HKT®

Interim Report 2017

Stock Code: 6823



a PCCW Group member

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CORPORATE PROFILE

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

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

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

Employing approximately 17,500 staff, HKT is headquartered in Hong Kong and maintains a presence in mainland China as well as other parts of the world.

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

STATEMENT FROM THE CHAIRMAN

I am pleased to report a set of satisfactory results for HKT, with continued growth of adjusted funds flow (AFF), for the six months ended June 30, 2017.

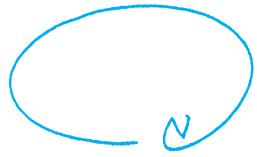
During the period, HKT made further progress in developing its growth initiatives while strengthening its leadership positions in the broadband and mobile communications markets in Hong Kong.

Despite intense competition in the fixed broadband segment, HKT continuously innovates and has been able to offer our customers services that not only fulfill their current needs, but also anticipate their future bandwidth demands. Recently, NETVIGATOR introduced a residential fiber broadband service which delivers four individual circuits of 1Gbps download speed each, the first such service in Hong Kong.

On mobile communications, HKT has been relentless in deploying advanced technologies in order to provide our customers with the best user experience. In May, we rolled out the fastest mobile network in Hong Kong with a peak download speed of 600Mbps, stepping up from the 450Mbps network launched last year.

At the same time, HKT's smart lifestyle services, such as Smart Charge electric vehicle charging and Tap & Go mobile payment, have gained more traction and will provide longer-term momentum for the Group.

We welcome signs of a gradually improving Hong Kong economy. It is the objective of the Board and management team to continue to innovate on our product and service offerings to enhance customer experience and deliver a better return for our unitholders.



Richard Li
Chairman
August 9, 2017

STATEMENT FROM THE GROUP MANAGING DIRECTOR

In 2017, HKT has been able to maintain its pace of business development and innovation, even though the local economy has only just entered a recovery phase and competitive pressure in the key segments of broadband and mobile communications has not subsided. I am pleased to report that we achieved satisfactory operational results across various lines of business for the first half of this year.

REDEFINING BROADBAND SERVICE

Throughout the years, HKT as Hong Kong's leading broadband service provider has massively upgraded its network speed for NETVIGATOR customers to enjoy FTTH (fiber-to-the-home) service for the ultimate broadband experience. As of the end of the interim period, our FTTH coverage reached 84.4% of all households in Hong Kong.

With our "Building for Tomorrow, Today" motto firmly in our heart, HKT is minded to offer our customers services that meet their current needs as well as future needs given the increase of VR/AR (virtual reality/augmented reality) and Internet of Things (IoT) applications. With our years of investment and network development, we can constantly make available new services at affordable prices without incurring significant incremental investment.

In this regard, at the start of the second half we introduced the NETVIGATOR 4x1000M Multi-Use Broadband Service. This service delivers 4Gbps downstream and 2Gbps upstream FTTH broadband connectivity – customers can connect up to four different circuits via the Gigabit Ethernet (GbE) ports on the modem and obtain a dedicated Internet downstream bandwidth of up to 1Gbps for each circuit.

The four GbE ports are isolated from one another so that customers enjoy maximum traffic privacy and security in each of the circuits. The enhanced security of this multi-use architecture is especially important for customers who work from home in view of the growing threats of malwares and viruses. A family may assign dedicated circuits for different applications in today's home or for different family members to pursue their individual interests such as online gaming and OTT viewing.

INNOVATION IN MOBILE COMMUNICATIONS

Like the fixed broadband market, the mobile communications sector in Hong Kong also experiences intense competition and aggressive price tactics of other operators. Notwithstanding that, our mobile service under CSL Mobile continued to hold up well in the first half, underpinned by HKT's excellent mobile network and second-to-none service and product quality of its mass market brand csl and prestigious brand 1O1O.

In terms of network innovation, we rolled out Hong Kong's first LTE-A 600Mbps network, the fastest mobile network specification in Hong Kong, in May. This followed HKT's commercial launch of Hong Kong's first LTE-A 300Mbps network in 2014, and Hong Kong's first LTE-A 450Mbps network in 2016. We use the new technology known as 256QAM (Quadrature Amplitude Modulation) plus the strength of three Component Carrier (3CC) inter-site LTE-A Carrier Aggregation (CA) across three 20MHz spectrum blocks to achieve a peak download speed of 600Mbps, 14 times of the 3G network speed, for compatible devices.

In terms of products, CSL is committed to enabling customers to enjoy mobile broadband in Hong Kong and around the world without any hassles. In March, we launched a roaming day pass service whereby customers travelling overseas can have unlimited 4G data usage for 24 hours of consumption, so they can always be connected without any worry about bill shock.

Then in April, CSL teamed up with CTM in Macau to launch the world's first End-to-End VoLTE and ViLTE IDD services for customers to enjoy at no extra charge high quality voice and video IDD calls with faster connection time between Hong Kong and Macau. We are working with other mobile service partners to extend the coverage of VoLTE and ViLTE IDD services globally.

STRENGTHENED CONNECTIVITY SOLUTIONS

The collaboration between CSL and CTM in Macau has been made possible by PCCW Global's high speed IP connectivity between Hong Kong and Macau. Covering more than 3,000 cities and 150 countries, the PCCW Global network supports a portfolio of integrated global communications solutions.

PCCW Global is a member of an international consortium constructing the Asia Africa Europe-1 (AAE-1) cable, the world's largest submarine cable in more than a decade, which has landed at the Cape D'Aguilar Cable Station in Hong Kong this summer. Upon completion, the 25,000 km long AAE-1 will be the first high-capacity cable system to link Hong Kong, all of the major Southeast Asian nations with Africa, Europe and the Middle East, providing robust, reliable, low-latency connectivity. The landing at Cape D'Aguilar and imminent extension to PCCW Global's city data center further establishes Hong Kong as a key telecommunications hub.

In the local commercial segment, HKT differentiates from competition with our superb quality of service and a range of integrated fixed-mobile and digital solutions for large corporates and small-and-medium sized enterprises.

MOBILE PAYMENT CONVENIENCE

In Hong Kong, HKT is a pioneer in mobile payment service having introduced Tap & Go in 2015. Our subsidiary, HKT Payment Limited, has been granted a Stored Value Facilities (SVF) license in Hong Kong. In the past few months, Tap & Go has made certain feature enhancements.

Notably, Tap & Go linked up with two of the largest banking groups in Hong Kong during the period under review to provide customers with additional, and more convenient, means of topping up their mobile wallet. These include topping up through Internet banking, mobile banking app and phone banking, ATMs, and even instantly via the Tap & Go app. In August, we further expanded our top-up network to more than 40 banks and introduced scheduled top-up so customers can pay HKT bills and make other regular payments with greater ease. Moreover, we have installed in our retail stores a machine developed by a local start-up, HEYCOINS, which can convert coins into top-up money.

ENJOYING SMART MOBILITY

HKT supports the idea of smart city and is pleased to see the Hong Kong Government's effort to draw up a smart city blueprint for Hong Kong. HKT believes that Hong Kong, as one of the most connected cities in the world, is an ideal place to pioneer the implementation of smart mobility solutions to improve road safety and traffic management. In March, we joined hands with the Hong Kong Applied Science and Technology Research Institute (ASTRI), and leading technology firms Huawei Technologies Co. Limited and Qualcomm Technologies, Inc. in the formation of a Smart Mobility Consortium (SMC) to study the application of Cellular-Vehicle-to-Everything (C-V2X) technologies.

Using C-V2X technology, cars may communicate with one another, pedestrians and roadside infrastructure. The first such demonstration of C-V2X technology by the SMC successfully took place in June, showing C-V2X's ability to alert drivers to dangers under different road situations and emergency traffic conditions.

As reported previously, HKT has formed a joint venture with CLP Holdings Limited to provide charging solutions for electric vehicles. Development of the business, Smart Charge, has been progressing in anticipation of an expanding EV market.

LOOKING AHEAD

Amid fierce market competition and a slowly recovering economic environment, HKT's performance in the first half of 2017 was mainly attributable to the fundamental strengths of our operations and our continued drive for innovation.

Not only have we maintained our leadership in the broadband and mobile communications markets, we are also building on our advantages to seek further growth. We expect applications that consume a lot of Internet bandwidth to be increasingly common, and hence our timely introduction of the 4x1000M fiber broadband service. We can offer this at competitive prices due to scale economies and our infrastructure investments to date.

We constantly aim to elevate customer experience – following the launch of the 600Mbps mobile network we are again raising the bar with the progressive introduction of 1Gbps speed at selected hotspot locations as a solid step forward to 5G.

These enhancements of our pillar businesses of broadband and mobile, as well as our new initiatives such as Tap & Go mobile payment, to which customers have responded well, will fuel medium to longer term growth of the Group.

The local economy has grown slightly faster since the second half of last year and this gives some positive signs that a recovery phase is developing. We will continue to be prudent while we continue to leverage our strengths and innovate and create opportunities to grow our various lines of business as the local and global economies strengthen.



Alex Arena
Group Managing Director
August 9, 2017

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

LI Tzar Kai, Richard
Executive Chairman
Mr Li, aged 50, was appointed the Executive Chairman and an Executive Director of HKT Limited (HKT) and HKT Management Limited, the trustee-manager of the HKT Trust, in November 2011. He is the Chairman of HKT's Executive Committee and a member of the Nomination Committee of the HKT Board. Mr Li has also been an Executive Director and the Chairman of PCCW Limited (PCCW) since August 1999, the Chairman of PCCW's Executive Committee and a member of the Nomination Committee of the board of directors of PCCW. He is also the Chairman and Chief Executive of the Pacific Century Group, an Executive Director and the Chairman of Pacific Century Premium Developments Limited (PCPD), the Chairman of PCPD's Executive Committee, a member of PCPD's Remuneration Committee and Nomination Committee, the Chairman and an Executive Director of Singapore-based Pacific Century Regional Developments Limited (PCRD), and the Chairman of PCRD's Executive Committee.

