

HKT

Interim Report 2016
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 18,600 staff, HKT is headquartered in Hong Kong and maintains a presence in mainland China as well as other parts of the world.

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

STATEMENT FROM THE CHAIRMAN

I am pleased to report that HKT registered satisfactory financial results for the first half of 2016, reflecting resilience of its various lines of business under challenging economic and market conditions.

Our market-leading broadband business achieved a steady performance in the face of intensified competition and pricing pressure. With the most extensive fiber coverage in Hong Kong, and benefitting from its close collaboration with PCCW Media in offering customers compelling content and an excellent viewing experience, NETVIGATOR recorded a further increase in fiber customers, partly fueled by the rollout of the 4K ultra high definition appliance Now One jointly with PCCW Media.

Video streaming and the proliferation of mobile games and other apps have continued to drive mobile data traffic. CSL Holdings Limited (CSL) has both the capacity to meet the demand and the ability to innovate. As the integration of the core mobile networks following the acquisition of CSL is also coming to its final stage, we will be in a position to serve our customers even better and deliver more profitable service propositions.

HKT is a pioneer in mobile payment service in Hong Kong and will continue to grow its Tap & Go business with enhanced features.

The setback of the economy has entailed more cautious spending by the local business sector. Nevertheless, our commercial segment saw a satisfactory first half because HKT is the partner of choice. Meanwhile, HKT's international connectivity business achieved a stable performance after several periods of notable growth.

In the second half, HKT will maintain its course to prudently develop its business while monitoring and responding to any changing circumstances in the external environment in Hong Kong and globally. We are confident of our ability to serve our consumer and enterprise customers exceptionally well, but we are also aware of the challenges in the market and the economy. Against this background, we will proceed very cautiously when identifying opportunities to add value for our unitholders.

Richard Li
Chairman
August 10, 2016

STATEMENT FROM THE GROUP MANAGING DIRECTOR

It is my pleasure to report that HKT has been staying on track to provide our customers with reliable and innovative services. Despite the difficult market environment in the first half of 2016, we achieved a set of satisfactory financial results for the period.

I am also happy to share that HKT has been given the top accolade of Best Asian Telecoms Carrier at the Telecom Asia Awards 2016, recognizing HKT's strong innovation in a hypercompetitive market and its successful integration of CSL.

The following sections outline some examples this year of our efforts in meeting our commitment of "Building for Tomorrow, Today".

ABUNDANT CAPACITY FOR HEAVY LOAD

HKT has built up the most extensive genuine fiber network in Hong Kong, with an 87% fiber-to-the-building (FTTB) coverage. We have the capability to accommodate the ever increasing Internet traffic, which has been fueled by the continued surge in video streaming due to the increasing number of OTT (over-the-top) service providers as well as the emergence of more high definition (HD) video and even virtual reality (VR) content.

Riding on our connectivity advantage, NETVIGATOR has collaborated with PCCW Media to roll out a true 4K ultra high definition (UHD) all-in-one appliance for the viewing of Now TV, digital terrestrial TV (DTT), OTT content, etc. The appliance, Now One, is packed with many features in its compact body. It is manufactured by Samsung and backed by HKT's excellent after-sales and customer care services.

Now One has also stimulated customer interest in higher connectivity speed, resulting in a notable increase in the subscription of our 1Gbps fiber service, which contributed to the continued rise in the number of fiber customers during the period.

As Hong Kong's premier telecommunications company, HKT has for some time expanded beyond providing connectivity, to offering products and solutions to enrich customers' lifestyle. Our Smart Living solutions business, such as home networking, automation and security, enjoyed encouraging growth in the first half.

BETTER MOBILE EXPERIENCE

It has been two years since HKT acquired CSL. At the end of last year, we completed the consolidation of the HKT and CSL mobile radio cell sites, giving customers a more comprehensive network coverage. This year, HKT will enjoy the full-year effect of the savings and synergies arising from the consolidation of the radio network.

In the past months, we have carried out a number of major engineering and IT (information technology) exercises for the full integration of the core networks of HKT and CSL. This entire integration project is expected to be completed within this year, at which time the unified system will have greater versatility in service offerings and we will be able to offer an even better mobile experience to our customers.

In addition to offering attractive service plans and value-added services, CSL continuously optimizes its retail network to ensure that our retail stores are conveniently located and make available to customers the latest handsets and the hottest mobile-centric gadgets.

HKT's mobile payment initiative, Tap & Go, has met with positive customer reaction and won merchant support. In the first half, HKT Payment Limited made an application to the Hong Kong Monetary Authority for a stored value facilities license, as required under the new Payment Systems and Stored Value Facilities Ordinance, for Tap & Go.

COMMERCIAL SECTOR STRIVES FOR EFFICIENCIES

The poor economic conditions in Hong Kong in 2016 have inevitably led to some caution in the commercial sector and we have seen some downsizing and closure of businesses. On the other hand, businesses are also looking for ways to increase productivity and mitigate the slowdown and this makes them turn to HKT to help them find solutions. For example, we have seen a considerable growth in deployment by the retail sector of social engagement solutions such as Retail Wi-Fi and Social Wi-Fi – the combination of in-store Wi-Fi and mobile customer relationship management tools. Therefore we are seeing some opportunities despite the market conditions being very soft.

Our commercial broadband business was also boosted by the provision of Wi-Fi at major events and in schools. HKT's experienced team has served large scale projects such as the Hong Kong Asian-Pop Music Festival 2016 and the Hong Kong Sevens.

INTERNATIONAL CONNECTIVITY BUSINESS HOLDS STEADY

The international connectivity business of HKT, PCCW Global, recorded an overall steady performance in the first half, after having achieved several successive periods of good growth.

In March, PCCW Global became the world's first service provider to receive a certification which demonstrates its ability to meet the high performance, high reliability, and scalability standards required by customers' business-critical applications. The MEF 100G CE 2.0 certification was presented by the industry organization MEF after PCCW Global's worldwide network passed rigorous testing procedures.

PCCW Global always plans ahead in order to meet customer demand. In 2014, it joined a consortium of international service providers in building a high capacity cable system, AAE-1 or Asia Africa Europe-1, connecting Hong Kong, other parts of Asia, the Middle East, Africa and Europe. Construction of the submarine cable is scheduled for completion in the first quarter of next year.

LOOKING AHEAD

HKT maintains its leadership in the highly competitive Hong Kong fixed broadband and mobile communications markets because of its network strength, product and service innovation, and excellent customer care.

We have seen a continuous increase in data usage by broadband customers, and there is no reason to believe that the growth in demand is to halt anytime soon given the trend of online video streaming and the advent of new services such as VR. HKT is uniquely positioned to meet this demand with our fiber-rich fixed network and our advanced wireless networks.

With the integration of the mobile networks nearing completion producing more synergistic benefits, CSL will seek to further strengthen its csl and 1010 brands and innovate to serve the different needs of our customers.

HKT has also successfully implemented its strategy to launch new services, like the Tap & Go mobile payment service, which lay the foundation for growth in the medium to longer term.

When developing existing or new businesses, HKT has always managed its costs carefully. We recognize that this is especially important when there are no signs yet for a major recovery of the Hong Kong economy or easing of the market competitive pressure, and will therefore continue to exercise caution.



Alex Arena

Group Managing Director
August 10, 2016

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

LI Tzar Kai, Richard

Executive Chairman

Mr Li, aged 49, was appointed the Executive Chairman and an Executive Director of HKT Limited (HKT) and HKT Management Limited, the trustee-manager of the HKT Trust, in November 2011. He is the Chairman of HKT's Executive Committee and a member of the Nomination Committee of the HKT Board. Mr Li has also been an Executive Director and the Chairman of PCCW Limited (PCCW) since August 1999, the Chairman of PCCW's Executive Committee and a member of the Nomination Committee of the board of directors of PCCW. He is also the Chairman and Chief Executive of the Pacific Century Group, an Executive Director and the Chairman of Pacific Century Premium Developments Limited (PCPD), the Chairman of PCPD's Executive Committee, a member of PCPD's Remuneration Committee and Nomination Committee, the Chairman and an Executive Director of Singapore-based Pacific Century Regional Developments Limited (PCRD), and the Chairman of PCRD's Executive Committee.

