consolidated interim financial information. The adjusted funds flow may be used for debt repayment.*
- Note 4 Adjusted funds flow per Share Stapled Unit is calculated by dividing the adjusted funds flow for the period by the number of Share Stapled Units in issue as at June 30, 2019.*
- Note 5 Figures are stated as at the period end.*
- Note 6 Gross debt refers to the principal amount of short-term borrowings and long-term borrowings.*

## Telecommunications Services

For the six months ended HK\$ million	Jun 30, 2018	Dec 31, 2018	Jun 30, 2019	Better/ (Worse) y-o-y
<b>TSS Revenue</b>				
Local Telephony Services	1,634	1,706	<b>1,612</b>	(1)%
Local Data Services	3,372	4,000	<b>3,619</b>	7%
International Telecommunications Services	3,637	3,839	<b>3,440</b>	(5)%
Other Services	1,512	2,074	<b>1,538</b>	2%
<b>Total TSS Revenue</b>	10,155	11,619	<b>10,209</b>	<b>1%</b>
Cost of sales	(4,839)	(5,818)	<b>(4,864)</b>	(1)%
Operating costs before depreciation and amortization	(1,554)	(1,359)	<b>(1,517)</b>	2%
<b>Total TSS EBITDA<sup>1</sup></b>	3,762	4,442	<b>3,828</b>	<b>2%</b>
<b>TSS EBITDA<sup>1</sup> margin</b>	37%	38%	<b>37%</b>	

TSS revenue for the six months ended June 30, 2019 increased by 1% year-on-year to HK\$10,209 million, while EBITDA increased by 2% year-on-year to HK\$3,828 million during the period, yielding a stable EBITDA margin of 37%.

*Local Telephony Services.* Local telephony services revenue was HK\$1,612 million for the six months ended June 30, 2019, as compared to HK\$1,634 million a year earlier, reflecting the gradual transition of local telephony customers to HKT's broadband and mobile products and services. Total fixed lines in service at the end of June 2019 were 2.616 million, as compared to 2.636 million a year earlier.

*Local Data Services.* Local data services revenue, comprising broadband network revenue and local data revenue, increased by 7% year-on-year to HK\$3,619 million for the six months ended June 30, 2019.

Broadband network business sustained its revenue growth, with a 5% year-on-year improvement during the first half of 2019. This consistent growth stems from our strategy of offering territory-wide fiber-to-the-home ("FTTH") service, providing multi-brand customized services through "HKT Premier", "NETVIGATOR" and "LiKE100", and cross-selling a range of service offerings and value-added solutions such as Home Wi-Fi to meet our customers' smart living needs. As a result, the total number of broadband access lines at the end of June 2019 grew by 1% to 1.615 million from 1.606 million as at the end of June 2018, with a blended churn rate of 0.8%. Of these broadband access lines, there were 801,000 FTTH access lines which represented a net increase of 58,000 or 8% growth from a year earlier. Penetration of our Home Wi-Fi solutions continued to grow during the period, reaching nearly 300,000 customers and representing around 20% of our total consumer broadband base.

HKT leverages our technology capabilities and partnerships to provide unmatched total solution offerings for enterprise customers undergoing digital transformation. As a result, the local data business continued its growth momentum, delivering an encouraging revenue growth of 12% year-on-year in the first half of 2019. We saw continued market demand for digital transformation, artificial intelligence, video analytics and cyber security solutions, especially from large enterprises and multi-national corporations as well as the public sector. The local data business also saw healthy revenue growth from the provision of cross-border connectivity solutions and network facility management solutions integrating connectivity, cloud-based applications and ancillary co-location services to enterprise customers. During the first half of 2019, we secured new contract wins with a total value of more than HK\$2 billion, which represented over 60% growth from a year earlier.

*International Telecommunications Services.* International telecommunications services revenue for the six months ended June 30, 2019 was HK\$3,440 million, as compared to HK\$3,637 million a year earlier. The decline in revenue was mainly attributable to the compression of voice revenue as a result of a decline in the global wholesale voice business with certain international carriers. This was partly mitigated by the continued growth in demand for data connectivity services as well as the cross-selling of cloud-based services of unified communications and managed security from international carriers and enterprise customers.

*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, 2019 increased by 2% year-on-year to HK\$1,538 million primarily due to increased sales of network equipment arising from the joint collaboration between HKT and PCCW Solutions to deliver network and infrastructure solutions to enterprise customers.

## Mobile

For the six months ended HK\$ million	Jun 30, 2018	Dec 31, 2018	Jun 30, 2019	Better/ (Worse) y-o-y
<b>Mobile Revenue</b>				
Mobile Services	3,838	4,414	<b>3,881</b>	1%
Mobile Product Sales	3,374	2,383	<b>1,341</b>	(60)%
<b>Total Mobile Revenue</b>	<b>7,212</b>	<b>6,797</b>	<b>5,222</b>	<b>(28)%</b>
<b>Mobile EBITDA<sup>1</sup></b>				
Mobile Services	2,201	2,833	<b>2,222</b>	1%
Mobile Product Sales	(31)	(44)	<b>(16)</b>	48%
<b>Total Mobile EBITDA<sup>1</sup></b>	<b>2,170</b>	<b>2,789</b>	<b>2,206</b>	<b>2%</b>
<b>Mobile EBITDA<sup>1</sup> margin</b>	<b>30%</b>	<b>41%</b>	<b>42%</b>	
Mobile Services EBITDA <sup>1</sup> margin	57%	64%	<b>57%</b>	

During the first half of 2019, the Mobile business recorded continued growth in services revenue which expanded by 1% to HK\$3,881 million from HK\$3,838 million a year earlier. This was on the back of a 17% expansion in our premium 1010 customer base, customers' continued upgrading to higher-tier plans as well as the full period impact of positive pricing action that was introduced at the end of 2018. However, the value seeking segment of the market continued to be highly price competitive, which partly offset the positive impact of our price increases. During the period, Mobile services revenue was also supported by a 4% year-on-year growth in roaming revenue reflecting the increasing popularity and adoption of our easy-to-use and affordable roaming data passes which stimulates the demand from customers who had previously been using services such as pocket Wi-Fi.

The post-paid exit average revenue per user ("ARPU") as at June 2019 was HK\$198, which represented an increase of 2% from HK\$195 as at June 2018. As at June 30, 2019, our post-paid customer base expanded slightly to 3.247 million, as compared to 3.242 million a year earlier. Total customer base was 4.592 million as at June 30, 2019, an increase of 9% from 4.232 million a year earlier.

The churn rate for post-paid customers improved to 1.0% in the first half of 2019 from 1.1% a year earlier, of which the churn rate for 1010 customers was even lower at 0.8% for the period. This reflects the effectiveness of our multi-brand strategy, network leadership and enhanced customer retention efforts through The Club.

Revenue from Mobile product sales of HK\$1,341 million was recorded during the period, as compared to HK\$3,374 million a year earlier. The sluggish performance in Mobile product sales reflected the continued lengthening of the handset replacement cycle especially in view of the impending arrival of 5G handsets.

