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HKT Trust

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

and

HKT Limited

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 6823)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2014

The directors of HKT Management Limited (the “Trustee-Manager”, in its capacity as the trustee-manager of the HKT Trust) and HKT Limited (the “Company” or “HKT”), are pleased to announce the unaudited consolidated results of the HKT Trust and of the Company together with the Company’s subsidiaries (collectively the “Group”) for the six months ended June 30, 2014. This condensed consolidated interim financial information has not been audited, but has been reviewed by the Audit Committee of the Trustee-Manager and of the Company and, in accordance with the Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants, by the Group’s independent auditor, PricewaterhouseCoopers.

- Total revenue increased by 13% to HK\$12,520 million
- Total EBITDA increased by 15% to HK\$4,425 million
- Profit attributable to holders of Share Stapled Units increased by 18% to HK\$1,400 million; basic earnings per Share Stapled Unit were 21.84 HK cents
- Adjusted funds flow increased by 7% to HK\$1,590 million; adjusted funds flow per Share Stapled Unit was 24.78 HK cents before the Rights Issue and 21.00 HK cents after the Rights Issue
- Interim distribution per Share Stapled Unit of 21.00 HK cents, on an enlarged basis of 7,571,742,334 Share Stapled Units in issue after the Rights Issue

MANAGEMENT REVIEW

We are pleased to announce a solid set of HKT financial results for the six months ended June 30, 2014. These results reflect the robust performance of HKT's various lines of business and have consolidated the results of CSL New World Mobility Limited (now known as CSL Holdings Limited, "CSL") since the completion of HKT's acquisition of CSL in May 2014.

Total revenue for the six months ended June 30, 2014 increased by 13% to HK\$12,520 million and total EBITDA during the period was HK\$4,425 million, an increase of 15% over the same period in 2013.

Profit attributable to holders of Share Stapled Units was HK\$1,400 million, an increase of 18% over the same period in 2013. Basic earnings per Share Stapled Unit were 21.84 HK cents.

Adjusted funds flow for the six months ended June 30, 2014 reached HK\$1,590 million, an increase of 7% over the same period in 2013.

As at end of July 2014, the refinancing of the CSL acquisition was wholly completed with the conclusion of approximately HK\$11,700 million in 5-year banking facilities and the successful closing of the rights issue ("Rights Issue") in July 2014 which raised approximately HK\$7,900 million in gross proceeds.

The board of directors of the Trustee-Manager has resolved an interim distribution of 21 HK cents per Share Stapled Unit for the six months ended June 30, 2014. This distribution is based on the total number of Share Stapled Units that is currently outstanding after the completion of the Rights Issue.

OUTLOOK

Following the successful acquisition of CSL, HKT has immediately embarked on an integration exercise in order to offer customers an enhanced mobile experience via the combined retail channels and commencement of the network integration. At the same time, we expect the synergies that can be realized from the increased scale and rationalization of the operations to manifest more evidently over the course of the next 18-24 months.

Meanwhile, the broadband business and international connectivity are expected to remain key contributors to HKT's financial results, as we continue to monetize on the growing demand.

The Hong Kong economy has been tracking at around 3% growth so far this year and is expected to hold up for the full year should recovery in the major global economies continue without disruption. Against this background, HKT will strive to further increase shareholder value by growing our business on the strong bases that we have built, now being the market leader in all three areas of fixed line, broadband and mobile services.

FINANCIAL REVIEW BY SEGMENT

For the six months ended HK\$ million	Jun 30, 2013 <i>(Note 7)</i>	Dec 31, 2013 <i>(Note 7)</i>	Jun 30, 2014	Better/ (Worse) y-o-y
Revenue				
TSS	9,200	10,051	9,565	4%
Mobile	1,790	1,581	2,910	63%
Other Businesses	318	370	286	(10)%
Eliminations	(237)	(241)	(241)	(2)%
Total revenue	11,071	11,761	12,520	13%
Cost of sales	(4,901)	(5,216)	(5,333)	(9)%
Operating costs before depreciation, amortization, and gain/(loss) on disposal of property, plant and equipment, net	(2,331)	(2,483)	(2,762)	(18)%
EBITDA¹				
TSS	3,510	3,725	3,594	2%
Mobile	453	427	965	113%
Other Businesses	(124)	(90)	(134)	(8)%
Total EBITDA¹	3,839	4,062	4,425	15%
<i>TSS EBITDA¹ margin</i>	<i>38%</i>	<i>37%</i>	<i>38%</i>	
<i>Mobile EBITDA¹ margin</i>	<i>25%</i>	<i>27%</i>	<i>33%</i>	
<i>Total EBITDA¹ margin</i>	<i>35%</i>	<i>35%</i>	<i>35%</i>	
Depreciation and amortization	(2,399)	(2,301)	(2,350)	2%
Gain/(loss) on disposal of property, plant and equipment, net	10	3	(2)	NA
Other gains, net	49	35	41	(16)%
Finance costs, net	(458)	(375)	(452)	1%
Share of results of an associate and joint ventures	6	44	2	(67)%
Profit before income tax	1,047	1,468	1,664	59%

