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, 2018

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, 2018. 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 12% to HK$17,022 million; Total revenue (excluding Mobile Product Sales) increased by 1% to HK$13,648 million
- Total EBITDA increased by 2% to HK$5,639 million
- Profit before income tax was steady at HK$2,306 million
- Profit attributable to holders of Share Stapled Units was HK$1,868 million and basic earnings per Share Stapled Unit was 24.67 HK cents
- Adjusted funds flow increased by 4% to HK$2,205 million; adjusted funds flow per Share Stapled Unit was 29.12 HK cents
- Interim distribution per Share Stapled Unit of 29.12 HK cents

Note: The results for the six months ended June 30, 2018 reflect the adoption of several new accounting standards and, for comparative purposes, the results for the six months ended June 30, 2017 and December 31, 2017 have been restated as if these new accounting standards had been in place during these periods.

MANAGEMENT REVIEW

We are pleased to announce a solid set of financial results for HKT for the six months ended June 30, 2018, reflecting the strength and resilience across our lines of core business as well as continued operating efficiency improvements. The results for the six months ended June 30, 2018 reflect the adoption of several new accounting standards and, for comparative purposes, the results for the six months ended June 30, 2017 and December 31, 2017 have been restated as if these new accounting standards had been in place during these periods.

Total revenue for the six months ended June 30, 2018 increased by 12% to HK$17,022 million, driven in particular by a strong demand for mobile handsets during the period. Excluding Mobile Product Sales, underlying revenue for the period increased by 1% to HK$13,648 million, as compared to HK$13,519 million for the corresponding period last year, supported by steady growth in revenue from both Telecommunications Services ("TSS") and Mobile Services.

Total EBITDA for the period was HK$5,639 million, an increase of 2% over the same period in 2017. Profit before income tax was steady at HK$2,306 million while profit attributable to holders of Share Stapled Units was HK$1,868 million. Basic earnings per Share Stapled Unit was 24.67 HK cents.

Adjusted funds flow for the six months ended June 30, 2018 expanded by 4% to HK$2,205 million, compared to the same period in 2017. Adjusted funds flow per Share Stapled Unit[6] correspondingly grew by 4% to 29.12 HK cents compared to the same period in 2017.

The board of directors of the Trustee-Manager has resolved an interim distribution of 29.12 HK cents per Share Stapled Unit for the six months ended June 30, 2018.

OUTLOOK

The results for the first six months of 2018 have once again reflected the resilience of our core businesses in Hong Kong's highly competitive broadband and mobile communications markets. We are confident that our continuous innovation and our commitment to providing excellent customer experience will continue to put HKT at the forefront of the industry. We will continue to meet the increasing customer demand for high-speed and reliable connectivity on both advanced mobile and fixed, fiber networks as we continue to research, trial and deploy future technologies such as 5G.

HKT's relatively new initiatives such as The Club and Tap & Go which have gained further traction will continue to actively engage customers. Implementation of the Faster Payment System is also expected to accelerate the adoption of mobile payments by the public and merchants.

Despite intense market competition, we are confident that HKT can continue to build on its scale and strengths to not only maintain its leadership position but also find new areas of growth as both technology and the Hong Kong markets continue to evolve.

FINANCIAL REVIEW BY SEGMENT

For the six months ended HK$ million	Jun 30, 2017 *(Restated)*	Dec 31, 2017 *(Restated)*	Jun 30, 2018	Better/ (Worse) y-o-y
Revenue				
TSS	10,042	11,482	10,155	1%
Mobile	5,505	6,733	7,212	31%
- Mobile Services	3,813	4,275	3,838	1%
- Mobile Product Sales	1,692	2,458	3,374	99%
Other Businesses	78	77	77	(1)%
Eliminations	(414)	(436)	(422)	(2)%
Total revenue	15,211	17,856	**17,022**	**12%**
Cost of sales	(7,124)	(8,848)	(8,858)	(24)%
Gross Margin	*53%*	*50%*	*48%*	
Gross Margin (excluding Mobile Product Sales)	*60%*	*59%*	*60%*	
Operating costs before depreciation, amortization, and (loss)/gain on disposal of property, plant and equipment and intangible assets, net	(2,540)	(2,270)	(2,525)	1%
EBITDA[1]				
TSS	3,689	4,371	3,762	2%
Mobile	2,121	2,695	2,170	2%
- Mobile Services	2,153	2,744	2,201	2%
- Mobile Product Sales	(32)	(49)	(31)	3%
Other Businesses	(263)	(328)	(293)	(11)%
Total EBITDA[1]	5,547	6,738	**5,639**	**2%**
TSS EBITDA[1] Margin	*37%*	*38%*	*37%*	
Mobile EBITDA[1] Margin	*39%*	*40%*	*30%*	
- Mobile Services EBITDA[1] Margin	*56%*	*64%*	*57%*	
Total EBITDA[1] Margin	*36%*	*38%*	*33%*	
Total EBITDA[1] Margin (excluding Mobile Product Sales)	*41%*	*44%*	*42%*	
Depreciation and amortization	(2,681)	(2,648)	(2,701)	(1)%
(Loss)/gain on disposal of property, plant and equipment and intangible assets, net	(1)	3	2	NA
Other losses, net	(2)	(143)	(2)	–
Finance costs, net	(560)	(588)	(626)	(12)%
Share of results of associates and joint ventures	7	(17)	(6)	NA
Profit before income tax	2,310	3,345	**2,306**	**–**

ADJUSTED FUNDS FLOW

For the six months ended HK$ million	Jun 30, 2017 *(Restated)*	Dec 31, 2017 *(Restated)*	Jun 30, 2018	Better/ (Worse) y-o-y
Total EBITDA[1]	5,547	6,738	**5,639**	**2%**
Less cash outflows in respect of capital expenditures, customer acquisition costs and licence fees:				
Capital expenditures[5]	(1,302)	(1,300)	(1,322)	(2)%
Customer acquisition costs and licence fees	(483)	(619)	(444)	8%
Fulfillment costs	(218)	(209)	(180)	17%
Right-of-use of leased assets	(791)	(870)	(847)	(7)%
Adjusted funds flow before tax paid, net finance costs paid and changes in working capital	2,753	3,740	**2,846**	**3%**
Adjusted for:				
Tax payment	(141)	(570)	(174)	(23)%
Net finance costs paid	(418)	(412)	(436)	(4)%
Changes in working capital	(65)	25	(31)	52%
Adjusted funds flow[2]	2,129	2,783	**2,205**	**4%**