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

Alexander Anthony ARENA

Group Managing Director

Mr Arena, aged 65, has been the Group Managing Director of HKT Limited (HKT) and HKT Management Limited, the trustee-manager of the HKT Trust, since November 2011. He is also a member of HKT's Executive Committee and holds directorships in various Group companies. Mr Arena is primarily responsible for the overall corporate management, planning, operation and development of the Group. Mr Arena is also a Non-Executive Director of Pacific Century Regional Developments Limited. Prior to the spin-off and separate listing of HKT, Mr Arena was an Executive Director of PCCW Limited (PCCW) from August 1999 to November 2011 and the Group Managing Director of PCCW from April 2007 to November 2011. He was also the Group Chief Financial Officer of PCCW from June 2002 to April 2007. Mr Arena was also the Deputy Chairman of PCCW's Executive Committee, a member of PCCW's Regulatory Compliance Committee, an Executive Director and Deputy Chairman of Pacific Century Premium Developments Limited (PCPD) and a member of PCPD's Executive Committee prior to November 2011.

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

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

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

HUI Hon Hing, Susanna

Group Chief Financial Officer

Ms Hui, aged 51, has been the Group Chief Financial Officer of HKT Limited (HKT) and an Executive Director of HKT and HKT Management Limited, the trustee-manager of the HKT Trust, since November 2011. She is also a member of HKT's Executive Committee and holds directorships in various Group companies. Ms Hui is primarily responsible for overseeing the financial matters of the Group. Ms Hui is and has been the Group Chief Financial Officer of PCCW Limited (PCCW) since April 2007 and an Executive Director of PCCW since May 2010. She is also a member of PCCW's Executive Committee. Prior to her appointment as the Group Chief Financial Officer of PCCW, she was the Director of Group Finance of the PCCW Group from September 2006 to April 2007, and the Director of Finance of the PCCW Group with responsibility for the telecommunications services sector and regulatory accounting. Ms Hui was also the Chief Financial Officer of Pacific Century Premium Developments Limited from July 2009 to November 2011.

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

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

NON-EXECUTIVE DIRECTORS

Peter Anthony ALLEN

Non-Executive Director

Mr Allen, aged 61, 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 and Senior Advisor to PCCW Limited (PCCW). Mr Allen was an Executive Director of PCCW from August 1999 to November 2011.

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

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

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

CHUNG Cho Yee, Mico

Non-Executive Director

Mr Chung, aged 55, was appointed a Non-Executive Director of HKT Limited and HKT Management Limited, the trustee-manager of the HKT Trust, in November 2011. Mr Chung was a Non-Executive Director of PCCW Limited (PCCW) from May 2010 to November 2011. He was an Executive Director of PCCW from November 1996 who was responsible for merger and acquisition activities and was re-designated to a Non-Executive Director of PCCW in May 2010. He joined the Pacific Century Group in March 1999.

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

Mr Chung is currently the Chairman and an Executive Director of CSI Properties Limited which he joined in 2004. He is also an Independent Non-Executive Director of HKC (Holdings) Limited. He was an Independent Non-Executive Director of CIAM Group Limited (now known as FDG Kinetic Limited) between March 9, 2001 and May 31, 2008.

LU Yimin

Non-Executive Director

Mr Lu, aged 52, was appointed a Non-Executive Director of HKT Limited (HKT) and HKT Management Limited, the trustee-manager of the HKT Trust, in November 2011. He is a member of HKT's Remuneration Committee, Nomination Committee and Executive Committee of the Board. Mr Lu became a Non-Executive Director of PCCW Limited (PCCW) in May 2008 and the Deputy Chairman of the board of directors of PCCW in November 2011. He is a member of PCCW's Executive Committee.

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

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

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

LI Fushen
Non-Executive Director

Mr Li, aged 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 Regulatory Compliance Committee. Mr Li became a Non-Executive Director of PCCW Limited (PCCW) in July 2007. He is a member of the Nomination Committee of the board of directors of PCCW.

Mr Li is an Executive Director and Chief Financial Officer of China Unicom (Hong Kong) Limited (Unicom HK). He is a Director, Vice President and Chief Accountant of 中國聯合網絡通信集團有限公司 (China United Network Communications Group Company Limited[#]). 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 55, was appointed a Non-Executive Director of HKT Limited and HKT Management Limited, the trustee-manager of the HKT Trust, in August 2014. He was appointed an Executive Director and Group Managing Director of PCCW Limited (PCCW) effective from July 2014. He is also a member of PCCW's Executive Committee.

Mr Srinivas holds a degree in mechanical engineering from Bangalore University, India, and has participated in executive programs at Wharton Business School, US, and Indian Institute of Management Ahmedabad (IIMA), India. Prior to joining PCCW, Mr Srinivas has worked for the last 15 years with Infosys Group, where his last role was the President and Whole-time Director of Infosys Limited. He has also acted as Chairman of the board of Infosys Lodestone and a member of the board of Infosys Sweden. Prior to that, Mr Srinivas worked for 14 years with Asea Brown Boveri Group, where he held several leadership positions. Mr Srinivas has been on the panel of judges for the European Business Awards (EBA) for three consecutive years and is a frequent speaker at academic institutions such as INSEAD and Saïd Business School, Oxford.

[#] For identification only

INDEPENDENT NON-EXECUTIVE DIRECTORS

Professor CHANG Hsin Kang,

FREng, GBS, JP

Independent Non-Executive Director

Professor Chang, aged 76, was appointed an Independent Non-Executive Director of HKT Limited (HKT) and HKT Management Limited (Trustee-Manager), the trustee-manager of the HKT Trust, in November 2011. He is the Chairman of HKT's Regulatory Compliance Committee, a member of HKT's Audit Committee, Remuneration Committee and Nomination Committee, and a member of the Trustee-Manager's Audit Committee. Professor Chang was an Independent Non-Executive Director of PCCW Limited from October 2000 to November 2011.

Professor Chang became an Honorary Professor of Tsinghua University in September 2007, and (Honorary Professor and) Yeh-Lu Xun Chair Professor at Peking University in February 2008. He was the President and University Professor of City University of Hong Kong from 1996 to 2007. Prior to that, he was the Dean of the School of Engineering at the University of Pittsburgh in the United States from 1994 to 1996, Founding Dean of the School of Engineering at Hong Kong University of Science and Technology from 1990 to 1994 and the Chairperson of the Department of Biomedical Engineering at the University of Southern California in the United States from 1985 to 1990.

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

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

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

Sunil VARMA

Independent Non-Executive Director

Mr Varma, aged 72, 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 69, was appointed an Independent Non-Executive Director of HKT Limited (HKT) and HKT Management Limited, the trustee-manager of the HKT Trust, in May 2014. He is the Chairman of HKT's Nomination Committee. Mr Mehta has been an Independent Non-Executive Director of PCCW Limited (PCCW) since February 2004. He is also the Chairman of the Audit Committee, the Nomination Committee and the Remuneration Committee of the board of directors of PCCW.

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

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

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

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

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

Frances Waikwun WONG

Independent Non-Executive Director

Ms Wong, aged 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 in 1986. Ms Wong returned to Hong Kong and joined the Hutchison Whampoa group of companies in 1988, taking on various positions. She was managing director of Weatherite Manufacturing Limited, an air conditioning manufacturer. Later, Ms Wong became chief executive officer of Metro Broadcast Corporation Limited. Eventually, she became chief financial officer of Star TV, Asia's first satellite television company. After leaving the Hutchison Whampoa Group in 1992, she became group chief financial officer for the Pacific Century Group. After she resigned from the Pacific Century Group, she founded the Independent Schools Foundation in Hong Kong in 2000.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

- Total revenue increased by 3% to HK\$16,388 million
- Total EBITDA increased by 2% to HK\$5,865 million
- Profit attributable to holders of Share Stapled Units increased by 30% to HK\$2,317 million; basic earnings per Share Stapled Unit was 30.63 HK cents
- Adjusted funds flow increased by 5% to HK\$2,051 million; adjusted funds flow per Share Stapled Unit was 27.09 HK cents
- Interim distribution per Share Stapled Unit of 27.09 HK cents

MANAGEMENT REVIEW

We are pleased to report that HKT delivered a satisfactory set of financial results during the six months ended June 30, 2016, despite the challenging economic and market conditions, underpinned by the strength and resilience of all of our lines of business.

Total revenue for the six months ended June 30, 2016 increased by 3% to HK\$16,388 million and total EBITDA for the period was HK\$5,865 million, an increase of 2% over the same period in 2015. The growth in EBITDA was primarily the result of the continued release of cost synergies from the successful integration of CSL Holdings Limited ("CSL") as well as the steady performance of the Telecommunications Services ("TSS") business.