ADJUSTED FUNDS FLOW

For the six months ended HK\$ million	Jun 30, 2013	Dec 31, 2013	Jun 30, 2014	Better/ (Worse) y-o-y
Total EBITDA¹	3,839	4,062	4,425	15%
Less cash outflows in respect of:				
Customer acquisition costs and licence fees	(712)	(891)	(770)	(8)%
Capital expenditures ⁶	(988)	(992)	(1,135)	(15)%
Adjusted funds flow before tax paid, net finance costs paid and changes in working capital	2,139	2,179	2,520	18%
Adjusted for:				
Tax payment	(107)	(224)	(80)	25%
Net finance costs paid	(239)	(450)	(368)	(54)%
Changes in working capital	(309)	(88)	(482)	(56)%
Adjusted funds flow²	1,484	1,417	1,590	7%

KEY OPERATING DRIVERS⁴

	Jun 30, 2013	Dec 31, 2013	Jun 30, 2014	Better/ (Worse) y-o-y	h-o-h
Exchange lines in service ('000)	2,651	2,651	2,654	0%	0%
Business lines ('000)	1,242	1,242	1,245	0%	0%
Residential lines ('000)	1,409	1,409	1,409	0%	0%
Total broadband access lines ('000)	1,567	1,567	1,567	0%	0%
(Consumer, business and wholesale customers)					
Retail consumer broadband subscribers ('000)	1,408	1,408	1,408	0%	0%
Retail business broadband subscribers ('000)	128	130	131	2%	1%
Traditional data (Exit Gbps)	2,276	2,967	3,016	33%	2%
Retail IDD minutes (million minutes)	521	474	431	(17)%	(9)%
Mobile subscribers ('000)	1,652	1,654	4,512	173%	173%
Post-paid subscribers ('000)	1,017	1,019	3,183	213%	212%
Prepaid subscribers ('000)	635	635	1,329	109%	109%

- 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 an associate and joint ventures, and the Group's share of results of an associate 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 Adjusted Funds Flow per Share Stapled Unit is calculated by dividing the adjusted funds flow for the period by the number of issued Share Stapled Units in issue.*
- Note 4 Figures are stated as at the period end, except for International Direct Dial ("IDD") minutes which is the total for the period.*
- Note 5 Gross debt refers to the principal amount of short-term borrowings and long-term borrowings. Net debt refers to the principal amount of short-term borrowings and long-term borrowings minus cash and cash equivalents.*
- Note 6 Group capital expenditures represent additions to property, plant and equipment, and interests in leasehold land.*
- Note 7 During the six months ended June 30, 2014, the Group completed an internal reorganization in connection with the acquisition of CSL Holdings Limited (formerly known as CSL New World Mobility Limited) and its subsidiaries. As a result, management has made changes to the Group's internal reporting that caused changes to reportable segments and segment presentation. The prior period ended June 30, 2013 and December 31, 2013 segment information has been restated to conform with the revised presentation.*

Telecommunications Services (“TSS”)

For the six months ended HK\$ million	Jun 30, 2013 (Note 7)	Dec 31, 2013 (Note 7)	Jun 30, 2014	Better/ (Worse) y-o-y
Local Telephony Services	1,680	1,754	1,682	0%
Local Data Services	3,140	3,320	3,236	3%
International Telecommunications Services	3,222	3,489	3,465	8%
Other Services	1,158	1,488	1,182	2%
	— — —	— — —	— — —	
TSS revenue	9,200	10,051	9,565	4%
Cost of sales	(4,117)	(4,534)	(4,301)	(4)%
Operating costs before depreciation and amortization	(1,573)	(1,792)	(1,670)	(6)%
	=====	=====	=====	
TSS EBITDA¹	3,510	3,725	3,594	2%
	=====	=====	=====	
TSS EBITDA¹ margin	38%	37%	38%	
	=====	=====	=====	

TSS revenue for the six months ended June 30, 2014 increased by 4% to HK\$9,565 million and EBITDA increased by 2% to HK\$3,594 million for the period. The EBITDA margin remained steady at 38% year-on-year for the six months ended June 30, 2014.

