


**General Announcement::Announcement relating to HKT Limited****Issuer & Securities**

<b>Issuer/ Manager</b>	PACIFIC CENTURY REGIONAL DEVELOPMENTS LIMITED
<b>Securities</b>	PACIFIC CENTURY REGIONAL DEVTS - SG1J17886040 - P15
<b>Stapled Security</b>	No

**Announcement Details**

<b>Announcement Title</b>	General Announcement
<b>Date &amp; Time of Broadcast</b>	10-Aug-2016 18:04:38
<b>Status</b>	New
<b>Announcement Sub Title</b>	Announcement relating to HKT Limited
<b>Announcement Reference</b>	SG160810OTHRMW41
<b>Submitted By (Co./ Ind. Name)</b>	Lim Beng Jin
<b>Designation</b>	Company Secretary
<b>Effective Date and Time of the event</b>	10/08/2016 17:00:00
<b>Description (Please provide a detailed description of the event in the box below)</b>	<p>The Board of Directors of Pacific Century Regional Developments Limited (the "Company") wishes to advise that HKT Management Limited (in its capacity as the trustee manager of the HKT Trust) and HKT Limited (a 63.07% subsidiary of the Company's 22.76% associated company, PCCW Limited ("PCCW"), which is listed on The Stock Exchange of Hong Kong Limited) have made an announcement in relation to the unaudited consolidated results of the HKT Trust and HKT Limited together with its subsidiaries for the six months ended 30 June 2016.</p> <p>A copy of the HKT Trust and HKT Limited announcement is attached.</p> <p>By Order of the Board Lim Beng Jin Company Secretary 10 August 2016</p>
<b>Attachments</b>	<p> <a href="#">HKT 2016 Interim Eng.pdf</a></p> <p>Total size =563K</p>



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# HKT

## 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, 2016

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, 2016. 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 3% to HK\$16,388 million
- Total EBITDA increased by 2% to HK\$5,865 million
- Profit attributable to holders of Share Stapled Units increased by 30% to HK\$2,317 million; basic earnings per Share Stapled Unit was 30.63 HK cents
- Adjusted funds flow increased by 5% to HK\$2,051 million; adjusted funds flow per Share Stapled Unit was 27.09 HK cents
- Interim distribution per Share Stapled Unit of 27.09 HK cents

## MANAGEMENT REVIEW

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

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

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

Adjusted funds flow for the six months ended June 30, 2016 reached HK\$2,051 million, an increase of 5% over the same period in 2015. Adjusted funds flow per Share Stapled Unit<sup>6</sup> was 27.09 HK cents, rising similarly by 5% over the same period in 2015.

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

## OUTLOOK

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

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

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

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

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

## FINANCIAL REVIEW BY SEGMENT

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

## ADJUSTED FUNDS FLOW

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

## KEY OPERATING DRIVERS<sup>3</sup>

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

- Note 1 EBITDA represents earnings before interest income, finance costs, income tax, depreciation of property, plant and equipment, amortization of land lease premium and intangible assets, gain/loss on disposal of property, plant and equipment and interests in leasehold land, net other gains/losses, losses on property, plant and equipment, restructuring costs, impairment losses on goodwill, tangible and intangible assets and interests in associates and joint ventures, and the Group's share of results of associates and joint ventures. While EBITDA is commonly used in the telecommunications industry worldwide as an indicator of operating performance, leverage and liquidity, it is not presented as a measure of operating performance in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") and should not be considered as representing net cash flows from operating activities. The computation of the Group's EBITDA may not be comparable to similarly titled measures of other companies.*
- Note 2 Adjusted Funds Flow is defined as EBITDA less capital expenditures, customer acquisition costs and licence fees paid, taxes paid, finance costs and interest expense paid, and adjusted for interest income received and changes in working capital. It is not presented as a measure of leverage or liquidity in accordance with HKFRSs and should not be considered as representing net cash flows or any other similar measures derived in accordance with HKFRSs, or an alternative to cash flow from operations or a measure of liquidity. The Group's Adjusted Funds Flow is computed in accordance with the above definition using financial information derived from the Group's unaudited condensed consolidated financial statements. The Adjusted Funds Flow may be used for debt repayment.*
- Note 3 Figures are stated as at the period end, except for International Direct Dial ("IDD") minutes which is the total for the period.*
- Note 4 Gross debt refers to the principal amount of short-term borrowings and long-term borrowings.*
- Note 5 Group capital expenditures represent additions to property, plant and equipment, and interests in leasehold land.*
- Note 6 Adjusted Funds Flow per Share Stapled Unit is calculated by dividing the adjusted funds flow for the period by the number of Share Stapled Units in issue as at June 30, 2016.*