Mobile services EBITDA for the period increased by 1% year-on-year to HK\$2,222 million, benefiting from the 3% savings in operating expenses and yielding a steady margin of 57%. Total Mobile EBITDA for the period increased by 2% year-on-year to HK\$2,206 million. Total EBITDA margin improved to 42% from 30% a year earlier reflecting reduced contribution from the lower margin Mobile product sales.

### Other Businesses

Other Businesses primarily comprises new business areas such as The Club and HKT Financial Services, of which Tap & Go is a component, and corporate support functions. Revenue from Other Businesses increased by 34% year-on-year to HK\$103 million for the six months ended June 30, 2019, mainly driven by the growth of these new business units. While revenue generated from these new business units are starting from a low base, The Club achieved encouraging revenue growth during the period driven by the well-received Club Travel business launched in October 2018. As at June 30, 2019, The Club had approximately 2.8 million members, an increase of 13% from 2.5 million a year earlier. Tap & Go had approximately 2.1 million accounts in service as at June 30, 2019, an increase of 68% from 1.2 million a year earlier.

### Eliminations

Eliminations were HK\$425 million for the six months ended June 30, 2019, as compared to HK\$422 million a year earlier. This reflects the continued collaboration amongst HKT's various business segments to seamlessly integrate our capabilities and offer comprehensive products and services to consumer and enterprise customers.

### Cost of Sales

Cost of sales for the six months ended June 30, 2019 was lower by 22% year-on-year to HK\$6,950 million, reflecting the lower Mobile product sales during the period. Gross margin, therefore, improved to 54% in the first half of 2019, as compared to 48% a year earlier. Excluding Mobile product sales, gross margin was steady at 59% for the period.

### General and Administrative Expenses

During the first half of 2019, the Group continued to focus on maximizing efficiencies across our business operations, namely increased staff efficiency through business automation and digitalization processes as well as reduced operational costs from the rationalization of retail shops. As such, operating costs before depreciation, amortization, and gain on disposal of property, plant and equipment, net, ("operating costs") decreased by 4% to HK\$2,426 million for the six months ended June 30, 2019, as compared to HK\$2,525 million a year earlier. Overall operating costs to revenue ratio was 16.1% for the period, as compared to 14.8% a year earlier.

Depreciation expenses decreased by 15% year-on-year as a result of the reduction in the depreciation charge associated with right-of-use assets following our retail shop rationalization, and the Group's ongoing periodic review of useful lives of network assets. Amortization expenses also decreased by 9% due to the gradual reduction of amortization of intangible assets recognized upon the acquisition of CSL business in 2014. As a result, total depreciation and amortization expenses decreased by 12% year-on-year to HK\$2,371 million for the six months ended June 30, 2019.

General and administrative expenses, therefore, decreased by 8% to HK\$4,796 million for the six months ended June 30, 2019, as compared to HK\$5,224 million a year earlier.

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

As a result of the steady performance in the TSS and Mobile businesses and sustained operating efficiencies, overall EBITDA increased by 2% year-on-year to HK\$5,733 million for the six months ended June 30, 2019. The overall EBITDA margin improved to 38% in the first half of 2019, as compared to 33% a year earlier, reflecting the lower Mobile product sales during the period. Excluding Mobile product sales, the EBITDA margin was steady at 42%.

### Finance Costs, Net

Net finance costs for the six months ended June 30, 2019 increased by 6% to HK\$662 million from HK\$626 million a year earlier, mainly due to the general increase in HIBOR during the period. The average cost of debt increased to 3.1% during the period, as compared to 2.8% a year earlier. We will continue to closely monitor the interest rate environment to optimize the ratio of floating to fixed rate debt.

### Income Tax

Income tax expense for the six months ended June 30, 2019 was HK\$509 million, as compared to HK\$423 million a year earlier. The increase in income tax expense was mainly due to higher operating profit during the period. The effective tax rate for the period remained steady at 19%, as compared to 18% for the same period last year.

### Non-controlling Interests

Non-controlling interests of HK\$8 million (June 30, 2018: HK\$15 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, 2019 increased by 16% year-on-year to HK\$2,162 million (June 30, 2018: HK\$1,868 million).

### LIQUIDITY AND CAPITAL RESOURCES

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

HKT's gross debt<sup>6</sup> was HK\$40,387 million as at June 30, 2019 (December 31, 2018: HK\$40,387 million). Cash and short-term deposits totaled HK\$2,160 million as at June 30, 2019 (December 31, 2018: HK\$3,057 million). HKT's gross debt<sup>6</sup> to total assets was 41% as at June 30, 2019 (December 31, 2018: 41%).

As at June 30, 2019, HKT had ample liquidity as evidenced by committed banking facilities totaling HK\$31,888 million, of which HK\$9,156 million remained undrawn.

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

As at June 30, 2019, Hong Kong Telecommunications (HKT) Limited, an indirect wholly-owned subsidiary of the Company, had investment grade ratings with Moody's Investors Service (Baa2) and Standard & Poor's Ratings Services (BBB).

## CAPITAL EXPENDITURE<sup>2</sup>

Capital expenditure including capitalized interest for the six months ended June 30, 2019 was HK\$1,332 million (June 30, 2018: HK\$1,345 million). Capital expenditure relative to revenue was 8.8% for the six months ended June 30, 2019 (June 30, 2018: 7.9%).

Capital expenditure for the Mobile business remained steady in the first half of 2019 with spending focused on critical infrastructure enhancements, network capacity expansion to support data traffic growth and preparation for 5G rollout. Capital expenditure for the TSS business also remained steady during the period, of which the majority was incurred for continued demand for FTTH services and undersea cable investments.

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

## ADJUSTED FUNDS FLOW<sup>3</sup>

Adjusted funds flow increased by 3% year-on-year to HK\$2,272 million for the six months ended June 30, 2019. This growth was driven by the expansion in EBITDA, and further efficiencies in capital spending as well as customer acquisition and retention efforts. These positive factors were partially offset by increases in fulfillment costs to serve our growing base of consumer and enterprise customers as well as increases in tax payments and net financing costs. Adjusted funds flow was also improved during the period by enhanced working capital management.

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

## HEDGING

Market risk arises from foreign currency and interest rate exposure related to investments and 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, 2019, all forward and swap contracts were designated as cash flow hedges for the related borrowings of HKT.

As a result, the impacts of these operational and financial risks to HKT are considered not material.

## CHARGE ON ASSETS

As at June 30, 2019, no assets of the Group (December 31, 2018: nil) were pledged to secure loans and banking facilities of HKT.