Local Telephony Services. Local telephony services revenue remained steady at HK\$1,682 million for the six months ended June 30, 2014, as compared to HK\$1,680 million a year earlier. Total fixed lines in service at the end of June 2014 remained steady at 2,654,000. Average revenue per user (“ARPU”) improved slightly and our focus is to grow ARPU in this challenging segment in order to maintain its contribution.

Local Data Services. Local data services revenue, comprising broadband network revenue and local data revenue, increased by 3% year-on-year to HK\$3,236 million for the six months ended June 30, 2014. The broadband network business exhibited solid 5% revenue growth during the period driven by sustained additions to our high speed fibre subscriber base and ARPU improvement. At the end of the period, there were 462,000 FTTH subscribers which represented an increase of 28% from a year earlier. Local data revenue was flat during the period amid the continued pricing pressure and cautious spending by enterprise customers in Hong Kong.

International Telecommunications Services. International telecommunications services revenue for the six months ended June 30, 2014 continued to exhibit strong growth, increasing by 8% year-on-year to HK\$3,465 million. This performance was driven by the solid demand for wholesale voice and data connectivity services from international carrier and enterprise customers as well as growth potential stemming from the increased Internet usage in Asia and the Middle East.

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, 2014 increased by 2% year-on-year to HK\$1,182 million on modest growth of CPE sales and the Teleservices business during the period.

Mobile

For the six months ended HK\$ million	Jun 30, 2013 (Note 7)	Dec 31, 2013 (Note 7)	Jun 30, 2014	Better/ (Worse) y-o-y
Mobile Revenue	1,790	1,581	2,910	63%
Mobile Services	1,346	1,280	2,328	73%
Handset Sales	444	301	582	31%
Mobile EBITDA¹	453	427	965	113%
Mobile Services	440	401	964	119%
Handset Sales	13	26	1	(92)%
Mobile EBITDA¹ margin	25%	27%	33%	
Mobile Services EBITDA ¹ margin	33%	31%	41%	

The Mobile business, which included the CSL results since May 2014, registered a 63% year-on-year increase in total revenue to HK\$2,910 million for the six months ended June 30, 2014. Mobile services revenue increased by 73% year-on-year to HK\$2,328 million from HK\$1,346 million.

Handset sales, now being an important building block in the Mobile business, were reclassified under the Mobile segment from the TSS segment. For the period under review, revenue from handset sales increased by 31% to HK\$582 million from HK\$444 million.

With a higher ARPU contribution from CSL, the post-paid exit ARPU improved by 3% to HK\$216 as at June 30, 2014 from HK\$209 a year earlier. As at June 30, 2014, the total subscriber base increased to 4,512,000, of which 3,183,000 were post-paid subscribers. Of these post-paid subscribers, approximately 76% were smart device users.

For the six months ended June 30, 2014, mobile data revenue increased by 49% year-on-year and accounted for 68% of mobile services revenue for the period, while IDD and roaming revenue accounted for 18% of mobile services revenue for the period.

EBITDA increased by 113% to HK\$965 million with the margin improving significantly to 33% from 25%, reflecting the benefits of the enlarged scale of the Mobile business. More importantly, EBITDA margin for mobile services increased to 41% from 33% a year ago.

Following completion of the CSL acquisition, HKT has moved quickly to unveil a new brand and its three-brand strategy to meet the communication needs of all mobile users in Hong Kong. It has also rationalized the retail network and simplified the tariff plans across the enlarged business while offering extra value-added services. Integration of the HKT and CSL networks has commenced and will continue over the next few months.

Other Businesses

Other Businesses primarily comprised Unihub China Information Technology Company Limited (the “ZhongYing JV”), which provides network integration and related services to telecommunications operators in the PRC. Revenue from Other Businesses was HK\$286 million for the six months ended June 30, 2014, as compared to HK\$318 million a year ago.

Eliminations

Eliminations were HK\$241 million for the six months ended June 30, 2014, as compared to HK\$237 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, 2014 increased by 9% year-on-year to HK\$5,333 million, which was in line with the revenue growth during the period. Gross margin increased to 57% from 56% a year ago.

