THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your Share Stapled Units (as defined herein) in the **HKT Trust and HKT Limited**, you should at once hand this circular to the purchaser or transferee or to the bank, the licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

HKT

HKT Trust

(a trust constituted on 7 November 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)

MAJOR TRANSACTION IN RELATION TO THE ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF CSL NEW WORLD MOBILITY LIMITED

Sole financial adviser to HKT Limited

Standard Chartered

A letter from the Trustee-Manager Board (as defined herein) and the HKT Board (as defined herein) is set out on pages 6 to 24 of this circular.

31 December 2013

CONTENTS

DEFINITIONS

In this circular, unless the context otherwise requires, the following terms and expressions have the following meanings:

"Adjusted Funds Flow"	EBITDA, less capital expenditures, customer acquisition costs and license fees paid, taxes paid, finance costs and interest expense paid, and adjusted for interest income received and changes in working capital. Adjusted Funds Flow 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 measure derived in accordance with HKFRS, or an alternative to cash flow from operations or a measure of liquidity. The computation of Adjusted Funds Flow for the purposes of this circular may not be comparable to similarly titled measures of other companies
"Adjustment Accounts"	the audited consolidated accounts of the CSLNW Group as at the Adjustment Date to be prepared by CSLNW following Completion
"Adjustment Date"	the last day of the month immediately preceding the date of Completion (provided that if the date of Completion falls on the last day of a month, then the Adjustment Date shall fall on the same day)
"Announcement"	the announcement dated 20 December 2013 issued jointly by PCCW and the HKT Trust and HKT in relation to the Proposed Acquisition
"ARPU"	average revenue per user
"CAS"	CAS Holding No. 1 Limited, a wholly owned subsidiary of PCCW which, as at the Latest Practicable Date, held Share Stapled Units representing approximately 63.07% of the Share Stapled Units in issue
"Communications Authority"	the Communications Authority established under Section 3 of the Communications Authority Ordinance (Cap. 616 of the laws of Hong Kong)
"Completion"	completion of the sale and purchase of the Sale Shares pursuant to the Share Purchase Agreement
"Completion Date"	the date on which Completion takes place as defined in the Share Purchase Agreement

"CSLNW"	CSL New World Mobility Limited, an investment holding company incorporated in Bermuda with limited liability which is engaged, through its subsidiaries and joint venture interests, primarily in the provision of mobile telecommunications services through 4G, 3G and 2G networks, and the sale of mobile telecommunications products, to customers in Hong Kong under three mobile brands: "1O1O", "one2free" and "New World Mobility"
"CSLNW Group"	CSLNW and its subsidiaries at the relevant time
"Directors"	the directors of the Trustee-Manager and the directors of HKT
"EBITDA"	consolidated earnings before interest income, finance costs, income tax, depreciation of property, plant and equipment, amortisation of land lease premium and intangible assets, gain/loss on disposal of property, plant and equipment, investment properties and interests in leasehold land and intangible assets, net other gains/losses, losses on property, plant and equipment, restructuring costs, impairment losses on goodwill, tangible and intangible assets and interests in associates and joint ventures, and the share of results of associates and joint ventures
"Enlarged Group"	the Group as enlarged by the Proposed Acquisition
"Estimated Net Cash Amount"	the US$ equivalent of the estimated amount (if it is a positive amount) of net cash and certain relevant net working capital items held by the CSLNW Group, to be calculated with reference to, and as at the balance sheet date of, the latest management accounts available as at the date on which the final condition precedent set out in the Share Purchase Agreement is satisfied, in accordance with the methodology set out in the Share Purchase Agreement
"Group"	the HKT Trust and HKT and its subsidiaries at the relevant time
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"HKFRS"	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (as amended, supplemented or otherwise modified from time to time)

"HKT"	HKT Limited, a company incorporated in the Cayman Islands as an exempted company with limited liability and registered as a non-Hong Kong company in Hong Kong under Part XI of the Companies Ordinance (Cap. 32 of the laws of Hong Kong, as amended, supplemented or otherwise modified from time to time) and having its Share Stapled Units, jointly issued with the HKT Trust, listed on the main board of the Stock Exchange (stock code: 6823)
"HKT Articles"	the amended and restated articles of association of HKT
"HKT Board"	the board of directors of HKT
"HKT Trust"	a trust constituted on 7 November 2011 under the laws of Hong Kong and managed by the Trustee-Manager and having its Share Stapled Units, jointly issued with HKT, listed on the main board of the Stock Exchange (stock code: 6823)
"HKTGH"	HKT Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability and a direct wholly owned subsidiary of HKT
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Latest Practicable Date"	24 December 2013, being the latest practicable date prior to the publication of this circular for ascertaining certain information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"New World"	New World Development Company Limited, a company incorporated in Hong Kong with limited liability and having its shares listed on the main board of the Stock Exchange (stock code: 0017)
"NW Sale Shares"	154,789,174 shares in CSLNW held by Upper Start, representing approximately 23.6% of the issued share capital of CSLNW
"PCCW"	PCCW Limited, a company incorporated in Hong Kong with limited liability and having its shares listed on the main board of the Stock Exchange (stock code: 0008) and traded in the form of American Depositary Receipts on the OTC Markets Group Inc. in the United States of America (ticker: PCCWY)
"PCCW Group"	PCCW and its subsidiaries at the relevant time