Profit attributable to holders of Share Stapled Units was HK\$2,317 million, an increase of 30% over the same period in 2015. Basic earnings per Share Stapled Unit was 30.63 HK cents.

Adjusted funds flow for the six months ended June 30, 2016 reached HK\$2,051 million, an increase of 5% over the same period in 2015. Adjusted funds flow per Share Stapled Unit⁶ was 27.09 HK cents, rising similarly by 5% over the same period in 2015.

The board of directors of the Trustee-Manager has resolved an interim distribution of 27.09 HK cents per Share Stapled Unit for the six months ended June 30, 2016.

OUTLOOK

HKT maintains its leadership in the highly competitive Hong Kong fixed broadband and mobile communications markets because of its network strength, product and service innovation, and excellent customer care.

We have seen a continuous increase in data usage by broadband customers, and there is no reason to believe that the growth in demand is to halt anytime soon given the trend of online video streaming and the advent of new services such as virtual reality. HKT is uniquely positioned to meet this demand with our fiber-rich fixed network and our advanced wireless networks. We will also continue to closely collaborate with the Media business of PCCW Limited ("PCCW") in order to offer customers an unrivalled quadruple-play experience.

With the integration of the mobile networks nearing completion, HKT will seek to further strengthen its csl and 1010 brands and innovate to serve the different needs of our customers.

As a pioneer in mobile payment service in Hong Kong, HKT enjoys a head start in this growing market by launching the Tap & Go business in July 2015. More enhanced features will be introduced so we can continue to stay ahead in this field.

When developing existing or new businesses, HKT has always managed its costs carefully. We recognize that this is especially important when there are no signs yet for a major recovery of the Hong Kong economy or easing of the market competitive pressure, and will therefore continue to exercise caution in the months ahead.

FINANCIAL REVIEW BY SEGMENT

For the six months ended HK\$ million	Jun 30, 2015	Dec 31, 2015	Jun 30, 2016	Better/ (Worse) y-o-y
Revenue				
TSS	10,145	10,732	10,308	2%
Mobile	6,044	8,273	6,335	5%
Other Businesses	84	123	118	40%
Eliminations	(299)	(373)	(373)	(25)%
Total revenue	15,974	18,755	16,388	3%
Cost of sales	(6,544)	(8,995)	(6,973)	(7)%
Gross Margin	59%	52%	57%	
Gross Margin (excluding Mobile handset sales)	65%	64%	64%	
Operating costs before depreciation, amortization, and gain on disposal of property, plant and equipment, net	(3,660)	(3,430)	(3,550)	3%
EBITDA¹				
TSS	3,654	3,853	3,681	1%
Mobile	2,298	2,732	2,439	6%
Other Businesses	(182)	(255)	(255)	(40)%
Total EBITDA¹	5,770	6,330	5,865	2%
TSS EBITDA¹ Margin	36%	36%	36%	
Mobile EBITDA¹ Margin	38%	33%	39%	
Total EBITDA¹ Margin	36%	34%	36%	
Depreciation and amortization	(3,194)	(3,008)	(2,827)	11%
Gain on disposal of property, plant and equipment, net	3	2	2	(33)%
Other gains/(losses), net	33	(15)	9	(73)%
Finance costs, net	(631)	(679)	(483)	23%
Share of results of associates and joint ventures	(15)	(10)	(8)	47%
Profit before income tax	1,966	2,620	2,558	30%

ADJUSTED FUNDS FLOW

For the six months ended HK\$ million	Jun 30, 2015	Dec 31, 2015	Jun 30, 2016	Better/ (Worse) y-o-y
Total EBITDA¹	5,770	6,330	5,865	2%
Less cash outflows in respect of:				
Customer acquisition costs and licence fees	(1,519)	(1,808)	(1,381)	9%
Capital expenditures ⁵	(1,304)	(1,733)	(1,472)	(13)%
Adjusted funds flow before tax paid, net finance costs paid and changes in working capital	2,947	2,789	3,012	2%
Adjusted for:				
Tax payment	(75)	(290)	(81)	(8)%
Net finance costs paid	(435)	(467)	(414)	5%
Changes in working capital	(484)	108	(466)	4%
Adjusted funds flow²	1,953	2,140	2,051	5%

KEY OPERATING DRIVERS³

	Jun 30, 2015	Dec 31, 2015	Jun 30, 2016	Better/(Worse) y-o-y	h-o-h
Exchange lines in service ('000)	2,657	2,654	2,650	0%	0%
Business lines ('000)	1,248	1,249	1,249	0%	0%
Residential lines ('000)	1,409	1,405	1,401	(1)%	0%
Total broadband access lines ('000) (Consumer, business and wholesale customers)	1,567	1,572	1,569	0%	0%
Retail consumer broadband subscribers ('000)	1,404	1,405	1,405	0%	0%
Retail business broadband subscribers ('000)	138	144	144	4%	0%
Traditional data (Exit Gbps)	3,673	4,072	4,378	19%	8%
Retail IDD minutes (million minutes)	356	319	283	(21)%	(11)%
Mobile subscribers ('000)	4,653	4,558	4,445	(4)%	(2)%
Post-paid subscribers ('000)	3,147	3,127	3,106	(1)%	(1)%
Prepaid subscribers ('000)	1,506	1,431	1,339	(11)%	(6)%

- 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, 2016.*

Telecommunications Services

For the six months ended HK\$ million	Jun 30, 2015	Dec 31, 2015	Jun 30, 2016	Better/ (Worse) y-o-y
TSS Revenue				
Local Telephony Services	1,690	1,785	1,688	0%
Local Data Services	3,356	3,648	3,478	4%
International Telecommunications Services	3,869	3,544	3,612	(7)%
Other Services	1,230	1,755	1,530	24%
Total TSS Revenue	10,145	10,732	10,308	2%
Cost of sales	(4,569)	(4,903)	(4,713)	(3)%
Operating costs before depreciation and amortization	(1,922)	(1,976)	(1,914)	0%
Total TSS EBITDA¹	3,654	3,853	3,681	1%
TSS EBITDA¹ margin	36%	36%	36%	

TSS revenue for the six months ended June 30, 2016 increased by 2% year-on-year to HK\$10,308 million and EBITDA for the period increased by 1% to HK\$3,681 million with a stable EBITDA margin of 36%.

Local Telephony Services. Local telephony services revenue remained steady at HK\$1,688 million for the six months ended June 30, 2016, as compared to HK\$1,690 million a year earlier. Total fixed lines in service at the end of June 2016 were fairly stable at approximately 2.65 million.

Local Data Services. Local data services revenue, comprising broadband network revenue and local data revenue, increased by 4% year-on-year to HK\$3,478 million for the six months ended June 30, 2016. Despite intensified market competition, the broadband network business registered a respectable revenue growth of 3% in the first six months of 2016. The steady growth in revenue was a result of additional customers subscribing to our fiber-to-the-home ("FTTH") service as well as the upgrade of customers to higher speed, higher price plans. At the end of June 2016, there were 587,000 FTTH customers which represented a net increase of 50,000 customers or 9% from a year earlier.

The broadband network business has collaborated with PCCW Media in the recent rollout of the Now One 4K all-in-one consumer appliance, which will help stimulate customer interest in higher connectivity speed. For the six months ended June 30, 2016, there was already a notable increase in the subscription of our 1Gbps fiber service.

Amidst persistent pricing pressure and more cautious spending by enterprises, local data revenue still increased by 5% during the period. This increase was driven by the provision of connectivity services for cross data centre connection for our enterprise customers as well as growing demand for comprehensive, one-stop enterprise solutions such as integrated fixed-mobile offerings, managed cloud services and industry specific digital solutions.

International Telecommunications Services. International telecommunications services revenue for the six months ended June 30, 2016 was HK\$3,612 million. This represented an increase of 2% from HK\$3,544 million in the second half of 2015, as the business continued to benefit from the strong demand for data connectivity services from international carriers and enterprise customers and its ability to up-sell value added services such as network orchestration, unified communications and managed security. The revenue for the first half of 2016 was 7% lower than the HK\$3,869 million a year earlier because the underlying growth was masked by revenue of a lumpy nature recognized during the first six months of 2015.

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, 2016 increased by 24% year-on-year to HK\$1,530 million on the back of growth in the Teleservices business and increased sales of CPE during the period.