KEY OPERATING DRIVERS[3]

	Jun 30, 2017	Dec 31, 2017	Jun 30, 2018	Better/(Worse) y-o-y	h-o-h
Exchange lines in service ('000)	2,645	2,638	2,636	–	–
Business lines ('000)	1,250	1,249	1,251	–	–
Residential lines ('000)	1,395	1,389	1,385	(1)%	–
Total broadband access lines ('000) (Consumer, business and wholesale)	1,572	1,591	1,606	2%	1%
Retail consumer broadband access lines ('000)	1,407	1,423	1,439	2%	1%
Retail business broadband access lines ('000)	149	154	155	4%	1%
Traditional data (Exit Gbps)	6,552	7,121	7,400	13%	4%
Retail IDD minutes (million minutes)	217	199	173	(20)%	(13)%
Mobile subscribers ('000)	4,218	4,407	4,232	–	(4)%
Post-paid subscribers ('000)	3,168	3,217	3,242	2%	1%
Prepaid subscribers ('000)	1,050	1,190	990	(6)%	(17)%

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

Note 2 *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, 2018.*

Telecommunications Services

For the six months ended HK$ million	Jun 30, 2017 *(Restated)*	Dec 31, 2017 *(Restated)*	Jun 30, 2018	Better/ (Worse) y-o-y
TSS Revenue				
Local Telephony Services	1,656	1,729	1,634	(1)%
Local Data Services	3,219	3,908	3,372	5%
International Telecommunications Services	3,602	3,874	3,637	1%
Other Services	1,565	1,971	1,512	(3)%
Total TSS Revenue	10,042	11,482	**10,155**	**1%**
Cost of sales	(4,789)	(5,501)	(4,839)	(1)%
Operating costs before depreciation and amortization	(1,564)	(1,610)	(1,554)	1%
Total TSS EBITDA[1]	3,689	4,371	**3,762**	**2%**
TSS EBITDA[1] margin	*37%*	*38%*	***37%***	

TSS revenue for the six months ended June 30, 2018 increased by 1% year-on-year to HK$10,155 million, while EBITDA increased by 2% year-on-year to HK$3,762 million during the period, yielding a stable EBITDA margin of 37%.

Local Telephony Services. Local telephony services revenue was HK$1,634 million for the six months ended June 30, 2018, as compared to HK$1,656 million a year earlier, reflecting the continued gradual decline in local fixed lines in service. Total fixed lines in service at the end of June 2018 were 2.636 million, as compared to 2.645 million a year earlier.

Local Data Services. Local data services revenue, comprising broadband network revenue and local data revenue, increased by 5% year-on-year to HK$3,372 million for the six months ended June 30, 2018. Despite continued price focused competition, the broadband network business sustained its revenue growth, with a 2% year-on-year improvement in the first six months of 2018. The growth in revenue was underpinned by a healthy number of net broadband customer additions in both the consumer and business segments, and further subscriptions and upgrades on our fiber-to-the-home ("FTTH") service. The total number of broadband access lines at the end of June 2018 grew by 2% to 1.606 million from 1.572 million as at the end of June 2017. Of these broadband access lines, there were 743,000 FTTH access lines which represented a net increase of 91,000 or 14% growth from a year earlier. Subscription to our 1Gbps FTTH service grew notably during the period, stimulated by the launch of the innovative Multi-Use Broadband Service in the second half of 2017.

With the increasing adoption of business enabling communication services and as the leading services provider in the enterprise segment, our local data business performed solidly and recorded an 11% year-on-year increase in revenue during the period. This growth reflected the strong enterprise demand for cross-border connectivity solutions and network facility management solutions integrating connectivity, cloud-based applications and ancillary co-location services.

Telecommunications Services *(Continued)*

International Telecommunications Services. International telecommunications services revenue for the six months ended June 30, 2018 increased by 1% year-on-year to HK$3,637 million. The growth was driven by the growing demand for connectivity services from international carriers and enterprise customers, particularly in emerging markets, as well the cross-selling of cloud-based services such as unified communications and managed security.

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, 2018 decreased by 3% year-on-year to HK$1,512 million primarily due to the variation in the timing of the completion of certain network and infrastructure projects.

Mobile

For the six months ended HK$ million	Jun 30, 2017 *(Restated)*	Dec 31, 2017 *(Restated)*	Jun 30, 2018	Better/ (Worse) y-o-y
Mobile Revenue				
Mobile Services	3,813	4,275	**3,838**	1%
Mobile Product Sales	1,692	2,458	**3,374**	99%
Total Mobile Revenue	5,505	6,733	**7,212**	31%
Mobile EBITDA[1]				
Mobile Services	2,153	2,744	**2,201**	2%
Mobile Product Sales	(32)	(49)	**(31)**	3%
Total Mobile EBITDA[1]	2,121	2,695	**2,170**	2%
Mobile EBITDA[1] margin	*39%*	*40%*	***30%***	
Mobile Services EBITDA[1] margin	*56%*	*64%*	***57%***	

The Mobile business registered a 31% increase in total revenue to HK$7,212 million for the six months ended June 30, 2018, as compared to HK$5,505 million a year earlier.

Mobile Services revenue for the six months ended June 30, 2018 expanded by 1% to HK$3,838 million, from HK$3,813 million a year earlier. During the period, Mobile Services revenue benefited from the continued growth in the post-paid customer base, customers upgrading to our premium 1O1O service, as well as higher revenue from mobile enterprise solutions. This more than offset the continued decline in IDD and roaming revenue and sustained price disruption in the market. During the period, IDD and roaming revenue accounted for 14% of Mobile Services revenue, as compared to 16% a year earlier.

The post-paid exit average revenue per user (“ARPU”) as at the end of June 2018 was HK$195, as compared to HK$198 a year earlier. This reflected a dilution from acquiring a more diversified customer base with lower service plan fees.

As at June 30, 2018, the Mobile business had 3.242 million post-paid customers, an increase of 2% from a year earlier. The churn rate for post-paid customers held steady at 1.1% in the first half of 2018, reflecting the effectiveness of our multi-brand strategy, network supremacy and loyalty programs offered by The Club.