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

Alexander Anthony ARENA
Group Managing Director
Mr Arena, aged 66, has been the Group Managing Director of HKT Limited (HKT) and HKT Management Limited, the trustee-manager of the HKT Trust, since November 2011. He is also a member of HKT's Executive Committee and holds directorships in various Group companies. Mr Arena is primarily responsible for the overall corporate management, planning, operation and development of the Group. Mr Arena is also a Non-Executive Director of Pacific Century Regional Developments Limited. Prior to the spin-off and separate listing of HKT, Mr Arena was an Executive Director of PCCW Limited (PCCW) from August 1999 to November 2011 and the Group Managing Director of PCCW from April 2007 to November 2011. He was also the Group Chief Financial Officer of PCCW from June 2002 to April 2007. Mr Arena was also the Deputy Chairman of PCCW's Executive Committee, a member of PCCW's Regulatory Compliance Committee, an Executive Director and Deputy Chairman of Pacific Century Premium Developments Limited (PCPD) and a member of PCPD's Executive Committee prior to November 2011.

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

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

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

NON-EXECUTIVE DIRECTORS

HUI Hon Hing, Susanna
Group Chief Financial Officer

Ms Hui, aged 52, has been the Group Chief Financial Officer of HKT Limited (HKT) and an Executive Director of HKT and HKT Management Limited, the trustee-manager of the HKT Trust, since November 2011. She is also a member of HKT's Executive Committee and holds directorships in various Group companies. Ms Hui is primarily responsible for overseeing the financial matters of the Group. Ms Hui is and has been the Group Chief Financial Officer of PCCW Limited (PCCW) since April 2007 and an Executive Director of PCCW since May 2010. She is also a member of PCCW's Executive Committee. Prior to her appointment as the Group Chief Financial Officer of PCCW, she was the Director of Group Finance of the PCCW Group from September 2006 to April 2007, and the Director of Finance of the PCCW Group with responsibility for the telecommunications services sector and regulatory accounting. Ms Hui was also the Chief Financial Officer of Pacific Century Premium Developments Limited from July 2009 to November 2011.

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

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

Peter Anthony ALLEN
Non-Executive Director

Mr Allen, aged 62, was appointed a Non-Executive Director of HKT Limited (HKT) and HKT Management Limited (Trustee-Manager), the trustee-manager of the HKT Trust, in November 2011. He is a member of HKT's Audit Committee and the Trustee-Manager's Audit Committee. He is an Executive Director and the Group Managing Director of Pacific Century Regional Developments Limited, an Executive Director and the Chief Financial Officer of the Pacific Century Group, a Director of certain FWD group companies and Senior Advisor to PCCW Limited (PCCW). He is also a Director of certain other companies controlled by Mr Li Tzar Kai, Richard, the Executive Chairman of HKT and the Trustee-Manager. Mr Allen was an Executive Director of PCCW from August 1999 to November 2011.

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

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

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

CHUNG Cho Yee, Mico
Non-Executive Director

Mr Chung, aged 56, was appointed a Non-Executive Director of HKT Limited and HKT Management Limited, the trustee-manager of the HKT Trust, in November 2011. Mr Chung was a Non-Executive Director of PCCW Limited (PCCW) from May 2010 to November 2011. He was an Executive Director of PCCW from November 1996 who was responsible for merger and acquisition activities and was re-designated to a Non-Executive Director of PCCW in May 2010. He joined the Pacific Century Group in March 1999.

Mr Chung graduated from University College, University of London in the United Kingdom, with a law degree in 1983.

Mr Chung is currently the Chairman and an Executive Director of CSI Properties Limited which he joined in 2004. He is also an Independent Non-Executive Director of HKC (Holdings) Limited.

LU Yimin
Non-Executive Director

Mr Lu, aged 53, was appointed a Non-Executive Director of HKT Limited (HKT) and HKT Management Limited, the trustee-manager of the HKT Trust, in November 2011. He is a member of HKT's Remuneration Committee, Nomination Committee and Executive Committee of the Board. Mr Lu became a Non-Executive Director of PCCW Limited (PCCW) in May 2008 and the Deputy Chairman of the board of directors of PCCW in November 2011. He is a member of PCCW's Executive Committee.

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

For identification only

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

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

LI Fushen

Non-Executive Director

Mr Li, aged 54, was appointed a Non-Executive Director of HKT Limited (HKT) and HKT Management Limited, the trustee-manager of the HKT Trust, in November 2011. He is a member of HKT's Regulatory Compliance Committee. Mr Li became a Non-Executive Director of PCCW Limited (PCCW) in July 2007. He is a member of the Nomination Committee of the board of directors of PCCW.

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

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

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

Srinivas Bangalore GANGAIAH (aka BG Srinivas)

Non-Executive Director

Mr Srinivas, aged 56, 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 to Sir David Ford, a Non-Executive Director of PCCW, in certain FWD group companies controlled by Mr Li Tzar Kai, Richard, the Executive Chairman of HKT and the Trustee-Manager.

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

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

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

 # For identification only

INDEPENDENT NON-EXECUTIVE DIRECTORS

Professor CHANG Hsin Kang,
FREng, GBS, JP
Independent Non-Executive Director
Professor Chang, aged 77, 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, and an Honorary Professor of Tsinghua University in September 2007. He was the President and University Professor of City University of Hong Kong from 1996 to 2007. Prior to that, he was the Dean of the School of Engineering at the University of Pittsburgh in the United States from 1994 to 1996, Founding Dean of the School of Engineering at Hong Kong University of Science and Technology from 1990 to 1994 and the Chairperson of the Department of Biomedical Engineering at the University of Southern California in the United States from 1985 to 1990.

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

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

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

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

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

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

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

Mr Varma obtained his Bachelor of Arts degree in mathematics and economics from 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 70, was appointed an Independent Non-Executive Director of HKT Limited (HKT) and HKT Management Limited, the trustee-manager of the HKT Trust, in May 2014. He is the Chairman of HKT's Nomination Committee. Mr Mehta has been an Independent Non-Executive Director of PCCW Limited (PCCW) since February 2004. He is also the Chairman of the Audit Committee, the Nomination Committee and the Remuneration Committee of the board of directors of PCCW.

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

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

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

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

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

Frances Waikwun WONG

Independent Non-Executive Director

Ms Wong, aged 55, 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.

* Subsequent to the date of this report, Mr Mehta retired from the board of directors of Vedanta Resources plc with effect from the conclusion of its annual general meeting held on August 14, 2017.

MANAGEMENT'S DISCUSSION AND ANALYSIS

- Total revenue (excluding Mobile handset sales) was stable at HK$14,622 million; Total revenue decreased by 5% to HK$15,649 million
- Total EBITDA increased by 2% to HK$5,968 million
- Profit attributable to holders of Share Stapled Units increased by 3% to HK$2,389 million; basic earnings per Share Stapled Unit was 31.57 HK cents
- Adjusted funds flow increased by 4% to HK$2,129 million; adjusted funds flow per Share Stapled Unit was 28.12 HK cents
- Interim distribution per Share Stapled Unit of 28.12 HK cents

MANAGEMENT REVIEW

We are pleased to report that HKT delivered a satisfactory set of financial results for the six months ended June 30, 2017, underpinned by the strength and resilience of all of our lines of business as well as continued operating efficiency improvements.

Total revenue for the six months ended June 30, 2017 decreased by 5% to HK$15,649 million, impacted by lower revenue from Mobile handset sales in the absence of marquee handsets during the period. Excluding Mobile handset sales, total revenue was stable at HK$14,622 million, as compared to HK$14,611 million for the corresponding period last year.

Total EBITDA for the period was HK$5,968 million, an increase of 2% over the same period in 2016, driven by further enhancements of operating efficiency in both the Mobile and Telecommunications Services ("TSS") businesses.

Profit attributable to holders of Share Stapled Units was HK$2,389 million, an increase of 3% over the same period in 2016. Basic earnings per Share Stapled Unit was 31.57 HK cents.

Adjusted funds flow for the six months ended June 30, 2017 reached HK$2,129 million, an increase of 4% over the same period in 2016. Adjusted funds flow per Share Stapled Unit[6] was 28.12 HK cents, rising similarly by 4% over the same period in 2016.

The board of directors of the Trustee-Manager has resolved an interim distribution of 28.12 HK cents per Share Stapled Unit for the six months ended June 30, 2017.

OUTLOOK

Despite facing keen competition, we would continue to drive growth leveraging on our leadership position in the market as well as delivery of innovative products and services. With the burgeoning of more bandwidth heavy applications, we launched in July this year the 4x1000M Multi-Use Broadband Service to further enhance our broadband proposition. On the mobile front, the upgrade from 600Mbps to 1Gbps speed which is being introduced progressively at selected high traffic locations is a solid step forward to 5G.

To lay the foundation for medium to longer term growth of the Group, we continue our efforts in the development of new initiatives such as the Smart Charge electric vehicle charging and Tap & Go mobile payment services which are well received by the market. We will continue to enhance the features of Tap & Go with an aim to create a convenient e-wallet service in Hong Kong.

We welcome signs of a gradually improving Hong Kong economy. It is the objective of the Board and the management team to continue to leverage our superior fixed and mobile networks and to innovate on our product and service offerings to enhance customer experience and deliver a better return for our unitholders.

FINANCIAL REVIEW BY SEGMENT

For the six months ended HK$ million	Jun 30, 2016	Dec 31, 2016	**Jun 30, 2017**	Better/ (Worse) y-o-y
Revenue				
TSS	10,308	11,106	**10,324**	–
Mobile	6,335	6,728	**5,614**	(11)%
– Mobile Services	4,558	5,080	**4,587**	1%
– Handset Sales	1,777	1,648	**1,027**	(42)%
Other Businesses	118	119	**125**	6%
Eliminations	(373)	(494)	**(414)**	(11)%
Total revenue	16,388	17,459	**15,649**	**(5)%**
Cost of sales	(6,973)	(7,472)	**(6,508)**	7%
Gross Margin	*57%*	*57%*	***58%***	
Operating costs before depreciation, amortization, and gain/ (loss) on disposal of property, plant and equipment, net	(3,550)	(3,168)	**(3,173)**	11%
EBITDA[1]				
TSS	3,681	3,990	**3,720**	1%
Mobile	2,439	3,074	**2,504**	3%
– Mobile Services	2,425	3,014	**2,485**	2%
– Handset Sales	14	60	**19**	36%
Other Businesses	(255)	(245)	**(256)**	–
Total EBITDA[1]	5,865	6,819	**5,968**	**2%**
TSS EBITDA[1] Margin	*36%*	*36%*	***36%***	
Mobile EBITDA[1] Margin	*39%*	*46%*	***45%***	
– Mobile Services EBITDA[1] Margin	*53%*	*59%*	***54%***	
– Handset Sales EBITDA[1] Margin	*1%*	*4%*	***2%***	
Total EBITDA[1] Margin	*36%*	*39%*	***38%***	
Depreciation and amortization	(2,827)	(2,981)	**(2,838)**	–
Gain/(loss) on disposal of property, plant and equipment, net	2	1	**(1)**	NA
Other gains/(losses), net	9	(60)	**(2)**	NA
Finance costs, net	(483)	(624)	**(522)**	(8)%
Share of results of associates and joint ventures	(8)	(15)	**7**	NA
Profit before income tax	2,558	3,140	**2,612**	**2%**