## Telecommunications Services

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

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

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

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

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

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

## **Telecommunications Services (Continued)**

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

*Other Services.* Other services revenue primarily comprises revenue from the sales of network equipment and customer premises equipment (“CPE”), provision of technical and maintenance subcontracting services and contact centre services (“Teleservices”). Other services revenue for the six months ended June 30, 2016 increased by 24% year-on-year to HK\$1,530 million on the back of growth in the Teleservices business and increased sales of CPE during the period.



## Mobile

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

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

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

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

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

## **Other Businesses**

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

## **Eliminations**

Eliminations were HK\$373 million for the six months ended June 30, 2016, as compared to HK\$299 million a year ago. Eliminations mainly related to internal charges for telecommunications services consumed amongst HKT's business units.

## **Cost of Sales**

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

## **General and Administrative Expenses**

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

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

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

## **EBITDA<sup>1</sup>**

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

## **Finance Costs, Net**

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

## **Income Tax**

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

## **Non-controlling Interests**

Non-controlling interests of HK\$10 million (June 30, 2015: HK\$17 million) primarily comprised the net profit attributable to the minority shareholders of Sun Mobile Limited.

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

Profit attributable to holders of Share Stapled Units/shares of the Company for the six months ended June 30, 2016 increased by 30% year-on-year to HK\$2,317 million (June 30, 2015: HK\$1,778 million).

## **LIQUIDITY AND CAPITAL RESOURCES**

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

HKT's gross debt<sup>4</sup> was HK\$36,886 million as at June 30, 2016 (December 31, 2015: HK\$36,849 million). Cash and cash equivalents totaled HK\$3,016 million as at June 30, 2016 (December 31, 2015: HK\$3,768 million). HKT's gross debt<sup>4</sup> to total assets was 41% as at June 30, 2016 (December 31, 2015: 41%).

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

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

## **CREDIT RATINGS OF HONG KONG TELECOMMUNICATIONS (HKT) LIMITED**

As at June 30, 2016, Hong Kong Telecommunications (HKT) Limited, an indirect wholly-owned subsidiary of the Company, had investment grade ratings with Moody's Investors Service (Baa2) and Standard & Poor's Ratings Services (BBB).

## **CAPITAL EXPENDITURE<sup>5</sup>**

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

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

## HEDGING

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

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

As for financing, a significant portion of HKT's debt is denominated in foreign currencies including United States dollars. Accordingly, HKT has entered into forward and swap contracts in order to manage its exposure to adverse fluctuations in foreign currency exchange rates and interest rates. These instruments are executed with creditworthy financial institutions. As at June 30, 2016, all forward and swap contracts were designated as cash flow hedges for the Company's foreign currency denominated borrowings.

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

## CHARGE ON ASSETS

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

## CONTINGENT LIABILITIES

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

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

## **HUMAN RESOURCES**

HKT had over 18,600 employees as at June 30, 2016 (June 30, 2015: 17,500) located in 44 countries and cities. About 61% of these employees work in Hong Kong and the others are based mainly in mainland China, the United States and the Philippines. HKT has established performance based bonus and incentive schemes designed to motivate and reward employees at all levels to achieve business performance targets. Payment of performance bonuses is generally based on achievement of revenue, EBITDA and free cash flow targets for HKT as a whole and for each of the individual business units and performance ratings of employees.

## **INTERIM DIVIDEND/DISTRIBUTION**

The board of directors of the Trustee-Manager has resolved to declare an interim distribution by the HKT Trust in respect of the Share Stapled Units, of 27.09 HK cents per Share Stapled Unit (after deduction of any operating expenses permissible under the trust deed dated November 7, 2011 constituting the HKT Trust (the “Trust Deed”)), in respect of the six months ended June 30, 2016 (and in order to enable the HKT Trust to pay that distribution, the board of directors of the Company has resolved to declare an interim dividend in respect of the ordinary shares in the Company held by the Trustee-Manager, of 27.09 HK cents per ordinary share, in respect of the same period) to holders of Share Stapled Units.