Revenue from Mobile Product Sales increased by 99% to HK$3,374 million from HK$1,692 million a year earlier. This significant revenue growth was attributable to the strong demand for certain models of handsets during the period, which included both handsets sold standalone and bundled with our service plans.

Mobile Services EBITDA increased by 2% to HK$2,201 million, with the margin further improving to 57% from 56% a year earlier as a result of recurring savings from cell site rental and third-party backhaul, as well as additional operational efficiencies achieved during the period. Total Mobile EBITDA for the period also increased by 2% to HK$2,170 million. Blended EBITDA margin was 30% which was a result of the dilutionary impact of the increased proportion of lower margin Mobile Product Sales.

Other Businesses

Other Businesses primarily comprises new business areas such as the Tap & Go mobile payment service and The Club program, and corporate support functions. Revenue from Other Businesses held steady at HK$77 million for the six months ended June 30, 2018, as compared to HK$78 million a year earlier.

Eliminations

Eliminations were HK$422 million for the six months ended June 30, 2018, as compared to HK$414 million a year earlier. 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, 2018 increased by 24% year-on-year to HK$8,858 million, reflecting the costs associated with the increase in Mobile Product Sales during the period. Gross margin was 48% in the first half of 2018, as compared to 53% a year earlier, mainly due to the dilutionary impact of Mobile Product Sales.

General and Administrative Expenses

For the six months ended June 30, 2018, operating costs before depreciation, amortization, and gain/(loss) on disposal of property, plant and equipment and intangible assets, net, ("operating costs") improved by 1% year-on-year to HK$2,525 million as a result of sustained improvements in operating efficiencies, particularly in the Mobile segment, slightly offset by an increase in other operating costs due to new business initiatives such as the Tap & Go mobile payment service and The Club program. The operating costs to Mobile Services revenue ratio for the Mobile business improved to 22.6% from 23.6% a year earlier, while the operating costs to revenue ratio for the TSS business improved to 15.3% from 15.6% a year earlier. Overall operating costs to revenue ratio, therefore, improved to 14.8% from 16.7% a year earlier.

Depreciation expenses decreased by 1% year-on-year, while amortization expenses increased by 3% due to continued investments in business-enabling platforms during the period. As a result, total depreciation and amortization expenses increased by 1% year-on-year to HK$2,701 million for the six months ended June 30, 2018.

General and administrative expenses, therefore, were steady at HK$5,224 million for the six months ended June 30, 2018, as compared to HK$5,222 million a year earlier.

EBITDA[1]

As a result of the steady performance in the TSS and Mobile businesses and the sustainment of operating efficiencies, overall EBITDA increased by 2% year-on-year to HK$5,639 million for the six months ended June 30, 2018. The overall EBITDA margin was 33% in the first half of 2018, as compared to 36% a year earlier, primarily due to the dilutionary impact of Mobile Product Sales.

Finance Costs, Net

Net finance costs for the six months ended June 30, 2018 increased by 12% to HK$626 million from HK$560 million a year earlier as a result of generally higher HIBOR. The average cost of debt increased to 2.8% during the period, as compared to 2.6% a year earlier.

Income Tax

Income tax expense for the six months ended June 30, 2018 was HK$423 million, as compared to HK$161 million a year earlier, representing an effective tax rate of 18% for the period versus an effective tax rate of 7% a year earlier. The income tax expense was lower a year earlier due to the recognition of a deferred income tax asset resulting from a loss-making company turning profitable.

Non-controlling Interests

Non-controlling interests of HK$15 million (June 30, 2017: HK$10 million) primarily comprised the net profit attributable to the minority shareholders of Sun Mobile Limited.

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

Profit attributable to holders of Share Stapled Units/shares of the Company for the six months ended June 30, 2018 was HK$1,868 million (June 30, 2017: HK$2,139 million).

LIQUIDITY AND CAPITAL RESOURCES

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

HKT's gross debt[4] was HK$39,688 million as at June 30, 2018 (December 31, 2017: HK$39,338 million). Cash and short-term deposits totaled HK$2,707 million as at June 30, 2018 (December 31, 2017: HK$3,667 million). HKT's gross debt[4] to total assets was 41% as at June 30, 2018 (December 31, 2017: 41%).

As at June 30, 2018, HKT had ample liquidity as evidenced by committed banking facilities totaling HK$27,767 million, of which HK$5,734 million remained undrawn.

CREDIT RATINGS OF HONG KONG TELECOMMUNICATIONS (HKT) LIMITED

As at June 30, 2018, Hong Kong Telecommunications (HKT) Limited, an indirect wholly-owned subsidiary of the Company, had investment grade ratings with Moody's Investors Service (Baa2) and Standard & Poor's Ratings Services (BBB).

CAPITAL EXPENDITURE[5]

Capital expenditure including capitalized interest for the six months ended June 30, 2018 was HK$1,345 million (June 30, 2017: HK$1,334 million). Capital expenditure relative to revenue was 7.9% for the six months ended June 30, 2018 (June 30, 2017: 8.8%). Capital expenditures for the Mobile business slightly declined reflecting the efficiencies achieved following the CSL network integration, while capital expenditures for the TSS business grew to meet the continued demand for fiber broadband connectivity and to get ready for 5G deployment, Internet of Things ("IoT") related services, customized solutions for enterprises, as well as in relation to smart city development in the public sector.

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

HEDGING

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

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

As for financing, a significant portion of HKT's debt is denominated in foreign currencies including United States dollars. Accordingly, HKT has entered into forward and swap contracts in order to manage its exposure to adverse fluctuations in foreign currency exchange rates and interest rates. These instruments are executed with creditworthy financial institutions. As at June 30, 2018, all forward and swap contracts were designated as cash flow hedges for the related borrowings of HKT.

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

CHARGE ON ASSETS

As at June 30, 2018, no assets of the Group (December 31, 2017: nil) were pledged to secure loans and banking facilities of HKT.

CONTINGENT LIABILITIES

HK$ million	As at Dec 31, 2017 (Audited)	**As at Jun 30, 2018 (Unaudited)**
Performance guarantees	237	**261**
Others	64	**63**
	301	**324**

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

HUMAN RESOURCES

HKT had over 17,400 employees as at June 30, 2018 (June 30, 2017: 17,500) located in 44 countries and cities. About 64% of these employees work in Hong Kong and the others are based mainly in mainland China, the United States and the Philippines. HKT has established performance based bonus and incentive schemes designed to motivate and reward employees at all levels to achieve business performance targets. Payment of performance bonuses is generally based on achievement of revenue, EBITDA and free cash flow targets for HKT as a whole and for each of the individual business units and performance ratings of employees.