General and Administrative Expenses

During the period, operating costs before depreciation, amortization, and gain/(loss) on disposal of property, plant and equipment, net, (“operating costs”) increased by 18% year-on-year to HK\$2,762 million largely due to the CSL acquisition. Other contributing factors included inflationary pressure on staff costs and rental expenses. Operating costs to revenue ratio was 22%, as compared to 21% a year ago.

Depreciation expenses increased by 6% year-on-year but was offset by a 8% decline in amortization expenses for the period. Consequently, depreciation and amortization expenses decreased by 2% to HK\$2,350 million for the six months ended June 30, 2014.

As a result, general and administrative expenses increased by 8% year-on-year to HK\$5,114 million for the six months ended June 30, 2014.

EBITDA¹

As a result of the steady performance in the TSS business and the contribution of the CSL acquisition to the Mobile business, overall EBITDA improved by 15% year-on-year to HK\$4,425 million for the six months ended June 30, 2014. The EBITDA margin remained steady at 35% during the period.

Finance Costs, Net

Net finance costs for the six months ended June 30, 2014 decreased slightly to HK\$452 million from HK\$458 million a year ago. The decline in net finance costs resulted from a reduction in the average cost of debt during the period, as we repaid the US\$500 million 10-year guaranteed notes due in July 2013 upon maturity which carried a higher interest rate of 6%.

Income Tax

Income tax expense for the six months ended June 30, 2014 was HK\$245 million, as compared to a net income tax credit of HK\$161 million a year ago, representing an effective tax rate of 15%. The increase in the tax expense is mainly due to prior period’s recognition of a deferred income tax resulting from a loss-making company turning profitable.

Non-controlling Interests

Non-controlling interests of HK\$19 million (June 30, 2013: HK\$19 million) primarily represented the net profit attributable to the minority shareholders of the ZhongYing JV.

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, 2014 increased by 18% year-on-year to HK\$1,400 million (June 30, 2013: HK\$1,189 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 debt⁵ increased to HK\$44,673 million as at June 30, 2014 due to the need to finance the acquisition of CSL (December 31, 2013: HK\$24,626 million). Cash and cash equivalents totaled HK\$3,335 million as at June 30, 2014 (December 31, 2013: HK\$2,134 million). HKT's net debt⁵ was HK\$41,338 million as at June 30, 2014 (December 31, 2013: HK\$22,492 million).

HKT's gross debt⁵ to total assets was 49% as at June 30, 2014 (December 31, 2013: 37%).

As at end of July 2014, the refinancing of the CSL acquisition was wholly completed with the conclusion of approximately HK\$11,700 million in 5-year banking facilities and the successful closing of the Rights Issue in July 2014 which raised approximately HK\$7,900 million in gross proceeds. As a result, the gross debt of HKT as at July 31, 2014 was HK\$36,847 million.

As at July 31, 2014, HKT had ample liquidity as evidenced by committed banking facilities totaling HK\$29,377 million, of which HK\$4,230 million remained undrawn.

CREDIT RATINGS OF HONG KONG TELECOMMUNICATIONS (HKT) LIMITED

As at June 30, 2014, Hong Kong Telecommunications (HKT) Limited, an indirect wholly-owned subsidiary of the Company, had investment grade ratings with Moody's Investors Service ("Moody's") (Baa2) and Standard & Poor's Ratings Services ("S&P's") (BBB). Moody's and S&P's recently revised the rating outlook on Hong Kong Telecommunications (HKT) Limited from negative to stable following the completion of the Rights Issue by the HKT Trust and HKT Limited and the use of cash proceeds to reduce debt.

CAPITAL EXPENDITURE⁶

Capital expenditure including capitalized interest for the six months ended June 30, 2014 was HK\$1,145 million (June 30, 2013: HK\$1,015 million). Capital expenditure remained at 9% of revenue for the six months ended June 30, 2014 (June 30, 2013: 9%). Major outlays for the period were mainly in network expansion and enhancement to meet demand for high-speed broadband fiber services, mobile services and international networks.

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 exposures 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.

Approximately 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 providing 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 United States dollars. Accordingly, HKT has entered into 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, 2014, all cross currency interest rate swap contracts were designated as cash flow hedges and/or fair value hedges for the Company's foreign currency denominated long-term borrowings.

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

CHARGE ON ASSETS

As at June 30, 2014, no assets of the Group (December 31, 2013: nil) were pledged to secure loans and banking facilities of HKT.