## CONTINGENT LIABILITIES

HK\$ million	As at Dec 31, 2018 (Audited)	As at Jun 30, 2019 (Unaudited)
Performance guarantees	249	<b>603</b>
Others	64	<b>62</b>
	313	<b>665</b>

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

## HUMAN RESOURCES

HKT had over 17,300 employees as at June 30, 2019 (June 30, 2018: 17,400) located in 48 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 30.01 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, 2019 (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 30.01 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, 2019

In HK\$ million (except for earnings per Share Stapled Unit/share of the Company)	Note(s)	2018 (Unaudited)	2019 (Unaudited)
Revenue	3	17,022	<b>15,109</b>
Cost of sales		(8,858)	<b>(6,950)</b>
General and administrative expenses		(5,224)	<b>(4,796)</b>
Other (losses)/gains, net		(2)	<b>1</b>
Finance costs, net		(626)	<b>(662)</b>
Share of results of associates		–	<b>(12)</b>
Share of results of joint ventures		(6)	<b>(11)</b>
Profit before income tax	3, 4	2,306	<b>2,679</b>
Income tax	5	(423)	<b>(509)</b>
Profit for the period		1,883	<b>2,170</b>
Attributable to:			
Holders of Share Stapled Units/shares of the Company		1,868	<b>2,162</b>
Non-controlling interests		15	<b>8</b>
Profit for the period		1,883	<b>2,170</b>
Earnings per Share Stapled Unit/share of the Company			
Basic	7	24.67 cents	<b>28.55 cents</b>
Diluted	7	24.67 cents	<b>28.55 cents</b>

The notes on pages 29 to 45 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, 2019

In HK\$ million	2018 (Unaudited)	2019 (Unaudited)
Profit for the period	1,883	<b>2,170</b>
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)	<b>(2)</b>
Cash flow hedges:		
– effective portion of changes in fair value	105	<b>127</b>
– transfer from equity to consolidated income statement	(36)	<b>52</b>
Costs of hedging	2	<b>23</b>
Other comprehensive income for the period	49	<b>200</b>
Total comprehensive income for the period	1,932	<b>2,370</b>
Attributable to:		
Holders of Share Stapled Units/shares of the Company	1,917	<b>2,362</b>
Non-controlling interests	15	<b>8</b>
Total comprehensive income for the period	1,932	<b>2,370</b>

The notes on pages 29 to 45 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, 2019

In HK\$ million	Note	As at December 31, 2018 (Audited)	As at June 30, 2019 (Unaudited)
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment		20,601	21,458
Right-of-use assets		2,808	2,560
Interests in leasehold land		227	221
Goodwill		49,805	49,810
Intangible assets		8,691	8,995
Fulfillment costs		1,336	1,391
Customer acquisition costs		632	584
Contract assets		295	290
Interests in associates		–	230
Interests in joint ventures		678	616
Financial assets at fair value through other comprehensive income		77	77
Financial assets at fair value through profit or loss		8	9
Derivative financial instruments		148	177
Deferred income tax assets		465	443
Other non-current assets		1,065	1,086
		86,836	87,947
<b>Current assets</b>			
Inventories		1,080	869
Prepayments, deposits and other current assets		2,033	2,256
Contract assets		630	585
Trade receivables, net	8	3,727	3,886
Amounts due from related companies		102	118
Financial assets at fair value through profit or loss		12	7
Derivative financial instruments		–	25
Restricted cash		88	100
Short-term deposits		523	389
Cash and cash equivalents		2,534	1,771
		10,729	10,006
<b>Current liabilities</b>			
Trade payables	9	(1,787)	(2,037)
Accruals and other payables		(4,771)	(4,401)
Carrier licence fee liabilities		(173)	(152)
Amount due to a fellow subsidiary		(1,675)	(2,780)
Advances from customers		(266)	(280)
Contract liabilities		(1,415)	(1,450)
Lease liabilities		(1,293)	(1,219)
Current income tax liabilities		(761)	(851)
		(12,141)	(13,170)

In HK\$ million	Note	As at December 31, 2018 (Audited)	As at June 30, 2019 (Unaudited)
<b>Non-current liabilities</b>			
Long-term borrowings		(40,169)	<b>(40,126)</b>
Derivative financial instruments		(152)	<b>(35)</b>
Deferred income tax liabilities		(3,393)	<b>(3,605)</b>
Carrier licence fee liabilities		(357)	<b>(322)</b>
Contract liabilities		(1,010)	<b>(1,012)</b>
Lease liabilities		(1,900)	<b>(1,676)</b>
Other long-term liabilities		(849)	<b>(1,030)</b>
		(47,830)	<b>(47,806)</b>
<b>Net assets</b>		37,594	<b>36,977</b>
<b>CAPITAL AND RESERVES</b>			
Share capital	10(a)	8	<b>8</b>
Reserves		37,547	<b>36,929</b>
<b>Equity attributable to holders of Share Stapled Units/shares of the Company</b>		37,555	<b>36,937</b>
Non-controlling interests		39	<b>40</b>
<b>Total equity</b>		37,594	<b>36,977</b>

The notes on pages 29 to 45 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, 2019

In HK\$ million	2018 (Unaudited)												Non- controlling interests	Total equity
	Attributable to holders of Share Stapled Units/shares of the Company													
	Share capital	Share premium	Capital contribution reserve	Currency translation reserve	Merger reserve	Hedging reserve	Costs of hedging reserve	Other reserves	Employee share-based compensation reserve	Treasury stock	Retained profits	Total		
At January 1, 2018	8	7,769	26,250	193	(347)	131	(208)	26	22	(10)	4,016	37,850	40	37,890
<b>Total comprehensive income/(loss) for the period</b>														
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
<b>Total comprehensive income/(loss) for the period</b>	-	-	-	(22)	-	69	2	-	-	-	1,868	1,917	15	1,932
<b>Transactions with equity holders</b>														
Purchase of Share Stapled Units under the HKT Share Stapled Units Purchase Scheme	-	-	-	-	-	-	-	-	-	(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 6(b))	-	-	-	-	-	-	-	-	-	-	(2,783)	(2,783)	-	(2,783)
Dividend paid to the non-controlling shareholder of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	(10)	(10)
<b>Total contributions by and distributions to equity holders</b>	-	-	-	-	-	-	-	-	(12)	10	(2,782)	(2,784)	(10)	(2,794)
Contribution from a non-controlling shareholder of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	2	2
<b>Total transactions with equity holders</b>	-	-	-	-	-	-	-	-	(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