Mobile

For the six months ended HK\$ million	Jun 30, 2015	Dec 31, 2015	Jun 30, 2016	Better/ (Worse) y-o-y
Mobile Revenue				
Mobile Services	4,583	4,636	4,558	(1)%
Handset Sales	1,461	3,637	1,777	22%
Total Mobile Revenue	6,044	8,273	6,335	5%
Mobile EBITDA¹				
Mobile Services	2,272	2,698	2,425	7%
Handset Sales	26	34	14	(46)%
Total Mobile EBITDA¹	2,298	2,732	2,439	6%
Mobile EBITDA¹ margin	38%	33%	39%	
<i>Mobile Services EBITDA¹ margin</i>	50%	58%	53%	

The Mobile business registered a 5% increase in total revenue to HK\$6,335 million for the six months ended June 30, 2016. Mobile services revenue for the six months ended June 30, 2016 was HK\$4,558 million, as compared to HK\$4,583 million a year earlier. The relatively flat mobile services revenue for the period was primarily the result of a larger proportion of customers preferring SIM only plans in the absence of marquee handsets and the continued decline in IDD and roaming revenue with the shift to over-the-top (“OTT”) voice and messaging applications. During the period, IDD and roaming revenue accounted for 15% of mobile services revenue, as compared to 18% a year earlier.

The post-paid exit average revenue per user (“ARPU”) as at the end of June 2016 increased by 2% to HK\$228 from HK\$224 a year earlier. As at June 30, 2016, the total mobile customer base was 4,445,000, of which 3,106,000 were post-paid customers. Of these post-paid customers, approximately 79% were smart device users. The churn rate for post-paid customers was 1.3% in the first half of 2016 compared to 1.4% a year earlier.

Revenue from handset sales of HK\$1,777 million was recorded during the period, as compared to HK\$1,461 million a year earlier. Although there was a year-on-year increase in revenue from handset sales reflecting sales of higher priced smartphones via our retail network, sales in the first half of 2016 declined from the second half of 2015 due to the absence of attractive handsets during the period.

Total Mobile EBITDA for the period increased by 6% to HK\$2,439 million, with the margin improving to 39% from 38% a year earlier. More importantly, EBITDA for Mobile services increased by 7% to HK\$2,425 million, with the margin further improving to 53% from 50% a year earlier. This sustained improvement in Mobile services EBITDA is underpinned by cost synergies released from the successful CSL integration and the operational benefits of a unified network.

Other Businesses

Other Businesses primarily comprised corporate support functions, and Relish Networks plc (formerly known as Keycom plc), a wholly-owned subsidiary acquired in April 2015 which provides the design, development and delivery of communications and multimedia services via high-speed connectivity in the United Kingdom. Revenue from Other Businesses was HK\$118 million for the six months ended June 30, 2016, as compared to HK\$84 million a year ago.

Eliminations

Eliminations were HK\$373 million for the six months ended June 30, 2016, as compared to HK\$299 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, 2016 increased by 7% year-on-year to HK\$6,973 million, which was in line with the revenue growth during the period. Gross margin was 57% in the first half of 2016, as compared to 59% a year ago, mainly due to the dilution from lower margin Mobile handset sales.

General and Administrative Expenses

For the six months ended June 30, 2016, operating costs before depreciation, amortization, and gain on disposal of property, plant and equipment, net, ("operating costs") decreased by 3% year-on-year to HK\$3,550 million as a result of the continued release of cost synergies from the CSL integration. Accordingly, the operating costs to revenue ratio for the Mobile business improved to 23% from 27% a year ago, while the operating costs to revenue ratio for the TSS business was steady at 19% during the period. Overall operating costs to revenue ratio improved to 22% from 23% a year ago.

Depreciation expenses decreased by 23% year-on-year during the period, which was attributable to the write-off of certain depleted network assets during the CSL integration and the review of the useful lives of new network assets that were deployed as part of the CSL integration. Amortization expenses also decreased by 7% year-on-year during the period which reflected the lower customer acquisition costs in prior periods corresponding with the shift in customer preference to SIM only plans. As a result, total depreciation and amortization expenses decreased by 11% year-on-year to HK\$2,827 million for the six months ended June 30, 2016.

General and administrative expenses, therefore, decreased by 7% year-on-year to HK\$6,375 million for the six months ended June 30, 2016.

EBITDA¹

As a result of the steady performance in the TSS business and the continued release of cost synergies from the Mobile business, overall EBITDA increased by 2% year-on-year to HK\$5,865 million for the six months ended June 30, 2016. The EBITDA margin remained stable at 36% for the period.

Finance Costs, Net

Net finance costs for the six months ended June 30, 2016 decreased by 23% to HK\$483 million from HK\$631 million a year ago. The decrease in net finance costs was mainly due to the reduction in the average cost of debt following the refinancing of the US\$500 million 5.25% guaranteed notes and the US\$500 million 4.25% guaranteed notes in July 2015 and February 2016 respectively. As a result, the average cost of debt improved to 2.5% during the period, as compared to 2.9% a year ago.

Income Tax

Income tax expense for the six months ended June 30, 2016 was HK\$231 million, as compared to HK\$171 million a year ago, representing an effective tax rate of 9% for the period. The increase in the tax expense is mainly due to the increase in taxable profits, partly offset by the recognition of a deferred income tax asset resulting from a loss-making company turning profitable.

Non-controlling Interests

Non-controlling interests of HK\$10 million (June 30, 2015: HK\$17 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, 2016 increased by 30% year-on-year to HK\$2,317 million (June 30, 2015: HK\$1,778 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 debt⁴ was HK\$36,886 million as at June 30, 2016 (December 31, 2015: HK\$36,849 million). Cash and cash equivalents totaled HK\$3,016 million as at June 30, 2016 (December 31, 2015: HK\$3,768 million). HKT's gross debt⁴ to total assets was 41% as at June 30, 2016 (December 31, 2015: 41%).

In July 2016, HKT took advantage of a favorable market window post Brexit and raised US\$750 million 10-year guaranteed notes at a coupon of 3.00%. The proceeds will be used for general corporate purposes including the repayment of existing indebtedness.

As at July 31, 2016, HKT had ample liquidity as evidenced by committed banking facilities totaling HK\$27,181 million, of which HK\$7,988 million remained undrawn.

CREDIT RATINGS OF HONG KONG TELECOMMUNICATIONS (HKT) LIMITED

As at June 30, 2016, 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 EXPENDITURE⁵

Capital expenditure including capitalized interest for the six months ended June 30, 2016 was HK\$1,488 million (June 30, 2015: HK\$1,313 million). Capital expenditure relative to revenue was 9.1% for the six months ended June 30, 2016 (June 30, 2015: 8.2%). Capital expenditures during the period were largely attributable to investments in network integration for the Mobile business and fiber network expansion to meet customer demand for high speed broadband services, as well as investments in an international submarine cable system.

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

HEDGING

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

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, 2016, all forward and swap contracts were designated as cash flow hedges for the Company's foreign currency denominated borrowings.

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

CHARGE ON ASSETS

As at June 30, 2016, no assets of the Group (December 31, 2015: nil) were pledged to secure loans and banking facilities of HKT.

CONTINGENT LIABILITIES

HK\$ million	As at Dec 31, 2015 (Audited)	As at Jun 30, 2016 (Unaudited)
Performance guarantees	2,108	2,156
Others	65	60
	2,173	2,216

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 18,600 employees as at June 30, 2016 (June 30, 2015: 17,500) located in 44 countries and cities. About 61% 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 27.09 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, 2016 (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 27.09 HK cents per ordinary share, in respect of the same period) to holders of Share Stapled Units.