CONTINGENT LIABILITIES

HK\$ million	As at Dec 31, 2013 (Audited)	As at Jun 30, 2014 (Unaudited)
Performance guarantee	182	183
Others	69	76
	251	259

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

HUMAN RESOURCES

After successful integration of CSL staff in May 2014, HKT had approximately 17,200 employees as at June 30, 2014 (June 30, 2013: 15,900). About 62% of these employees work in Hong Kong and the others are based mainly in mainland China, the Philippines, the United States and Panama. HKT has established incentive bonus schemes designed to motivate and reward employees at all levels to achieve business performance targets. Payment of bonuses is generally based on achievement of EBITDA and free cash flow targets for HKT as a whole and for each of the individual business units.

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 21 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, 2014 (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 21 HK cents per ordinary share, in respect of the same period) to holders of the 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 “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” issued by the Hong Kong Institute of Certified Public Accountants to review and verify the Trustee-Manager’s calculation of the above distribution entitlement per Share Stapled Unit and (ii) having made all reasonable enquiries, immediately after making the above distribution to the registered unitholders of the HKT Trust, the Trustee-Manager will be able to fulfill, from the Trust Property (as defined in the Trust Deed), the liabilities of the HKT Trust as they fall due.

CLOSURE OF BOOKS

The record date for the interim distribution will be Thursday, August 28, 2014. The register of registered holders of Share Stapled Units, the register of holders of units, the principal and Hong Kong branch registers of members of the Company and the register of beneficial interests as maintained by the Trustee-Manager and the Company in accordance with the provisions of the Trust Deed will all be closed from Wednesday, August 27, 2014 to Thursday, August 28, 2014 (both days inclusive), in order to determine entitlements to the interim distribution. During such period, no transfer of Share Stapled Units will be effected. In order to qualify for the interim distribution, all transfers of Share Stapled Units accompanied by the relevant certificates in respect of the Share Stapled Units must be lodged with the Share Stapled Units Registrar, Computershare Hong Kong Investor Services Limited, Transfer Office, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong, for registration no later than 4:30 p.m. on Tuesday, August 26, 2014. Distribution warrants will be despatched to holders of the Share Stapled Units on or around Friday, September 26, 2014.

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, 2014, none of the HKT Trust (including the Trustee-Manager), the Company or the Company’s subsidiaries purchased, sold or redeemed any Share Stapled Units.

AUDIT COMMITTEE

The Trustee-Manager's Audit Committee and the Company's Audit Committee have reviewed the accounting policies adopted by the Group and the Trustee-Manager, the unaudited condensed consolidated interim financial information of the HKT Trust and HKT Limited for the six months ended June 30, 2014 and the unaudited condensed interim financial information of the Trustee-Manager for the same period. Such financial information of the HKT Trust and HKT Limited and of the Trustee-Manager has not been audited but has been reviewed by the independent auditor of the Trustee-Manager and the Company.

CORPORATE GOVERNANCE CODE

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

The HKT Trust and the Company have applied the principles and complied with all relevant code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited during the six months ended June 30, 2014. The requirement to establish a separate Remuneration Committee with written terms of reference for the Trustee-Manager under the Code Provision B.1.2 of the CG Code is not relevant to the Trustee-Manager as its directors are not entitled to any remuneration under the Trust Deed, and therefore has not been complied with. In addition, given the unique circumstances of the HKT Trust i.e., the fact that the Trust Deed requires that the directors of the Company and the directors of the Trustee-Manager must always be the same individuals, the establishment of a separate Nomination Committee for the Trustee-Manager as required by Code Provision A.5.1 of the CG Code is not relevant to the Trustee-Manager, and therefore has not been complied with.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

This announcement is published on the websites of the Company (www.hkt.com/ir) and Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk). The 2014 interim report will be despatched to holders of the Share Stapled Units and available on the above websites in due course.

By order of the boards of
HKT Management Limited
and
HKT Limited
Philana WY Poon
Group General Counsel and Company Secretary

Hong Kong, August 5, 2014

CONSOLIDATED INCOME STATEMENT OF HKT TRUST AND OF HKT LIMITED

For the six months ended June 30, 2014

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

	Note(s)	2013 (Unaudited)	2014 (Unaudited)
Turnover	2	11,071	12,520
Cost of sales		(4,901)	(5,333)
General and administrative expenses		(4,720)	(5,114)
Other gains, net	3	49	41
Interest income		20	27
Finance costs		(478)	(479)
Share of results of joint ventures		21	15
Share of results of an associate		(15)	(13)
Profit before income tax	2, 4	1,047	1,664
Income tax	5	161	(245)
Profit for the period		<u>1,208</u>	<u>1,419</u>
Attributable to:			
Holders of Share Stapled Units/shares of the Company		1,189	1,400
Non-controlling interests		19	19
Profit for the period		<u>1,208</u>	<u>1,419</u>
Earnings per Share Stapled Unit/share of the Company	7		
Basic and diluted		<u>18.54 cents</u>	<u>21.84 cents</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF HKT TRUST AND OF HKT LIMITED

