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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2014

The directors of HKT Management Limited (the "Trustee-Manager", in its capacity as the trustee-manager of the HKT Trust) and HKT Limited (the "Company" or "HKT") are pleased to announce the audited consolidated results of the HKT Trust and of the Company together with the Company's subsidiaries (collectively the "Group") for the year ended December 31, 2014.

- Total revenue increased by 26% to HK$28,823 million
- Total EBITDA increased by 30% to HK$10,242 million
- Profit attributable to holders of Share Stapled Units increased by 22% to HK$2,991 million; basic earnings per Share Stapled Unit was 42.20 HK cents
- Adjusted funds flow for the year increased by 16% to HK$3,354 million; adjusted funds flow per Share Stapled Unit was 47.32 HK cents based on the weighted average number of Share Stapled Units during the year of 2014 while adjusted funds flow per Share Stapled Unit was 44.30 HK cents based on the number of Share Stapled Units in issue as at December 31, 2014
- Final distribution per Share Stapled Unit of 23.30 HK cents

MANAGEMENT REVIEW

We are pleased to report a set of strong financial results by HKT for the year ended December 31, 2014, which was underpinned by solid performance of its various lines of business and also significantly the consolidation of the results of CSL New World Mobility Limited (now known as CSL Holdings Limited, "CSL") since the completion of the acquisition in May 2014.

Total revenue for the year ended December 31, 2014 increased by 26% to HK$28,823 million and total EBITDA for the year was HK$10,242 million, an increase of 30% over the previous year. This growth was driven mainly by the CSL acquisition and reflected the subsequent scale benefits of the Mobile business, as well as steady growth in the Telecommunications Services ("TSS") business.

Profit attributable to holders of Share Stapled Units, even after taking into account the additional interest costs related to the CSL acquisition, was HK$2,991 million, an increase of 22% over the previous year. Basic earnings per Share Stapled Unit was 42.20 HK cents.

Adjusted funds flow for the year ended December 31, 2014 reached HK$3,354 million, an increase of 16% over the previous year. Adjusted funds flow per Share Stapled Unit was 47.32 HK cents based on the weighted average number of Share Stapled Units of the Company for the purpose of basic earnings per Share Stapled Unit of the Company during the year of 2014 ("weighted average number of Share Stapled Units"), while adjusted funds flow per Share Stapled Unit was 44.30 HK cents based on the number of Share Stapled Units in issue as at December 31, 2014.

The board of directors of the Trustee-Manager has recommended the payment of a final distribution of 23.30 HK cents per Share Stapled Unit for the year ended December 31, 2014. This brings the 2014 full-year distribution to 44.30 HK cents per Share Stapled Unit (comprising 21 HK cents as interim and 23.30 HK cents as final distribution) representing the complete payout of the adjusted funds flow per Share Stapled Unit based on the enlarged Share Stapled Units in issue after the rights issue completed in July 2014.

OUTLOOK

The acquisition of CSL has firmly established HKT as the leading telecom service provider in Hong Kong in not only fixed line and broadband, but also mobile communications. HKT has re-defined and re-launched its mobile brands and embarked on integration of the networks in order to create a stronger business proposition and to unlock the operational synergies anticipated. Encouraged by the initial success in the past few months, the management team will continue its efforts to unlock more synergies which are expected to result in more significant customer and shareholder benefits in the coming 12 to 18 months.

As a pillar of HKT, the fixed broadband business will continue to excel with high-speed fiber connections and services such as Smart Living, which ride on HKT's network capability and differentiate the company as a customer-centric operator.

Another growth driver is international connectivity, which has reported successive periods of healthy growth. The prospect remains positive in view of continued and emerging demands for data and voice communications globally including some new routes.

The Hong Kong economy which slowed down in 2014 will likely face further challenges in the new year in the face of an uncertain global outlook. The management team believes that we have been strengthening HKT's position across all lines of business and that we have reason to be cautiously optimistic in terms of HKT's future prospects – but we are acutely aware of the need to monitor and respond swiftly to any changes of the external environment during 2015.

FINANCIAL REVIEW BY SEGMENT

For the year ended December 31, HK$ million	2013 H1 *(Note 7)*	2013 H2 *(Note 7)*	2013 Full Year *(Note 7)*	2014 H1	2014 H2	2014 Full Year	Better/(Worse) y-o-y
Revenue							
TSS	9,200	10,051	**19,251**	9,565	10,348	**19,913**	3%
Mobile	1,790	1,581	**3,371**	2,910	6,040	**8,950**	165%
Other Businesses	318	370	**688**	286	278	**564**	(18)%
Eliminations	(237)	(241)	**(478)**	(241)	(363)	**(604)**	(26)%
Total revenue	11,071	11,761	**22,832**	12,520	16,303	**28,823**	26%
Cost of sales	(4,901)	(5,216)	**(10,117)**	(5,333)	(6,720)	**(12,053)**	(19)%
Operating costs before depreciation, amortization, and gain/(loss) on disposal of property, plant and equipment, net	(2,331)	(2,483)	**(4,814)**	(2,762)	(3,766)	**(6,528)**	(36)%
EBITDA[1]							
TSS	3,510	3,725	**7,235**	3,594	3,768	**7,362**	2%
Mobile	453	427	**880**	965	2,182	**3,147**	258%
Other Businesses	(124)	(90)	**(214)**	(134)	(133)	**(267)**	(25)%
Total EBITDA[1]	3,839	4,062	**7,901**	4,425	5,817	**10,242**	30%
TSS EBITDA[1] Margin	*38%*	*37%*	***38%***	*38%*	*36%*	***37%***	
Mobile EBITDA[1] Margin	*25%*	*27%*	***26%***	*33%*	*36%*	***35%***	
Total EBITDA[1] Margin	*35%*	*35%*	***35%***	*35%*	*36%*	***36%***	
Depreciation and amortization	(2,399)	(2,301)	**(4,700)**	(2,350)	(3,536)	**(5,886)**	(25)%
Gain/(Loss) on disposal of property, plant and equipment, net	10	3	**13**	(2)	–	**(2)**	NA
Other gains, net	49	35	**84**	41	58	**99**	18%
Finance costs, net	(458)	(375)	**(833)**	(452)	(672)	**(1,124)**	(35)%
Share of results of an associate and joint ventures	6	44	**50**	2	(31)	**(29)**	NA
Profit before income tax	1,047	1,468	**2,515**	1,664	1,636	**3,300**	31%