The board of directors of the Trustee-Manager has confirmed, in accordance with the Trust Deed, that (i) the auditors of the Group have performed limited assurance procedures in accordance with Hong Kong Standard on Assurance Engagements 3000 (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, 2016

In HK\$ million (except for earnings per Share Stapled Unit/share of the Company)	Note(s)	2015 (Unaudited)	2016 (Unaudited)
Revenue	3	15,974	16,388
Cost of sales		(6,544)	(6,973)
General and administrative expenses		(6,851)	(6,375)
Other gains, net	4	33	9
Finance costs, net		(631)	(483)
Share of results of associates		(14)	(6)
Share of results of joint ventures		(1)	(2)
Profit before income tax	3, 5	1,966	2,558
Income tax	6	(171)	(231)
Profit for the period		1,795	2,327
Attributable to:			
Holders of Share Stapled Units/shares of the Company		1,778	2,317
Non-controlling interests		17	10
Profit for the period		1,795	2,327
Earnings per Share Stapled Unit/share of the Company			
Basic	8	23.50 cents	30.63 cents
Diluted	8	23.49 cents	30.62 cents

The notes on pages 26 to 40 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, 2016

In HK\$ million	2015 (Unaudited)	2016 (Unaudited)
Profit for the period	1,795	2,327
Other comprehensive (loss)/income		
Items that may be reclassified subsequently to consolidated income statement:		
Exchange differences on translating foreign operations	(21)	10
Available-for-sale financial assets:		
– changes in fair value	(34)	(1)
Cash flow hedges:		
– effective portion of changes in fair value	(126)	475
– transfer from equity to consolidated income statement	(47)	(41)
Other comprehensive (loss)/income for the period	(228)	443
Total comprehensive income for the period	1,567	2,770
Attributable to:		
Holders of Share Stapled Units/shares of the Company	1,550	2,760
Non-controlling interests	17	10
Total comprehensive income for the period	1,567	2,770

The notes on pages 26 to 40 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, 2016

In HK\$ million	Note	As at December 31, 2015 (Audited)	As at June 30, 2016 (Unaudited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		16,674	17,509
Interests in leasehold land		265	259
Goodwill		49,817	49,809
Intangible assets		9,314	8,745
Interests in associates		67	140
Interests in joint ventures		554	687
Available-for-sale financial assets		7	82
Financial assets at fair value through profit or loss		11	3
Derivative financial instruments		–	102
Deferred income tax assets		231	330
Other non-current assets		630	716
		77,570	78,382
Current assets			
Prepayments, deposits and other current assets		4,462	4,819
Inventories		598	706
Trade receivables, net	9	3,422	3,706
Amounts due from related companies		73	88
Financial assets at fair value through profit or loss		14	10
Restricted cash		10	25
Cash and cash equivalents		3,768	3,016
		12,347	12,370
Current liabilities			
Short-term borrowings	11	3,879	2,329
Trade payables	10	2,194	2,053
Accruals and other payables		4,900	5,035
Carrier licence fee liabilities		452	467
Amounts due to a related company		72	79
Amounts due to fellow subsidiaries		353	649
Advances from customers		2,066	2,123
Current income tax liabilities		862	1,056
		14,778	13,791

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

As at June 30, 2016

In HK\$ million	Note	As at December 31, 2015 (Audited)	As at June 30, 2016 (Unaudited)
Non-current liabilities			
Long-term borrowings		32,436	34,085
Derivative financial instruments		443	35
Deferred income tax liabilities		2,552	2,607
Deferred income		1,079	977
Carrier licence fee liabilities		627	582
Other long-term liabilities		267	317
		37,404	38,603
Net assets		37,735	38,358
CAPITAL AND RESERVES			
Share capital	12	8	8
Reserves		37,608	38,245
Equity attributable to holders of Share Stapled Units/shares of the Company		37,616	38,253
Non-controlling interests		119	105
Total equity		37,735	38,358

The notes on pages 26 to 40 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, 2016

In HK\$ million

2015
(Unaudited)

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

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

For the six months ended June 30, 2016

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 for the period													
Profit for the period	-	-	-	-	-	-	-	-	-	2,317	2,317	10	2,327
Other comprehensive income/(loss) that 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 from equity to consolidated income statement	-	-	-	-	-	(41)	-	-	-	-	(41)	-	(41)
	-	-	-	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)
	-	-	-	-	-	-	-	(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

The notes on pages 26 to 40 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, 2016

In HK\$ million	Note	2015 (Unaudited)	2016 (Unaudited)
NET CASH GENERATED FROM OPERATING ACTIVITIES		5,159	5,316
INVESTING ACTIVITIES			
Net outflow of cash and cash equivalents in respect of business combinations	18	(253)	–
Investments in an associate and a joint venture		–	(179)
Other investing activities		(3,115)	(3,220)
NET CASH USED IN INVESTING ACTIVITIES		(3,368)	(3,399)
FINANCING ACTIVITIES			
New borrowings raised		7,809	7,617
Other financing activities (including repayment of borrowings)		(10,307)	(10,259)
NET CASH USED IN FINANCING ACTIVITIES		(2,498)	(2,642)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(707)	(725)
Exchange differences		(21)	(27)
CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at January 1,		3,613	3,768
Cash and cash equivalents at June 30,		2,885	3,016
Analysis of the balance of cash and cash equivalents:			
Cash and bank balances		2,885	3,016
		2,885	3,016

The notes on pages 26 to 40 form an integral part of this unaudited condensed consolidated interim financial information. As explained in note 1, the unaudited condensed consolidated interim financial information of the HKT Trust and the unaudited condensed consolidated interim financial information of HKT Limited are presented together.

1 BASIS OF PREPARATION AND PRESENTATION

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

The Group and the HKT Limited Group are referred as the “Groups”.

The share stapled units (the “Share Stapled Units”) structure comprises: (a) a unit in the HKT Trust; (b) a beneficial interest in a specifically identified ordinary share in the Company 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 “Stock Exchange”).

The HKT Trust and HKT Limited unaudited condensed consolidated interim financial information has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The HKT Trust and HKT Limited unaudited condensed consolidated interim financial information should be read in conjunction with the annual consolidated financial statements of the HKT Trust and HKT Limited for the year ended December 31, 2015.

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 10, 2016.

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

1 BASIS OF PREPARATION AND PRESENTATION (CONTINUED)

The preparation of the HKT Trust and HKT Limited unaudited condensed consolidated interim financial information in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses on a year-to-date basis. 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, 2015, with the exception of changes in estimates that are required in determining the useful lives of certain property, plant and equipment. As part of the Groups' continuous accounting procedure, it is required to reassess the useful lives of property, plant and equipment on a regular basis. Pursuant to such reassessment, the Groups' profit for the period ended June 30, 2016 increased by HK\$194 million and the net assets as at June 30, 2016 increased by HK\$194 million.

The accounting policies, basis of presentation and methods of computation used in preparing the HKT Trust and HKT Limited unaudited condensed consolidated interim financial information are consistent with those followed in preparing the Groups' annual consolidated financial statements for the year ended December 31, 2015, except for the adoption of the following new or amended Hong Kong Financial Reporting Standards ("HKFRSs") and HKASs (collectively "new HKFRSs") which are effective for accounting periods beginning on or after January 1, 2016 as described below.

The following new HKFRSs are mandatory for the first time for the financial year beginning January 1, 2016, but have no material effect on the Groups' results and financial position for the current and prior accounting periods:

- HKAS 1 (Amendment), Presentation of Financial Statements – Disclosure Initiative.
- HKAS 16 (Amendment), Property, Plant and Equipment – Clarification of Acceptable Methods of Depreciation and Amortization.
- HKAS 16 (Amendment), Property, Plant and Equipment – Agriculture: Bearer Plants.
- HKAS 27 (2011) (Amendment), Separate Financial Statements – Equity Method in Separate Financial Statements.
- HKAS 28 (2011) (Amendment), Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception.
- HKAS 38 (Amendment), Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortization.
- HKAS 41 (Amendment), Agriculture: Bearer Plants.
- HKFRS 10 (Amendment), Consolidated Financial Statements – Investment Entities: Applying the Consolidation Exception.
- HKFRS 11 (Amendment), Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations.
- HKFRS 12 (Amendment), Disclosure of Interests in Other Entities – Investment Entities: Applying the Consolidation Exception.
- HKFRS 14, Regulatory Deferral Accounts.
- Annual Improvements to 2012-2014 Cycle published in October 2014 by HKICPA.

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

For the six months ended June 30, 2016

2 STATEMENT OF FINANCIAL POSITION OF THE COMPANY

In HK\$ million	Note	As at December 31, 2015 (Audited)	As at June 30, 2016 (Unaudited)
ASSETS AND LIABILITIES			
Non-current assets			
Interests in subsidiaries		27,905	28,046
		27,905	28,046
Current assets			
Prepayments, deposits and other current assets		5	6
Amounts due from a subsidiary		7,400	7,296
Cash and cash equivalents		25	25
		7,430	7,327
Current liabilities			
Accruals and other payables		29	27
Amounts due to subsidiaries		91	114
Current income tax liabilities		1	4
		121	145
Net assets		35,214	35,228
CAPITAL AND RESERVES			
Share capital	12	8	8
Reserves	12	35,206	35,220
Total equity		35,214	35,228

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. From a product perspective, management assesses the performance of the following segments:

- Telecommunications Services ("TSS") is the leading provider of telecommunications products and services including local telephony, broadband access services, local and international data, international direct dial, sales of equipment, technical, maintenance and subcontracting services, and teleservices businesses.
- Mobile includes the Groups' mobile telecommunications businesses in Hong Kong.
- Other businesses of the Groups ("Other Businesses") primarily comprised corporate support functions and Relish Networks plc (formerly known as Keycom plc), a wholly-owned subsidiary of the Groups which provides the design, development and delivery of communications and multimedia services via high-speed connectivity in the United Kingdom.