INTERIM DIVIDEND/DISTRIBUTION

The board of directors of the Trustee-Manager has resolved to declare an interim distribution by the HKT Trust in respect of the Share Stapled Units, of 29.12 HK cents per Share Stapled Unit (after deduction of any operating expenses permissible under the trust deed dated November 7, 2011 constituting the HKT Trust (the "Trust Deed")), in respect of the six months ended June 30, 2018 (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 29.12 HK cents per ordinary share, in respect of the same period) to holders of Share Stapled Units.

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

CLOSURE OF BOOKS

The record date for the interim distribution will be Friday, August 31, 2018. The register of registered holders of Share Stapled Units, the register of holders of units, the principal and Hong Kong branch registers of members of the Company and the register of beneficial interests as maintained by the Trustee-Manager and the Company in accordance with the provisions of the Trust Deed will all be closed from Thursday, August 30, 2018 to Friday, August 31, 2018 (both days inclusive), in order to determine entitlements to the interim distribution. During such period, no transfer of Share Stapled Units will be effected. In order to qualify for the interim distribution, all transfers of Share Stapled Units accompanied by the relevant certificates in respect of the Share Stapled Units must be lodged with the Share Stapled Units Registrar, Computershare Hong Kong Investor Services Limited, Transfer Office, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration no later than 4:30 p.m. on Wednesday, August 29, 2018. Distribution warrants will be despatched to holders of Share Stapled Units on or around Thursday, September 27, 2018.

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, 2018, 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, 2018 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 their businesses, and to ensure that their affairs are conducted in accordance with applicable laws and regulations.

The HKT Trust and the Company have applied the principles, and complied with all relevant code provisions of the Corporate Governance Code (the "CG Code") in each case as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited during the six months ended June 30, 2018, save and except for the code provisions set out below. The requirement to establish a separate Remuneration Committee with written terms of reference for the Trustee-Manager under the code provision B.1.2 of the CG Code is not relevant to the Trustee-Manager as its directors are not entitled to any remuneration under the Trust Deed, and therefore has not been complied with. In addition, given the unique circumstances of the HKT Trust i.e., the fact that the Trust Deed requires that the directors of the Company and the directors of the Trustee-Manager must always be the same individuals, the establishment of a separate Nomination Committee for the Trustee-Manager as required by code provision A.5.1 of the CG Code is not relevant to the Trustee-Manager, and therefore has not been complied with.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

This announcement is published on the websites of the Company (www.hkt.com/ir) and Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk). The 2018 interim report will be despatched to holders of Share Stapled Units and available on the above websites in due course.

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

Hong Kong, August 6, 2018

CONSOLIDATED INCOME STATEMENT OF HKT TRUST AND OF HKT LIMITED

For the six months ended June 30, 2018

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

	Note(s)	2017 (Restated#)	**2018 (Unaudited)**
Revenue	3	15,211	**17,022**
Cost of sales		(7,124)	**(8,858)**
General and administrative expenses		(5,222)	**(5,224)**
Other losses, net		(2)	**(2)**
Finance costs, net		(560)	**(626)**
Share of results of associates		(7)	–
Share of results of joint ventures		14	**(6)**
Profit before income tax	3, 4	2,310	**2,306**
Income tax	5	(161)	**(423)**
Profit for the period		2,149	**1,883**
Attributable to:			
Holders of Share Stapled Units/shares of the Company		2,139	**1,868**
Non-controlling interests		10	**15**
Profit for the period		2,149	**1,883**
Earnings per Share Stapled Unit/share of the Company	7		
Basic		28.26 cents	**24.67 cents**
Diluted		28.25 cents	**24.67 cents**

See note 2 for details regarding the restatement as a result of changes in accounting policies.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF HKT TRUST AND OF HKT LIMITED

For the six months ended June 30, 2018

In HK$ million	2017 (Restated[#])	**2018 (Unaudited)**
Profit for the period	2,149	**1,883**
Other comprehensive income/(loss)		
Items that have been reclassified or may be reclassified subsequently to consolidated income statement:		
Exchange differences on translating foreign operations	98	**(22)**
Cash flow hedges:		
- effective portion of changes in fair value	(563)	**105**
- transfer from equity to consolidated income statement	(213)	**(36)**
- costs of hedging	–	**2**
Other comprehensive (loss)/income for the period	(678)	**49**
Total comprehensive income for the period	1,471	**1,932**
Attributable to:		
Holders of Share Stapled Units/shares of the Company	1,461	**1,917**
Non-controlling interests	10	**15**
Total comprehensive income for the period	1,471	**1,932**

[#] See note 2 for details regarding the restatement as a result of changes in accounting policies.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF HKT TRUST AND OF HKT LIMITED
As at June 30, 2018

In HK$ million	Note	As at December 31, 2017 (Restated#)	**As at June 30, 2018 (Unaudited)**
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		19,386	**20,003**
Right-of-use assets		2,220	**2,944**
Interests in leasehold land		240	**234**
Goodwill		49,814	**49,808**
Intangible assets		7,966	**8,042**
Fulfillment costs		1,378	**1,335**
Customer acquisition costs		611	**596**
Contract assets		350	**348**
Interests in joint ventures		720	**710**
Available-for-sale financial assets		77	**–**
Financial assets at fair value through other comprehensive income		–	**77**
Financial assets at fair value through profit or loss		20	**7**
Derivative financial instruments		223	**277**
Deferred income tax assets		468	**468**
Other non-current assets		842	**868**
		84,315	**85,717**
Current assets			
Inventories		749	**963**
Prepayments, deposits and other current assets		2,772	**2,054**
Contract assets		737	**712**
Trade receivables, net	8	2,787	**3,726**
Amounts due from related companies		77	**112**
Financial assets at fair value through profit or loss		17	**13**
Restricted cash		51	**75**
Short-term deposits		450	**405**
Cash and cash equivalents		3,217	**2,302**
		10,857	**10,362**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF HKT TRUST AND OF HKT LIMITED (CONTINUED)
As at June 30, 2018