ADJUSTED FUNDS FLOW

For the six months ended HK$ million	Jun 30, 2016	Dec 31, 2016	**Jun 30, 2017**	Better/ (Worse) y-o-y
Total EBITDA[1]	5,865	6,819	**5,968**	**2%**
Less cash outflows in respect of:				
Customer acquisition costs and licence fees	(1,381)	(2,078)	**(1,510)**	(9)%
Capital expenditures[5]	(1,472)	(1,363)	**(1,302)**	12%
Adjusted funds flow before tax paid, net finance costs paid and changes in working capital	3,012	3,378	**3,156**	**5%**
Adjusted for:				
Tax payment	(81)	(470)	**(141)**	(74)%
Net finance costs paid	(414)	(370)	**(418)**	(1)%
Changes in working capital	(466)	94	**(468)**	–
Adjusted funds flow[2]	2,051	2,632	**2,129**	**4%**

KEY OPERATING DRIVERS[3]

	Jun 30, 2016	Dec 31, 2016	**Jun 30, 2017**	Better/(Worse) y-o-y	Better/(Worse) h-o-h
Exchange lines in service ('000)	2,650	2,648	**2,645**	–	–
Business lines ('000)	1,249	1,250	**1,250**	–	–
Residential lines ('000)	1,401	1,398	**1,395**	–	–
Total broadband access lines ('000) (Consumer, business and wholesale customers)	1,569	1,567	**1,572**	–	–
Retail consumer broadband subscribers ('000)	1,405	1,401	**1,407**	–	–
Retail business broadband subscribers ('000)	144	148	**149**	3%	1%
Traditional data (Exit Gbps)	4,378	5,171	**6,552**	50%	27%
Retail IDD minutes (million minutes)	283	249	**217**	(23)%	(13)%
Mobile subscribers ('000)	4,445	4,512	**4,218**	(5)%	(7)%
Post-paid subscribers ('000)	3,106	3,130	**3,168**	2%	1%
Prepaid subscribers ('000)	1,339	1,382	**1,050**	(22)%	(24)%

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

Note 2 *Adjusted Funds Flow is defined as EBITDA less capital expenditures, customer acquisition costs and licence fees paid, taxes paid, finance costs and interest expense paid, and adjusted for interest income received and changes in working capital. It is not presented as a measure of leverage or liquidity in accordance with HKFRSs and should not be considered as representing net cash flows or any other similar measures derived in accordance with HKFRSs, or an alternative to cash flow from operations or a measure of liquidity. The Group's Adjusted Funds Flow is computed in accordance with the above definition using financial information derived from the Group's unaudited condensed consolidated financial statements. The Adjusted Funds Flow may be used for debt repayment.*

Note 3 *Figures are stated as at the period end, except for International Direct Dial ("IDD") minutes which is the total for the period.*

Note 4 *Gross debt refers to the principal amount of short-term borrowings and long-term borrowings.*

Note 5 *Group capital expenditures represent additions to property, plant and equipment, and interests in leasehold land.*

Note 6 *Adjusted Funds Flow per Share Stapled Unit is calculated by dividing the Adjusted Funds Flow for the period by the number of Share Stapled Units in issue as at June 30, 2017.*

Telecommunications Services

For the six months ended HK$ million	Jun 30, 2016	Dec 31, 2016	**Jun 30, 2017**	Better/ (Worse) y-o-y
TSS Revenue				
Local Telephony Services	1,688	1,772	**1,665**	(1)%
Local Data Services	3,478	3,763	**3,539**	2%
International Telecommunications Services	3,612	3,772	**3,555**	(2)%
Other Services	1,530	1,799	**1,565**	2%
Total TSS Revenue	10,308	11,106	**10,324**	–
Cost of sales	(4,713)	(5,170)	**(4,904)**	(4)%
Operating costs before depreciation and amortization	(1,914)	(1,946)	**(1,700)**	11%
Total TSS EBITDA[1]	3,681	3,990	**3,720**	**1%**
TSS EBITDA[1] margin	*36%*	*36%*	***36%***	

TSS revenue for the six months ended June 30, 2017 grew slightly to HK$10,324 million while EBITDA increased by 1% to HK$3,720 million as a result of cost efficiencies achieved during the period. Consequently, the TSS EBITDA margin improved to 36.0% from 35.7% in the corresponding period in 2016.

Local Telephony Services. Local telephony services revenue was HK$1,665 million for the six months ended June 30, 2017, as compared to HK$1,688 million a year earlier, reflecting the gradual decline in local fixed lines in service. Total fixed lines in service at the end of June 2017 were 2.645 million compared to 2.650 million a year ago.

Local Data Services. Local data services revenue, comprising broadband network revenue and local data revenue, increased by 2% year-on-year to HK$3,539 million for the six months ended June 30, 2017. The broadband network business registered continued revenue growth of 2% in the first six months of 2017 despite prevailing intense industry competition. The growth in revenue was supported by net broadband customer additions and increased subscriptions and upgrades on our fiber-to-the-home ("FTTH") service. However, this was partially offset by severe price competition in the enterprise broadband segment.

At the end of June 2017, the total number of broadband access lines was 1.572 million as compared to 1.569 million as at the end of June 2016. Of these broadband access lines, there were 652,000 FTTH customers which represented a net increase of 65,000 customers or 11% from a year earlier. HKT recently launched a new innovative 4x1000M Multi-Use Broadband Service which we believe will continue to drive subscriptions and upgrades on our FTTH service.

Local data revenue also increased by 2% during the period, amidst keen market competition and continued cautious spending sentiment by enterprises. This growth was driven by growing demand for carrier-grade high-speed connectivity solutions, network facility management services and managed cloud services from our enterprise customers.

International Telecommunications Services. International telecommunications services revenue for the six months ended June 30, 2017 decreased by 2% to HK$3,555 million. The International business continued to shift its focus to international data connectivity and software based services such as unified communications and managed security, as the voice connectivity business transitions towards over-the-top ("OTT") applications.

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, 2017 increased by 2% year-on-year to HK$1,565 million primarily due to increased sales of CPE arising from the joint collaboration with PCCW Solutions to deliver network and infrastructure projects during the period, partially offset by the revenue slowdown in the Teleservices business due to temporary capacity rationalization in mainland China.

Mobile

For the six months ended HK$ million	Jun 30, 2016	Dec 31, 2016	**Jun 30, 2017**	Better/ (Worse) y-o-y
Mobile Revenue				
Mobile Services	4,558	5,080	**4,587**	1%
Handset Sales	1,777	1,648	**1,027**	(42)%
Total Mobile Revenue	6,335	6,728	**5,614**	**(11)%**
Mobile EBITDA[1]				
Mobile Services	2,425	3,014	**2,485**	2%
Handset Sales	14	60	**19**	36%
Total Mobile EBITDA[1]	2,439	3,074	**2,504**	**3%**
Mobile EBITDA[1] margin	*39%*	*46%*	***45%***	
Mobile Services EBITDA[1] margin	*53%*	*59%*	***54%***	

Mobile services revenue for the six months ended June 30, 2017 expanded by 1% to HK$4,587 million, as compared to HK$4,558 million a year earlier. During the period, services revenue was driven by an increase in the post-paid customer base, upgrading to our premium 1010 service and enlarged mobile data consumption. However, these positive factors were moderated by the gradual decline in IDD and roaming revenue due to the continued shift to OTT voice and messaging applications, as well as intense price competition. During the period, IDD and roaming revenue accounted for 13% of Mobile services revenue, as compared to 15% a year earlier.

As a result, the post-paid exit average revenue per user ("ARPU") as at the end of June 2017 increased to HK$230 from HK$228 a year earlier.

As at June 30, 2017, the Mobile business had 3.168 million post-paid customers, an increase of 2% from 12 months ago. The number of prepaid customers declined as we reduce our focus on certain low margin prepaid segments. Despite the severe industry competition, the churn rate for post-paid customers improved to 1.1% in the first half of 2017, compared to 1.3% a year earlier, reflecting the advantages of our multi-brand strategy, innovative service offerings and network supremacy.

Revenue from handset sales of HK$1,027 million was recorded during the period as compared to HK$1,777 million a year earlier. This 42% decline was primarily attributable to the absence of marquee handsets in the market during the period.

Total Mobile EBITDA for the period increased by 3% to HK$2,504 million, with the margin improving to 45% from 39% a year earlier reflecting the lower proportion of handset sales revenue. EBITDA for Mobile services increased by 2% to HK$2,485 million, with the margin improving to 54% from 53% a year earlier due to recurring cost synergies from the integration of CSL Holdings Limited ("CSL") which was completed in the third quarter of 2016, as well as additional operational efficiencies achieved during the period.

Other Businesses

Other Businesses primarily comprised new business areas such as the Tap & Go mobile payment service and The Club program, and corporate support functions. Revenue from Other Businesses was HK$125 million for the six months ended June 30, 2017, as compared to HK$118 million a year ago.

Eliminations

Eliminations were HK$414 million for the six months ended June 30, 2017, as compared to HK$373 million a year ago. Eliminations mainly related to internal charges for telecommunications services consumed amongst HKT's business units.

Cost of Sales

Cost of sales for the six months ended June 30, 2017 was lower by 7% year-on-year to HK$6,508 million, reflecting lower Mobile handset sales during the period. Gross margin was 58% in the first half of 2017, as compared to 57% a year ago.

General and Administrative Expenses

For the six months ended June 30, 2017, operating costs before depreciation, amortization, and gain/(loss) on disposal of property, plant and equipment, net, ("operating costs") improved by 11% year-on-year to HK$3,173 million as a result of the recurring cost synergies from the CSL integration and improvements in operating efficiencies in both the TSS and Mobile segments. Accordingly, the operating costs to Mobile services revenue ratio for the Mobile business improved to 29.4% from 32.4% a year ago, while the operating costs to revenue ratio for the TSS business improved to 16.5% from 18.6% a year ago. Overall operating costs to revenue ratio, therefore, improved to 20.3% from 21.7% a year ago.