As at June 30, 2014

In HK\$ million	Note	As at December 31, 2013 (Audited)	As at June 30, 2014 (Unaudited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		14,108	17,203
Interests in leasehold land		291	285
Goodwill		36,044	49,721
Intangible assets		3,892	9,019
Interest in an associate		207	227
Interests in joint ventures		645	662
Available-for-sale financial assets		171	136
Financial assets at fair value through profit or loss		8	18
Derivative financial instruments		67	56
Defined benefit assets		—	22
Deferred income tax assets		359	359
Other non-current assets		556	631
		56,348	78,339
Current assets			
Prepayments, deposits and other current assets		3,259	3,933
Inventories		1,018	1,071
Trade receivables, net	8	3,000	4,239
Amounts due from related companies		49	66
Financial assets at fair value through profit or loss		11	17
Cash and cash equivalents		2,134	3,335
		9,471	12,661

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

As at June 30, 2014

In HK\$ million	Note	As at December 31, 2013 (Audited)	As at June 30, 2014 (Unaudited)
Current liabilities			
Trade payables	9	(1,803)	(2,369)
Accruals and other payables		(2,403)	(4,050)
Carrier licence fee liabilities		(209)	(486)
Amounts due to related companies		(136)	(128)
Amounts due to fellow subsidiaries		(441)	(897)
Advances from customers		(1,738)	(2,112)
Current income tax liabilities		(427)	(997)
		(7,157)	(11,039)
Net current assets		2,314	1,622
Total assets less current liabilities		58,662	79,961
Non-current liabilities			
Long-term borrowings		(24,022)	(43,917)
Derivative financial instruments		(405)	(232)
Deferred income tax liabilities		(1,811)	(2,481)
Deferred income		(951)	(1,127)
Carrier licence fee liabilities		(616)	(1,436)
Other long-term liabilities		(52)	(94)
		(27,857)	(49,287)
Net assets		30,805	30,674
CAPITAL AND RESERVES			
Share capital		6	6
Reserves		30,617	30,431
Equity attributable to holders of Share Stapled Units/shares of the Company		30,623	30,437
Non-controlling interests		182	237
Total equity		30,805	30,674

NOTES

1. BASIS OF PREPARATION AND PRESENTATION

The HKT Trust (the “HKT Trust”) is constituted by a Hong Kong law governed trust deed and as supplemented, amended or substituted from time to time (the “Trust Deed”), entered into between HKT Management Limited (the “Trustee-Manager”, in its capacity as the trustee-manager of the HKT Trust) and HKT Limited. In accordance with the Trust Deed, the HKT Trust and HKT Limited are each required to prepare their own interim financial information on a consolidated basis. The HKT Trust unaudited condensed consolidated interim financial information for the period ended June 30, 2014 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 an associate and joint ventures. The HKT Limited unaudited condensed consolidated interim financial information for the period ended June 30, 2014 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 an associate 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, 2014 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, held by the Trustee-Manager as legal owner in its capacity as the trustee-manager of the HKT Trust, which is “linked” to the unit; 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 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, 2013.

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 5, 2014.

1. BASIS OF PREPARATION AND PRESENTATION (CONTINUED)

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

The preparation of the HKT Trust and HKT Limited unaudited condensed consolidated interim financial information in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses on a year-to-date basis. 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 Groups make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The accounting policies, basis of preparation and methods of computation used in preparing the HKT Trust and HKT Limited unaudited condensed consolidated interim financial information are consistent with those followed in preparing the Groups’ annual consolidated financial statements for the year ended December 31, 2013, except for the adoption of the following new, revised or amended Hong Kong Financial Reporting Standards (“HKFRSs”), HKASs and Interpretations (“Ints”) (collectively “new HKFRSs”) which are effective for accounting periods beginning on or after January 1, 2014 as described below.

The following new HKFRSs are mandatory for the first time for the financial year beginning January 1, 2014, but have no material effect on the Groups’ results and financial position for the current and prior periods:

- HKAS 27 (2011) (Amendment), Separate Financial Statements - Investment Entities.
- HKAS 32 (Amendment), Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities.
- HKAS 36 (Amendment), Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets.
- HKAS 39 (Amendment), Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting.
- HK(IFRIC) – Int 21, ‘Levies’.
- HKFRS 10 (Amendment), Consolidated Financial Statements - Investment Entities.
- HKFRS 12 (Amendment), Disclosure of Interest in Other Entities - Investment Entities.