ADJUSTED FUNDS FLOW

For the year ended December 31, HK$ million	**2013**			**2014**			Better/ (Worse)
	H1	**H2**	**Full Year**	**H1**	**H2**	**Full Year**	y-o-y
Total EBITDA[1]	3,839	4,062	**7,901**	4,425	5,817	**10,242**	30%
Less cash outflows in respect of:							
Customer acquisition costs and licence fees	(712)	(891)	**(1,603)**	(770)	(2,032)	**(2,802)**	(75)%
Capital expenditures[6]	(988)	(992)	**(1,980)**	(1,135)	(1,375)	**(2,510)**	(27)%
Adjusted funds flow before tax paid, net finance costs paid and changes in working capital	2,139	2,179	**4,318**	2,520	2,410	**4,930**	14%
Adjusted for:							
Tax payment	(107)	(224)	**(331)**	(80)	(315)	**(395)**	(19)%
Net finance costs paid	(239)	(450)	**(689)**	(368)	(433)	**(801)**	(16)%
Changes in working capital	(309)	(88)	**(397)**	(482)	102	**(380)**	4%
Adjusted funds flow[2]	1,484	1,417	**2,901**	1,590	1,764	**3,354**	16%
Annual adjusted funds flow per Share Stapled Unit (HK cents) (based on the weighted average number of Share Stapled Units)			**Adjusted 43.43**			**47.32**	
Annual adjusted funds flow per Share Stapled Unit (HK cents)[3]			**45.21**			**44.30**	

KEY OPERATING DRIVERS[4]

	2013		**2014**		Better/ (Worse)
	H1	**H2**	**H1**	**H2**	y-o-y
Exchange lines in service ('000)	2,651	2,651	2,654	2,654	0%
Business lines ('000)	1,242	1,242	1,245	1,245	0%
Residential lines ('000)	1,409	1,409	1,409	1,409	0%
Total broadband access lines ('000) (Consumer, business and wholesale customers)	1,567	1,567	1,567	1,567	0%
Retail consumer broadband subscribers ('000)	1,408	1,408	1,408	1,404	0%
Retail business broadband subscribers ('000)	128	130	131	136	5%
Traditional data (Exit Gbps)	2,276	2,967	3,016	3,372	14%
Retail IDD minutes (million minutes)	521	474	431	397	(17)%
Mobile subscribers ('000)	1,652	1,654	4,512	4,585	177%
Post-paid subscribers ('000)	1,017	1,019	3,183	3,178	212%
Prepaid subscribers ('000)	635	635	1,329	1,407	122%

Note 1 *EBITDA represents earnings before interest income, finance costs, income tax, depreciation of property, plant and equipment, amortization of land lease premium and intangible assets, gain/loss on disposal of property, plant and equipment and interests in leasehold land, net other gains/losses, losses on property, plant and equipment, restructuring costs, impairment losses on goodwill, tangible and intangible assets and interests in an associate and joint ventures, and the Group's share of results of an associate and joint ventures. While EBITDA is commonly used in the telecommunications industry worldwide as an indicator of operating performance, leverage and liquidity, it is not presented as a measure of operating performance in accordance with the Hong Kong Financial Reporting Standards ("HKFRS") 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 HKFRS and should not be considered as representing net cash flows or any other similar measures derived in accordance with HKFRS, 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 audited consolidated financial statements. The Adjusted Funds Flow may be used for debt repayment.*

Note 3 *Annual adjusted funds flow per Share Stapled Unit is calculated by dividing the adjusted funds flow for the year by the number of Share Stapled Units in issue as at the respective year end.*

Note 4 *Figures are stated as at the period end, except for International Direct Dial ("IDD") minutes which is the total for the period.*

Note 5 *Gross debt refers to the principal amount of short-term borrowings and long-term borrowings. Net debt refers to the principal amount of short-term borrowings and long-term borrowings minus cash and cash equivalents.*

Note 6 *Group capital expenditures represent additions to property, plant and equipment, and interests in leasehold land.*

Note 7 *During the year ended December 31, 2014, the Group completed an internal reorganization in connection with the acquisition of CSL Holdings Limited (formerly known as CSL New World Mobility Limited) and its subsidiaries. As a result, management has made changes to the Group's internal reporting that caused changes to reportable segments and segment presentation. The prior year ended December 31, 2013 segment information has been restated to conform with the revised presentation.*

Telecommunications Services

For the year ended December 31, HK$ million	2013 H1 (Note 7)	2013 H2 (Note 7)	2013 Full Year (Note 7)	2014 H1	2014 H2	2014 Full Year	Better/ (Worse) y-o-y
Local Telephony Services	1,680	1,754	**3,434**	1,682	1,801	**3,483**	1%
Local Data Services	3,140	3,320	**6,460**	3,236	3,490	**6,726**	4%
International Telecommunications Services	3,222	3,489	**6,711**	3,465	3,538	**7,003**	4%
Other Services	1,158	1,488	**2,646**	1,182	1,519	**2,701**	2%
TSS Revenue	9,200	10,051	**19,251**	9,565	10,348	**19,913**	3%
Cost of sales	(4,117)	(4,534)	**(8,651)**	(4,301)	(4,638)	**(8,939)**	(3)%
Operating costs before depreciation and amortization	(1,573)	(1,792)	**(3,365)**	(1,670)	(1,942)	**(3,612)**	(7)%
TSS EBITDA[1]	3,510	3,725	**7,235**	3,594	3,768	**7,362**	2%
TSS EBITDA[1] margin	*38%*	*37%*	***38%***	*38%*	*36%*	***37%***	

TSS revenue for the year ended December 31, 2014 increased by 3% to HK$19,913 million and EBITDA for the year increased by 2% to HK$7,362 million. The EBITDA margin remained relatively steady at 37% during the year.