In HK$ million	Note	As at December 31, 2017 (Restated[#])	**As at June 30, 2018 (Unaudited)**
Current liabilities			
Short-term borrowings	9	–	**(7,423)**
Trade payables	10	(1,874)	**(1,688)**
Accruals and other payables		(5,129)	**(5,004)**
Carrier licence fee liabilities		(173)	**(218)**
Amounts due to fellow subsidiaries		(969)	**(1,329)**
Advances from customers		(241)	**(260)**
Contract liabilities		(1,288)	**(1,550)**
Lease liabilities		(1,157)	**(1,164)**
Current income tax liabilities		(856)	**(972)**
		(11,687)	**(19,608)**
Non-current liabilities			
Long-term borrowings		(39,146)	**(32,142)**
Derivative financial instruments		(150)	**(80)**
Deferred income tax liabilities		(2,989)	**(3,122)**
Carrier licence fee liabilities		(455)	**(409)**
Contract liabilities		(952)	**(983)**
Lease liabilities		(1,307)	**(2,015)**
Other long-term liabilities		(596)	**(690)**
		(45,595)	**(39,441)**
Net assets		37,890	**37,030**
CAPITAL AND RESERVES			
Share capital		8	**8**
Reserves		37,842	**36,975**
Equity attributable to holders of Share Stapled Units/shares of the Company		37,850	**36,983**
Non-controlling interests		40	**47**
Total equity		37,890	**37,030**

[#] See note 2 for details regarding the restatement as a result of changes in accounting policies.

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, 2018 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, 2018 comprises the unaudited condensed consolidated interim financial information of HKT Limited and its subsidiaries (together the "HKT Limited Group") and the HKT Limited Group's interests in associates and joint ventures, and the Company's statement of financial position.

The HKT Trust controls HKT Limited and the sole activity of the HKT Trust during the period ended June 30, 2018 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 interim financial information of the HKT Trust and of the Company together. The unaudited condensed consolidated interim financial information of the HKT Trust and the unaudited condensed consolidated interim financial information of HKT Limited are presented together to the extent they are identical and are hereinafter referred to as the "HKT Trust and HKT Limited unaudited condensed consolidated interim financial information".

The Group and the HKT Limited Group are referred to as the "Groups".

The share stapled units (the "Share Stapled Units") structure comprises: (a) a unit in the HKT Trust; (b) a beneficial interest in a specifically identified ordinary share in the Company is "linked" to the unit and held by the Trustee-Manager as legal owner in its capacity as the trustee-manager of the HKT Trust; and (c) a specifically identified preference share in the Company which is "stapled" to the unit. The Share Stapled Units, which are jointly issued by the HKT Trust and the Company, are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

The HKT Trust and HKT Limited unaudited condensed consolidated interim financial information has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The HKT Trust and HKT Limited unaudited condensed consolidated interim financial information should be read in conjunction with the annual consolidated financial statements of the HKT Trust and HKT Limited for the year ended December 31, 2017.

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 6, 2018.

1. BASIS OF PREPARATION AND PRESENTATION (CONTINUED)

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

The financial information of the Trustee-Manager relating to the year ended December 31, 2017 that is included in this interim results announcement as comparative information does not constitute the Trustee-Manager's statutory annual financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

- The Trustee-Manager's financial statements combined with the HKT Trust and HKT Limited consolidated financial statements for the year ended December 31, 2017 has been delivered to the Registrar of Companies.

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

The preparation of the HKT Trust and HKT Limited unaudited condensed consolidated interim financial information in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses on a year-to-date basis. Actual results may differ from these estimates. In preparing this unaudited condensed consolidated interim financial information, the significant judgements made by management in applying the Groups' accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended December 31, 2017, except for changes in estimates that are required by the changes in accounting policies as described in note 2.

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, 2017, except for the adoption of the following new or amended Hong Kong Financial Reporting Standards ("HKFRSs"), HKASs and interpretations ("Ints") (collectively "new HKFRSs").

The following new HKFRSs are mandatory for the first time for the financial year beginning January 1, 2018 and the impacts of the adoption of the new HKFRSs are disclosed in note 2.

- HKFRS 9 (2014), *Financial Instruments*
- HKFRS 15, *Revenue from Contracts with Customers*

1. BASIS OF PREPARATION AND PRESENTATION (CONTINUED)

The following new HKFRSs are mandatory for the first time for the financial year beginning January 1, 2018, but have no material effect on the Groups' reported results and financial position for the current and prior accounting periods:

- HKAS 40 (Amendment), *Investment Property*
- HKFRS 2 (Amendment), *Share-based Payment*
- HKFRS 4 (Amendment), *Insurance Contracts*
- HK(IFRIC) – Int 22, *Foreign Currency Transactions and Advance Consideration*
- Annual Improvements to HKFRSs 2014-2016 Cycle published in March 2017 by HKICPA

The Groups have early adopted HKFRS 16 *Leases* that is mandatory for the first time for the financial year beginning January 1, 2019 and the impact of the adoption is disclosed in note 2. The Groups have not early adopted any other new HKFRSs that are not yet effective for the current accounting period.

2. CHANGES IN ACCOUNTING POLICIES UPON ADOPTION OF NEW HKFRSs

This note explains the impact of the adoption of HKFRS 9 (2014) *Financial Instruments* and HKFRS 15 *Revenue from Contracts with Customers*, and the early adoption of HKFRS 16 *Leases* on the Groups' financial statements.

Impacts on the financial statements

As a result of the changes in the Groups' accounting policies, prior period financial statements had to be restated as follow:

2. CHANGES IN ACCOUNTING POLICIES UPON ADOPTION OF NEW HKFRSs (CONTINUED)

Impacts on the financial statements *(continued)*

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

Consolidated income statement for the six months ended June 30, 2017 (extract)	As originally presented	HKFRS 15 (Note 2(i))	HKFRS 16 (Note 2(ii))	Restated
Revenue	15,649	(427)	(11)	15,211
Cost of sales	(6,508)	(803)	187	(7,124)
General and administrative expenses	(6,012)	937	(147)	(5,222)
Finance costs, net	(522)	–	(38)	(560)
Profit before income tax*	2,612	(293)	(9)	2,310
Income tax	(213)	48	4	(161)
Profit for the period*	2,399	(245)	(5)	2,149
Profit attributable to:				
Holders of Share Stapled Units/shares of the Company	2,389	(245)	(5)	2,139
Non-controlling interests	10	–	–	10
Profit for the period	2,399	(245)	(5)	2,149
Earnings per Share Stapled Unit/share of the Company				
Basic (cents)	31.57	(3.24)	(0.07)	28.26
Diluted (cents)	31.56	(3.24)	(0.07)	28.25

In HK$ million

Consolidated statement of comprehensive income for the six months ended June 30, 2017 (extract)	As originally presented	HKFRS 15 (Note 2(i))	HKFRS 16 (Note 2(ii))	Restated
Profit for the period	2,399	(245)	(5)	2,149
Total comprehensive income for the period*	1,721	(245)	(5)	1,471
Attributable to:				
Holders of Share Stapled Units/shares of the Company	1,711	(245)	(5)	1,461
Non-controlling interests	10	–	–	10
Total comprehensive income for the period	1,721	(245)	(5)	1,471

* The tables show the adjustments recognized for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided.