For the six months ended June 30, 2016

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,	
	2015 (Unaudited)	2016 (Unaudited)
Total segment EBITDA	5,770	5,865
Gain on disposal of property, plant and equipment, net	3	2
Depreciation and amortization	(3,194)	(2,827)
Other gains, net	33	9
Finance costs, net	(631)	(483)
Share of results of associates and joint ventures	(15)	(8)
Profit before income tax	1,966	2,558

4 OTHER GAINS, NET

In HK\$ million	Six months ended June 30,	
	2015 (Unaudited)	2016 (Unaudited)
Net gain on cash flow hedging instruments transferred from equity	11	–
Net gain on fair value hedging instruments	24	4
Others	(2)	5
	33	9

5 PROFIT BEFORE INCOME TAX

Profit before income tax is stated after charging the following:

In HK\$ million	Six months ended June 30,	
	2015 (Unaudited)	2016 (Unaudited)
Cost of inventories sold	1,965	2,468
Cost of sales, excluding inventories sold	4,579	4,505
Depreciation of property, plant and equipment	919	711
Amortization of intangible assets	2,269	2,110
Amortization of land lease premium	6	6
Finance costs on borrowings	594	486

6 INCOME TAX

In HK\$ million	Six months ended June 30,	
	2015 (Unaudited)	2016 (Unaudited)
Current income tax:		
Hong Kong profits tax	266	247
Overseas tax	1	28
Movement of deferred income tax	(96)	(44)
Income tax expense	171	231

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 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.

7 DISTRIBUTIONS/DIVIDENDS

a. Distribution/Dividend attributable to the interim period

In HK\$ million	Six months ended June 30,	
	2015 (Unaudited)	2016 (Unaudited)
Interim distribution/dividend declared after the interim period of 27.09 HK cents (2015: 25.79 HK cents) per Share Stapled Unit/ordinary share of the Company	1,953	2,051

At meetings held on August 10, 2016, the directors of the Trustee-Manager and the Company declared an interim distribution/dividend of 27.09 HK cents per Share Stapled Unit/ordinary share of the Company for the year ending December 31, 2016. 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,	
	2015 (Unaudited)	2016 (Unaudited)
Distribution/dividend in respect of the previous financial year, approved and paid during the interim period of 28.27 HK cents (2015: 23.30 HK cents) per Share Stapled Unit/ordinary share of the Company	1,764	2,141
Less: Distribution/dividend for Share Stapled Units/shares held by the Company's Share Stapled Units Award Schemes	(1)	(1)
	1,763	2,140

For the six months ended June 30, 2016

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, 2015 (Unaudited)	2016 (Unaudited)
Earnings (in HK\$ million)		
Earnings for the purpose of basic and diluted earnings per Share Stapled Unit/share of the Company	1,778	2,317
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	(7,049,915)	(7,600,143)
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	7,564,692,419	7,564,142,191
Effect of Share Stapled Units awarded under the Company's Share Stapled Units Award Schemes	5,380,714	3,872,536
Weighted average number of Share Stapled Units/ordinary shares of the Company for the purpose of diluted earnings per Share Stapled Unit/share of the Company	7,570,073,133	7,568,014,727

9 TRADE RECEIVABLES, NET

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

In HK\$ million	December 31, 2015 (Audited)	As at June 30, 2016 (Unaudited)
1 – 30 days	2,079	2,655
31 – 60 days	579	371
61 – 90 days	211	163
91 – 120 days	167	106
Over 120 days	554	610
	3,590	3,905
Less: Impairment loss for doubtful debts	(168)	(199)
	3,422	3,706

Included in trade receivables, net of the Groups were the amounts due from related parties of HK\$16 million and HK\$12 million as at June 30, 2016 and December 31, 2015, 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

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

In HK\$ million	As at	
	December 31, 2015 (Audited)	June 30, 2016 (Unaudited)
1 – 30 days	1,410	1,139
31 – 60 days	95	122
61 – 90 days	79	119
91 – 120 days	96	73
Over 120 days	514	600
	2,194	2,053

Included in trade payables of the Groups was the amount due to related parties of HK\$81 million and HK\$61 million as at June 30, 2016 and December 31, 2015, respectively.

11 SHORT-TERM BORROWINGS

On August 24, 2010, PCCW-HKT Capital No.4 Limited, an indirect wholly-owned subsidiary of the Company, issued US\$500 million 4.25% guaranteed notes due 2016, which were listed on the Singapore Exchange Securities Trading Limited. The notes were irrevocably and unconditionally guaranteed by HKT Group Holdings Limited (“HKTGH”) and Hong Kong Telecommunications (HKT) Limited (“HKTL”), both being wholly-owned subsidiaries of the Company, and ranked pari passu with all other outstanding unsecured and unsubordinated obligations of HKTGH and HKTL.

The notes were fully redeemed in February 2016 and were delisted from the Singapore Exchange Securities Trading Limited.

As at June 30, 2016, short-term borrowings represented bank borrowings to be repaid in the next 12 months.

For the six months ended June 30, 2016

12 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, 2016 and June 30, 2016	7,571,742,334	3,785,871
Preference shares of HK\$0.0005 each		
Balances as at January 1, 2016 and June 30, 2016	7,571,742,334	3,785,871

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

In HK\$ million	The Company		
	Share premium (Unaudited)	2015 Retained profits (Unaudited)	Total (Unaudited)
At January 1, 2015	35,113	67	35,180
Total comprehensive income for the period	–	1,777	1,777
Distribution to equity owners	–	(1,764)	(1,764)
At June 30, 2015	35,113	80	35,193
In HK\$ million	The Company		
	Share premium (Unaudited)	2016 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

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

Pursuant to the share incentive award schemes of PCCW, namely the Purchase Scheme and the Subscription Scheme (collectively the “PCCW Share Award Schemes”) and the award schemes of the Company, namely the HKT Share Stapled Units Purchase Scheme and the HKT Share Stapled Units Subscription Scheme (collectively the “Share Stapled Units Award Schemes”), PCCW and the Company have awarded a number of shares of PCCW (“PCCW Shares”) and Share Stapled Units, respectively, to eligible employees of the Company and/or its subsidiaries during the six months ended June 30, 2016.

A summary of movements in the PCCW Shares and the Share Stapled Units held under the PCCW Share Award Schemes and the Share Stapled Units Award Schemes respectively during the six months ended June 30, 2016 are as follows:

	Number of PCCW Shares (Unaudited)	Number of Share Stapled Units (Unaudited)
As at January 1, 2015	7,393,665	5,978,109
Purchase from the market by the trustee at average market price of HK\$4.99 per PCCW Share/HK\$9.92 per Share Stapled Unit	1,600,000	9,326,000
PCCW Shares/Share Stapled Units vested	(3,543,570)	(5,707,168)
Transfer to grantees in lieu of cash dividends	(328)	–
As at June 30, 2015	5,449,767	9,596,941
	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

The average fair values of PCCW Shares and Share Stapled Units awarded during the six months ended June 30, 2016 at the dates of award are HK\$5.17 (2015: HK\$5.35) per PCCW Share and HK\$10.89 (2015: HK\$10.30) per Share Stapled Unit respectively, which are measured by the quoted market price of the PCCW Shares and Share Stapled Units at the respective award dates.

* 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.

For the six months ended June 30, 2016

14 CAPITAL COMMITMENTS

In HK\$ million	As at	
	December 31, 2015 (Audited)	June 30, 2016 (Unaudited)
Authorized and contracted for acquisition of property, plant and equipment	635	698

Additions of property, plant and equipment were HK\$1,488 million and HK\$1,313 million for the six months ended June 30, 2016 and 2015 respectively.