"PCCW Shareholders"	holders of shares in PCCW
"Proposed Acquisition"	the proposed purchase of the Sale Shares by HKT from the Vendors pursuant to the Share Purchase Agreement
"Sale Shares"	the Telstra Sale Shares and the NW Sale Shares, representing 100% of the issued share capital of CSLNW
"SFO"	the Securities and Futures Ordinance, Cap. 571 of the laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
"Share Purchase Agreement"	the share purchase agreement dated 20 December 2013 between HKT, CSLNW, Telstra Bermuda, Telstra, Upper Start and New World in respect of the sale and purchase of the Sale Shares
"Share Stapled Unit(s)"	the combination of the following securities or interests in securities which, subject to the provisions in the Trust Deed, can only be dealt with together and may not be dealt with individually or one without the others: (a) a unit in the HKT Trust; (b) the beneficial interest in a specifically identified ordinary share in HKT linked to the unit in the HKT Trust and held by the Trustee-Manager as legal owner in its capacity as trustee-manager of the HKT Trust; and (c) a specifically identified preference share in HKT stapled to the unit in the HKT Trust
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Telecommunications Ordinance"	Cap. 106 of the laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
"Telstra"	Telstra Corporation Limited, a company listed on the Australian Securities Exchange (ASX code: TLS)
"Telstra Bermuda"	Telstra Holdings (Bermuda) No. 2 Limited, a company incorporated in Bermuda with limited liability and a wholly owned subsidiary of Telstra
"Telstra Sale Shares"	501,097,157 shares in CSLNW held by Telstra Bermuda, representing approximately 76.4% of the issued share capital of CSLNW

"Trust Deed"	the trust deed dated 7 November 2011 constituting the HKT Trust (as amended)
"Trustee-Manager"	HKT Management Limited (a company incorporated in Hong Kong with limited liability and an indirect wholly owned subsidiary of PCCW), in its capacity as the trustee-manager of the HKT Trust
"Trustee-Manager Board"	the board of directors of the Trustee-Manager
"Upper Start"	Upper Start Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly owned subsidiary of New World
"US$"	United States dollar(s), the lawful currency of the United States of America
"Vendors"	Telstra Bermuda and Upper Start, and each of them is a **"Vendor"**
"%"	per cent

Unless indicated otherwise, in this circular, translation of amounts between US$ and HK$ has been made at the rate of US$1 = HK$7.78 for illustration purposes only.

HKT Trust

(a trust constituted on 7 November 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)

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

Non-Executive Directors
Peter Anthony Allen
Chung Cho Yee, Mico
Lu Yimin
Li Fushen

Independent Non-Executive Directors
Professor Chang Hsin Kang, FREng, GBS, JP
Sir Rogerio (Roger) Hyndman Lobo, CBE, LLD, JP
The Hon Raymond George Hardenbergh Seitz
Sunil Varma

Registered Office of HKT
PO Box 309, Ugland House
Grand Cayman, KY1-1104
Cayman Islands

Registered Office of the Trustee-Manager
Head Office and Principal Place of Business of HKT in Hong Kong
39th Floor, PCCW Tower
TaiKoo Place, 979 King's Road
Quarry Bay, Hong Kong

31 December 2013

To the holders of Share Stapled Units

Dear Sir or Madam,

MAJOR TRANSACTION IN RELATION TO THE ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF CSL NEW WORLD MOBILITY LIMITED

INTRODUCTION

Reference is made to the Announcement dated 20 December 2013 issued jointly by PCCW and the HKT Trust and HKT regarding the Share Purchase Agreement entered into between HKT, CSLNW, Telstra Bermuda, Telstra, Upper Start and New World in respect of the conditional purchase by HKT of the entire issued share capital of CSLNW from Telstra Bermuda and Upper Start. Pursuant to the Share Purchase Agreement, the Vendors have conditionally agreed to sell, and HKT has conditionally agreed to purchase, the entire issued share capital of CSLNW in consideration for a purchase price of US$2,425,000,000 (equivalent to approximately HK$18,866,500,000), subject to certain adjustments as described in the section headed "The Principal Terms of the Share Purchase Agreement" below.