Local Telephony Services. Local telephony services revenue increased slightly to HK$3,483 million for the year ended December 31, 2014, as compared to HK$3,434 million a year earlier. Total fixed lines in service at the end of December 2014 remained steady at 2,654,000. Average revenue per user ("ARPU") improved slightly and we will remain focused on growing ARPU in this challenging segment in order to maintain its contribution.

Local Data Services. Local data services revenue, comprising broadband network revenue and local data revenue, increased by 4% to HK$6,726 million for the year ended December 31, 2014. Faced with intensified competition last year especially in the second half, the broadband network business managed to exhibit a solid 6% revenue growth due to continued additions to our high speed fiber subscriber base and ARPU improvement. At the end of December 2014, there were 504,000 FTTH subscribers which represented an increase of 20% from a year earlier. The local data business recorded a slight increase of 1% during the year despite persistent pricing pressure and cautious spending by enterprise customers amid the lackluster economic conditions in Hong Kong.

International Telecommunications Services. International telecommunications services revenue for the year ended December 31, 2014 recorded another year of healthy growth, increasing by 4% to HK$7,003 million. This was attributable to the solid demand for wholesale voice and data connectivity services from international carrier and enterprise customers, as well as increased opportunities in Asia, the Middle East and Africa.

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 year ended December 31, 2014 increased by 2% to HK$2,701 million on modest growth of the Teleservices business during the year.

Mobile

For the year ended December 31, HK$ million	2013			2014			Better/ (Worse)
	H1 (Note 7)	H2 (Note 7)	**Full Year** (Note 7)	H1	H2	**Full Year**	y-o-y
Mobile Services	1,346	1,280	**2,626**	2,328	4,570	**6,898**	163%
Handset Sales	444	301	**745**	582	1,470	**2,052**	175%
Mobile Revenue	1,790	1,581	**3,371**	2,910	6,040	**8,950**	165%
Mobile Services	440	401	**841**	964	2,123	**3,087**	267%
Handset Sales	13	26	**39**	1	59	**60**	54%
Mobile EBITDA[1]	453	427	**880**	965	2,182	**3,147**	258%
Mobile EBITDA[1] margin	*25%*	*27%*	***26%***	*33%*	*36%*	***35%***	
Mobile Services EBITDA[1] margin	*33%*	*31%*	***32%***	*41%*	*46%*	***45%***	

The Mobile business, which included the CSL results since May 2014, registered a 165% increase in total revenue to HK$8,950 million for the year ended December 31, 2014. Mobile services revenue increased by 163% to HK$6,898 million from HK$2,626 million a year earlier.

As the size of handset sales became significant after the CSL acquisition, these have been reclassified under the Mobile segment from the TSS segment. For the year under review, revenue from handset sales increased by 175% to HK$2,052 million from HK$745 million a year earlier. In addition to the acquisition effect, the increase was mainly driven by the launch of several popular handsets in the second half of 2014.

With a higher ARPU contribution from CSL, the post-paid exit ARPU improved by 4% to HK$219 as at the end of December 2014 from HK$210 a year earlier. As at December 31, 2014, the total subscriber base was 4,585,000, of which 3,178,000 were post-paid subscribers. Of these post-paid subscribers, approximately 79% were smart device users. The churn rate for post-paid subscribers was 1.5% in 2014.

For the year ended December 31, 2014, mobile data revenue increased by 124% and accounted for 68% of mobile services revenue for the year, while IDD and roaming revenue accounted for 19% of mobile services revenue for the year.

EBITDA for the year increased by 258% to HK$3,147 million, with the margin improving significantly to 35% from 26% a year earlier, reflecting the benefits of the enlarged scale of the Mobile business. More importantly, the EBITDA margin for mobile services increased to 45% from 32% a year ago.

HKT commenced the integration of CSL immediately following completion of the acquisition in May 2014, and shortly afterwards announced the new brands for different segments of customers, rationalized the retail network and adjusted the tariff plans. Integration of the networks has been ongoing. While the consolidated results in the second half of 2014 provide some insights into the benefits of the increased scale and rationalization of the operations, synergies arising from the acquisition are expected to be realized more fully in the coming 12 to 18 months.

Other Businesses

Other Businesses primarily comprised Unihub China Information Technology Company Limited (the "ZhongYing JV"), which provides network integration and related services to telecommunications operators in the PRC. Revenue from Other Businesses was HK$564 million for the year ended December 31, 2014, as compared to HK$688 million a year ago. In December 2014, the Group completed the disposal of its entire equity interest in the ZhongYing JV.

Eliminations

Eliminations were HK$604 million for the year ended December 31, 2014, as compared to HK$478 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 year ended December 31, 2014 increased by 19% to HK$12,053 million, which was in line with the revenue growth during the year. Gross margin increased to 58% from 56% a year ago.

General and Administrative Expenses

During the year, operating costs before depreciation, amortization, and gain/(loss) on disposal of property, plant and equipment, net, ("operating costs") increased by 36% to HK$6,528 million largely due to the enlarged business scale following the CSL acquisition. Other contributing factors included inflationary pressure on staff costs and rental expenses. Operating costs to revenue ratio was 23%, as compared to 21% a year ago.

Depreciation and amortization expenses increased by 25% to HK$5,886 million driven by a 48% increase in depreciation expenses and a 7% increase in amortization expenses, largely due to the enlarged business scale following the CSL acquisition.

As a result, general and administrative expenses increased by 31% to HK$12,416 million for the year ended December 31, 2014.

EBITDA[1]

As a result of the steady performance in the TSS business and the contribution from the enlarged Mobile business following the CSL acquisition, overall EBITDA improved by 30% to HK$10,242 million for the year ended December 31, 2014. The EBITDA margin increased slightly to 36% from 35% a year ago.

Finance Costs, Net

Net finance costs for the year ended December 31, 2014 increased to HK$1,124 million from HK$833 million a year ago. The increase in net finance costs was attributable to the increase in borrowings as a result of the CSL acquisition. The acquisition was initially financed by a bridge loan which was subsequently refinanced with longer term banking facilities and completion of the rights issue in July 2014.