Depreciation expenses increased by 2% year-on-year and amortization expenses were steady during the period. As a result, total depreciation and amortization expenses were stable year-on-year at HK$2,838 million for the six months ended June 30, 2017.

General and administrative expenses, therefore, decreased by 6% year-on-year to HK$6,012 million for the six months ended June 30, 2017.

EBITDA[1]

As a result of the steady performance in the TSS and Mobile businesses and the achievement of continued operating efficiencies, overall EBITDA increased by 2% year-on-year to HK$5,968 million for the six months ended June 30, 2017. The EBITDA margin improved to 38% from 36% a year ago.

Finance Costs, Net

Net finance costs for the six months ended June 30, 2017 increased by 8% to HK$522 million from HK$483 million a year ago. The increase in net finance costs was mainly due to the full 6-month impact of additional finance costs arising from the US$750 million 3.00% 10-year guaranteed notes issued in July 2016 to refinance the US$500 million 4.25% 5.5-year guaranteed notes due in February 2016 and to finance the payment for the renewed mobile spectrum in August 2016.

As a result of the increased proportion of fixed rated borrowings, the average cost of debt increased slightly to 2.6% during the period, as compared to 2.5% a year ago.

Income Tax

Income tax expense for the six months ended June 30, 2017 was HK$213 million, as compared to HK$231 million a year ago, representing an effective tax rate of 8.2% for the period. The decrease in the tax expense is mainly due to the recognition of a deferred tax asset offset by a higher current income tax due to an increase in taxable profits during the period.

Non-controlling Interests

Non-controlling interests of HK$10 million (June 30, 2016: HK$10 million) primarily comprised the net profit attributable to the minority shareholders of Sun Mobile Limited.

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

Profit attributable to holders of Share Stapled Units/shares of the Company for the six months ended June 30, 2017 increased by 3% year-on-year to HK$2,389 million (June 30, 2016: HK$2,317 million).

LIQUIDITY AND CAPITAL RESOURCES

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

HKT's gross debt[4] was HK$38,798 million as at June 30, 2017 (December 31, 2016: HK$38,798 million). Cash and short-term deposits totaled HK$2,576 million as at June 30, 2017 (December 31, 2016: HK$3,332 million). HKT's gross debt[4] to total assets was 42% as at June 30, 2017 (December 31, 2016: 42%).

As at June 30, 2017, HKT had ample liquidity as evidenced by committed banking facilities totaling HK$27,081 million, of which HK$5,938 million remained undrawn.

CREDIT RATINGS OF HONG KONG TELECOMMUNICATIONS (HKT) LIMITED

As at June 30, 2017, Hong Kong Telecommunications (HKT) Limited, an indirect wholly-owned subsidiary of the Company, had investment grade ratings with Moody's Investors Service (Baa2) and Standard & Poor's Ratings Services (BBB).

CAPITAL EXPENDITURE[5]

Capital expenditure including capitalized interest for the six months ended June 30, 2017 was HK$1,334 million (June 30, 2016: HK$1,488 million). Capital expenditure relative to revenue was 8.5% for the six months ended June 30, 2017 (June 30, 2016: 9.1%). Capital expenditures during the period declined as the CSL integration was completed in the third quarter of 2016 and shifted towards increased investments in the TSS segment to meet demand for fiber broadband services and customized network solutions for enterprises.

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

HEDGING

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

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

As for financing, a significant portion of HKT's debt is denominated in foreign currencies including United States dollars. Accordingly, HKT has entered into forward and swap contracts in order to manage its exposure to adverse fluctuations in foreign currency exchange rates and interest rates. These instruments are executed with creditworthy financial institutions. As at June 30, 2017, all forward and swap contracts were designated as cash flow hedges for the related borrowings of the Company.

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

CHARGE ON ASSETS

As at June 30, 2017, no assets of the Group (December 31, 2016: nil) were pledged to secure loans and banking facilities of HKT.

CONTINGENT LIABILITIES

HK$ million	As at Dec 31, 2016 (Audited)	**As at Jun 30, 2017 (Unaudited)**
Performance guarantees	513	**505**
Others	57	**51**
	570	**556**

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

HUMAN RESOURCES

HKT had over 17,500 employees as at June 30, 2017 (June 30, 2016: 18,600) located in 41 countries and cities. About 63% 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 28.12 HK cents per Share Stapled Unit (after deduction of any operating expenses permissible under the trust deed dated November 7, 2011 constituting the HKT Trust (the "Trust Deed")), in respect of the six months ended June 30, 2017 (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 28.12 HK cents per ordinary share, in respect of the same period) to holders of Share Stapled Units.

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

CONSOLIDATED INCOME STATEMENT OF HKT TRUST AND OF HKT LIMITED

For the six months ended June 30, 2017

In HK$ million (except for earnings per Share Stapled Unit/share of the Company)	Note(s)	2016 (Unaudited)	**2017 (Unaudited)**
Revenue	3	16,388	**15,649**
Cost of sales		(6,973)	**(6,508)**
General and administrative expenses		(6,375)	**(6,012)**
Other gains/(losses), net	4	9	**(2)**
Finance costs, net		(483)	**(522)**
Share of results of associates		(6)	**(7)**
Share of results of joint ventures		(2)	**14**
Profit before income tax	3, 5	2,558	**2,612**
Income tax	6	(231)	**(213)**
Profit for the period		2,327	**2,399**
Attributable to:			
Holders of Share Stapled Units/shares of the Company		2,317	**2,389**
Non-controlling interests		10	**10**
Profit for the period		2,327	**2,399**
Earnings per Share Stapled Unit/share of the Company			
Basic	8	30.63 cents	**31.57 cents**
Diluted	8	30.62 cents	**31.56 cents**

The notes on pages 26 to 41 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, 2017

In HK$ million	2016 (Unaudited)	**2017 (Unaudited)**
Profit for the period	2,327	**2,399**
Other comprehensive income/(loss)		
Items that have been reclassified or may be reclassified subsequently to consolidated income statement:		
Exchange differences on translating foreign operations	10	**98**
Available-for-sale financial assets:		
– changes in fair value	(1)	**–**
Cash flow hedges:		
– effective portion of changes in fair value	475	**(563)**
– transfer from equity to consolidated income statement	(41)	**(213)**
Other comprehensive income/(loss) for the period	443	**(678)**
Total comprehensive income for the period	2,770	**1,721**
Attributable to:		
Holders of Share Stapled Units/shares of the Company	2,760	**1,711**
Non-controlling interests	10	**10**
Total comprehensive income for the period	2,770	**1,721**

The notes on pages 26 to 41 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, 2017

In HK$ million	Note	As at December 31, 2016 (Audited)	**As at June 30, 2017 (Unaudited)**
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		18,019	**18,656**
Interests in leasehold land		253	**247**
Goodwill		49,787	**49,801**
Intangible assets		10,695	**10,336**
Interests in associates		130	**141**
Interests in joint ventures		725	**741**
Available-for-sale financial assets		77	**77**
Derivative financial instruments		277	**40**
Financial assets at fair value through profit or loss		31	**19**
Deferred income tax assets		317	**600**
Other non-current assets		610	**705**
		80,921	**81,363**
Current assets			
Prepayments, deposits and other current assets		5,226	**5,404**
Inventories		707	**846**
Trade receivables, net	9	3,035	**2,530**
Amounts due from related companies		96	**80**
Financial assets at fair value through profit or loss		13	**17**
Restricted cash		36	**49**
Short-term deposits		450	**450**
Cash and cash equivalents		2,882	**2,126**
		12,445	**11,502**
Current liabilities			
Trade payables	10	2,474	**1,638**
Accruals and other payables		5,019	**5,163**
Carrier licence fee liabilities		173	**174**
Amounts due to a related company		37	**4**
Amounts due to fellow subsidiaries		465	**557**
Advances from customers		2,126	**2,299**
Current income tax liabilities		1,008	**1,254**
		11,302	**11,089**

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

As at June 30, 2017

In HK$ million	Note	As at December 31, 2016 (Audited)	**As at June 30, 2017 (Unaudited)**
Non-current liabilities			
Long-term borrowings		38,193	**38,427**
Derivative financial instruments		14	**268**
Deferred income tax liabilities		2,713	**2,820**
Deferred income		1,021	**1,033**
Carrier licence fee liabilities		544	**496**
Other long-term liabilities		420	**497**
		42,905	**43,541**
Net assets		39,159	**38,235**
CAPITAL AND RESERVES			
Share capital	11	8	**8**
Reserves		39,088	**38,174**
Equity attributable to holders of Share Stapled Units/shares of the Company		39,096	**38,182**
Non-controlling interests		63	**53**
Total equity		39,159	**38,235**

The notes on pages 26 to 41 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, 2017

In HK$ million

	2016 (Unaudited)												
	Attributable to holders of Share Stapled Units/shares of the Company											Non-controlling interests	Total equity
	Share capital	Share premium	Capital contribution reserve	Currency translation reserve	Merger reserve	Hedging reserve	Other reserves	Equity compensation reserve	Treasury stock	Retained profits	Total		
At January 1, 2016	8	7,769	26,250	104	(347)	(268)	(57)	42	(87)	4,202	37,616	119	37,735
Total comprehensive income/(loss) for the period													
Profit for the period	–	–	–	–	–	–	–	–	–	2,317	2,317	10	2,327
Other comprehensive income/(loss)													
Items that have been reclassified or may be reclassified subsequently to consolidated income statement:													
Exchange differences on translating foreign operations	–	–	–	10	–	–	–	–	–	–	10	–	10
Available-for-sale financial assets:													
– changes in fair value	–	–	–	–	–	–	(1)	–	–	–	(1)	–	(1)
Cash flow hedges:													
– effective portion of changes in fair value	–	–	–	–	–	475	–	–	–	–	475	–	475
– transfer to consolidated income statement	–	–	–	–	–	(41)	–	–	–	–	(41)	–	(41)
Total comprehensive income/(loss) for the period	–	–	–	10	–	434	(1)	–	–	2,317	2,760	10	2,770
Transactions with equity holders													
Employee share-based compensation	–	–	–	–	–	–	–	18	–	–	18	–	18
Vesting of Share Stapled Units under the Share Stapled Units Award Schemes	–	–	–	–	–	–	–	(39)	41	(2)	–	–	–
Distribution/Dividend paid in respect of the previous year *(note 7(b))*	–	–	–	–	–	–	–	(1)	–	(2,140)	(2,141)	–	(2,141)
Dividend paid to the non-controlling shareholder of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	(24)	(24)
Total transactions with equity holders	–	–	–	–	–	–	–	(22)	41	(2,142)	(2,123)	(24)	(2,147)
At June 30, 2016	8	7,769	26,250	114	(347)	166	(58)	20	(46)	4,377	38,253	105	38,358