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

## **CLOSURE OF BOOKS**

The record date for the interim distribution will be Thursday, September 1, 2016. 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 31, 2016 to Thursday, September 1, 2016 (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 30, 2016. Distribution warrants will be despatched to holders of Share Stapled Units on or around Friday, September 30, 2016.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

Under the Trust Deed and for so long as the Trust Deed remains in effect, the Share Stapled Units cannot be repurchased or redeemed by the HKT Trust and the Company unless and until specific regulations which expressly permit repurchase or redemption are introduced by the Securities and Futures Commission. Therefore, the holders of Share Stapled Units have no right to request the Trustee-Manager to repurchase or redeem their Share Stapled Units, and the HKT Trust and the Company are not allowed to repurchase their own Share Stapled Units.

During the six months ended June 30, 2016, none of the HKT Trust (including the Trustee-Manager), the Company or the Company’s subsidiaries purchased, sold or redeemed any Share Stapled Units.

## AUDIT COMMITTEE

The Trustee-Manager's Audit Committee and the Company's Audit Committee have reviewed the accounting policies adopted by the 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, 2016 and the unaudited condensed interim financial information of the Trustee-Manager for the same period. Such financial information of the HKT Trust and HKT Limited and of the Trustee-Manager has not been audited but has been reviewed by the independent auditor of the Trustee-Manager and the Company.

## 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, 2016, save and except for the code provisions set out below. The requirement to establish a separate Remuneration Committee with written terms of reference for the Trustee-Manager under the code provision B.1.2 of the CG Code is not relevant to the Trustee-Manager as its directors are not entitled to any remuneration under the Trust Deed, and therefore has not been complied with. In addition, given the unique circumstances of the HKT Trust i.e., the fact that the Trust Deed requires that the directors of the Company and the directors of the Trustee-Manager must always be the same individuals, the establishment of a separate Nomination Committee for the Trustee-Manager as required by code provision A.5.1 of the CG Code is not relevant to the Trustee-Manager, and therefore has not been complied with.

## PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

This announcement is published on the websites of the Company ([www.hkt.com/ir](http://www.hkt.com/ir)) and Hong Kong Exchanges and Clearing Limited ([www.hkexnews.hk](http://www.hkexnews.hk)). The 2016 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**  
**Grace M.Y. Lee**  
*Group General Counsel and Company Secretary*

Hong Kong, August 10, 2016

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

For the six months ended June 30, 2016

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

	Note(s)	2015 (Unaudited)	2016 (Unaudited)
Revenue	2	15,974	<b>16,388</b>
Cost of sales		(6,544)	<b>(6,973)</b>
General and administrative expenses		(6,851)	<b>(6,375)</b>
Other gains, net	3	33	<b>9</b>
Finance costs, net		(631)	<b>(483)</b>
Share of results of associates		(14)	<b>(6)</b>
Share of results of joint ventures		(1)	<b>(2)</b>
Profit before income tax	2, 4	1,966	<b>2,558</b>
Income tax	5	(171)	<b>(231)</b>
Profit for the period		<b>1,795</b>	<b>2,327</b>
Attributable to:			
Holders of Share Stapled Units/shares of the Company		1,778	<b>2,317</b>
Non-controlling interests		17	<b>10</b>
Profit for the period		<b>1,795</b>	<b>2,327</b>
Earnings per Share Stapled Unit/share of the Company	7		
Basic		<b>23.50 cents</b>	<b>30.63 cents</b>
Diluted		<b>23.49 cents</b>	<b>30.62 cents</b>

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

For the six months ended June 30, 2016

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



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

As at June 30, 2016

In HK\$ million	Note	As at December 31, 2015 (Audited)	As at June 30, 2016 (Unaudited)
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment		16,674	17,509
Interests in leasehold land		265	259
Goodwill		49,817	49,809
Intangible assets		9,314	8,745
Interests in associates		67	140
Interests in joint ventures		554	687
Available-for-sale financial assets		7	82
Financial assets at fair value through profit or loss		11	3
Derivative financial instruments		—	102
Deferred income tax assets		231	330
Other non-current assets		630	716
		77,570	78,382
<b>Current assets</b>			
Prepayments, deposits and other current assets		4,462	4,819
Inventories		598	706
Trade receivables, net	8	3,422	3,706
Amounts due from related companies		73	88
Financial assets at fair value through profit or loss		14	10
Restricted cash		10	25
Cash and cash equivalents		3,768	3,016
		12,347	12,370