2. CHANGES IN ACCOUNTING POLICIES UPON ADOPTION OF NEW HKFRSs (CONTINUED)

Impacts on the financial statements *(continued)*

In HK$ million

Consolidated statement of financial position (extract)	**As at December 31, 2017 As originally presented**	**HKFRS 15 (Note 2(i))**	**HKFRS 16 (Note 2(ii))**	**As at December 31, 2017 Restated**	**HKFRS 9 (2014) (Note 2(iii))**	**As at January 1, 2018 Restated**
ASSETS AND LIABILITIES						
Non-current assets						
Right-of-use assets	–	–	2,220	2,220	–	2,220
Intangible assets	10,895	(2,929)	–	7,966	–	7,966
Fulfillment costs	–	1,378	–	1,378	–	1,378
Customer acquisition costs	–	611	–	611	–	611
Contract assets	–	350	–	350	–	350
Available-for-sale financial assets	77	–	–	77	(77)	–
Financial assets at FVOCI[i]	–	–	–	–	77	77
Deferred income tax assets	466	–	2	468	–	468
Other non-current assets	692	–	150	842	–	842
Current assets						
Prepayments, deposits and other current assets	5,484	(2,665)	(47)	2,772	–	2,772
Contract assets	–	737	–	737	–	737
Current liabilities						
Accruals and other payables	(5,183)	–	54	(5,129)	–	(5,129)
Advances from customers	(2,326)	2,085	–	(241)	–	(241)
Contract liabilities	–	(1,288)	–	(1,288)	–	(1,288)
Lease liabilities	–	–	(1,157)	(1,157)	–	(1,157)
Current income tax liabilities	(1,138)	271	11	(856)	–	(856)
Non-current liabilities						
Deferred income	(1,307)	1,307	–	–	–	–
Contract liabilities	–	(952)	–	(952)	–	(952)
Lease liabilities	–	–	(1,307)	(1,307)	–	(1,307)
Net assets*	39,059	(1,095)	(74)	37,890	–	(37,890)
CAPITAL AND RESERVES						
Reserves	39,011	(1,095)	(74)	37,842	–	37,842
Total equity*	39,059	(1,095)	(74)	37,890	–	37,890

[i] Fair value through other comprehensive income ("FVOCI")

***** The table shows the adjustments recognized for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided.

2. CHANGES IN ACCOUNTING POLICIES UPON ADOPTION OF NEW HKFRSs (CONTINUED)

Impacts on the financial statements *(continued)*

(i) HKFRS 15 Revenue from Contracts with Customers

The Groups have adopted HKFRS 15 *Revenue from Contracts with Customers* from January 1, 2018 which resulted in changes in accounting policies and adjustments to the amounts recognized in the consolidated financial statements. In accordance with the transition provisions in HKFRS 15, the Groups have elected to apply the new standard retrospectively and have restated comparatives for the prior periods presented.

The adoption of HKFRS 15 mainly affects the accounting treatment of the Groups' sale contracts with customers in which the Groups have multiple performance obligations to customers, such as provision of telecommunications services, sale of handsets, equipment and gifts offered in the contracts.

Before adoption of HKFRS 15, the Groups capitalized the subsidized costs of handsets and gifts as customer acquisition costs under intangible assets, with no revenue being allocated to them. These customer acquisition costs were amortized over the respective minimum enforceable contractual periods on a straight-line basis. Residual value method was used to determine the fair value of the delivered element by deducting the fair value of the undelivered element from the total contract consideration.

After the adoption of HKFRS 15, the total transaction price receivable from customers in multiple-element sale contracts is allocated among all identified performance obligations of the Groups in proportion to their respective standalone selling price.

Accordingly, although the total revenue being recognized for a multiple-element sale contract over the contract period is unchanged, the amount and timing of revenue recognition for individual performance obligations would be different after the adoption of HKFRS 15. The revenue being allocated to handsets, equipment and gifts is recognized upon the delivery to customers, which is generally upfront upon entering into the sale contracts. The revenue allocated to telecommunications and other services is recognized when services are rendered, which is generally over the contract period.

Moreover, subsidized costs of handsets and gifts are no longer capitalized and amortized, but are required to be recognized as cost of sales immediately when the corresponding revenue is recognized.

Nevertheless, other direct costs incurred to acquire contractual relationships with customers and other costs incurred in fulfilling the contracts with customers are required to be capitalized as "customer acquisition costs' and "fulfillment costs" under HKFRS 15 in the consolidated statement of financial position respectively.

As a result of the above changes, certain items in the consolidated income statement as highlighted in note 2 above are restated, resulting in a decrease in retained profits attributable to holders of Share Stapled Units/shares of the Company as at December 31, 2016, profit attributable to holders of Share Stapled Units/shares of the Company for the six months ended June 30, 2017 and the year ended December 31, 2017 of HK$736 million, HK$245 million and HK$359 million respectively. The Groups' EBITDA as defined and disclosed in the segment information is also restated and decreased by HK$1,230 million and HK$2,368 million for the six months ended June 30, 2017 and the year ended December 31, 2017 respectively.

For the Groups' consolidated statement of cash flows, certain items including cash outflow for certain contract related costs previously capitalized before HKFRS 15 adoption are required to be reclassified to operating activities from investing activities. Nevertheless, the Groups' total net cash flow and adjusted funds flow as defined in the Trust Deed are unaffected.