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

2. SEGMENT INFORMATION

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

The CODM considers the business from both product and geographic perspectives. 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 primarily comprise Unihub China Information Technology Company Limited, which provides network integration and related services to telecommunications operators in the PRC.

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

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

2. SEGMENT INFORMATION (CONTINUED)

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

For the six months ended June 30, 2013
(In HK\$ million)

	TSS (note (a)) (Unaudited)	Mobile (note (a)) (Unaudited)	Other Businesses (Unaudited)	Eliminations (Unaudited)	Total (Unaudited)
REVENUE					
Total Revenue	9,200	1,790	318	(237)	11,071
RESULTS					
EBITDA	3,510	453	(124)	—	3,839

For the six months ended June 30, 2014
(In HK\$ million)

	TSS (Unaudited)	Mobile (Unaudited)	Other Businesses (Unaudited)	Eliminations (Unaudited)	Total (Unaudited)
REVENUE					
Total Revenue	9,565	2,910	286	(241)	12,520
RESULTS					
EBITDA	3,594	965	(134)	—	4,425

- a. During the six months ended June 30, 2014, the Groups completed an internal reorganization in connection with the acquisition of CSL Holdings Limited (formerly known as CSL New World Mobility Limited) and its subsidiaries. As a result, management has made changes to the Groups' internal reporting that caused changes to reportable segments and segment presentation. The prior period ended June 30, 2013 segment information has been restated to conform with the revised presentation.

2. 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, 2013 (Unaudited)	June 30, 2014 (Unaudited)
Total segment EBITDA	3,839	4,425
Gain/(loss) on disposal of property, plant and equipment, net	10	(2)
Depreciation and amortization	(2,399)	(2,350)
Other gains, net	49	41
Interest income	20	27
Finance costs	(478)	(479)
Share of results of an associate and joint ventures	6	2
Profit before income tax	1,047	1,664

3. OTHER GAINS, NET

In HK\$ million	Six months ended	
	June 30, 2013 (Unaudited)	June 30, 2014 (Unaudited)
Net gain on cash flow hedging instruments transferred from equity	10	11
Net gain on fair value hedging instruments	17	23
Recovery of impairment loss on an interest in a joint venture	22	–
Others	–	7
	49	41

4. PROFIT BEFORE INCOME TAX

Profit before income tax is stated after charging the following:

In HK\$ million	Six months ended	
	June 30, 2013 (Unaudited)	June 30, 2014 (Unaudited)
Cost of inventories sold	1,153	1,326
Cost of sales, excluding inventories sold	3,748	4,007
Depreciation of property, plant and equipment	1,037	1,096
Amortization of intangible assets	1,356	1,248
Amortization of land lease premium - interests in leasehold land	6	6
Finance costs on borrowings	448	438
Staff costs	960	1,018

5. INCOME TAX

In HK\$ million	Six months ended	
	June 30, 2013 (Unaudited)	June 30, 2014 (Unaudited)
Current income tax:		
Hong Kong profits tax	280	315
Overseas tax	17	20
Movement of deferred income tax	(458)	(90)
	<u>(161)</u>	<u>245</u>

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 16.5%) on the estimated assessable profits for the period. Overseas tax has been calculated on the estimated assessable profits for the period at the rates prevailing in the respective jurisdictions.

6. DISTRIBUTIONS/DIVIDENDS

a. Distribution/Dividend attributable to the interim period

In HK\$ million	Six months ended	
	June 30, 2013 (Unaudited)	June 30, 2014 (Unaudited)
Interim distribution/dividend declared after the interim period of 21 HK cents (2013: 21 HK cents) per Share Stapled Unit/ordinary share of the Company	1,348	<u>1,590</u>

At meetings held on August 5, 2014, the directors of the Trustee-Manager and the Company declared an interim distribution/dividend of 21 HK cents per Share Stapled Unit/ordinary share of the Company for the year ending December 31, 2014. This amount is based on the total number of Share Stapled Units/ordinary shares of the Company issued and outstanding as at August 5, 2014 of 7,571,742,334 which includes a total of 1,155,011,542 Share Stapled Units/ordinary shares issued in July 2014 pursuant to a rights issue as described in note 10. 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.