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

For the six months ended June 30, 2017

In HK$ million

	2017 (Unaudited)												
	Attributable to holders of Share Stapled Units/shares of the Company											Non-controlling interests	Total equity
	Share capital	Share premium	Capital contribution reserve	Currency translation reserve	Merger reserve	Hedging reserve	Other reserves	Equity compensation reserve	Treasury stock	Retained profits	Total		
At January 1, 2017	8	7,769	26,250	12	(347)	491	26	36	(47)	4,898	39,096	63	39,159
Total comprehensive income/(loss) for the period													
Profit for the period	–	–	–	–	–	–	–	–	–	2,389	2,389	10	2,399
Other comprehensive income/(loss)													
Items that have been reclassified or may be reclassified subsequently to consolidated income statement:													
Exchange differences on translating foreign operations	–	–	–	98	–	–	–	–	–	–	98	–	98
Cash flow hedges:													
– effective portion of changes in fair value	–	–	–	–	–	(563)	–	–	–	–	(563)	–	(563)
– transfer to consolidated income statement	–	–	–	–	–	(213)	–	–	–	–	(213)	–	(213)
Total comprehensive income/(loss) for the period	–	–	–	98	–	(776)	–	–	–	2,389	1,711	10	1,721
Transactions with equity holders													
Purchase of Share Stapled Units under the Share Stapled Units Award Schemes	–	–	–	–	–	–	–	–	(6)	–	(6)	–	(6)
Employee share-based compensation	–	–	–	–	–	–	–	13	–	–	13	–	13
Vesting of Share Stapled Units under the Share Stapled Units Award Schemes	–	–	–	–	–	–	–	(37)	43	(6)	–	–	–
Distribution/Dividend paid in respect of the previous year *(note 7(b))*	–	–	–	–	–	–	–	(2)	–	(2,630)	(2,632)	–	(2,632)
Dividend paid to the non-controlling shareholder of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	(20)	(20)
Total transactions with equity holders	–	–	–	–	–	–	–	(26)	37	(2,636)	(2,625)	(20)	(2,645)
At June 30, 2017	8	7,769	26,250	110	(347)	(285)	26	10	(10)	4,651	38,182	53	38,235

The notes on pages 26 to 41 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, 2017

In HK$ million	2016 (Unaudited)	**2017 (Unaudited)**
NET CASH GENERATED FROM OPERATING ACTIVITIES	5,316	**5,381**
INVESTING ACTIVITIES		
Investments in an associate and a joint venture	(179)	**–**
Other investing activities	(3,220)	**(3,126)**
NET CASH USED IN INVESTING ACTIVITIES	(3,399)	**(3,126)**
FINANCING ACTIVITIES		
New borrowings raised,net	7,617	**4,152**
Other financing activities (including repayment of borrowings)	(10,259)	**(7,174)**
NET CASH USED IN FINANCING ACTIVITIES	(2,642)	**(3,022)**
NET DECREASE IN CASH AND CASH EQUIVALENTS	(725)	**(767)**
Exchange differences	(27)	**11**
CASH AND CASH EQUIVALENTS		
Cash and cash equivalents at January 1,	3,768	**2,882**
Cash and cash equivalents at June 30,	3,016	**2,126**
Analysis of the balance of cash and cash equivalents:		
Total cash and bank balances	3,041	**2,625**
Less: short-term deposits	–	**(450)**
restricted cash	(25)	**(49)**
	3,016	**2,126**

The notes on pages 26 to 41 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.

NOTES TO THE HKT TRUST AND HKT LIMITED UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended June 30, 2017

1 BASIS OF PREPARATION AND PRESENTATION

The HKT Trust (the "HKT Trust") is constituted by a Hong Kong law governed trust deed and as supplemented, amended or substituted from time to time (the "Trust Deed"), entered into between HKT Management Limited (the "Trustee-Manager", in its capacity as the trustee-manager of the HKT Trust) and HKT Limited. In accordance with the Trust Deed, the HKT Trust and HKT Limited are each required to prepare their own interim financial information on a consolidated basis. The HKT Trust unaudited condensed consolidated interim financial information for the period ended June 30, 2017 comprises the unaudited condensed consolidated interim financial information of the HKT Trust, HKT Limited (or the "Company") and its subsidiaries (together the "Group"), and the Group's interests in associates and joint ventures. The HKT Limited unaudited condensed consolidated interim financial information for the period ended June 30, 2017 comprises the unaudited condensed financial information of HKT Limited and its subsidiaries (together the "HKT Limited Group") and the HKT Limited Group's interests in associates and 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, 2017 was investing in HKT Limited. Therefore, the consolidated results and financial position that would be presented in the unaudited condensed consolidated interim financial information of the HKT Trust are identical to the consolidated financial results and financial position of HKT Limited with the only differences being disclosures of the capital of HKT Limited. Directors of the Trustee-Manager and of the Company believe therefore that it is clearer to present the unaudited condensed consolidated financial information of the HKT Trust and of the Company together. The unaudited condensed consolidated interim financial information of the HKT Trust and the unaudited condensed consolidated interim financial information of HKT Limited are presented together to the extent they are identical and are hereinafter referred 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, 2016.

1 BASIS OF PREPARATION AND PRESENTATION *(CONTINUED)*

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 9, 2017.

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

The preparation of the HKT Trust and HKT Limited unaudited condensed consolidated interim financial information in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses on a year-to-date basis. Actual results may differ from these estimates. In preparing this unaudited condensed consolidated interim financial information, the significant judgements made by management in applying the Groups' accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended December 31, 2016.

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, 2016, except for the adoption of the following amended Hong Kong Financial Reporting Standards ("HKFRSs") and HKASs (collectively "new HKFRSs") which are effective for accounting periods beginning on or after January 1, 2017 as described below.

The following new HKFRSs are mandatory for the first time for the financial year beginning January 1, 2017, but have no material effect on the Groups' reported results and financial position for the current and prior accounting periods:

- HKAS 7 (Amendment), Statement of Cash Flows.
- HKAS 12 (Amendment), Income Taxes.
- Annual Improvements to HKFRSs 2014-2016 Cycle published in March 2017 by HKICPA.

The Groups have not early adopted any new 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, 2016 (Audited)	**As at June 30, 2017 (Unaudited)**
ASSETS AND LIABILITIES			
Non-current assets			
Interests in subsidiaries		28,098	**28,098**
		28,098	**28,098**
Current assets			
Prepayments, deposits and other current assets		8	**4**
Amounts due from subsidiaries		7,325	**7,285**
		7,333	**7,289**
Current liabilities			
Accruals and other payables		31	**33**
Amounts due to subsidiaries		157	**91**
		188	**124**
Net assets		35,243	**35,263**
CAPITAL AND RESERVES			
Share capital	11	8	**8**
Reserves	11	35,235	**35,255**
Total equity		35,243	**35,263**

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, 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 comprised new business areas such as Tap & Go mobile payment service and The Club program, and corporate support functions.

3 SEGMENT INFORMATION *(CONTINUED)*

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

Information regarding the Groups' reportable segments as provided to the Groups' CODM is set out below:

	For the six months ended June 30, 2016 (Unaudited)				
In HK$ million	TSS	Mobile	Other Businesses	Eliminations	Total
REVENUE					
External revenue	9,935	6,335	118	–	16,388
Inter-segment revenue	373	–	–	(373)	–
Total revenue	10,308	6,335	118	(373)	16,388
RESULTS					
EBITDA	3,681	2,439	(255)	–	5,865

	For the six months ended June 30, 2017 (Unaudited)				
In HK$ million	**TSS**	**Mobile**	**Other Businesses**	**Eliminations**	**Total**
REVENUE					
External revenue	**9,910**	**5,614**	**125**	**–**	**15,649**
Inter-segment revenue	**414**	**–**	**–**	**(414)**	**–**
Total revenue	**10,324**	**5,614**	**125**	**(414)**	**15,649**
RESULTS					
EBITDA	**3,720**	**2,504**	**(256)**	**–**	**5,968**

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, 2016 (Unaudited)	**2017 (Unaudited)**
Total segment EBITDA	5,865	**5,968**
Gain/(loss) on disposal of property, plant and equipment, net	2	**(1)**
Depreciation and amortization	(2,827)	**(2,838)**
Other gains/(losses), net	9	**(2)**
Finance costs, net	(483)	**(522)**
Share of results of associates and joint ventures	(8)	**7**
Profit before income tax	2,558	**2,612**

4 OTHER GAINS/(LOSSES), NET

In HK$ million	Six months ended June 30, 2016 (Unaudited)	**2017 (Unaudited)**
Net gain on fair value hedging instruments	4	**–**
Others	5	**(2)**
	9	**(2)**

5 PROFIT BEFORE INCOME TAX

Profit before income tax is stated after charging the following:

In HK$ million	Six months ended June 30, 2016 (Unaudited)	**2017 (Unaudited)**
Cost of inventories sold	2,468	**1,828**
Cost of sales, excluding inventories sold	4,505	**4,680**
Depreciation of property, plant and equipment	711	**724**
Amortization of intangible assets	2,110	**2,108**
Amortization of land lease premium	6	**6**
Finance costs on borrowings	486	**525**

6 INCOME TAX

In HK$ million	Six months ended June 30, 2016 (Unaudited)	Six months ended June 30, **2017 (Unaudited)**
Current income tax:		
Hong Kong profits tax	247	**366**
Overseas tax	28	**21**
Movement of deferred income tax	(44)	**(174)**
Income tax expense	231	**213**

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits for the period. Overseas tax has been calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the respective jurisdictions.

7 DISTRIBUTIONS/DIVIDENDS

a. Distribution/Dividend attributable to the interim period

In HK$ million	Six months ended June 30, 2016 (Unaudited)	Six months ended June 30, **2017 (Unaudited)**
Interim distribution/dividend declared after the interim period of 28.12 HK cents (2016: 27.09 HK cents) per Share Stapled Unit/ordinary share of the Company	2,051	**2,129**

At meetings held on August 9, 2017, the directors of the Trustee-Manager and the Company declared an interim distribution/dividend of 28.12 HK cents per Share Stapled Unit/ordinary share of the Company for the year ending December 31, 2017. This interim distribution/dividend is not reflected as a distribution/dividend payable in the HKT Trust and HKT Limited unaudited condensed consolidated interim financial information.