In HK\$ million

2019  
(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 reserve	Other reserves	Employee share-based compensation reserve	Treasury stock	Retained profits	Total		
At January 1, 2019	8	7,769	26,250	120	(347)	29	(169)	26	16	-	3,853	37,555	39	37,594
<b>Total comprehensive income/(loss) for the period</b>														
Profit for the period	-	-	-	-	-	-	-	-	-	-	2,162	2,162	8	2,170
Other comprehensive income/(loss)														
Items that have been reclassified or may be reclassified subsequently to consolidated income statement:														
Exchange differences on translating foreign operations	-	-	-	(2)	-	-	-	-	-	-	-	(2)	-	(2)
Cash flow hedges:														
– effective portion of changes in fair value	-	-	-	-	-	127	-	-	-	-	-	127	-	127
– transfer from equity to consolidated income statement	-	-	-	-	-	52	-	-	-	-	-	52	-	52
Costs of hedging	-	-	-	-	-	-	23	-	-	-	-	23	-	23
<b>Total comprehensive income/(loss) for the period</b>	-	-	-	(2)	-	179	23	-	-	-	2,162	2,362	8	2,370
<b>Transactions with equity holders</b>														
Purchase of Share Stapled Units under the HKT Share Stapled Units Purchase Scheme	-	-	-	-	-	-	-	-	-	(23)	-	(23)	-	(23)
Employee share-based compensation	-	-	-	-	-	-	-	-	9	-	-	9	-	9
Vesting of Share Stapled Units under the Share Stapled Units Award Schemes	-	-	-	-	-	-	-	-	(17)	22	(5)	-	-	-
Distribution/Dividend paid in respect of the previous year (note 6(b))	-	-	-	-	-	-	-	-	-	-	(2,966)	(2,966)	-	(2,966)
Dividend paid to the non-controlling shareholder of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	(8)	(8)
<b>Total contributions by and distributions to equity holders</b>	-	-	-	-	-	-	-	-	(8)	(1)	(2,971)	(2,980)	(8)	(2,988)
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	1	1
<b>Total transactions with equity holders</b>	-	-	-	-	-	-	-	-	(8)	(1)	(2,971)	(2,980)	(7)	(2,987)
At June 30, 2019	8	7,769	26,250	118	(347)	208	(146)	26	8	(1)	3,044	36,937	40	36,977

The notes on pages 29 to 45 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, 2019

In HK\$ million	2018 (Unaudited)	2019 (Unaudited)
<b>NET CASH GENERATED FROM OPERATING ACTIVITIES</b>	4,881	<b>4,813</b>
<b>INVESTING ACTIVITIES</b>		
Investment in SC Digital Solutions Limited – an associate engaged in virtual banking business	–	<b>(242)</b>
Investment in a joint venture	(30)	–
Other investing activities	(1,986)	<b>(1,985)</b>
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	(2,016)	<b>(2,227)</b>
<b>FINANCING ACTIVITIES</b>		
New borrowings raised, net	3,186	<b>6,649</b>
Other financing activities (including repayment of borrowings)	(6,975)	<b>(9,984)</b>
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	(3,789)	<b>(3,335)</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(924)	<b>(749)</b>
Exchange differences	9	<b>(14)</b>
<b>CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents at January 1,	3,217	<b>2,534</b>
Cash and cash equivalents at June 30,	2,302	<b>1,771</b>
Analysis of the balance of cash and cash equivalents:		
Total cash and bank balances	2,782	<b>2,260</b>
Less: short-term deposits	(405)	<b>(389)</b>
Less: restricted cash	(75)	<b>(100)</b>
	2,302	<b>1,771</b>

The notes on pages 29 to 45 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 (the “Company”). 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, 2019 comprises the unaudited condensed consolidated interim financial information of the HKT Trust, HKT Limited 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, 2019 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, 2019 was investing in HKT Limited. Therefore, the consolidated financial results and financial position that would be presented in the unaudited condensed consolidated interim financial information of the HKT Trust are identical to the consolidated financial results and financial position of HKT Limited with the only differences being disclosures of the capital of HKT Limited. The directors of the Trustee-Manager and the directors of the Company believe therefore that it is clearer to present the unaudited condensed consolidated interim financial information of the HKT Trust and of the Company together. The unaudited condensed consolidated interim financial information of the HKT Trust and the unaudited condensed consolidated interim financial information of 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, 2018.

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 7, 2019.

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

**1 BASIS OF PREPARATION AND PRESENTATION (CONTINUED)**

As at June 30, 2019, the current liabilities of the Groups exceeded their current assets by approximately HK\$3,164 million. Included in the current liabilities were current portion of contract liabilities of HK\$1,450 million recognized under Hong Kong Financial Reporting Standard (“HKFRS”) 15 which will gradually reduce over the contract terms through the satisfaction of performance obligations and current portion of lease liabilities of HK\$1,219 million recognized under HKFRS 16 which is the amount related to leases that has a lease term more than 12 months and with a corresponding asset recorded in the non-current assets as right-of-use assets. Management of the Groups anticipates the net cash inflows from their operations, together with the ability to draw down from available bank loan facilities, would be sufficient to enable the Groups to meet their liabilities as and when they fall due. Accordingly, this unaudited condensed consolidated interim financial information has been prepared on a going concern basis.

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 the reported amounts of assets, liabilities, income and expenses on a year-to-date basis. Actual results may differ from these estimates.

In preparing this unaudited condensed consolidated interim financial information, the significant judgements made by management in applying the Groups’ accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended December 31, 2018, with the exception of changes in estimates that are required in determining the useful lives of certain property, plant and equipment. As part of the Groups’ continuous accounting procedure, it is required to reassess the useful lives of property, plant and equipment on a regular basis. Pursuant to such reassessment, the Groups’ profit attributable to the holders of Share Stapled Units/shares of the Company for the six months ended June 30, 2019 increased by HK\$102 million and the equity attributable to the holders of Share Stapled Units/shares of the Company as at June 30, 2019 increased by HK\$102 million.

The accounting policies, basis of presentation and methods of computation used in preparing the HKT Trust and HKT Limited unaudited condensed consolidated interim financial information are consistent with those followed in preparing the Groups’ annual consolidated financial statements for the year ended December 31, 2018, except for the adoption of the following new or amended HKFRSs, HKASs and Interpretations (“Ints”) (collectively “new or amended HKFRSs”) which are effective for accounting periods beginning on or after January 1, 2019 as described below.

The following new or amended HKFRSs are mandatory for the first time for the financial year beginning January 1, 2019, but have no material effect on the Groups’ reported results and financial position for the current and prior accounting periods:

- HKAS 19 (2011) (Amendments), *Employee Benefits*
- HKAS 28 (2011) (Amendments), *Investments in Associates and Joint Ventures*
- HKFRS 9 (2014) (Amendments), *Financial Instruments*
- HK(IFRIC) – Int 23, *Uncertainty over Income Tax Treatments*
- Annual Improvements to HKFRSs 2015-2017 Cycle issued in February 2018 by HKICPA

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

## 2 STATEMENT OF FINANCIAL POSITION OF THE COMPANY

In HK\$ million	Note	As at December 31, 2018 (Audited)	As at June 30, 2019 (Unaudited)
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Interests in subsidiaries		28,143	<b>28,387</b>
		28,143	<b>28,387</b>
<b>Current assets</b>			
Prepayments and deposits		3	<b>2</b>
Amounts due from subsidiaries		7,366	<b>7,185</b>
		7,369	<b>7,187</b>
<b>Current liabilities</b>			
Accruals and other payables		(30)	<b>(30)</b>
Amounts due to subsidiaries		(96)	<b>(96)</b>
Current income tax liabilities		(9)	<b>(19)</b>
		(135)	<b>(145)</b>
<b>Net assets</b>		<b>35,377</b>	<b>35,429</b>
<b>CAPITAL AND RESERVES</b>			
Share capital	10(a)	8	<b>8</b>
Reserves	10(b)	35,369	<b>35,421</b>
<b>Total equity</b>		<b>35,377</b>	<b>35,429</b>

### 3 SEGMENT INFORMATION

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

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

- Telecommunications Services (“TSS”) is the leading provider of telecommunications and related services which include local telephony, local data and broadband, international telecommunications, enterprise solutions, 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 The Club and HKT Financial Services, of which Tap & Go is a component, 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, right-of-use assets and intangible assets, net other gains/losses, losses on property, plant and equipment, restructuring costs, impairment losses on goodwill, tangible and intangible assets and interests in associates and joint ventures, and the Groups’ share of results of associates and joint ventures.