Income Tax

Income tax expense for the year ended December 31, 2014 was HK$242 million, as compared to HK$16 million a year ago, representing an effective tax rate of 7.3%. The increase in the tax expense is mainly due to prior year's recognition of a deferred income tax resulting from a loss-making company turning profitable and increase in taxable profit due to the acquisition of mobile group companies.

Non-controlling Interests

Non-controlling interests of HK$67 million (2013: HK$39 million) primarily represented the net profit attributable to the minority shareholders of the ZhongYing JV and 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 year ended December 31, 2014 increased by 22% to HK$2,991 million (2013: HK$2,460 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[5] increased to HK$36,847 million as at December 31, 2014 (December 31, 2013: HK$24,626 million), which was a reflection of the additional borrowings raised for the CSL acquisition and the rights issue completed in July 2014. Cash and cash equivalents totaled HK$3,613 million as at December 31, 2014 (December 31, 2013: HK$2,134 million). As a result, HKT's net debt[5] was HK$33,234 million as at December 31, 2014 (December 31, 2013: HK$22,492 million). In January 2015, HKT took advantage of the favorable interest rate environment to raise US$300 million by issuing 15-year, zero coupon guaranteed notes for general corporate purposes including debt refinancing, and extended the debt maturity profile to 2030.

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

HKT's gross debt[5] to total assets was 41% as at December 31, 2014 (December 31, 2013: 37%).

CREDIT RATINGS OF HONG KONG TELECOMMUNICATIONS (HKT) LIMITED

As at December 31, 2014, Hong Kong Telecommunications (HKT) Limited, an indirect wholly-owned subsidiary of the Company, had investment grade ratings with Moody's Investors Service ("Moody's") (Baa2) and Standard & Poor's Ratings Services ("S&P's") (BBB). Following the completion of the rights issue by the HKT Trust and HKT Limited and the use of proceeds to reduce debt, Moody's and S&P's revised the rating outlook on Hong Kong Telecommunications (HKT) Limited from negative to stable in July and August 2014 respectively.

CAPITAL EXPENDITURE[6]

Capital expenditure including capitalized interest for the year ended December 31, 2014 was HK$2,529 million (2013: HK$2,025 million). Capital expenditure relative to revenue was 8.8% in 2014, as compared to 8.9% in 2013. Major outlays for the year were mainly in network expansion and enhancement to meet demand for high-speed broadband fiber services, mobile services and international networks.

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

HEDGING

Market risk arises from foreign currency and interest rate 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.

Approximately three quarters of HKT’s consolidated revenue and costs are denominated in Hong Kong dollars. For those operations with revenues denominated in foreign currencies, the related costs and expenses are usually denominated in the same foreign currencies and hence 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 United States dollars. Accordingly, HKT has entered into swap contracts in order to manage its exposure to adverse fluctuations in foreign currency exchange rates and interest rates. These instruments are executed with creditworthy financial institutions. As at December 31, 2014, all cross currency interest rate swap contracts were designated as cash flow hedges and/or fair value hedges for the Company’s foreign currency denominated short-term and long-term borrowings.

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

CHARGE ON ASSETS

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

CONTINGENT LIABILITIES

As at December 31, HK$ million	2013	**2014**
Performance guarantees	182	**2,128**
Guarantees given to banks in respect of credit facilities granted to an associate	64	**62**
Others	5	**12**
	251	**2,202**

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

HUMAN RESOURCES

After the successful integration of CSL staff in May 2014, HKT had approximately 17,600 employees as at December 31, 2014 (2013: 16,300). About 60% of these employees work in Hong Kong and the others are based mainly in mainland China, the Philippines and the United States. HKT has established incentive bonus schemes designed to motivate and reward employees at all levels to achieve business performance targets. Payment of bonuses is generally based on achievement of EBITDA and free cash flow targets for HKT as a whole and for each of the individual business units.

FINAL DIVIDEND/DISTRIBUTION

The board of directors of the Trustee-Manager has recommended the payment of a final distribution by the HKT Trust in respect of the Share Stapled Units, of 23.30 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 year ended December 31, 2014 (and in order to enable the HKT Trust to pay that distribution, the board of directors of the Company has recommended the payment of a final dividend in respect of the ordinary shares in the Company held by the Trustee-Manager, of 23.30 HK cents per ordinary share, in respect of the same period), subject to the approval of unitholders of the HKT Trust and of shareholders of the Company at the forthcoming annual general meeting of unitholders of the HKT Trust and of shareholders of the Company to be held on a combined basis as a single meeting characterized as an annual general meeting of registered holders of Share Stapled Units ("AGM"). An interim distribution/dividend of 21 HK cents per Share Stapled Unit/ordinary share of the Company for the six months ended June 30, 2014 was paid to holders of Share Stapled Units/shareholder of the Company in September 2014.

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

CLOSURE OF BOOKS

The record date for the proposed final distribution will be Thursday, May 14, 2015. 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, May 13, 2015 to Thursday, May 14, 2015 (both days inclusive), in order to determine entitlements to the proposed final distribution. During such period, no transfer of Share Stapled Units will be effected. In order to qualify for the proposed final 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 (the "Share Stapled Units Registrar"), for registration no later than 4:30 p.m. on Tuesday, May 12, 2015. Subject to the approval of holders of Share Stapled Units at the AGM, distribution warrants will be despatched to holders of Share Stapled Units on or around Friday, May 29, 2015.

RECORD DATE FOR DETERMINING ELIGIBILITY TO ATTEND AND VOTE AT THE AGM

The record date for determining the entitlement of the holders of Share Stapled Units to attend and vote at the AGM, which is to be held on Thursday, May 7, 2015, will be Tuesday, May 5, 2015. 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 for registration no later than 4:30 p.m. on Tuesday, May 5, 2015.

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 year ended December 31, 2014, none of the HKT Trust (including the Trustee-Manager), the Company or the Company's subsidiaries purchased, sold or redeemed any Share Stapled Units.

AUDIT COMMITTEE

The Trustee-Manager's Audit Committee and the Company's Audit Committee have reviewed the accounting policies adopted by the Group and the Trustee-Manager, the audited consolidated financial statements of the HKT Trust and HKT Limited for the year ended December 31, 2014 and the audited financial statements of the Trustee-Manager for the same period.