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

In HK$ million	Six months ended June 30, 2016 (Unaudited)	Six months ended June 30, **2017 (Unaudited)**
Distribution/Dividend in respect of the previous financial year, approved and paid during the interim period of 34.76 HK cents (2016: 28.27 HK cents) per Share Stapled Unit/ordinary share of the Company	2,141	**2,632**
Less: distribution/dividend for Share Stapled Units/shares held by the Company's Share Stapled Units Award Schemes	(1)	**(2)**
	2,140	**2,630**

8 EARNINGS PER SHARE STAPLED UNIT/SHARE OF THE COMPANY

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

	Six months ended June 30, 2016 (Unaudited)	**Six months ended June 30, 2017 (Unaudited)**
Earnings (in HK$ million)		
Earnings for the purpose of basic and diluted earnings per Share Stapled Unit/share of the Company	2,317	**2,389**
Number of Share Stapled Units/shares of the Company		
Weighted average number of Share Stapled Units/ordinary shares of the Company	7,571,742,334	**7,571,742,334**
Effect of Share Stapled Units held under the Company's Share Stapled Units Award Schemes	(7,600,143)	**(3,395,685)**
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	7,564,142,191	**7,568,346,649**
Effect of Share Stapled Units awarded under the Company's Share Stapled Units Award Schemes	3,872,536	**2,027,176**
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	7,568,014,727	**7,570,373,825**

9 TRADE RECEIVABLES, NET

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

In HK$ million	As at December 31, 2016 (Audited)	**As at June 30, 2017 (Unaudited)**
1 – 30 days	1,910	**1,138**
31 – 60 days	394	**494**
61 – 90 days	245	**181**
91 – 120 days	137	**132**
Over 120 days	539	**779**
	3,225	**2,724**
Less: Impairment loss for doubtful debts	(190)	**(194)**
	3,035	**2,530**

Included in trade receivables, net were the amounts due from related parties of HK$50 million and HK$12 million as at June 30, 2017 and December 31, 2016, respectively.

9 TRADE RECEIVABLES, NET *(CONTINUED)*

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

10 TRADE PAYABLES

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

	As at	
In HK$ million	December 31, 2016 (Audited)	**June 30, 2017 (Unaudited)**
1 – 30 days	1,557	**843**
31 – 60 days	154	**134**
61 – 90 days	82	**74**
91 – 120 days	32	**64**
Over 120 days	649	**523**
	2,474	**1,638**

Included in trade payables were the amounts due to related parties of HK$58 million and HK$58 million as at June 30, 2017 and December 31, 2016, respectively.

11 EQUITY OF HKT LIMITED

	Number of shares (Unaudited)	**Nominal value (Unaudited) HK$**
Authorized:		
Ordinary shares of HK$0.0005 each	**20,000,000,000**	**10,000,000**
Preference shares of HK$0.0005 each	**20,000,000,000**	**10,000,000**
Issued and fully paid:		
Ordinary shares of HK$0.0005 each		
Balances as at January 1, 2017 and June 30, 2017	**7,571,742,334**	**3,785,871**
Preference shares of HK$0.0005 each		
Balances as at January 1, 2017 and June 30, 2017	**7,571,742,334**	**3,785,871**

Movements in reserves of the Company during the periods ended June 30, 2016 and 2017 are as follows:

		The Company 2016	
In HK$ million	Share premium (Unaudited)	Retained profits (Unaudited)	Total (Unaudited)
At January 1, 2016	35,113	93	35,206
Total comprehensive income for the period	–	2,155	2,155
Distribution to equity owners	–	(2,141)	(2,141)
At June 30, 2016	35,113	107	35,220

		The Company 2017	
In HK$ million	**Share premium (Unaudited)**	**Retained profits (Unaudited)**	**Total (Unaudited)**
At January 1, 2017	**35,113**	**122**	**35,235**
Total comprehensive income for the period	**–**	**2,652**	**2,652**
Distribution to equity owners	**–**	**(2,632)**	**(2,632)**
At June 30, 2017	**35,113**	**142**	**35,255**

12 SHARE AWARD SCHEMES OF PCCW LIMITED ("PCCW") AND SHARE STAPLED UNITS AWARD SCHEMES OF THE COMPANY

Pursuant to the share incentive award schemes of PCCW, namely the Purchase Scheme and the Subscription Scheme (collectively the "PCCW Share Award Schemes") and the award schemes of the Company, namely the HKT Share Stapled Units Purchase Scheme and the HKT Share Stapled Units Subscription Scheme (collectively the "Share Stapled Units Award Schemes"), PCCW and the Company have awarded a number of shares of PCCW ("PCCW Shares") and Share Stapled Units, to eligible employees of the Company and/or its subsidiaries during the six months ended June 30, 2017.

A summary of movements in the PCCW Shares and the Share Stapled Units held under the PCCW Share Award Schemes and the Share Stapled Units Award Schemes during the six months ended June 30, 2017 are as follows:

	Number of PCCW Shares (Unaudited)	Number of Share Stapled Units (Unaudited)
As at January 1, 2016	5,449,041	9,596,941
PCCW Shares/Share Stapled Units vested	(3,030,881)*	(4,399,558)*
As at June 30, 2016	2,418,160	5,197,383

* Included 1,473 PCCW Shares and 1,302 Share Stapled Units vested during the six months ended June 30, 2016 pursuant to the delegated authority of the relevant board committees on compassionate grounds.

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

The weighted average fair values of PCCW Shares and Share Stapled Units awarded during the six months ended June 30, 2017 at the dates of award are HK$4.60 (2016: HK$5.17) per PCCW Share and HK$10.04 (2016: HK$10.89) per Share Stapled Unit, which are measured by the quoted market price of the PCCW Shares and Share Stapled Units at the respective award dates.

13 CAPITAL COMMITMENTS

In HK$ million	As at December 31, 2016 (Audited)	As at **June 30, 2017 (Unaudited)**
Authorized and contracted for acquisition of property, plant and equipment	645	**409**

Additions of property, plant and equipment were HK$1,334 million and HK$1,488 million for the six months ended June 30, 2017 and 2016 respectively.

14 CONTINGENT LIABILITIES

In HK$ million	As at December 31, 2016 (Audited)	As at **June 30, 2017 (Unaudited)**
Performance guarantees	513	**505**
Others	57	**51**
	570	**556**

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

15 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, 2016 (Unaudited)	Six months ended June 30, **2017 (Unaudited)**
Telecommunications service fees received or receivable from a substantial shareholder of PCCW	a	40	**38**
Telecommunications service fees paid or payable to a substantial shareholder of PCCW	a	53	**38**
Telecommunications service fees, interest income and other recharge costs received or receivable from joint ventures	a	17	**25**
Telecommunications service fees, equipment purchase costs, outsourcing fees and rental charges paid or payable to joint ventures	a	144	**124**
Consultancy service charges and interest income received or receivable from an associate	a	7	**8**
Telecommunications service fees paid or payable to an associate	a	–	**9**
Telecommunications service fees, equipment and inventories sales, management fee and other recharge costs received or receivable from fellow subsidiaries	a	461	**662**
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	965	**967**
Rental and facilities management charges paid or payable to fellow subsidiaries	a	71	**72**
Key management compensation	b	43	**42**

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

b. Details of key management compensation

In HK$ million	Six months ended June 30, 2016 (Unaudited)	Six months ended June 30, **2017 (Unaudited)**
Salaries and other short-term employee benefits	35	**32**
Share-based compensation	7	**9**
Post-employment benefits	1	**1**
	43	**42**

16 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 do not include all financial risk management information and disclosures as required in the Groups' annual consolidated financial statements. They should be read in conjunction with the Groups' annual consolidated financial statements for the year ended December 31, 2016. There have been no material changes in the financial management policies and practices since December 31, 2016.

b. Estimation of fair values

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

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

The following table presents the Groups' financial instruments that are measured at fair value at December 31, 2016:

	As at December 31, 2016 (Audited)			
In HK$ million	Level 1	Level 2	Level 3	Total
Assets				
Available-for-sale financial assets				
– Unlisted equity securities	–	–	77	77
Derivative financial instruments	–	277	–	277
Financial assets at fair value through profit or loss	44	–	–	44
Total assets	44	277	77	398
Liabilities				
Derivative financial instruments	–	(14)	–	(14)

The following table presents the Groups' financial instruments that are measured at fair value at June 30, 2017:

	As at June 30, 2017 (Unaudited)			
In HK$ million	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Available-for-sale financial assets				
– Unlisted equity securities	**–**	**–**	**77**	**77**
Derivative financial instruments	**–**	**40**	**–**	**40**
Financial assets at fair value through profit or loss	**36**	**–**	**–**	**36**
Total assets	**36**	**40**	**77**	**153**
Liabilities				
Derivative financial instruments	**–**	**(268)**	**–**	**(268)**

16 FINANCIAL INSTRUMENTS *(CONTINUED)*

b. Estimation of fair values *(continued)*

The fair values of financial instruments traded in active markets are based on quoted market prices at the end of the reporting period. The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques and making assumptions that are based on market conditions existing at the end of each reporting period. Instruments included in level 2 comprise cross currency swap contracts, interest rate swap contracts and foreign exchange forward contracts. In measuring the swap transactions, the fair value is the net present value of the estimated future cash flows discounted at the market quoted swap rates. The fair value of the foreign exchange forward contracts is calculated based on the prevailing market foreign currency exchange rates quoted for contracts with same notional amounts adjusted for maturity differences.

If one or more of the significant input is not based on observable market data, the instrument is included in level 3. In 2016, a wholly-owned subsidiary of the Groups acquired an unlisted available-for-sale financial asset amounted to HK$77 million which was included in level 3 category.

There were no transfers of financial assets and liabilities between fair value hierarchy classifications during the six months ended June 30, 2017.

There were no material changes in valuation techniques during the six months ended June 30, 2017.

c. Groups' valuation process

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

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

All financial instruments are carried at amounts not materially different from their fair values as at December 31, 2016 and June 30, 2017 except as follows:

	As at December 31, 2016		**As at June 30, 2017**	
In HK$ million	Carrying amount (Audited)	Fair value (Audited)	**Carrying amount (Unaudited)**	**Fair value (Unaudited)**
Long-term borrowings	38,193	37,876	**38,427**	**38,516**

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.