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

### 3 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, 2018 (Unaudited)				
	TSS	Mobile	Other Businesses	Eliminations	Total
<b>REVENUE</b>					
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
Revenue from contracts with customers:					
Timing of revenue recognition					
At a point in time	1,019	3,374	68	(102)	4,359
Over time	9,107	3,838	9	(320)	12,634
Revenue from other sources:					
Rental income	29	–	–	–	29
	10,155	7,212	77	(422)	17,022
<b>RESULTS</b>					
EBITDA	3,762	2,170	(293)	–	5,639

  

In HK\$ million	For the six months ended June 30, 2019 (Unaudited)				
	TSS	Mobile	Other Businesses	Eliminations	Total
<b>REVENUE</b>					
External revenue	9,871	5,139	99	–	15,109
Inter-segment revenue	338	83	4	(425)	–
Total revenue	10,209	5,222	103	(425)	15,109
Revenue from contracts with customers:					
Timing of revenue recognition					
At a point in time	1,055	1,341	26	(59)	2,363
Over time	9,118	3,881	77	(363)	12,713
Revenue from other sources:					
Rental income	36	–	–	(3)	33
	10,209	5,222	103	(425)	15,109
<b>RESULTS</b>					
EBITDA	3,828	2,206	(301)	–	5,733

For the six months ended June 30, 2019

**3 SEGMENT INFORMATION (CONTINUED)**

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

In HK\$ million	Six months ended June 30,	
	2018 (Unaudited)	2019 (Unaudited)
Total segment EBITDA	5,639	<b>5,733</b>
Gain on disposal of property, plant and equipment, net	2	<b>1</b>
Depreciation and amortization	(2,701)	<b>(2,371)</b>
Other (losses)/gains, net	(2)	<b>1</b>
Finance costs, net	(626)	<b>(662)</b>
Share of results of associates and joint ventures	(6)	<b>(23)</b>
Profit before income tax	2,306	<b>2,679</b>

**4 PROFIT BEFORE INCOME TAX**

Profit before income tax is stated after charging the following:

In HK\$ million	Six months ended June 30,	
	2018 (Unaudited)	2019 (Unaudited)
Cost of inventories sold	4,123	<b>2,261</b>
Cost of sales, excluding inventories sold	4,735	<b>4,689</b>
Depreciation of property, plant and equipment	698	<b>513</b>
Depreciation of right-of-use assets	789	<b>752</b>
Amortization of intangible assets	584	<b>488</b>
Amortization of fulfillment costs	223	<b>218</b>
Amortization of customer acquisition costs	401	<b>394</b>
Amortization of land lease premium – interests in leasehold land	6	<b>6</b>
Impairment loss for trade receivables	129	<b>150</b>
Finance costs on borrowings	576	<b>640</b>

## 5 INCOME TAX

In HK\$ million	Six months ended June 30,	
	2018 (Unaudited)	2019 (Unaudited)
Current income tax:		
Hong Kong profits tax	293	268
Overseas tax	(3)	7
Movement of deferred income tax	133	234
Income tax expense	423	509

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 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.

## 6 DISTRIBUTIONS/DIVIDENDS

### a. Distributions/Dividends attributable to the interim period

In HK\$ million	Six months ended June 30,	
	2018 (Unaudited)	2019 (Unaudited)
Interim distribution/dividend declared after the end of the interim period of 30.01 HK cents (2018: 29.12 HK cents) per Share Stapled Unit/ordinary share of the Company	2,205	2,272

At meetings held on August 7, 2019, the directors of the Trustee-Manager and the Company declared an interim distribution/dividend of 30.01 HK cents per Share Stapled Unit/ordinary share of the Company for the year ending December 31, 2019. This interim distribution/dividend is not reflected as a distribution/dividend payable in the HKT Trust and HKT Limited unaudited condensed consolidated interim financial information.

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

In HK\$ million	Six months ended June 30,	
	2018 (Unaudited)	2019 (Unaudited)
Final distribution/dividend declared in respect of the previous financial year, approved and paid during the interim period of 39.17 HK cents (2018: 36.75 HK cents) per Share Stapled Unit/ordinary share of the Company	2,783	2,966

For the six months ended June 30, 2019

**7 EARNINGS PER SHARE STAPLED UNIT/SHARE OF THE COMPANY**

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

	<b>Six months ended June 30,</b>	
	<b>2018</b>	<b>2019</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Earnings (in HK\$ million)</b>		
Earnings for the purpose of basic and diluted earnings per Share Stapled Unit/share of the Company	1,868	<b>2,162</b>
<b>Number of Share Stapled Units/shares of the Company</b>		
Weighted average number of Share Stapled Units/ordinary shares of the Company	7,571,742,334	<b>7,571,742,334</b>
Effect of Share Stapled Units held under the Company's Share Stapled Units Award Schemes	(678,304)	<b>(356,911)</b>
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	7,571,064,030	<b>7,571,385,423</b>
Effect of Share Stapled Units awarded under the Company's Share Stapled Units Award Schemes	1,859,493	<b>1,659,062</b>
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	7,572,923,523	<b>7,573,044,485</b>

## 8 TRADE RECEIVABLES, NET

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

In HK\$ million	As at	
	December 31, 2018 (Audited)	June 30, 2019 (Unaudited)
1 – 30 days	2,889	<b>2,872</b>
31 – 60 days	288	<b>305</b>
61 – 90 days	155	<b>179</b>
91 – 120 days	99	<b>162</b>
Over 120 days	431	<b>551</b>
	3,862	<b>4,069</b>
Less: loss allowance	(135)	<b>(183)</b>
Trade receivables, net	3,727	<b>3,886</b>

Included in trade receivables, net were amounts due from related parties of HK\$56 million and HK\$47 million as at June 30, 2019 and December 31, 2018 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.

For the six months ended June 30, 2019

**9 TRADE PAYABLES**

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

In HK\$ million	As at	
	December 31, 2018 (Audited)	June 30, 2019 (Unaudited)
1 – 30 days	1,205	<b>1,288</b>
31 – 60 days	121	<b>162</b>
61 – 90 days	53	<b>91</b>
91 – 120 days	22	<b>74</b>
Over 120 days	386	<b>422</b>
	1,787	<b>2,037</b>

Included in trade payables were amounts due to related parties of HK\$35 million and HK\$32 million as at June 30, 2019 and December 31, 2018 respectively.