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 year ended December 31, 2014. The requirement to establish a separate Remuneration Committee with written terms of reference for the Trustee-Manager under the Code Provision B.1.2 of the CG Code is not relevant to the Trustee-Manager as its directors are not entitled to any remuneration under the Trust Deed, and therefore has not been complied with. In addition, given the unique circumstances of the HKT Trust i.e., the fact that the Trust Deed requires that the directors of the Company and the directors of the Trustee-Manager must always be the same individuals, the establishment of a separate Nomination Committee for the Trustee-Manager as required by Code Provision A.5.1 of the CG Code is not relevant to the Trustee-Manager, and therefore has not been complied with.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

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

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

Hong Kong, February 10, 2015

AUDITED CONSOLIDATED INCOME STATEMENT OF HKT TRUST AND OF HKT LIMITED
For the year ended December 31, 2014
(In HK$ million except for earnings per Share Stapled Unit/share of the Company)

	Note(s)	2013	**2014**
Turnover	2	22,832	**28,823**
Cost of sales		(10,117)	**(12,053)**
General and administrative expenses		(9,501)	**(12,416)**
Other gains, net	3	84	**99**
Finance costs, net		(833)	**(1,124)**
Share of results of an associate		(24)	**(35)**
Share of results of joint ventures		74	**6**
Profit before income tax	2, 4	2,515	**3,300**
Income tax	5	(16)	**(242)**
Profit for the year		2,499	**3,058**
Attributable to:			
Holders of Share Stapled Units/shares of the Company		2,460	**2,991**
Non-controlling interests		39	**67**
Profit for the year		2,499	**3,058**
Earnings per Share Stapled Unit/share of the Company	7		
Basic		(Adjusted) 36.82 cents	**42.20 cents**
Diluted		(Adjusted) 36.82 cents	**42.19 cents**

AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF HKT TRUST AND OF HKT LIMITED
As at December 31, 2014
(In HK$ million)

	Note(s)	2013	**2014**
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		14,108	**15,489**
Interests in leasehold land		291	**278**
Goodwill		36,044	**49,655**
Intangible assets		3,892	**10,307**
Interest in an associate		207	**171**
Interests in joint ventures		645	**550**
Available-for-sale financial assets		171	**61**
Financial assets at fair value through profit or loss		8	**21**
Derivative financial instruments		67	**–**
Deferred income tax assets		359	**371**
Other non-current assets		556	**639**
		56,348	**77,542**
Current assets			
Prepayments, deposits and other current assets		3,259	**4,006**
Inventories		1,018	**621**
Trade receivables, net	8	3,000	**3,875**
Amounts due from related companies		49	**76**
Derivative financial instruments		–	**49**
Financial asset at fair value through profit or loss		11	**18**
Cash and cash equivalents		2,134	**3,613**
		9,471	**12,258**

AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF HKT TRUST AND OF HKT LIMITED (CONTINUED)
As at December 31, 2014
(In HK$ million)

	Note(s)	2013	**2014**
Current liabilities			
Short-term borrowings		–	**(3,877)**
Trade payables	9	(1,803)	**(1,979)**
Accruals and other payables		(2,403)	**(5,023)**
Carrier licence fee liabilities		(209)	**(433)**
Amounts due to related companies		(136)	**(94)**
Amounts due to fellow subsidiaries		(441)	**(278)**
Advances from customers		(1,738)	**(1,997)**
Current income tax liabilities		(427)	**(734)**
		(7,157)	**(14,415)**
Net current assets/(liabilities)		2,314	**(2,157)**
Total assets less current liabilities		58,662	**75,385**
Non-current liabilities			
Long-term borrowings		(24,022)	**(32,549)**
Derivative financial instruments		(405)	**(100)**
Deferred income tax liabilities		(1,811)	**(2,591)**
Deferred income		(951)	**(1,033)**
Carrier licence fee liabilities		(616)	**(954)**
Other long-term liabilities		(52)	**(119)**
		(27,857)	**(37,346)**
Net assets		30,805	**38,039**
CAPITAL AND RESERVES			
Share capital		6	**8**
Reserves		30,617	**37,924**
Equity attributable to holders of Share Stapled Units/shares of the Company		30,623	**37,932**
Non-controlling interests		182	**107**
Total equity		30,805	**38,039**

NOTES

1. BASIS OF PREPARATION AND CRITICAL ACCOUNTING ESTIMATES

In accordance with trust deed, HKT Trust (the “HKT Trust”) and HKT Limited are each required to prepare their own sets of financial statements on a consolidated basis. The HKT Trust consolidated financial statements for the year ended December 31, 2014 comprise the consolidated financial statements of the HKT Trust, HKT Limited (or the “Company”) and its subsidiaries (together the “Group”), and the Group’s interests in an associate and joint ventures. The HKT Limited consolidated financial statements for the year ended December 31, 2014 comprise the consolidated financial statements of HKT Limited and its subsidiaries (together the “HKT Limited Group”) and the HKT Limited Group’s interests in an associate and joint ventures, and the Company’s statement of financial position.

The HKT Trust controls HKT Limited and the sole activity of the HKT Trust during the year ended December 31, 2014 was investing in HKT Limited. Therefore, the consolidated results and financial position that would be presented in the consolidated financial statements of the HKT Trust are identical to the consolidated financial results and financial position of HKT Limited with the only differences being disclosures of capital of HKT Limited. The Trustee-Manager (as defined below) and the directors of the Company believe therefore that it is clearer to present the consolidated financial statements of the HKT Trust and the HKT Limited together. The consolidated financial statements of the HKT Trust and the consolidated financial statements of HKT Limited are presented together to the extent they are identical and are hereinafter referred as the “HKT Trust and HKT Limited consolidated financial statements”.

The consolidated income statements, consolidated statements of comprehensive income, consolidated statements of financial position, consolidated statements of changes in equity, consolidated statements of cash flows, significant accounting policies and the related explanatory information are common to the HKT Trust and the Company. The HKT Limited consolidated financial statements also include the stand-alone statements of financial position of HKT Limited.