15 CONTINGENT LIABILITIES

In HK\$ million	As at	
	December 31, 2015 (Audited)	June 30, 2016 (Unaudited)
Performance guarantees	2,108	2,156
Others	65	60
	2,173	2,216

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

16 RELATED PARTY TRANSACTIONS

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

a. Related party transactions

In HK\$ million	Six months ended June 30,	
	2015 (Unaudited)	2016 (Unaudited)
Telecommunications service fees received or receivable from a substantial shareholder of PCCW	42	40
Telecommunications service fees paid or payable to a substantial shareholder of PCCW	82	53
Telecommunications service fees and interest income received or receivable from joint ventures	15	17
Telecommunications service fees, outsourcing fees and rental charges paid or payable to joint ventures	130	143
Consultancy service charges and interest income received or receivable from an associate	7	7
Telecommunications service fees, management fee and other recharge costs received or receivable from fellow subsidiaries	290	461
Telecommunications service fees, IT and logistics charges, system development and integration charges, consultancy fee, management fee and other recharged costs paid or payable to fellow subsidiaries	861	965
Rental and facilities management charges paid or payable to fellow subsidiaries	72	71
Consideration paid or payable for the purchase of equipment from a joint venture	14	1
Key management compensation (<i>Note (b)</i>)	47	43

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

b. Details of key management compensation

In HK\$ million	Six months ended June 30,	
	2015 (Unaudited)	2016 (Unaudited)
Salaries and other short-term employee benefits	36	35
Share-based compensation	10	7
Post-employment benefits	1	1
	47	43

For the six months ended June 30, 2016

17 FINANCIAL INSTRUMENTS

a. Financial risk factors

Exposure to credit, liquidity, and market risks (including foreign currency risk, 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, 2015. There have been no material changes in any financial management policies and practices since December 31, 2015.

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, 2015:

In HK\$ million	As at December 31, 2015 (Audited)			Total
	Level 1	Level 2	Level 3	
Assets				
Available-for-sale financial assets				
– Listed equity securities	7	–	–	7
Financial assets at fair value through profit or loss	25	–	–	25
Total assets	32	–	–	32
Liabilities				
Derivative financial instruments	–	(443)	–	(443)

The following table presents the Groups' financial instruments that are measured at fair value at June 30, 2016:

In HK\$ million	As at June 30, 2016 (Unaudited)			Total
	Level 1	Level 2	Level 3	
Assets				
Available-for-sale financial assets				
– Listed equity securities	5	–	–	5
– Unlisted equity securities	–	–	77	77
Financial assets at fair value through profit or loss	13	–	–	13
Derivative financial instruments	–	102	–	102
Total assets	18	102	77	197
Liabilities				
Derivative financial instruments	–	(35)	–	(35)

17 FINANCIAL INSTRUMENTS (CONTINUED)

b. Estimation of fair values (continued)

The fair values of financial instruments traded in active markets are based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Groups included in level 1 is the current bid price. Instruments included in level 1 comprise primarily available-for-sale financial assets listed on the Alternative Investment Market operated by London Stock Exchange plc and financial assets at fair value through profit or loss listed on the Stock Exchange.

The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques and making assumptions that are based on market conditions existing at the end of each reporting period. Instruments included in level 2 comprise cross currency swap contracts, 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.

During the period ended June 30, 2016, a wholly-owned subsidiary of the Groups acquired an unlisted available-for-sale financial instrument amounted to HK\$77 million. This unlisted available-for-sale financial instrument was included in level 3.

There were no transfers of financial assets and liabilities between fair value hierarchy classifications during the six months ended June 30, 2016.

c. Groups' valuation process

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

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

All financial instruments are carried at amounts not materially different from their fair values as at December 31, 2015 and June 30, 2016 except as follows:

In HK\$ million	As at December 31, 2015		As at June 30, 2016	
	Carrying amount (Audited)	Fair value (Audited)	Carrying amount (Unaudited)	Fair value (Unaudited)
Short-term borrowings	3,879	3,890	2,329	2,329
Long-term borrowings	32,436	32,600	34,085	34,760

The fair values of short-term and 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.

18 BUSINESS COMBINATION DURING THE SIX MONTHS ENDED JUNE 30, 2015

Acquisition of Keycom plc (now known as Relish Networks plc) and its subsidiaries (together “Relish”)

During the six-month period ended June 30, 2015, the Groups completed the acquisition of 100% of the then issued ordinary share capital of Relish Networks plc for a total consideration of approximately £16.6 million (approximately HK\$196 million). Relish Networks plc is a company engaged in the design, development and delivery of communications and multimedia services via high-speed connectivity in the United Kingdom.

During the six-month period ended June 30, 2016, the purchase price allocation process has been finalized. The fair values of the acquirees' identifiable assets, liabilities and contingent liabilities are concluded to be the same as their provisional amounts as at acquisition date. As a result, no adjustment to the provisional amounts and goodwill for the six-month period ended June 30, 2016 is required.

As at June 30, 2016, the goodwill of HK\$128 million is attributable to the expected future profits generated from communications services via high-speed connectivity. As a result of the acquisition, the Groups are expected to grow and expand its broadband connectivity business in the United Kingdom via the strong, well-established business with a talented leadership team and employees of Relish.

19 SUBSEQUENT EVENT

In July 2016, HKT Capital No. 4 Limited, an indirect wholly-owned subsidiary of the Company, issued US\$750 million 3.00% guaranteed notes due 2026, which are listed on the Singapore Exchange Securities Trading Limited for general corporate purposes including repayment of existing indebtedness. The notes are irrevocably and unconditionally guaranteed by HKTGH and HKTL and rank pari passu with all other outstanding unsecured and unsubordinated obligations of HKTGH and HKTL.

INCOME STATEMENT OF HKT MANAGEMENT LIMITED

For the six months ended June 30, 2016

In HK\$'000	Note	2015 (Unaudited)	2016 (Unaudited)
Management fee income		42	23
General and administrative expenses		(2)	(23)
Profit before income tax	2	40	–
Income tax	3	–	–
Profit for the period		40	–

The notes on pages 46 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, 2016

In HK\$'000	2015 (Unaudited)	2016 (Unaudited)
Profit for the period	40	-
Other comprehensive income	-	-
Total comprehensive income for the period	40	-

The notes on pages 46 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, 2016

In HK\$'000	Note	As at December 31, 2015 (Audited)	As at June 30, 2016 (Unaudited)
ASSETS AND LIABILITIES			
Current assets			
Amount due from a fellow subsidiary		174	197
		174	197
Current liabilities			
Accruals and other payables		127	150
Amount due to a fellow subsidiary		47	47
		174	197
Net assets		–	–
CAPITAL AND RESERVES			
Share capital	4	–	–
Reserve		–	–
Total equity		–	–

The notes on pages 46 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, 2016

In HK\$'000

	2015 (Unaudited)		
	Share capital	Deficit	Total
As at January 1, 2015	–	(42)	(42)
Total comprehensive income for the period			
Profit for the period	–	40	40
Other comprehensive income	–	–	–
	–	(2)	(2)
Transactions with equity owner of the Company	–	–	–
As at June 30, 2015	–	(2)	(2)

In HK\$'000

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

The notes on pages 46 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, 2016

In HK\$'000	2015 (Unaudited)	2016 (Unaudited)
Net cash generated from operating activities	–	–
Net cash used in investing activities	–	–
Net cash used in 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 46 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, 2016

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, 2015.

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 10, 2016.

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, 2015 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, 2015 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. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

In preparing this unaudited condensed interim financial information, the significant judgements made by management in applying the Company’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended December 31, 2015. The Company has no accounting estimates and judgements that would significantly affect its results and financial position.

The accounting policies and methods of computation used in preparing this unaudited condensed interim financial information are consistent with those followed in preparing the Company’s annual financial statements for the year ended December 31, 2015, except for the adoption of the following new, revised or amended Hong Kong Financial Reporting Standards (“HKFRSs”) and HKASs (collectively “new HKFRSs”) which are effective for accounting periods beginning on or after January 1, 2016 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, 2016, but have no material effect on the Company's results and financial position for the current and prior accounting periods:

- HKAS 1 (Amendment), Presentation of Financial Statements – Disclosure Initiative.
- HKAS 16 (Amendment), Property, Plant and Equipment – Clarification of Acceptable Methods of Depreciation and Amortization.
- HKAS 16 (Amendment), Property, Plant and Equipment – Agriculture: Bearer Plants.
- HKAS 27 (2011) (Amendment), Separate Financial Statements – Equity Method in Separate Financial Statements.
- HKAS 28 (2011) (Amendment), Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception.
- HKAS 38 (Amendment), Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortization.
- HKAS 41 (Amendment), Agriculture: Bearer Plants.
- HKFRS 10 (Amendment), Consolidated Financial Statements – Investment Entities: Applying the Consolidation Exception.
- HKFRS 11 (Amendment), Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations.
- HKFRS 12 (Amendment), Disclosure of Interests in Other Entities – Investment Entities: Applying the Consolidation Exception.
- HKFRS 14, Regulatory Deferral Accounts
- Annual Improvements to 2012-2014 Cycle published in October 2014 by HKICPA.