**10 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 Balances as at January 1, 2018, June 30, 2018, January 1, 2019 and June 30, 2019	<b>20,000,000,000</b>	<b>10,000,000</b>
Preference shares of HK\$0.0005 each Balances as at January 1, 2018, June 30, 2018, January 1, 2019 and June 30, 2019	<b>20,000,000,000</b>	<b>10,000,000</b>
Issued and fully paid: Ordinary shares of HK\$0.0005 each Balances as at January 1, 2018, June 30, 2018, January 1, 2019 and June 30, 2019	<b>7,571,742,334</b>	<b>3,785,871</b>
Preference shares of HK\$0.0005 each Balances as at January 1, 2018, June 30, 2018, January 1, 2019 and June 30, 2019	<b>7,571,742,334</b>	<b>3,785,871</b>

## 10 EQUITY OF HKT LIMITED (CONTINUED)

b. Movements in reserves of the Company during the periods ended June 30, 2018 and 2019 are as follows:

In HK\$ million	The Company Six months ended June 30, 2018		
	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

In HK\$ million	The Company Six months ended June 30, 2019		
	Share premium (Unaudited)	Retained profits (Unaudited)	Total (Unaudited)
At January 1, 2019	35,113	256	35,369
Total comprehensive income for the period	–	3,018	3,018
Dividend paid in respect of the previous year	–	(2,966)	(2,966)
At June 30, 2019	35,113	308	35,421

For the six months ended June 30, 2019

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

Pursuant to the two share incentive award schemes of PCCW, namely the Purchase Scheme and the Subscription Scheme (collectively the “PCCW Share Award Schemes”) and the two award schemes of the Company, namely the HKT Share Stapled Units Purchase Scheme and the HKT Share Stapled Units Subscription Scheme (collectively the “Share Stapled Units Award Schemes”), PCCW and the Company have awarded a number of 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, 2019.

A summary of movements in the number of PCCW Shares and 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, 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
	Six months ended June 30, 2019 Number of PCCW Shares (Unaudited)	Number of Share Stapled Units (Unaudited)
As at January 1, 2019	4,477,347	245
Purchase from the market by the trustee at weighted average market price of HK\$4.75 per PCCW Share/HK\$12.23 per Share Stapled Unit	1,078,000	1,875,000
PCCW Shares/Share Stapled Units vested	(3,753,774)	(1,828,323)
As at June 30, 2019	1,801,573	46,922

The weighted average fair values of the PCCW Shares and the Share Stapled Units awarded during the six months ended June 30, 2019 at the dates of award are HK\$4.74 (2018: HK\$4.66) per PCCW Share and HK\$12.38 (2018: HK\$9.97) per Share Stapled Unit respectively, which are measured by the respective quoted market prices of the PCCW Shares and the Share Stapled Units at the respective award dates.

## 12 COMMITMENTS

### a. Capital

In HK\$ million	As at	
	December 31, 2018 (Audited)	June 30, 2019 (Unaudited)
Authorized and contracted for	783	1,036

Included in the capital commitments were commitments of HK\$797 million and HK\$783 million for the purchase of property, plant and equipment as at June 30, 2019 and December 31, 2018 respectively.

Additions of property, plant and equipment were HK\$1,332 million and HK\$1,345 million for the six months ended June 30, 2019 and 2018 respectively.

### b. Others

In HK\$ million	As at	
	December 31, 2018 (Audited)	June 30, 2019 (Unaudited)
Operating expenditure commitments	3,514	3,300

## 13 CONTINGENT LIABILITIES

In HK\$ million	As at	
	December 31, 2018 (Audited)	June 30, 2019 (Unaudited)
Performance guarantees	249	603
Others	64	62
	313	665

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

For the six months ended June 30, 2019

**14 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,	
		2018 (Unaudited)	2019 (Unaudited)
Telecommunications service fees received or receivable from a substantial shareholder of PCCW	a	38	34
Telecommunications service fees paid or payable to a substantial shareholder of PCCW	a	44	43
Telecommunications service fees and interest income received or receivable from joint ventures	a	19	19
Telecommunications service fees, equipment purchase costs, outsourcing fees and rental charges paid or payable to joint ventures	a	143	154
Consultancy service charges and interest income received or receivable from an associate	a	8	–
Telecommunications service fees paid or payable to an associate	a	6	–
Telecommunications service fees, connectivity service fees, equipment sales and insurance premium received or receivable from related parties under a common shareholder with the Company	a	–	22
Insurance premium paid or payable to related parties under a common shareholder with the Company	a	–	3
Telecommunications service fees, equipment sales, management fee and other recharge costs received or receivable from fellow subsidiaries	a	639	961
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	1,192	1,164
Rental and facilities management charges paid or payable to fellow subsidiaries	a	1	1
Key management compensation	b	42	17

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

**b. Details of key management compensation**

In HK\$ million	Six months ended June 30,	
	2018 (Unaudited)	2019 (Unaudited)
Salaries and other short-term employee benefits	32	14
Share-based compensation	9	3
Post-employment benefits	1	–
	42	17

## 15 FINANCIAL INSTRUMENTS

### a. Financial risk factors

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

The HKT Trust and HKT Limited unaudited condensed consolidated interim financial information does not include all financial risk management information and disclosures as required in the Groups' annual consolidated financial statements. It should be read in conjunction with the Groups' annual consolidated financial statements for the year ended December 31, 2018. There have been no material changes in the financial management policies and practices since December 31, 2018.

### b. Estimation of fair values

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

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

The following table presents the Groups' financial assets and liabilities that are measured at fair value as at December 31, 2018:

In HK\$ million	As at December 31, 2018 (Audited)			Total
	Level 1	Level 2	Level 3	
Assets				
Financial assets at FVOCI <sup>1</sup>				
– Unlisted securities	–	–	77	77
Derivative financial instruments (non-current)	–	148	–	148
Financial assets at FVPL <sup>2</sup>				
– Listed securities (non-current)	8	–	–	8
– Listed securities (current)	12	–	–	12
Total assets	20	148	77	245
Liabilities				
Derivative financial instruments	–	(152)	–	(152)

For the six months ended June 30, 2019

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

The following table presents the Groups' financial assets and liabilities that are measured at fair value as at June 30, 2019:

In HK\$ million	As at June 30, 2019 (Unaudited)			Total
	Level 1	Level 2	Level 3	
<b>Assets</b>				
Financial assets at FVOCI <sup>1</sup>				
– Unlisted securities	–	–	77	77
Derivative financial instruments				
– non-current	–	177	–	177
– current	–	25	–	25
Financial assets at FVPL <sup>2</sup>				
– Unlisted securities (non-current)	–	–	8	8
– Listed securities (non-current)	1	–	–	1
– Listed securities (current)	7	–	–	7
<b>Total assets</b>	<b>8</b>	<b>202</b>	<b>85</b>	<b>295</b>
<b>Liabilities</b>				
Derivative financial instruments	–	(35)	–	(35)

<sup>1</sup> FVOCI refers to fair value through other comprehensive income

<sup>2</sup> FVPL refers to fair value through profit or loss

Instruments included in level 1 comprise PCCW Shares acquired or subscribed under PCCW Share Award Schemes and classified as financial assets at FVPL.