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

The HKT Trust and HKT Limited consolidated financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards (“HKFRSs”), which is a collective term for all individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations (“Ints”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong.

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

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

1. BASIS OF PREPARATION AND CRITICAL ACCOUNTING ESTIMATES (CONTINUED)

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Other key sources of estimation uncertainty are discussed below:

i. Recognition and fair value of identifiable intangible assets through business combination

The Groups apply the acquisition method of accounting to account for acquisitions of businesses. In business combinations of multiple companies or businesses, HKFRS 3 (revised), "Business Combinations", requires that one of the businesses that existed before the combination shall be identified as the accounting acquirer on the basis of the evidence available. Identification of the accounting acquirer requires significant judgement and it involves the considerations of the relative size of the combining businesses' revenues and assets and the management structure to determine the appropriate accounting acquirer.

The cost of an acquisition is measured as the aggregate of the fair values at the date of exchange of the assets given, liabilities incurred, equity instruments issued, and costs directly attributable to the acquisition. Identifiable assets, liabilities and contingent liabilities acquired or assumed are measured separately at their fair values as of the acquisition date. The excess of the cost of the acquisition over the fair value of the identifiable net assets acquired is recorded as goodwill.

The determination and allocation of fair values to the identifiable assets acquired and liabilities assumed is based on various assumptions and valuation methodologies requiring considerable management judgement. The most significant variables in these valuations are discount rates, terminal values, the number of years on which the cash flow projections are based, as well as the assumptions and estimates used to determine the cash inflows and outflows. Management determines discount rates to be used based on the risk inherent in the related activity's current business model and industry comparisons. Terminal values are based on the expected life of products and forecasted life cycle and forecasted cash flows over that period. Although the assumptions applied in the determination are reasonable based on information available at the date of acquisition, actual results may differ from the forecasted amounts and the difference could be material.

Upon an acquisition of a business it is necessary to attribute fair values to any intangible assets acquired (provided they meet the criteria to be recognized). The fair values of these intangible assets are dependent on estimates of attributable future revenue, margin, cash flow, useful lives and discount rate used.

1. BASIS OF PREPARATION AND CRITICAL ACCOUNTING ESTIMATES (CONTINUED)

ii. Impairment of assets (other than investments in equity securities and other receivables)

At the end of each reporting period, the Groups review internal and external sources of information to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognized no longer exists or may have decreased:

- property, plant and equipment;
- interests in leasehold land;
- intangible assets;
- interests in an associate and joint ventures;
- goodwill; and
- interests in subsidiaries (at Company level).

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment. An impairment loss is recognized in the consolidated income statement whenever the carrying amount of an asset exceeds its recoverable amount.

The sources utilized to identify indications of impairment are often subjective in nature and the Groups are required to use judgement in applying such information to its business. The Groups' interpretation of this information has a direct impact on whether an impairment assessment is performed as at the end of any given reporting period. Such information is particularly significant as it relates to the Groups' telecommunications services and infrastructure businesses in Hong Kong.

If an indication of impairment is identified, such information is further subject to an exercise that requires the Groups to estimate the recoverable value, representing the greater of the asset's fair value less cost to sell or its value in use. Depending on the Groups' assessment of the overall materiality of the asset under review and complexity of deriving reasonable estimates of the recoverable value, the Groups may perform such assessment utilizing internal resources or the Groups may engage external advisors to counsel the Groups in making this assessment. Regardless of the resources utilized, the Groups are required to make many assumptions to make this assessment, including the utilization of such asset, the cash flows to be generated, appropriate market discount rates and the projected market and regulatory conditions. Changes in any of these assumptions could result in a material change to future estimates of the recoverable value of any asset.

iii. Revenue recognition

Telecommunications service revenue based on usage of the Groups' network and facilities is recognized when the services are rendered. Telecommunications revenue for services provided for fixed periods is recognized on a straight-line basis over the respective period. In addition, up-front fees received for installation of equipment and activation of customer service are deferred and recognized over the expected customer relationship period. The Groups are required to exercise considerable judgement in revenue recognition particularly in the areas of customer discounts and customer disputes. Significant changes in management estimates may result in material revenue adjustments.

iii. Revenue recognition *(continued)*

The Groups offer certain arrangements whereby a customer can purchase telecommunications equipment together with a fixed period of telecommunications service arrangement. When such multiple-element arrangements exist, the amount recognized as revenue upon the sale of the telecommunications equipment is the fair value of the equipment in relation to the fair value of the arrangement taken as a whole. The revenue relating to the service element, which represents the fair value of the servicing arrangement in relation to the fair value of the arrangement taken as a whole, is recognized over the service period. The fair values of each element are determined based on the current market price of each of the elements when sold separately.

Where the Groups are unable to determine the fair value of each of the elements in an arrangement, it uses the residual value method. Under this method, the Groups determine the fair value of the delivered element by deducting the fair value of the undelivered element from the total contract consideration.

To the extent that there is a discount on the arrangement, such discount is allocated between the elements of the contract in such a manner as to reflect the fair value of the elements.

iv. Deferred income tax

While deferred income tax liabilities are provided in full on all taxable temporary differences, deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. In assessing the amount of deferred income tax assets that need to be recognized, the Groups consider future taxable income and ongoing prudent and feasible tax planning strategies. In the event that the Groups' estimate of projected future taxable income and benefits from available tax strategies are changed, or changes in current income tax regulations are enacted that would impact the timing or extent of the Groups' ability to utilize the tax benefits of net operating loss carry-forwards in the future, adjustments to the recorded amount of net deferred income tax assets and income tax expense would be made.

v. Current income tax

The Groups make a provision for current income tax based on estimated taxable income for the year. The estimated income tax liabilities are primarily computed based on the tax computations as prepared by the Groups. Nevertheless, from time to time, there are cases of disagreements with the tax authorities of Hong Kong and elsewhere on the tax treatment of items included in the tax computations and certain non-routine transactions. If the Groups consider it probable that these disputes or judgements will result in different tax positions, the most likely amounts of the outcome will be estimated and adjustments to the income tax expense and income tax liabilities will be made accordingly.

vi. Useful lives of property, plant and equipment and intangible assets (other than goodwill)

The Groups have significant property, plant and equipment and intangible assets (other than goodwill). The Groups are required to estimate the useful lives of property, plant and equipment and intangible assets (other than goodwill) in order to ascertain the amount of depreciation and amortization charges for each reporting period.