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

2 PROFIT BEFORE INCOME TAX

Profit before income tax is stated after charging the following:

In HK\$'000	Six months ended June 30, 2015 (Unaudited)	Six months ended June 30, 2016 (Unaudited)
Charging:		
Professional and consultancy fees	2	23

3 INCOME TAX

No Hong Kong profits tax has been provided as the Company does not have any assessable profit during the period (2015: same).

4 SHARE CAPITAL

	As at			
	December 31, 2015		June 30, 2016	
	Number of shares (Audited)	HK\$ (Audited)	Number of shares (Unaudited)	HK\$ (Unaudited)
Issued and fully paid:				
Ordinary share	1	1	1	1

For the six months ended June 30, 2016

5 RELATED PARTY TRANSACTIONS

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

In HK\$'000	Six months ended June 30, 2015 (Unaudited)	Six months ended June 30, 2016 (Unaudited)
Management fee receivable from a fellow subsidiary	42	23

- 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.

GENERAL INFORMATION

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

As at June 30, 2016, the directors of HKT Limited (the "Company") and the directors of HKT Management Limited (the "Trustee-Manager", in its capacity as the trustee-manager of the HKT Trust) (collectively referred to as the "Directors"), the chief executives of the Company and the Trustee-Manager (collectively referred to as the "Chief Executives") and their respective close associates had the following interests and short positions in the share stapled units of HKT Trust and the Company (the "Share Stapled Units") and underlying Share Stapled Units, and the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register(s) required to be kept under Section 352 of the SFO or as otherwise notified to the Company, the Trustee-Manager and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"):

1. Interests in HKT Trust and HKT Limited

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

Name of Director/Chief Executive	Number of Share Stapled Units held				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
	Personal interests	Family interests	Corporate interests					
Li Tzar Kai, Richard	–	–	66,247,614 (Note 1(a))	144,786,423 (Note 1(b))	–	211,034,037	2.79%	
Alexander Anthony Arena	2,444,668	–	–	1,196,297 (Note 2)	–	3,640,965	0.05%	
Hui Hon Hing, Susanna	1,870,653	–	–	938,396 (Note 3)	–	2,809,049	0.04%	
Peter Anthony Allen	21,530	–	–	–	–	21,530	0.0003%	
Chung Cho Yee, Mico	99,238	946 (Note 4)	–	–	–	100,184	0.001%	
Srinivas Bangalore Gangaiah	–	–	–	116,350 (Note 5)	–	116,350	0.002%	
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 Share Stapled Units were held by the spouse of Chung Cho Yee, Mico.
5. These interests represented an award made to BG Srinivas which was subject to certain vesting conditions pursuant to an award scheme of PCCW, namely the Purchase Scheme.

2. Interests in PCCW, an Associated Corporation of 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				Number of underlying shares of PCCW held under equity derivatives	Total	Approximate percentage of the total number of shares of PCCW in issue
	Personal interests	Family interests	Corporate interests	Other interests			
Li Tzar Kai, Richard	-	-	307,694,369 (Note 1(a))	1,928,842,224 (Note 1(b))	-	2,236,536,593	29.02%
Alexander Anthony Arena (Note 4)	878,731 (Note 2(a))	-	-	1,416,872 (Note 3)	200 (Note 2(b))	2,295,803	0.03%
Hui Hon Hing, Susanna	3,464,886	-	-	1,404,388 (Note 3)	-	4,869,274	0.06%
Peter Anthony Allen	272,208	-	-	-	-	272,208	0.004%
Chung Cho Yee, Mico	1,176,260	18,455 (Note 5)	-	-	-	1,194,715	0.02%
Srinivas Bangalore Gangaiah	103,799	-	-	362,273 (Note 3)	-	466,072	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 PCCW, an Associated Corporation of 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. (a) These interests included the awarded shares of PCCW vested in Alexander Anthony Arena pursuant to an award scheme of PCCW, namely the Purchase Scheme during the period and represented the revised number of shares reflected in the disclosure of interest filings made by him on June 14, 2016; and

(b) 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 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 July 31, 2016, US\$1,698,256.65 remains outstanding and such amount, together with interest continuing to accrue, will be repaid on April 29, 2017. The consultancy agreement terminated on the expiry of its seven year term in 2016.
5. These PCCW shares were held by the spouse of Chung Cho Yee, Mico.

Save as disclosed in the foregoing, as at June 30, 2016, 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, 2016.

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.

During the six months ended June 30, 2016, an aggregate of 2,160,944 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 593,724 and 257,280 Share Stapled Units made respectively to Alexander Anthony Arena and Hui Hon Hing, Susanna (the directors of the Company and the Trustee-Manager). Additionally, 83,791 Share Stapled Units have lapsed and/or been forfeited and 4,399,558 Share Stapled Units have vested during the period. As at June 30, 2016, 5,834,607 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, 2016.

Please also refer to the summary of movements in the Share Stapled Units held under the Share Stapled Units Award Schemes which is set out in note 13 to the HKT Trust and HKT Limited unaudited condensed consolidated interim financial information on page 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, 2016, 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	4,775,714,681	63.07%	1
CAS Holding No. 1 Limited	Beneficial interest	4,775,714,681	63.07%	

Each Share Stapled Unit confers an interest in:

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

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

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

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

Notes:

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

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

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, 2016.

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, 2016, 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, 2016 and the unaudited condensed interim financial information of the Trustee-Manager for the same period. Such financial information of the HKT Trust and HKT Limited and of the Trustee-Manager has not been audited but has been reviewed by the independent auditor of the Trustee-Manager and the Company.

MODEL CODE SET OUT IN APPENDIX 10 TO THE LISTING RULES

The HKT Trust and the Company have adopted their own code of conduct regarding securities transactions, namely the HKT Trust and HKT Limited Code of Conduct for Securities Transactions (the "HKT Code"), which applies to all Directors and employees of the Company on terms no less exacting than the required standard indicated by the Model Code.

Having made specific 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, 2016, 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, FEng, GBS, JP
Sunil Varma
Aman Mehta
Frances Waikwun Wong

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

Bernadette M. Lomas
(subsequent to the date of announcement of 2016 Interim Results, Bernadette M. Lomas was appointed as the Group General Counsel and Company Secretary with effect from August 15, 2016)

REGISTERED OFFICE

PO Box 309, Uglad 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, 2016: 7,571,742,334 units

DIVIDEND/DISTRIBUTION

Interim dividend/distribution per ordinary share/share stapled unit for the six months ended June 30, 2016: 27.09 HK cents

FINANCIAL CALENDAR

Announcement of 2016 Interim Results August 10, 2016

Closure of books August 31 – September 1, 2016
(both days inclusive)

Record date for 2016 interim distribution September 1, 2016

Payment of 2016 interim distribution on or around September 30, 2016

Announcement of 2016 Annual Results February 2017

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, FEng, GBS, JP
Sunil Varma
Aman Mehta
Frances Waikwun Wong

REGISTERED OFFICE

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

PRINCIPAL SHARE REGISTRAR

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

SHARE STAPLED UNITS REGISTRAR AND HONG KONG BRANCH SHARE REGISTRAR

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

LISTING

The share stapled units of the HKT Trust and HKT Limited are listed on The Stock Exchange of Hong Kong Limited. Certain guaranteed notes issued by subsidiaries of HKT Limited are listed on the Singapore Exchange Securities Trading Limited and the Taipei Exchange 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

INVESTOR RELATIONS

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

INTERIM REPORT 2016

This Interim Report 2016 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 2016 using electronic means through the website of HKT Limited may request a printed copy, or
- B) received the Interim Report 2016 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 2016) 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 2016 will promptly, upon request in writing or by email to the Share Stapled Units Registrar, be sent the Interim Report 2016 in printed form, free of charge.

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

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

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

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