2. CHANGES IN ACCOUNTING POLICIES UPON ADOPTION OF NEW HKFRSs (CONTINUED)

Impacts on the financial statements *(continued)*

(ii) HKFRS 16 Leases

The Groups have early adopted HKFRS 16 *Leases* from January 1, 2018, which resulted in changes in accounting policies and adjustments to the amounts recognized in the consolidated financial statements. In accordance with the transition provisions in HKFRS 16, the Groups have elected to apply the new standard retrospectively and have restated comparatives for the prior periods presented.

Before the adoption of HKFRS 16, commitments under operating leases for future periods were not recognized by the Groups as liabilities. Operating lease rental expenses were recognized in the consolidated income statement over the lease period on a straight-line basis.

On adoption of HKFRS 16, the Groups recognized the full lease liabilities in relation to leases which had previously been classified as "operating leases" if they meet certain criteria set out in HKFRS 16. These liabilities were measured at the present value of the remaining lease payments, discounted using the Groups' incremental borrowing rate. The difference between the present value and the total remaining lease payments represents the cost of financing. Such finance cost will be charged to the consolidated income statement in the period in which it is incurred using effective interest method.

At the inception of a contract that contains a lease component, as a lessee, the Groups should allocate the consideration in the contract to each lease component on the basis of their relative standalone price. The Groups, as lessees, assessed their leases for non-lease components and separated non-lease components from lease components for certain classes of assets if the non-lease components were material.

The associated right-of-use assets were measured at the amount equal to the initial measurement of lease liabilities, adjusted by any lease payments made at or before the commencement date, less any lease incentive received, any initial direct costs, and restoration costs, relating to that lease. The right-of-use assets were recognized in the consolidated statement of financial position. Depreciation is charged on a straight-line basis over the shorter of the asset's useful life and the lease term.

As a result of the above changes, certain items in the consolidated income statement as highlighted in note 2 above are restated, resulting in a decrease in retained profits attributable to holders of Share Stapled Units/shares of the Company as at December 31, 2016 and profit attributable to holders of Share Stapled Units/shares of the Company for the six months ended June 30, 2017 of HK$82 million and HK$5 million respectively and increase in profit attributable to holders of Share Stapled Units/shares of the Company for the year ended December 31, 2017 of HK$7 million. The Groups' EBITDA as defined and disclosed in the segment information is also restated and increased by HK$809 million and HK$1,656 million for the six months ended June 30, 2017 and the year ended December 31, 2017 respectively.

Cash payments for the settlement of lease liabilities for the six months ended June 30, 2017 of HK$791 million were required to be reclassified from operating activities to financing activities according to HKFRS 16 in the restated consolidated statement of cash flows. The Groups' total net cash flow and adjusted funds flow as defined in the Trust Deed are unaffected.

2. CHANGES IN ACCOUNTING POLICIES UPON ADOPTION OF NEW HKFRSs (CONTINUED)

Impacts on the financial statements *(continued)*

(iii) HKFRS 9 (2014) Financial Instruments

The Groups have adopted HKFRS 9 (2014) *Financial Instruments* from January 1, 2018 which resulted in changes in accounting policies and adjustments to the amounts recognized in the consolidated financial statements. In accordance with the transition provisions, the Groups have adopted HKFRS 9 (2014) retrospectively with the reclassification and adjustment arising from initially applying HKFRS 9 (2014) recognized on January 1, 2018, with no restatements on the comparatives.

HKFRS 9 (2014) replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

On January 1, 2018 (the date of initial application of HKFRS 9 (2014)), the Groups' management has assessed the Groups' business models of management, and the contractual cash flow characteristics, of each of the Groups' financial instruments, and has classified them into the appropriate categories under HKFRS 9 (2014).

Accordingly, an investment previously classified as available-for-sale financial assets with a carrying value of HK$77 million was reclassified to financial assets at FVOCI on January 1, 2018 as these investments are held as long-term strategic investments that are not expected to be sold in the short to medium term. Such reclassification has no impact on the measurement categories.

On adoption of HKFRS 9 (2014), the Groups have applied the new hedge accounting model prospectively from January 1, 2018 except upon transition to HKFRS 9 (2014), the Groups have elected the option to separate foreign currency basis spread and exclude it from the designated hedging instrument retrospectively, resulting in a reclassification of reserves as of January 1, 2018. The Groups recognize changes in fair value of cross currency swap contracts attributable to the foreign currency basis in costs of hedging reserve within equity. This change has been applied retrospectively for cross currency swap contracts in the cash flow hedging relationships resulting in a reclassification of a credit balance of HK$44 million and a debit balance of HK$252 million from retained profits and hedging reserve, respectively, to the costs of hedging reserve as at January 1, 2018.

The Groups' financial assets classified at amortized cost, debt instruments measured at FVOCI, contract assets under HKFRS 15 and lease receivables are subject to the new expected credit loss model for impairment assessment. The results of the adopted new impairment model as at January 1, 2018 have not resulted in material impact on the carrying amount of the Groups' financial assets.

3. SEGMENT INFORMATION

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

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

- Telecommunications Services (“TSS”) is the leading provider of telecommunications and related services which include local telephony, local data and broadband, international telecommunications, and other telecommunications businesses such as customer premises equipment sales, outsourcing, consulting and contact centres. It operates primarily in Hong Kong, and also serves customers in mainland China and other parts of the world.

- Mobile includes the Groups’ mobile telecommunications businesses in Hong Kong.

- Other businesses of the Groups (“Other Businesses”) primarily comprises new business areas such as Tap & Go mobile payment service and The Club program, and corporate support functions.

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

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

3. SEGMENT INFORMATION (CONTINUED)

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

For the six months ended June 30, 2017
(In HK$ million)

	TSS (Restated)	Mobile (Restated)	Other Businesses (Restated)	Eliminations (Restated)	Total (Restated)
REVENUE					
Total Revenue	10,042	5,505	78	(414)	15,211
RESULTS					
EBITDA	3,689	2,121	(263)	–	5,547

For the six months ended June 30, 2018
(In HK$ million)

	TSS (Unaudited)	**Mobile (Unaudited)**	**Other Businesses (Unaudited)**	**Eliminations (Unaudited)**	**Total (Unaudited)**
REVENUE					
Total Revenue	**10,155**	**7,212**	**77**	**(422)**	**17,022**
RESULTS					
EBITDA	**3,762**	**2,170**	**(293)**	**–**	**5,639**