17 POSSIBLE IMPACT OF NEW AND AMENDED STANDARDS ISSUED BUT NOT YET EFFECTIVE FOR THE ANNUAL ACCOUNTING PERIOD ENDING DECEMBER 31, 2017

Up to the date of approval of this unaudited condensed consolidated interim financial information, the HKICPA has issued a number of new and amended standards which are not yet effective for the accounting period ending December 31, 2017 and have not been early adopted in this unaudited condensed consolidated interim financial information.

None of the new and amended standards is expected to have a significant effect on the financial statements of the Groups, except the following set out below:

HKFRS 15, "Revenue from Contracts with Customers"
HKFRS 15 will replace HKAS 18 which covers contracts for goods and services, HKAS 11 which covers construction contracts and related literature. HKFRS 15 is based on the principle that revenue is recognized when control of a good or service transfers to a customer. HKFRS 15 permits either a full retrospective or a modified retrospective approach for the adoption. The Groups will adopt HKFRS 15 effective January 1, 2018.

While the Groups are continuing to assess the effect of applying HKFRS 15 on the Groups' consolidated financial statements, the Groups have identified a number of our current revenue recognition policies and disclosures that will be impacted by HKFRS 15. Those major impacts are discussed below:

HKFRS 15 will require the identification of deliverables in contracts with customers that qualify as separate "performance obligations". The performance obligations identified will depend on the nature of individual customer contracts, but might typically be identified for mobile handsets, gifts provided free of charge and for services provided to customers such as mobile communications services. The transaction price receivable from customers must be allocated between the Groups' performance obligations under the contracts on a relative stand-alone selling price basis. Currently, the Groups capitalize subsidized handsets and gifts as customer acquisition costs and amortize these amounts on a straight-line basis over the minimum enforceable contractual periods. The primary impact on revenue reporting will be that when the Groups sell subsidized handsets together with gifts and mobile communications service agreements to customers, revenue allocated to handsets and gifts, and recognized at contract inception, when control of the handsets and gifts typically passes to the customer, will increase and revenue subsequently recognized as services are delivered during the contract period will reduce. Nevertheless, it is expected that there will be no significant impact on the total revenue to be recognized by the Groups in the consolidated income statement over the respective contract period. The major impact on the Groups' consolidated income statement would be on the costs of subsidized handsets and gifts which are required to be recognized as costs of goods sold, as compared with the existing treatment of being charged to consolidated income statement through amortization of customer acquisition costs before the adoption of HKFRS 15. The total net profit recognized by the Groups over the full contract period is not expected to be materially affected.

The adoption of HKFRS 15 will not have any material impact on the Groups' consolidated statement of cash flows and the calculation of Adjusted Funds Flow pursuant to the Trust Deed.

The transactions impacted by HKFRS 15 are high in volume, value and complexity, therefore the Groups are continuing to assess the magnitude of the impact of these and other accounting changes that will arise under HKFRS 15, and will make more detailed assessments of the impact in the annual financial statements for the year ending December 31, 2017.

17 POSSIBLE IMPACT OF NEW AND AMENDED STANDARDS ISSUED BUT NOT YET EFFECTIVE FOR THE ANNUAL ACCOUNTING PERIOD ENDING DECEMBER 31, 2017 *(CONTINUED)*

HKFRS 9, "Financial instruments"

HKFRS 9, "Financial instruments", addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the guidance in HKAS 39 that relates to the classification and measurement of financial instruments. HKFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in HKAS 39. HKFRS 9 relaxes the requirements for hedge effectiveness but contemporaneous documentation is still required. Measurement of impairment loss on trade receivable based on an expected credit losses model requires the use of historical data as well as forward looking information and may result in an earlier recognition of credit losses and have an impact to the Groups' consolidated financial statements. Management is in the process of assessing the impact of HKFRS 9. It is not practicable to provide a reasonable estimate of the effect until the Groups perform a detailed review. The adoption of HKFRS 9 is also expected to require more disclosures on the Groups' consolidated financial statements. The Groups will adopt HKFRS 9 effective January 1, 2018.

HKFRS 16, "Leases"

HKFRS 16 will affect primarily the accounting for the Groups' operating leases. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized in the consolidated statement of financial position. The Groups are in the process of assessing to what extent the operating lease commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Groups' profit and classification of cash flows. The Groups will adopt HKFRS 16 effective January 1, 2019.

There are no other new and amended standards that are not yet effective which would be expected to have a significant impact on the Groups' results of operations and financial position.

INCOME STATEMENT OF HKT MANAGEMENT LIMITED

For the six months ended June 30, 2017

In HK$'000	Note	2016 (Unaudited)	**2017 (Unaudited)**
Management fee income		23	**28**
General and administrative expenses		(23)	**(28)**
Result before income tax	2	–	**–**
Income tax	3	–	**–**
Result for the period		–	**–**

The notes on pages 47 to 48 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, 2017

In HK$'000	2016 (Unaudited)	**2017 (Unaudited)**
Result for the period	–	**–**
Other comprehensive income	–	**–**
Total comprehensive income for the period	–	**–**

The notes on pages 47 to 48 form an integral part of this unaudited condensed interim financial information.

STATEMENT OF FINANCIAL POSITION OF HKT MANAGEMENT LIMITED

As at June 30, 2017

In HK$'000	Note	As at December 31, 2016 (Audited)	**As at June 30, 2017 (Unaudited)**
ASSETS AND LIABILITIES			
Current assets			
Amount due from a fellow subsidiary		222	**250**
		222	**250**
Current liabilities			
Accruals and other payables		129	**129**
Amount due to a fellow subsidiary		93	**121**
		222	**250**
Net assets		–	**–**
CAPITAL AND RESERVES			
Share capital	4	–	**–**
Reserve		–	**–**
Total equity		–	**–**

The notes on pages 47 to 48 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, 2017

	2016 (Unaudited)		
In HK$'000	Share capital	Retained profit	Total
As at January 1, 2016	–	–	–
Comprehensive income			
Result for the period	–	–	–
Other comprehensive income	–	–	–
Total comprehensive income for the period	–	–	–
Transactions with equity owner of the Company	–	–	–
As at June 30, 2016	–	–	–

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

The notes on pages 47 to 48 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, 2017

In HK$'000	2016 (Unaudited)	**2017 (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 47 to 48 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, 2017

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, 2016.

This unaudited condensed interim financial information is presented in Hong Kong dollars, unless otherwise stated. This unaudited condensed interim financial information was approved for issue on August 9, 2017.

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, 2016 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, 2016 has been delivered to the Registrar of Companies.

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

The preparation of the unaudited condensed interim financial information in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses on a year-to-date basis. Actual results may differ from these estimates. In preparing this unaudited condensed interim financial information, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended December 31, 2016.

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, 2016, except for the adoption of the following amended Hong Kong Financial Reporting Standards ("HKFRSs") and HKASs (collectively "new HKFRSs") which are effective for accounting periods beginning on or after January 1, 2017 as described below.

1 BASIS OF PREPARATION *(CONTINUED)*

The following new HKFRSs are mandatory for the first time for the financial year beginning January 1, 2017, but have no material effect on the Company's reported results and financial position for the current and prior accounting periods:

- HKAS 7 (Amendment), Statement of Cash Flows.
- HKAS 12 (Amendment), Income Taxes.
- Annual Improvements to HKFRSs 2014-2016 Cycle published in March 2017 by HKICPA.

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

2 RESULT BEFORE INCOME TAX

Result before income tax is stated after charging the following:

	Six months ended June 30,	
In HK$'000	2016 (Unaudited)	**2017 (Unaudited)**
Charging:		
Auditor's remuneration	23	**24**

3 INCOME TAX

No Hong Kong profits tax has been provided as the Company does not have any assessable profit during the period (2016: same).

4 SHARE CAPITAL

	As at			
	December 31, 2016		**June 30, 2017**	
	Number of share (Audited)	HK$ (Audited)	**Number of share (Unaudited)**	**HK$ (Unaudited)**
Issued and fully paid:				
Ordinary share	1	1	**1**	**1**

5 RELATED PARTY TRANSACTIONS

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

	Six months ended June 30,	
In HK$'000	2016 (Unaudited)	**2017 (Unaudited)**
Management fee receivable from a fellow subsidiary	23	**28**

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

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

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

As at June 30, 2017, the directors of HKT Limited (the "Company") and the directors of HKT Management Limited (the "Trustee-Manager", in its capacity as the trustee-manager of the HKT Trust) (collectively referred to as the "Directors"), the chief executives of the Company and the Trustee-Manager (collectively referred to as the "Chief Executives") and their respective close associates had the following interests and short positions in the share stapled units of HKT Trust and the Company (the "Share Stapled Units") and underlying Share Stapled Units, and the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register(s) required to be kept under Section 352 of the SFO or as otherwise notified to the Company, the Trustee-Manager and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"):

1. Interests in HKT Trust and HKT Limited

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

	Number of Share Stapled Units held					
Name of Director/Chief Executive	Personal interests	Corporate interests	Other interests	Number of underlying Share Stapled Units held under equity derivatives	Total	Approximate percentage of the total number of Share Stapled Units in issue
Li Tzar Kai, Richard	–	66,247,614 *(Note 1(a))*	144,786,423 *(Note 1(b))*	–	211,034,037	2.79%
Alexander Anthony Arena	3,344,103	–	901,885 *(Note 2)*	–	4,245,988	0.06%
Hui Hon Hing, Susanna	2,603,398	–	686,792 *(Note 3)*	–	3,290,190	0.04%
Peter Anthony Allen	21,530	–	–	–	21,530	0.0003%
Srinivas Bangalore Gangaiah	58,175	–	249,664 *(Note 4)*	–	307,839	0.004%
Professor Chang Hsin Kang	2,790	–	–	–	2,790	0.00004%

Each Share Stapled Unit confers an interest in:

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

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

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

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

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

Notes:

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

   (b) These interests represented:

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

   (ii) a deemed interest in 131,626,804 Share Stapled Units held by Pacific Century Regional Developments Limited ("PCRD"), a company in which PCGH had, through itself and certain wholly-owned subsidiaries being Anglang Investments Limited, Pacific Century Group (Cayman Islands) Limited, Pacific Century International Limited and Borsington Limited, an aggregate of 88.58% interest. Li Tzar Kai, Richard was the founder of certain trusts which held 100% interests in PCGH. Accordingly, Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the 131,626,804 Share Stapled Units held by PCRD. Li Tzar Kai, Richard was also deemed to be interested in 1.06% of the issued share capital of PCRD through Hopestar Holdings Limited, a company wholly-owned by Li Tzar Kai, Richard.