Instruments included in level 2 comprise cross currency swap contracts, interest rate swap contracts and a foreign exchange forward contract classified as derivative financial instruments. In measuring the swap transactions, the fair value is the net present value of the estimated future cash flows discounted at the market quoted swap rates. The fair value of the foreign exchange forward contract is calculated based on the prevailing market foreign currency exchange rates quoted for contracts with same notional amounts adjusted for maturity differences.

Instruments included in level 3 comprise unlisted equity investments which is classified as financial assets at FVOCI or financial assets at FVPL. During the six months ended June 30, 2019, there was an addition of HK\$8 million in the instruments included in level 3.

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

There were no transfers of financial assets and liabilities between fair value hierarchy classifications during the six months ended June 30, 2019.

There were no material changes in valuation techniques during the six months ended June 30, 2019.

## 15 FINANCIAL INSTRUMENTS (CONTINUED)

### c. Groups' valuation process

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

### d. Fair values of financial instruments measured at amortized cost

All financial instruments were carried at amounts not materially different from their fair values as at December 31, 2018 and June 30, 2019 except as follows:

In HK\$ million	As at December 31, 2018		As at June 30, 2019	
	Carrying amount (Audited)	Fair value (Audited)	Carrying amount (Unaudited)	Fair value (Unaudited)
Long-term borrowings	40,169	39,736	40,126	40,558

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, 2019

In HK\$'000	Note	2018 (Unaudited)	2019 (Unaudited)
Management fee income		26	<b>27</b>
General and administrative expenses		(26)	<b>(27)</b>
Result before income tax	2	–	–
Income tax	3	–	–
Result for the period		–	–

The notes on pages 51 to 52 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, 2019

In HK\$'000	2018 (Unaudited)	2019 (Unaudited)
Result for the period	–	–
Other comprehensive income	–	–
Total comprehensive income for the period	–	–

The notes on pages 51 to 52 form an integral part of this unaudited condensed interim financial information.

# STATEMENT OF FINANCIAL POSITION OF HKT MANAGEMENT LIMITED

As at June 30, 2019

In HK\$'000	Note	As at December 31, 2018 (Audited)	As at June 30, 2019 (Unaudited)
<b>ASSETS AND LIABILITIES</b>			
<b>Current assets</b>			
Amount due from a fellow subsidiary		330	357
		330	357
<b>Current liabilities</b>			
Accruals and other payables		(51)	(25)
Amounts due to fellow subsidiaries		(279)	(332)
		(330)	(357)
<b>Net assets</b>		–	–
<b>CAPITAL AND RESERVES</b>			
Share capital	4	–	–
Reserves		–	–
<b>Total equity</b>		–	–

The notes on pages 51 to 52 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, 2019

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

In HK\$'000	2019 (Unaudited)		
	Share capital	Retained profit	Total
<b>As at January 1, 2019</b>	–	–	–
<b>Comprehensive income</b>			
Result for the period	–	–	–
Other comprehensive income	–	–	–
Total comprehensive income for the period	–	–	–
<b>Transactions with the equity holder of the Company</b>	–	–	–
<b>As at June 30, 2019</b>	–	–	–

The notes on pages 51 to 52 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, 2019

In HK\$'000	2018 (Unaudited)	2019 (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 51 to 52 form an integral part of this unaudited condensed interim financial information.

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

For the six months ended June 30, 2019

## 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, 2018.

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 7, 2019.

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, 2018 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, 2018 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, 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, 2018.

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, 2018, except for the adoption of the following new or amended Hong Kong Financial Reporting Standards (“HKFRSs”), HKASs and Interpretations (“Ints”) (collectively “new or amended HKFRSs”) which are effective for accounting periods beginning on or after January 1, 2019 as described below.

The following new or amended HKFRSs are mandatory for the first time for the financial year beginning January 1, 2019, but have no material effect on the Company’s reported results and financial position for the current and prior accounting periods:

- HKAS 19 (2011) (Amendments), *Employee Benefits*
- HKAS 28 (2011) (Amendments), *Investments in Associates and Joint Ventures*
- HKFRS 9 (2014) (Amendments), *Financial Instruments*
- HK(IFRIC) – Int 23, *Uncertainty over Income Tax Treatments*
- Annual Improvements to HKFRSs 2015-2017 Cycle issued in February 2018 by HKICPA

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

For the six months ended June 30, 2019

**2 RESULT BEFORE INCOME TAX**

Result before income tax is stated after charging the following:

In HK\$'000	Six months ended June 30,	
	2018 (Unaudited)	2019 (Unaudited)
Charging:		
Auditor's remuneration	24	27

**3 INCOME TAX**

No Hong Kong profits tax has been provided as the Company did not have any assessable profit during the period (2018: same).

**4 SHARE CAPITAL**

	Number of share (Unaudited)	Share capital (Unaudited) HK\$
Issued and fully paid:		
Ordinary share of no par value		
As at January 1, 2018, June 30, 2018, January 1, 2019 and June 30, 2019	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,	
	2018 (Unaudited)	2019 (Unaudited)
Management fee receivable from a fellow subsidiary	26	27

- a. This transaction was carried out after negotiations between the Company and the related party in the ordinary course of business and on the basis of estimated market value as determined by the directors.
- b. The directors' emoluments of the Company were borne by a fellow subsidiary of the Company for the periods ended June 30, 2018 and 2019.

## GENERAL INFORMATION

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

As at June 30, 2019, 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	Personal interests	Number of Share Stapled Units held		Total	Approximate percentage of the total number of Share Stapled Units in issue
		Corporate interests	Other interests		
Li Tzar Kai, Richard	–	66,247,614 (Note 1(a))	158,764,423 (Note 1(b))	225,012,037	2.97%
Hui Hon Hing, Susanna	3,484,532	–	561,589 (Note 2)	4,046,121	0.05%
Peter Anthony Allen (Note 3)	21,530	–	–	21,530	0.0003%
Srinivas Bangalore Gangaiah	50,000	–	–	50,000	0.0007%

Each Share Stapled Unit confers an interest in:

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

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

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

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

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

#### Notes:

1. (a) Of these Share Stapled Units, Pacific Century Diversified Limited ("PCD"), a wholly-owned subsidiary of Chiltonlink Limited ("Chiltonlink"), held 20,227,614 Share Stapled Units and Eisner Investments Limited ("Eisner") held 46,020,000 Share Stapled Units. Li Tzar Kai, Richard owned 100% of the issued share capital of Chiltonlink and Eisner.
- (b) These interests represented:
  - (i) a deemed interest in 13,159,619 Share Stapled Units held by Pacific Century Group Holdings Limited ("PCGH"). Li Tzar Kai, Richard was the founder of certain trusts which held 100% interests in PCGH. Accordingly, Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the 13,159,619 Share Stapled Units held by PCGH; and
  - (ii) a deemed interest in 145,604,804 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 145,604,804 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 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".
3. As disclosed in the previous annual and interim reports of HKT Trust and HKT Limited, a private company owned by Li Tzar Kai, Richard 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.