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

As at June 30, 2016

In HK\$ million	Note	As at December 31, 2015 (Audited)	As at June 30, 2016 (Unaudited)
<b>Current liabilities</b>			
Short-term borrowings	10	(3,879)	(2,329)
Trade payables	9	(2,194)	(2,053)
Accruals and other payables		(4,900)	(5,035)
Carrier licence fee liabilities		(452)	(467)
Amounts due to a related company		(72)	(79)
Amounts due to fellow subsidiaries		(353)	(649)
Advances from customers		(2,066)	(2,123)
Current income tax liabilities		(862)	(1,056)
		(14,778)	(13,791)
<b>Non-current liabilities</b>			
Long-term borrowings		(32,436)	(34,085)
Derivative financial instruments		(443)	(35)
Deferred income tax liabilities		(2,552)	(2,607)
Deferred income		(1,079)	(977)
Carrier licence fee liabilities		(627)	(582)
Other long-term liabilities		(267)	(317)
		(37,404)	(38,603)
<b>Net assets</b>		<b>37,735</b>	<b>38,358</b>
<b>CAPITAL AND RESERVES</b>			
Share capital		8	8
Reserves		37,608	38,245
<b>Equity attributable to holders of Share Stapled Units/shares of the Company</b>		<b>37,616</b>	<b>38,253</b>
Non-controlling interests		119	105
<b>Total equity</b>		<b>37,735</b>	<b>38,358</b>

## 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, 2016 comprises the unaudited condensed consolidated interim financial information of the HKT Trust, HKT Limited (or the “Company”) and its subsidiaries (together the “Group”), and the Group’s interests in associates and joint ventures. The HKT Limited unaudited condensed consolidated interim financial information for the period ended June 30, 2016 comprises the unaudited condensed financial information of HKT Limited and its subsidiaries (together the “HKT Limited Group”) and the HKT Limited Group’s interests in associates and joint ventures, and the Company’s statement of financial position.

The HKT Trust controls HKT Limited and the sole activity of the HKT Trust during the period ended June 30, 2016 was investing in HKT Limited. Therefore, the consolidated results and financial position that would be presented in the unaudited condensed consolidated interim financial information of the HKT Trust are identical to the consolidated financial results and financial position of HKT Limited with the only differences being disclosures of the capital of HKT Limited. Directors of the Trustee-Manager and of the Company believe therefore that it is clearer to present the unaudited condensed consolidated financial information of the HKT Trust and of the Company together. The unaudited condensed consolidated interim financial information of the HKT Trust and the unaudited condensed consolidated interim financial information of HKT Limited are presented together to the extent they are identical and are hereinafter referred as the “HKT Trust and HKT Limited unaudited condensed consolidated interim financial information”.

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

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

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

The HKT Trust and HKT Limited unaudited condensed consolidated interim financial information is presented in Hong Kong dollars, unless otherwise stated. The HKT Trust and HKT Limited unaudited condensed consolidated interim financial information was approved for issue on August 10, 2016.

## **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, 2015 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 statement for the year ended December 31, 2015 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, 2015, with the exception of changes in estimates that are required in determining the useful lives of certain property, plant and equipment. As part of the Groups’ continuous accounting procedure, it is required to reassess the useful lives of property, plant and equipment on a regular basis. Pursuant to such reassessment, the Groups’ profit for the period ended June 30, 2016 increased by HK\$194 million and the net assets as at June 30, 2016 increased by HK\$194 million.

The accounting policies, basis of 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, 2015, except for the adoption of the following new or amended Hong Kong Financial Reporting Standards (“HKFRSs”) and HKASs (collectively “new HKFRSs”) which are effective for accounting periods beginning on or after January 1, 2016 as described below.

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

- HKAS 1 (Amendment), Presentation of Financial Statements – Disclosure Initiative.
- HKAS 16 (Amendment), Property, Plant and Equipment – Clarification of Acceptable Methods of Depreciation and Amortization.