The purpose of this circular is to provide you with additional information in relation to the Proposed Acquisition, including (i) further details of the Share Purchase Agreement and the Proposed Acquisition; (ii) a letter of opinion from Standard Chartered Bank (Hong Kong) Limited, the financial adviser to HKT, in respect of the fairness of the purchase price payable by HKT to the Vendors under the Share Purchase Agreement; (iii) financial information in relation to the CSLNW Group; (iv) financial information in relation to the Group; and (v) pro forma financial information in relation to the Enlarged Group resulting from the Proposed Acquisition.

THE PRINCIPAL TERMS OF THE SHARE PURCHASE AGREEMENT

Date

20 December 2013

Parties

(1) HKT, as purchaser

(2) CSLNW

(3) Telstra Bermuda, as a Vendor

(4) Telstra, as guarantor for Telstra Bermuda

(5) Upper Start, as a Vendor

(6) New World, as guarantor for Upper Start

The Share Purchase Agreement expressly permits HKT to designate its wholly owned subsidiary, HKTGH, as the purchaser and transferee of the Sale Shares on Completion. If HKTGH is designated as the purchaser and transferee of the Sale Shares, the Share Purchase Agreement also permits the assignment of HKT's rights under the Share Purchase Agreement (including rights to enforce the representations, warranties and indemnities contained in the Share Purchase Agreement) to HKTGH. HKT would remain liable to ensure the performance of the purchaser's obligations under the Share Purchase Agreement.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, Telstra Bermuda, Telstra, Upper Start, New World and their respective ultimate beneficial owners are third parties independent of the HKT Trust and HKT and are not their connected persons as defined under the Listing Rules. A wholly owned subsidiary of Telstra holds 50% of Reach Ltd., a company in which HKT has an indirect 50% interest and which is accounted for as a joint venture (not a subsidiary) of HKT.

Shares to be acquired

Pursuant to the Share Purchase Agreement, HKT will acquire the entire issued share capital of CSLNW. HKT will purchase shares representing approximately 76.4% of the issued share capital of CSLNW from Telstra Bermuda (a wholly owned subsidiary of Telstra) and shares representing approximately 23.6% of the issued share capital of CSLNW from Upper Start (a wholly owned subsidiary of New World). Further information regarding the CSLNW Group is set out in the section headed "Information on the CSLNW Group" below.

Purchase price

The base purchase price for the Sale Shares is:

(a) US$2,425,000,000 (equivalent to approximately HK$18,866,500,000) comprising:

  (i) an amount of US$1,852,700,000 (equivalent to approximately HK$14,414,006,000) payable to Telstra Bermuda for the Telstra Sale Shares;

  (ii) an amount of US$572,300,000 (equivalent to approximately HK$4,452,494,000) payable to Upper Start for the NW Sale Shares; and

(b) the Estimated Net Cash Amount, payable to the Vendors in their respective pro rata proportions.

The entire amount of the base purchase price is payable in cash by HKT at Completion. The base purchase price is subject to adjustment after Completion with reference to the Adjustment Accounts as described below.

The Estimated Net Cash Amount will be calculated with reference to certain balance sheet items to be contained in the latest management accounts of the CSLNW Group available as at the date on which the final condition precedent set out in the Share Purchase Agreement is satisfied. If the Estimated Net Cash Amount were to be calculated based on the management accounts of the CSLNW Group ended on 30 September 2013, being the latest management accounts available as at the Latest Practicable Date, the Estimated Net Cash Amount would be approximately HK$230 million (equivalent to approximately US$30 million). Based on this approximation, it is expected that the applicable percentage ratios under the Listing Rules in relation to the HKT Trust and HKT in respect of the

Proposed Acquisition will remain greater than 25% and less than 100%, as calculated under Rule 14.07 of the Listing Rules and accordingly the Proposed Acquisition is expected to remain a major transaction for the HKT Trust and HKT under the Listing Rules.

The base purchase price was determined after arm's length negotiations between HKT and the Vendors and with reference to, among other things, (i) HKT's view of the value of the assets and business of CSLNW; and (ii) the factors set out in the section headed "Reasons for and Benefits of the Proposed Acquisition" below.

Post Completion adjustments to the base purchase price

Following Completion, CSLNW will prepare Adjustment Accounts and related schedules, by reference to which certain adjustments will be made to the base purchase price in respect of the following items, as at the Adjustment Date, in relation to the CSLNW Group:

(a) working capital surplus or deficit;

(b) any surplus or deficit under the CSLNW Group's defined benefits pension scheme;

(c) outstanding tax liabilities;

(d) outstanding commitments for certain specified capital expenditure amounts;

(e) liabilities in connection with the transfer of certain employees;

(f) outstanding indebtedness;

(g) surplus or deficit of cash and cash equivalents;

(h) less any Estimated Net Cash Amount paid at Completion.