6. DISTRIBUTIONS/DIVIDENDS (CONTINUED)

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

In HK\$ million	Six months ended	
	June 30, 2013 (Unaudited)	June 30, 2014 (Unaudited)
Distribution/dividend in respect of the previous financial year, approved and paid during the interim period of 24.21 HK cents (2013: 21.58 HK cents) per Share Stapled Unit/ordinary share of the Company	1,385	1,553
Less: Distribution/dividend for Share Stapled Units held by the Company's Share Stapled Units Award Schemes	—	(1)
	<u>1,385</u>	<u>1,552</u>

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

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

	Six months ended	
	June 30, 2013 (Unaudited)	June 30, 2014 (Unaudited)
Earnings (in HK\$ million)		
Earnings for the purposes of basic and diluted earnings per Share Stapled Unit/share of the Company	<u>1,189</u>	<u>1,400</u>
Number of Share Stapled Units/shares of the Company		
Weighted average number of Share Stapled Units/ordinary shares of the Company	6,416,730,792	6,416,730,792
Effect of Share Stapled Units held under the Company's Share Staple Units Award Schemes	(1,855,225)	(6,433,236)
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	6,414,875,567	6,410,297,556
Effect of Share Stapled Units awarded under the Company's Share Stapled Units Award Schemes	160,661	993,185
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	<u>6,415,036,228</u>	<u>6,411,290,741</u>

8. TRADE RECEIVABLES, NET

The aging analysis of trade receivables is set out below:

In HK\$ million	As at December 31, 2013 (Audited)	As at June 30, 2014 (Unaudited)
0 – 30 days	1,563	2,489
31 – 60 days	478	427
61 – 90 days	192	332
91 – 120 days	87	181
Over 120 days	803	965
	3,123	4,394
Less: Impairment loss for doubtful debts	(123)	(155)
	3,000	4,239

Included in trade receivables, net of the Groups was the amount due from related parties of HK\$68 million and HK\$47 million as at June 30, 2014 and December 31, 2013, respectively.

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

9. TRADE PAYABLES

The aging analysis of trade payables is set out below:

In HK\$ million	As at December 31, 2013 (Audited)	As at June 30, 2014 (Unaudited)
0 – 30 days	895	1,248
31 – 60 days	114	175
61 – 90 days	98	111
91 – 120 days	19	103
Over 120 days	677	732
	1,803	2,369

Included in trade payables of the Groups was the amount due to related parties of HK\$57 million and HK\$36 million as at June 30, 2014 and December 31, 2013, respectively.

10. SUBSEQUENT EVENT

As disclosed in the joint announcement of the HKT Trust and the Company, and PCCW Limited dated June 13, 2014, the HKT Trust and the Company had proposed a rights issue (“Rights Issue”) which involved the issue of 1,155,011,542 new Share Stapled Units (the “Rights Share Stapled Units”) at a subscription price of HK\$6.84 per Rights Share Stapled Unit on the basis of 18 Rights Share Stapled Units for every 100 Share Stapled Units in issue on June 27, 2014. The Rights Issue was completed in July 2014, and a total of 1,155,011,542 new Share Stapled Units were allotted and issued pursuant to the Rights Issue.

INCOME STATEMENT OF
HKT MANAGEMENT LIMITED 香港電訊管理有限公司
For the six months ended June 30, 2014

In HK\$'000	Six months ended	
	June 30, 2013 (Unaudited)	June 30, 2014 (Unaudited)
Management fee income	13	42
General and administrative expenses	(1)	(2)
Profit before income tax	12	40
Income tax	—	—
Profit for the period	12	40

STATEMENT OF FINANCIAL POSITION OF
HKT MANAGEMENT LIMITED 香港電訊管理有限公司
As at June 30, 2014

In HK\$'000	As at December 31, 2013 (Audited)	As at June 30, 2014 (Unaudited)

ASSETS AND LIABILITIES

Current assets

Amounts due from a fellow subsidiary	39	81
	39	81

Current liabilities

Accruals and other payables	(80)	(80)
Amount due to a fellow subsidiary	(1)	(3)
	(81)	(83)

Net current liabilities	(42)	(2)
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Net liabilities	(42)	(2)
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CAPITAL AND RESERVES

Share capital: nominal value	—	—
Deficit	(42)	(2)
Total equity	(42)	(2)

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

Executive Directors:

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

Non-Executive Directors:

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

Independent Non-Executive Directors:

Professor Chang Hsin Kang, FREng, GBS, JP; The Hon Raymond George Hardenbergh Seitz; Sunil Varma and Aman Mehta

Forward-Looking Statements

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