### 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 of PCCW held by the Directors and the Chief Executives:

Name of Director/Chief Executive	Personal interests	Number of ordinary shares of PCCW held			Total	Approximate percentage of the total number of shares of PCCW in issue
		Corporate interests	Other interests			
Li Tzar Kai, Richard	–	307,694,369 (Note 1(a))	1,928,842,224 (Note 1(b))		2,236,536,593	28.97%
Hui Hon Hing, Susanna	6,345,555	–	1,373,579 (Note 2)		7,719,134	0.10%
Peter Anthony Allen	272,208	–	–		272,208	0.004%
Srinivas Bangalore Gangaiah	800,000	–	2,113,737 (Note 2)		2,913,737	0.04%

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

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

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

**Notes:**

1. (a) Of these shares of PCCW, 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 awards made to these Directors which were subject to certain vesting conditions pursuant to an award scheme of PCCW, namely the Purchase Scheme.

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

Frances Waikwun Wong, in the capacity as the founder of a discretionary trust, held the 4.75% bonds due 2022 issued by PCPD Capital Limited, an associated corporation of the Company, in the principal amount of US\$500,000.

#### **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, 2019, 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, 2019.

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

In respect of the HKT Share Stapled Units Purchase Scheme, during the six months ended June 30, 2019, an aggregate of 417,685 Share Stapled Units were awarded pursuant to the HKT Share Stapled Units Purchase Scheme subject to certain vesting conditions, including an award in respect of 231,121 Share Stapled Units made to Hui Hon Hing, Susanna (a director of the Company and the Trustee-Manager). Additionally, 28,554 Share Stapled Units have lapsed and/or been forfeited and 1,828,323 Share Stapled Units have vested during the period. As at June 30, 2019, an aggregate of 1,468,272 Share Stapled Units awarded pursuant to the HKT Share Stapled Units Purchase Scheme remained unvested.

In respect of the HKT Share Stapled Units Subscription Scheme, during the six months ended June 30, 2019, an aggregate of 1,137,199 Share Stapled Units were awarded pursuant to the HKT Share Stapled Units Subscription Scheme subject to certain vesting conditions and compliance with the applicable requirements of the Listing Rules. Additionally, 7,990 Share Stapled Units have lapsed and/or been forfeited and no Share Stapled Units have vested during the period. As at June 30, 2019, an aggregate of 1,129,209 Share Stapled Units awarded pursuant to the HKT Share Stapled Units Subscription Scheme remained unvested.

Please also refer to the summary of movements in the number of Share Stapled Units held under the Share Stapled Units Award Schemes which is set out in note 11 to the HKT Trust and HKT Limited unaudited condensed consolidated interim financial information.

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, 2019, 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, 2019.

## 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, 2019, 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, 2019 and the unaudited condensed interim financial information of the Trustee-Manager for the same period. Such financial information of the HKT Trust and HKT Limited and of the Trustee-Manager has not been audited but has been reviewed by the independent auditor of the Trustee-Manager and the Company.

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

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

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

## CORPORATE GOVERNANCE CODE

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

The HKT Trust and the Company have applied the principles, and complied with all relevant code provisions of the Corporate Governance Code (the "CG Code") in each case as set out in Appendix 14 to the Listing Rules during the six months ended June 30, 2019, 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)  
Hui Hon Hing, Susanna (Group Managing Director)

#### Non-Executive Directors

Peter Anthony Allen  
Chung Cho Yee, Mico  
Li Fushen  
Zhu Kebin  
Srinivas Bangalore Gangaiah (aka BG Srinivas)

#### Independent Non-Executive Directors

Professor Chang Hsin Kang, FEng, 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, 2019: 7,571,742,334 units

### DIVIDEND/DISTRIBUTION

Interim dividend/distribution per ordinary share/share stapled unit for the six months ended June 30, 2019: 30.01 HK cents

### FINANCIAL CALENDAR

Announcement of 2019 Interim Results August 7, 2019

Closure of books August 29 – 30, 2019  
(both days inclusive)

Record date for 2019 interim distribution August 30, 2019

Payment of 2019 interim distribution on or around September 26, 2019

### INVESTOR RELATIONS

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

## HKT MANAGEMENT LIMITED

(incorporated in Hong Kong with limited liability)  
(THE TRUSTEE-MANAGER OF THE HKT TRUST)

### BOARD OF DIRECTORS

#### Executive Directors

Li Tzar Kai, Richard (Executive Chairman)  
Hui Hon Hing, Susanna (Group Managing Director)

#### Non-Executive Directors

Peter Anthony Allen  
Chung Cho Yee, Mico  
Li Fushen  
Zhu Kebin  
Srinivas Bangalore Gangaiah (aka BG Srinivas)

#### Independent Non-Executive Directors

Professor Chang Hsin Kang, FEng, 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  
17th Floor, Hopewell Centre  
183 Queen's Road East  
Wan Chai, Hong Kong  
Telephone: +852 2862 8555  
Fax: +852 2865 0990  
Email: hkinfo@computershare.com.hk

### 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.

### STOCK CODES

The Stock Exchange of Hong Kong Limited  
Reuters  
Bloomberg

6823  
6823.HK  
6823 HK

### WEBSITE OF HKT LIMITED

www.hkt.com

### INTERIM REPORT 2019

This Interim Report 2019 in both English and Chinese is now available in printed form from HKT Limited, HKT Management Limited and the Share Stapled Units Registrar, and in accessible format on the websites of HKT Limited ([www.hkt.com/ir](http://www.hkt.com/ir)) and Hong Kong Exchanges and Clearing Limited ([www.hkexnews.hk](http://www.hkexnews.hk)).

Holders of share stapled units who:

- A) received the Interim Report 2019 using electronic means through the website of HKT Limited may request a printed copy, or
- B) received the Interim Report 2019 in either English or Chinese may request a printed copy of the other language version

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

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

Holders of share stapled units who have chosen (or are deemed to have agreed) to receive the corporate communications of the HKT Trust, HKT Limited and HKT Management Limited (including but not limited to the Interim Report 2019) 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 2019 will promptly, upon request in writing or by email to the Share Stapled Units Registrar, be sent the Interim Report 2019 in printed form, free of charge.

Holders of share stapled units may change their choice of language and/or means of receipt of future corporate communications of the HKT Trust, HKT Limited and HKT Management Limited at any time, free of charge, by reasonable prior notice in writing or by email to the Share Stapled Units Registrar.



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

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

Principal Place of Business in Hong Kong:

39/F, PCCW Tower, Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong

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

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

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