1. BASIS OF PREPARATION AND CRITICAL ACCOUNTING ESTIMATES (CONTINUED)

vi. Useful lives of property, plant and equipment and intangible assets (other than goodwill) *(continued)*

The useful lives are estimated at the time of purchase of these assets after considering future technology changes, business developments and the Groups' strategies. The Groups perform annual reviews to assess the appropriateness of the estimated useful lives. Such review takes into account any unexpected adverse changes in circumstances or events, including declines in projected operating results, negative industry or economic trends and rapid advancement in technology. The Groups extend or shorten the useful lives and/or makes impairment provisions according to the results of the review.

vii. Recognition of intangible asset – carrier licences

In order to measure the intangible assets, HKAS 39 "Financial Instruments: Recognition and Measurement" is applied for recognition of the minimum annual fee and royalty payments as they constitute contractual obligations to deliver cash and, hence, should be considered as financial liabilities. To establish the fair value of the minimum annual fee and royalty payments for the right of use of the carrier licences, the discount rate used is an indicative incremental borrowing rate estimated by the Groups. Had a different discount rate been used to determine the fair value, the Groups' result of operations and financial position could be materially different.

viii. Consolidation of entities in which the Groups hold less than 50% equity interest

The directors of the Groups made significant judgements that Unihub China Information Technology Company Limited is controlled by the Groups before disposal in December 2014, even though the Groups held less than 50% equity interest of the subsidiary as the Groups owned more than one half of the shareholders' voting rights and/or more than one half of the voting rights in the board of directors during the year before disposal.

ix. Classification of joint arrangements

The Groups have made investments in joint arrangements in respect of which the partners' profit-sharing ratios during the joint venture period and share of net assets upon the expiration of the joint venture period may not be in proportion to their equity ratios, but are as defined in the respective joint venture contracts. Therefore these joint arrangements are classified as joint ventures of the Groups.

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 primarily 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 primarily comprise Unihub China Information Technology Company Limited, which provides network integration and related services to telecommunications operators in the PRC.

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

Segment revenue, expense and segment performance include transactions between segments. Inter-segment pricing is based on similar terms as 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 statements.

2. SEGMENT INFORMATION (CONTINUED)

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

For the year ended December 31, 2013
(In HK$ million)

	TSS (note (a))	Mobile (note (a))	Other Businesses	Eliminations	Consolidated
REVENUE					
Total Revenue	19,251	3,371	688	(478)	22,832
RESULTS					
EBITDA	7,235	880	(214)	–	7,901

For the year ended December 31, 2014
(In HK$ million)

	TSS	**Mobile**	**Other Businesses**	**Eliminations**	**Consolidated**
REVENUE					
Total Revenue	**19,913**	**8,950**	**564**	**(604)**	**28,823**
RESULTS					
EBITDA	**7,362**	**3,147**	**(267)**	**–**	**10,242**

a. During the year ended December 31, 2014, the Groups completed an internal reorganization in connection with the acquisition of CSL Holdings Limited (formerly known as CSL New World Mobility Limited) and its subsidiaries. As a result, management has made changes to the Groups' internal reporting that caused changes to reportable segments and segment presentation. The prior year ended December 31, 2013 segment information has been restated to conform with the revised presentation.

2. SEGMENT INFORMATION (CONTINUED)

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

In HK$ million	2013	**2014**
Total segment EBITDA	7,901	**10,242**
Gain/(loss) on disposals of property, plant and equipment, net	13	**(2)**
Depreciation and amortization	(4,700)	**(5,886)**
Other gains, net	84	**99**
Finance costs, net	(833)	**(1,124)**
Share of results of joint ventures	74	**6**
Share of results of an associate	(24)	**(35)**
Profit before income tax	2,515	**3,300**

The following table sets out information about the geographical location of the Groups' revenue from external customers. In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers.

In HK$ million	2013	**2014**
Hong Kong	19,048	**22,265**
The PRC (excluding Hong Kong) and Taiwan, China	1,375	**1,436**
Others	2,409	**5,122**
	22,832	**28,823**

The total non-current assets other than financial instruments and deferred income tax assets located in Hong Kong are HK$74,698 million as at December 31, 2014 (2013: HK$53,023 million). The total of these non-current assets located in other countries are HK$2,391 million as at December 31, 2014 (2013: HK$2,720 million).

3. OTHER GAINS, NET

In HK$ million	2013	**2014**
Net gain on cash flow hedging instruments transferred from equity	21	**22**
Net gain on fair value hedging instruments	42	**47**
Others	21	**30**
	84	**99**

4. PROFIT BEFORE INCOME TAX

Profit before income tax is stated after charging and crediting the following:

(a) Staff costs

In HK$ million	2013	**2014**
Salaries, bonuses and other benefits	1,756	**2,211**
Share-based compensation expenses	24	**78**
Retirement costs for staff under defined contribution retirement schemes	206	**139**
	1,986	**2,428**

(b) Other items

In HK$ million	2013	**2014**
Crediting:		
Gross rental income	39	**45**
Charging:		
Impairment loss for doubtful debts	129	**164**
(Gain)/Loss on disposals of property, plant and equipment, net	(13)	**2**
(Write-back of provision)/provision for inventory obsolescence	(8)	**10**
Depreciation of property, plant and equipment	2,076	**3,071**
Amortization of land lease premium	12	**13**
Amortization of intangible assets	2,612	**2,802**
Cost of inventories sold	2,394	**3,645**
Cost of sales, excluding inventories sold	7,723	**8,408**
Exchange (gains)/losses, net	(8)	**6**
Cash flow hedges: transferred from equity	(10)	**(3)**
Auditor’s remuneration	12	**13**
Operating lease rental		
- equipment	71	**100**
- other assets (including property rentals)	835	**1,295**