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

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

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

2. Interests in the Associated Corporations of the Company

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

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

Name of Director/Chief Executive	Number of ordinary shares of PCCW held: Personal interests	Corporate interests	Other interests	Number of underlying shares of PCCW held under equity derivatives	Total	Approximate percentage of the total number of shares of PCCW in issue
Li Tzar Kai, Richard	–	307,694,369 *(Note 1(a))*	1,928,842,224 *(Note 1(b))*	–	2,236,536,593	28.97%
Alexander Anthony Arena *(Note 4)*	1,636,115	–	1,988,165 *(Note 3)*	200 *(Note 2)*	3,624,480	0.05%
Hui Hon Hing, Susanna	4,412,414	–	1,513,482 *(Note 3)*	–	5,925,896	0.08%
Peter Anthony Allen	272,208	–	–	–	272,208	0.004%
Srinivas Bangalore Gangaiah	336,835	–	549,761 *(Note 3)*	–	886,596	0.01%
Professor Chang Hsin Kang	64,180	–	–	–	64,180	0.001%

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

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

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

Notes:

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

   (b) These interests represented:

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

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

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

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

4. As disclosed previously in the annual reports and interim reports of PCCW and HKT Trust and HKT Limited, in 2009 a private company owned by Li Tzar Kai, Richard has provided a seven year interest-free loan in the amount of US$10,000,000 to Alexander Anthony Arena at his request and for personal reasons. Alexander Anthony Arena entered into a seven year consultancy agreement with another private company owned by Li Tzar Kai, Richard with an annual consultancy fee sufficient to repay the aforementioned loan over its seven year term. This private arrangement was reviewed by the remuneration committee of PCCW prior to its finalization. The committee noted that the consultancy services provided to the private company would be publicly disclosed, would not conflict with Alexander Anthony Arena's duties at PCCW and overall would be in the interests of PCCW. Subsequent amendments made permit part of the loan to be re-drawn, as an interest bearing loan repayable in cash. As at June 30, 2017, the outstanding amount of the loan (together with interests accrued) have been repaid. The consultancy agreement terminated on the expiry of its seven year term in 2016.

B. PCCW-HKT Capital No.5 Limited (an indirect wholly-owned subsidiary of the Company)

PineBridge Investments Europe Limited ("PBIEL") in its capacity as investment manager for a third party client had discretionary authority to deal with nominal amount of bond currency at US$1,200,000 of PCCW-HKT Capital No.5 – 3.75% due 2023 (the "2023 Bonds") issued by PCCW-HKT Capital No.5 Limited, an associated corporation of the Company. PBIEL was an indirect subsidiary of Chiltonlink and Li Tzar Kai, Richard owned 100% of the issued share capital of Chiltonlink. Accordingly, Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the amount of US$1,200,000 of the 2023 Bonds.

C. HKT Capital No. 2 Limited (an indirect wholly-owned subsidiary of the Company)

PBIEL in its capacity as investment manager for a third party client had discretionary authority to deal with nominal amount of bond currency at US$1,900,000 of HKT Capital No. 2 – 3.625% due 2025 (the "2025 Bonds") issued by HKT Capital No. 2 Limited, an associated corporation of the Company. PBIEL was an indirect subsidiary of Chiltonlink and Li Tzar Kai, Richard owned 100% of the issued share capital of Chiltonlink. Accordingly, Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the amount of US$1,900,000 of the 2025 Bonds.

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)*

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

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

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

Notes:

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

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

Save as disclosed in the foregoing, as at June 30, 2017, 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, 2017.

SHARE STAPLED UNITS AWARD SCHEMES

On October 11, 2011, the Company conditionally adopted two award schemes pursuant to which awards of Share Stapled Units may be made, namely the HKT Share Stapled Units Purchase Scheme and the HKT Share Stapled Units Subscription Scheme (collectively the "Share Stapled Units Award Schemes"). The purposes of the Share Stapled Units Award Schemes are to incentivize and reward eligible 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 eligible participants.

Subject to the relevant scheme rules, each scheme provides that following the making of an award to an employee of the HKT Limited Group, the relevant Share Stapled Units are held in trust for that employee and then shall vest over a period of time determined by the Company Board provided that the employee remains, at all times after the award date and on the relevant vesting date, an employee of the HKT Limited Group and satisfies any other conditions specified at the time the award is made, notwithstanding that the relevant committee of the Company Board shall be at liberty to waive such conditions.

SHARE STAPLED UNITS AWARD SCHEMES *(CONTINUED)*

During the six months ended June 30, 2017, an aggregate of 2,392,160 Share Stapled Units were awarded subject to certain vesting conditions pursuant to the HKT Share Stapled Units Purchase Scheme, including an award in respect of 605,023 and 262,177 Share Stapled Units made respectively to Alexander Anthony Arena and Hui Hon Hing, Susanna (the directors of the Company and the Trustee-Manager). Additionally, 72,548 Share Stapled Units have lapsed and/or been forfeited and 4,647,596 Share Stapled Units have vested during the period. As at June 30, 2017, 3,436,273 Share Stapled Units awarded pursuant to the HKT Share Stapled Units Purchase Scheme remained unvested. No Share Stapled Units have been awarded under the HKT Share Stapled Units Subscription Scheme since the date of its adoption and up to and including June 30, 2017.

Please also refer to the summary of movements in the Share Stapled Units held under the Share Stapled Units Award Schemes which is set out in note 12 to the HKT Trust and HKT Limited unaudited condensed consolidated interim financial information on page 35.

Save as disclosed above, at no time during the period under review was the Trustee-Manager, the Company or any of their subsidiaries, holding companies or fellow subsidiaries a party to any arrangement that may enable the Directors to acquire benefits by means of the acquisition of Share Stapled Units in 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, 2017, the following persons (other than any Directors or Chief Executives) were substantial holders of Share Stapled Units, and of ordinary shares and preference shares in the Company, and had interests or short positions in the Share Stapled Units and underlying Share Stapled Units, and in the shares and underlying shares of the Company as recorded in the register(s) required to be kept under Section 336 of the SFO:

Name	Capacity	Number of Share Stapled Units held	Approximate percentage of 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.

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

Save as disclosed above in this section, the Trustee-Manager and the Company have not been notified of any other persons (other than any Directors or Chief Executives) who had an interest or a short position in the Share Stapled Units or underlying Share Stapled Units, or in the shares, underlying shares or debentures of the Company as recorded in the register(s) required to be kept under Section 336 of the SFO as at June 30, 2017.

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, 2017, 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, 2017 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.

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

CORPORATE GOVERNANCE CODE

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

The HKT Trust and the Company have applied the principles and complied with all relevant code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules during the six months ended June 30, 2017, save and except for the code provisions set out below. The requirement to establish a separate Remuneration Committee with written terms of reference for the Trustee-Manager under the code provision B.1.2 of the CG Code is not relevant to the Trustee-Manager as its directors are not entitled to any remuneration under the Trust Deed, and therefore has not been complied with. In addition, given the unique circumstances of the HKT Trust i.e., the fact that the Trust Deed requires that the directors of the Company and the directors of the Trustee-Manager must always be the same individuals, the establishment of a separate Nomination Committee for the Trustee-Manager as required by code provision A.5.1 of the CG Code is not relevant to the Trustee-Manager, and therefore has not been complied with.

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

CORPORATE INFORMATION

HKT LIMITED

(incorporated in the Cayman Islands with limited liability)

BOARD OF DIRECTORS

Executive Directors

Li Tzar Kai, Richard *(Executive Chairman)*
Alexander Anthony Arena *(Group Managing Director)*
Hui Hon Hing, Susanna *(Group Chief Financial Officer)*

Non-Executive Directors

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

Independent Non-Executive Directors

Professor Chang Hsin Kang, FREng, GBS, JP
Sunil Varma
Aman Mehta
Frances Waikwun Wong

GROUP GENERAL COUNSEL AND COMPANY SECRETARY OF HKT LIMITED AND HKT MANAGEMENT LIMITED

Bernadette M. Lomas

REGISTERED OFFICE

PO Box 309, Ugland House
Grand Cayman, KY1-1104
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

SHARE STAPLED UNITS INFORMATION

Board lot:	1,000 units
Issued units as at June 30, 2017:	7,571,742,334 units

DIVIDEND/DISTRIBUTION

Interim dividend/distribution per ordinary share/share stapled unit for the six months ended June 30, 2017:	28.12 HK cents

FINANCIAL CALENDAR

Announcement of 2017 Interim Results	August 9, 2017
Closure of books	August 31 – September 1, 2017 (both days inclusive)
Record date for 2017 interim distribution	September 1, 2017
Payment of 2017 interim distribution	on or around September 29, 2017

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)*
Alexander Anthony Arena *(Group Managing Director)*
Hui Hon Hing, Susanna *(Group Chief Financial Officer)*

Non-Executive Directors

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

Independent Non-Executive Directors

Professor Chang Hsin Kang, FREng, GBS, JP
Sunil Varma
Aman Mehta
Frances Waikwun Wong

REGISTERED OFFICE

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

PRINCIPAL SHARE REGISTRAR

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

SHARE STAPLED UNITS REGISTRAR AND HONG KONG BRANCH SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
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 in Taiwan, China.

STOCK CODES

The Stock Exchange of Hong Kong Limited	6823
Reuters	6823.HK
Bloomberg	6823 HK

WEBSITE OF HKT LIMITED

www.hkt.com

INTERIM REPORT 2017

This Interim Report 2017 in both English and Chinese is now available in printed form from HKT Limited, HKT Management Limited and the Share Stapled Units Registrar, and in accessible format on the websites of HKT Limited (www.hkt.com/ir) and Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk).

Holders of share stapled units who:

A) received the Interim Report 2017 using electronic means through the website of HKT Limited may request a printed copy, or

B) received the Interim Report 2017 in either English or Chinese may request a printed copy of the other language version

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

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

Holders of share stapled units who have chosen (or are deemed to have agreed) to receive the corporate communications of the HKT Trust, HKT Limited and HKT Management Limited (including but not limited to the Interim Report 2017) 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 2017 will promptly, upon request in writing or by email to the Share Stapled Units Registrar, be sent the Interim Report 2017 in printed form, free of charge.

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

Forward-Looking Statements

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

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

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

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

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

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

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