## **1. BASIS OF PREPARATION AND PRESENTATION (CONTINUED)**

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

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

## **2. SEGMENT INFORMATION**

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

The CODM considers the business from the product perspective. From a product perspective, management assesses the performance of the following segments:

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

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

## 2. SEGMENT INFORMATION (CONTINUED)

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

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

For the six months ended June 30, 2015  
(In HK\$ million)

	TSS (Unaudited)	Mobile (Unaudited)	Other Businesses (Unaudited)	Eliminations (Unaudited)	Total (Unaudited)
<b>REVENUE</b>					
Total Revenue	10,145	6,044	84	(299)	15,974
<b>RESULTS</b>					
EBITDA	3,654	2,298	(182)	—	5,770

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

	TSS (Unaudited)	Mobile (Unaudited)	Other Businesses (Unaudited)	Eliminations (Unaudited)	Total (Unaudited)
<b>REVENUE</b>					
Total Revenue	10,308	6,335	118	(373)	16,388
<b>RESULTS</b>					
EBITDA	3,681	2,439	(255)	—	5,865

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

In HK\$ million	Six months ended	
	June 30, 2015 (Unaudited)	June 30, 2016 (Unaudited)
Total segment EBITDA	5,770	5,865
Gain on disposal of property, plant and equipment, net	3	2
Depreciation and amortization	(3,194)	(2,827)
Other gains, net	33	9
Finance costs, net	(631)	(483)
Share of results of associates and joint ventures	(15)	(8)
Profit before income tax	1,966	2,558

### 3. OTHER GAINS, NET

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

### 4. PROFIT BEFORE INCOME TAX

Profit before income tax is stated after charging the following:

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

### 5. INCOME TAX

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

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profits for the period. Overseas tax has been calculated on the estimated assessable profits for the period at the rates prevailing in the respective jurisdictions.

## 6. DISTRIBUTIONS/DIVIDENDS

### a. Distribution/Dividend attributable to the interim period

In HK\$ million	Six months ended	
	June 30, 2015 (Unaudited)	June 30, 2016 (Unaudited)

Interim distribution/dividend declared after the interim period of 27.09 HK cents (2015: 25.79 HK cents) per Share Stapled Unit/ordinary share of the Company

1,953                      **2,051**

At meetings held on August 10, 2016, the directors of the Trustee-Manager and the Company declared an interim distribution/dividend of 27.09 HK cents per Share Stapled Unit/ordinary share of the Company for the year ending December 31, 2016. This interim distribution/dividend is not reflected as a distribution/dividend payable in the HKT Trust and HKT Limited unaudited condensed consolidated interim financial information.

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

In HK\$ million	Six months ended	
	June 30, 2015 (Unaudited)	June 30, 2016 (Unaudited)

Distribution/dividend in respect of the previous financial year, approved and paid during the interim period of 28.27 HK cents (2015: 23.30 HK cents) per Share Stapled Unit/ordinary share of the Company

1,764                      **2,141**

Less: Distribution/dividend for Share Stapled Units/shares held by the Company's Share Stapled Units award schemes

(1)                      **(1)**

1,763                      **2,140**



## 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:

	<b>Six months ended</b>	
	<b>June 30, 2015 (Unaudited)</b>	<b>June 30, 2016 (Unaudited)</b>
<b>Earnings (in HK\$ million)</b>		
Earnings for the purposes of basic and diluted earnings per Share Stapled Unit/share of the Company	1,778	<b>2,317</b>
<b>Number of Share Stapled Units/shares of the Company</b>		
Weighted average number of Share Stapled Units/ordinary shares of the Company	7,571,742,334	<b>7,571,742,334</b>
Effect of Share Stapled Units held under the Company's Share Staple Units award schemes	(7,049,915)	<b>(7,600,143)</b>
Weighted average number of Share Stapled Units/ordinary shares of the Company for the purpose of basic earnings per Share Stapled Unit/share of the Company	7,564,692,419	<b>7,564,142,191</b>
Effect of Share Stapled Units awarded under the Company's Share Stapled Units award schemes	5,380,714	<b>3,872,536</b>
Weighted average number of Share Stapled Units/ordinary shares of the Company for the purpose of diluted earnings per Share Stapled Unit/share of the Company	7,570,073,133	<b>7,568,014,727</b>

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

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

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 based on the date of invoice is set out below:

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

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

## **10. SHORT-TERM BORROWINGS**

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

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

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

## **11. SUBSEQUENT EVENT**

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

**INCOME STATEMENT OF  
HKT MANAGEMENT LIMITED**  
For the six months ended June 30, 2016

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

**STATEMENT OF COMPREHENSIVE INCOME OF  
HKT MANAGEMENT LIMITED**  
For the six months ended June 30, 2016

In HK\$'000	2015 (Unaudited)	2016 (Unaudited)
Profit for the period	40	–
Other comprehensive income	–	–
Total comprehensive income for the period	<u>40</u>	<u>–</u>

**STATEMENT OF FINANCIAL POSITION OF  
HKT MANAGEMENT LIMITED**

As at June 30, 2016

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

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.