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

In HK$ million	Six months ended June 30, 2017 (Restated)	**Six months ended June 30, 2018 (Unaudited)**
Total segment EBITDA	5,547	**5,639**
(Loss)/gain on disposal of property, plant and equipment and intangible assets, net	(1)	**2**
Depreciation and amortization	(2,681)	**(2,701)**
Other losses, net	(2)	**(2)**
Finance costs, net	(560)	**(626)**
Share of results of associates and joint ventures	7	**(6)**
Profit before income tax	2,310	**2,306**

4. PROFIT BEFORE INCOME TAX

Profit before income tax is stated after charging the following:

In HK$ million	Six months ended June 30, 2017 (Restated)	**Six months ended June 30, 2018 (Unaudited)**
Cost of inventories sold	2,594	**4,123**
Cost of sales, excluding inventories sold	4,530	**4,735**
Depreciation of property, plant and equipment	724	**698**
Depreciation of right-of-use assets	780	**789**
Amortization of intangible assets	571	**584**
Amortization of land lease premium – interests in leasehold land	6	**6**
Amortization of fulfillment costs	206	**223**
Amortization of customer acquisition costs	394	**401**
Finance costs on borrowings	525	**576**

5. INCOME TAX

In HK$ million	Six months ended June 30, 2017 (Restated)	**Six months ended June 30, 2018 (Unaudited)**
Current income tax:		
Hong Kong profits tax	316	**293**
Overseas tax	21	**(3)**
Movement of deferred income tax	(176)	**133**
Income tax expense	161	**423**

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profits for the period. Overseas tax has been calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the respective jurisdictions.

6. DISTRIBUTIONS/DIVIDENDS

a. Distributions/Dividends attributable to the interim period

In HK$ million	Six months ended June 30, 2017 (Unaudited)	**Six months ended June 30, 2018 (Unaudited)**
Interim distribution/dividend declared after the end of the interim period of 29.12 HK cents (2017: 28.12 HK cents) per Share Stapled Unit/ordinary share of the Company	2,129	**2,205**

At meetings held on August 6, 2018, the directors of the Trustee-Manager and the Company declared an interim distribution/dividend of 29.12 HK cents per Share Stapled Unit/ordinary share of the Company for the year ending December 31, 2018. This interim distribution/dividend is not reflected as a distribution/dividend payable in the HKT Trust and HKT Limited unaudited condensed consolidated interim financial information.

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

In HK$ million	Six months ended June 30, 2017 (Unaudited)	**Six months ended June 30, 2018 (Unaudited)**
Distribution/Dividend in respect of the previous financial year, approved and paid during the interim period of 36.75 HK cents (2017: 34.76 HK cents) per Share Stapled Unit/ordinary share of the Company	2,632	**2,783**
Less: distribution/dividend for Share Stapled Units/shares held by the Company's Share Stapled Units award scheme	(2)	**–**
	2,630	**2,783**

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, 2017 (Restated)	Six months ended **June 30, 2018 (Unaudited)**
Earnings (in HK$ million)		
Earnings for the purpose of basic and diluted earnings per Share Stapled Unit/share of the Company	2,139	**1,868**
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 scheme	(3,395,685)	**(678,304)**
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	7,568,346,649	**7,571,064,030**
Effect of Share Stapled Units awarded under the Company's Share Stapled Units award scheme	2,027,176	**1,859,493**
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	7,570,373,825	**7,572,923,523**

8. TRADE RECEIVABLES, NET

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

In HK$ million	As at December 31, 2017 (Audited)	**As at June 30, 2018 (Unaudited)**
1 – 30 days	2,008	**2,290**
31 – 60 days	207	**555**
61 – 90 days	170	**253**
91 – 120 days	99	**136**
Over 120 days	486	**683**
	2,970	**3,917**
Less: Impairment loss for doubtful debts	(183)	**(191)**
	2,787	**3,726**

8. TRADE RECEIVABLES, NET (CONTINUED)

Included in trade receivables, net were the amounts due from related parties of HK$44 million and HK$36 million as at June 30, 2018 and December 31, 2017, respectively.

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

9. SHORT-TERM BORROWINGS

During the six months ended June 30, 2018, certain bank borrowings of approximately HK$7,423 million have been reclassified from long-term liabilities to short-term liabilities as their maturity dates fall due within the next twelve-month period. As at the date of approval of this unaudited condensed consolidated interim financial information, the Groups are in the process of finalizing the documentation of refinancing of this entire balance through long-term borrowings.

As at June 30, 2018, the Groups had a total of cash and cash equivalents of HK$2,302 million, short-term deposits of HK$405 million and undrawn banking facilities of approximately HK$5,734 million.

10. TRADE PAYABLES

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

In HK$ million	As at December 31, 2017 (Audited)	**As at June 30, 2018 (Unaudited)**
1 – 30 days	1,257	**1,057**
31 – 60 days	125	**123**
61 – 90 days	39	**53**
91 – 120 days	46	**47**
Over 120 days	407	**408**
	1,874	**1,688**

Included in trade payables were the amounts due to related parties of HK$38 million and HK$50 million as at June 30, 2018 and December 31, 2017, respectively.

INCOME STATEMENT OF
HKT MANAGEMENT LIMITED
For the six months ended June 30, 2018

In HK$'000	2017 (Unaudited)	**2018 (Unaudited)**
Management fee income	28	**26**
General and administrative expenses	(28)	**(26)**
Result before income tax	–	**–**
Income tax	–	**–**
Result for the period	–	**–**

STATEMENT OF COMPREHENSIVE INCOME OF
HKT MANAGEMENT LIMITED
For the six months ended June 30, 2018

In HK$'000	2017 (Unaudited)	**2018 (Unaudited)**
Result for the period	–	**–**
Other comprehensive income	–	**–**
Total comprehensive income for the period	–	**–**

STATEMENT OF FINANCIAL POSITION OF
HKT MANAGEMENT LIMITED
As at June 30, 2018

In HK$'000	As at December 31, 2017 (Audited)	**As at June 30, 2018 (Unaudited)**
ASSETS AND LIABILITIES		
Current assets		
Amount due from a fellow subsidiary	276	**302**
	276	**302**
Current liabilities		
Accruals and other payables	(131)	–
Amount due to a fellow subsidiary	(145)	**(302)**
	(276)	**(302)**
Net assets	–	**–**
CAPITAL AND RESERVES		
Share capital	–	**–**
Reserve	–	**–**
Total equity	–	**–**

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

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

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

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

Forward-Looking Statements

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