5. INCOME TAX

In HK$ million	2013	**2014**
Hong Kong profits tax	365	**348**
Overseas tax	46	**45**
Movement of deferred income tax	(395)	**(151)**
	16	**242**

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

6. DISTRIBUTIONS/DIVIDENDS

In HK$ million	2013	**2014**
Interim distribution/dividend declared and paid in respect of current year of 21 HK cents (2013: 21 HK cents) per Share Stapled Unit/ordinary share of the Company	1,348	**1,590**
Less: Distribution/dividend for Share Stapled Units/shares held by the HKT Share Stapled Units Award Schemes	(1)	**(1)**
	1,347	**1,589**
Final distribution/second interim dividend declared in respect of previous financial year, approved and paid during the year of 24.21 HK cents (2013: final distribution/dividend of 21.58 HK cents) per Share Stapled Unit/ordinary share of the Company	1,385	**1,553**
Less: Distribution/dividend for Share Stapled Units/shares held by the HKT Share Stapled Units Award Schemes	(1)	**(1)**
	1,384	**1,552**
	2,731	**3,141**

For the year ended December 31, 2014, the Company proposed a final dividend of 23.30 HK cents per ordinary share (totaling HK$1,764 million) (2013: nil). For the year ended December 31, 2013, the Company declared a second interim dividend of 24.21 HK cents per ordinary share (totaling HK$1,553 million) in lieu of a final dividend.

For the year ended December 31, 2014, HKT Trust proposed a final distribution of 23.30 HK cents per Share Stapled Unit, totaling HK$1,764 million (2013: 24.21 HK cents per Share Stapled Unit, totaling HK$1,553 million) to holders of Share Stapled Units after the end of the reporting period.

The final distribution/dividend proposed after the end of the reporting period, referred to above, have not been recognized as liabilities as at the end of the reporting period.

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:

	2013 (Adjusted)	**2014**
Earnings (in HK$ million)		
Earnings for the purpose of basic and diluted earnings per Share Stapled Unit/share of the Company	2,460	**2,991**
Number of Share Stapled Units/shares of the Company		
Weighted average number of Share Stapled Units/ordinary shares of the Company	6,682,895,634	**7,094,443,832**
Effect of Share Stapled Units held under the Company's Share Stapled Units Award Schemes	(2,558,277)	**(6,135,686)**
Weighted average number of Share Stapled Units/ordinary shares of the Company for the purpose of basic earnings per Share Stapled Unit/share of the Company	6,680,337,357	**7,088,308,146**
Effect of Share Stapled Units awarded under the Company's Share Stapled Units Award Schemes	1,517,577	**1,164,461**
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	6,681,854,934	**7,089,472,607**

The weighted average number of Share Stapled Units/ordinary shares of the Company for the year ended December 31, 2013 has been adjusted to reflect the effect of the rights issue of Share Stapled Units in the HKT Trust and the Company during the year ended December 31, 2014.

8. TRADE RECEIVABLES, NET

The aging analysis of trade receivables is set out below:

In HK$ million	2013	**2014**
0 – 30 days	1,563	**2,161**
31 – 60 days	478	**542**
61 – 90 days	192	**258**
91 – 120 days	87	**146**
Over 120 days	803	**919**
	3,123	**4,026**
Less: Impairment loss for doubtful debts	(123)	**(151)**
	3,000	**3,875**

Included in trade receivables, net was an amount due from related parties of HK$25 million (2013: HK$47 million).

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

9. TRADE PAYABLES

The aging analysis of trade payables is set out below:

In HK$ million	2013	**2014**
0 – 30 days	895	**974**
31 – 60 days	114	**128**
61 – 90 days	98	**39**
91 – 120 days	19	**37**
Over 120 days	677	**801**
	1,803	**1,979**

Included in trade payables of the Groups was an amount due to related parties of HK$22 million (2013: HK$36 million).

10. DISPOSAL OF INTERESTS IN A SUBSIDIARY

On October 14, 2014, the Group entered into a sale and purchase agreement pursuant to which the Group has agreed to sell its entire equity interest in Unihub China Information Technology Company Limited, an indirect non-wholly owned subsidiary of the Company, to an independent third party for an aggregated consideration of RMB180 million (equivalent to approximately HK$225 million).

The transaction was completed in December 2014, and resulted in the recognition of a gain on disposal of HK$55 million.

11. SUBSEQUENT EVENT

In January 2015, HKT Capital No. 1 Limited, an indirect wholly-owned subsidiary of the Company, issued US$300 million (approximately HK$2,328 million) 15-year zero coupon guaranteed notes due 2030 which are listed on the GreTai Securities Market in Taiwan, China for general corporate purposes including the repayment of existing indebtedness. The notes are irrevocably and unconditionally guaranteed by HKT Group Holdings Limited ("HKTGH") and Hong Kong Telecommunications (HKT) Limited ("HKTL") and rank pari passu with all other outstanding unsecured and unsubordinated obligations of HKTGH and HKTL.

AUDITED INCOME STATEMENT OF
HKT MANAGEMENT LIMITED
For the year ended December 31, 2014

In HK$'000	2013	**2014**
Management fee income	13	**45**
General and administrative expenses	(42)	**(45)**
Loss before income tax	(29)	**–**
Income tax	–	**–**
Loss for the year	(29)	**–**

AUDITED STATEMENT OF FINANCIAL POSITION OF
HKT MANAGEMENT LIMITED
As at December 31, 2014

In HK$'000	2013	**2014**
ASSETS AND LIABILITIES		
Current assets		
Amount due from a fellow subsidiary	39	**84**
	39	**84**
Current liabilities		
Accruals and other payables	(80)	**(82)**
Amount due to a fellow subsidiary	(1)	**(44)**
	(81)	**(126)**
Net current liabilities	(42)	**(42)**
Net liabilities	(42)	**(42)**
CAPITAL AND RESERVES		
Share capital	–	**–**
Deficit	(42)	**(42)**
Total equity	(42)	**(42)**

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

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

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

Independent Non-Executive Directors:
Professor Chang Hsin Kang, FREng, GBS, JP; The Hon Raymond George Hardenbergh Seitz; Sunil Varma and Aman Mehta

Forward-Looking Statements

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