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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)

(Stock Code: 6823)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2017

The directors of HKT Management Limited (the "Trustee-Manager", in its capacity as the trustee-manager of the HKT Trust) and HKT Limited (the "Company" or "HKT") are pleased to announce the unaudited consolidated results of the HKT Trust and of the Company together with the Company's subsidiaries (collectively the "Group") for the six months ended June 30, 2017. This condensed consolidated interim financial information has not been audited, but has been reviewed by the Audit Committee of the Trustee-Manager and of the Company and, in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants, by the Group's independent auditor, PricewaterhouseCoopers.

- 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.

Telecommunications Services *(Continued)*

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 1O1O 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.

CLOSURE OF BOOKS

The record date for the interim distribution will be Friday, September 1, 2017. The register of registered holders of Share Stapled Units, the register of holders of units, the principal and Hong Kong branch registers of members of the Company and the register of beneficial interests as maintained by the Trustee-Manager and the Company in accordance with the provisions of the Trust Deed will all be closed from Thursday, August 31, 2017 to Friday, September 1, 2017 (both days inclusive), in order to determine entitlements to the interim distribution. During such period, no transfer of Share Stapled Units will be effected. In order to qualify for the interim distribution, all transfers of Share Stapled Units accompanied by the relevant certificates in respect of the Share Stapled Units must be lodged with the Share Stapled Units Registrar, Computershare Hong Kong Investor Services Limited, Transfer Office, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration no later than 4:30 p.m. on Wednesday, August 30, 2017. Distribution warrants will be despatched to holders of Share Stapled Units on or around Friday, September 29, 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 Group 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.

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited 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.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

This announcement is published on the websites of the Company (www.hkt.com/ir) and Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk). The 2017 interim report will be despatched to holders of Share Stapled Units and available on the above websites in due course.

By order of the boards of
HKT Management Limited
and
HKT Limited
Bernadette M. Lomas
Group General Counsel and Company Secretary

Hong Kong, August 9, 2017

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	2	16,388	**15,649**
Cost of sales		(6,973)	**(6,508)**
General and administrative expenses		(6,375)	**(6,012)**
Other gains/(losses), net	3	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	2, 4	2,558	**2,612**
Income tax	5	(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	7		
Basic		30.63 cents	**31.57 cents**
Diluted		30.62 cents	**31.56 cents**

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**

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	8	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**

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)**
Current liabilities			
Trade payables	9	(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)**
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		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**

NOTES

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.

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.

1. BASIS OF PREPARATION AND PRESENTATION (CONTINUED)

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

The financial information of the Trustee-Manager relating to the year ended December 31, 2016 that is included in this interim results announcement as comparative information does not constitute the Trustee-Manager's statutory annual financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

- The Trustee-Manager'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 Trustee-Manager's auditor has reported on those financial statements of the Trustee-Manager. 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 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 preparation 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' 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. 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.

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.

2. SEGMENT INFORMATION (CONTINUED)

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

For the six months ended June 30, 2016
(In HK$ million)

	TSS (Unaudited)	Mobile (Unaudited)	Other Businesses (Unaudited)	Eliminations (Unaudited)	Total (Unaudited)
REVENUE					
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
(In HK$ million)

	TSS (Unaudited)	**Mobile (Unaudited)**	**Other Businesses (Unaudited)**	**Eliminations (Unaudited)**	**Total (Unaudited)**
REVENUE					
Total Revenue	**10,324**	**5,614**	**125**	**(414)**	**15,649**
RESULTS					
EBITDA	**3,720**	**2,504**	**(256)**	**–**	**5,968**

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)	**Six months ended June 30, 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**

3. OTHER GAINS/(LOSSES), NET

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

4. PROFIT BEFORE INCOME TAX

Profit before income tax is stated after charging the following:

In HK$ million	Six months ended June 30, 2016 (Unaudited)	**Six months ended June 30, 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**

5. 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 prevailing in the respective jurisdictions.

6. 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**

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

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

	Six months ended	
	June 30, 2016 (Unaudited)	**June 30, 2017 (Unaudited)**
Earnings (in HK$ million)		
Earnings for the purposes 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 Staple 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**

8. TRADE RECEIVABLES, NET

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

In HK$ million	As at December 31, 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 of the Groups 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.

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 payable are requested to settle all outstanding balances before any further credit is granted.

9. TRADE PAYABLES

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

In HK$ million	As at December 31, 2016 (Audited)	**As at 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 of the Groups 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.

INCOME STATEMENT OF
HKT MANAGEMENT LIMITED
For the six months ended June 30, 2017

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

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	–	**–**

STATEMENT OF FINANCIAL POSITION OF
HKT MANAGEMENT LIMITED
As at June 30, 2017

In HK$'000	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	–	**–**
Reserve	–	**–**
Total equity	–	**–**

As at the date of this announcement, the directors of the Trustee-Manager and the Company are as follows:

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

Non-Executive Directors:
Peter Anthony Allen; Chung Cho Yee, Mico; Lu Yimin; Li Fushen and
Srinivas Bangalore Gangaiah (aka BG Srinivas)

Independent Non-Executive Directors:
Professor Chang Hsin Kang, FREng, GBS, JP; Sunil Varma; Aman Mehta and Frances Waikwun Wong

Forward-Looking Statements

This announcement may contain certain 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 relating to the business, industry and markets in which HKT operates.