The Adjustment Accounts are required to be prepared within 60 days after the Completion Date, following which they are required to be audited. The adjustment amount, reflecting the adjustments to be made as described in (a) to (h) above, may be a positive number (which would require a payment of the adjustment amount to be made by HKT to the Vendors) or a negative number (which would require a payment of the adjustment amount to be made by the Vendors to HKT). The Share Purchase Agreement provides for payment of the adjustment amount within 14 days after the Adjustment Accounts are finalised.

If the post Completion adjustments were to be calculated based on the management accounts of the CSLNW Group ended on 30 September 2013, being the latest management accounts available as at the Latest Practicable Date, the aggregate adjustment amount would be approximately HK$508 million (equivalent to approximately US$65 million) (which includes the Estimated Net Cash Amount of approximately HK$230 million (equivalent to approximately US$30 million) described under the section headed "Purchase price" above). Accordingly, the full purchase price payable by HKT to the Vendors under the Share Purchase Agreement, if it were to be calculated based on the management accounts of the CSLNW Group ended on 30 September 2013, would be approximately US$2.49 billion. Based on this approximation, it is expected that the applicable percentage ratios under the Listing Rules in relation to the HKT Trust and HKT in respect of the Proposed Acquisition will remain greater than 25% and less than 100%, as calculated under Rule 14.07 of the Listing Rules and accordingly the Proposed Acquisition is expected to remain a major transaction for the HKT Trust and HKT under the Listing Rules.

The Share Purchase Agreement provides for certain amounts in respect of aged roaming receivables to be paid into an escrow account when the adjustment payment is made. Amounts will be released from escrow in accordance with the provisions of the Share Purchase Agreement relating to the satisfaction of the outstanding receivables and operation of the escrow account.

Conditions precedent

Completion of the Proposed Acquisition is conditional upon the satisfaction of the following conditions precedent:

(a) the approval of the Proposed Acquisition by an ordinary resolution of holders of Share Stapled Units, or by a written approval signed by a holder, or closely allied group of holders, of Share Stapled Units holding a majority of the Share Stapled Units in issue;

(b) the approval of the Proposed Acquisition by an ordinary resolution of PCCW Shareholders; and

(c) the consent of the Communications Authority (pursuant to Section 7P of the Telecommunications Ordinance) to the change in relation to a carrier licensee arising (in relation to each material statutory license in respect of which such consent is required under the Telecommunications Ordinance) as a result of the sale and purchase of the Sale Shares under the Share Purchase Agreement being obtained and, if such consent is subject to conditions or proposed directions, the compliance with such conditions or proposed directions would not be reasonably expected to have a material adverse effect, amounting in aggregate to US$181,875,000 (equivalent to approximately HK$1,414,987,500) (representing 7.5% of the base purchase price before the Estimated Net Cash Amount) or more, on the prospects, profitability or operation of the combined mobile telecommunications businesses of the Enlarged Group.

The conditions precedent cannot be waived. If the conditions precedent are not satisfied by 30 June 2014, subject to certain exceptions the purchaser or either Vendor may terminate the Share Purchase Agreement.

CSLNW Group companies hold telecommunications licenses issued under the Telecommunications Ordinance. Completion of the Proposed Acquisition would constitute a "*change in relation to a carrier licensee*" requiring the consent of the Communications Authority under Section 7P of the Telecommunications Ordinance. That Section requires that where, on receiving an application for consent under Section 7P, the Communications Authority:

(a) forms an opinion that the proposed change would not have, or not be likely to have, the effect of substantially lessening competition in a telecommunications market, the Communications Authority shall give consent; or

(b) forms an opinion that the proposed change would have, or be likely to have, the effect of substantially lessening competition in the telecommunications market, the Communications Authority may decide to (1) refuse to give consent, or (2) give consent subject to a direction that the license holder take the action that the Communications Authority considers necessary to eliminate or avoid any such effect, or (3) give consent without issuing such a direction if the Communications Authority is satisfied that the proposed change would have, or be likely to have, a benefit to the public and that the benefit would outweigh any detriment to the public that would be, or would likely to be, constituted by any such effect.

Before forming an opinion, the Communications Authority is required to give all other carrier licensees, and any interested person, a reasonable opportunity to make representations.

HKT has made an application to the Communications Authority under Section 7P(6) of the Telecommunications Ordinance, for consent to the change in carrier licensee which would result from Completion of the Proposed Acquisition. While HKT believes that no significant competition concerns arise in relation to the Proposed Acquisition, HKT has stated in its application that HKT would make the following commitments if desired by the Communications Authority:

(a) HKT would continue to provide wholesale services now provided by CSL Limited (an indirect wholly owned subsidiary of CSLNW and the relevant carrier licensee entity) and HKT (e.g. mobile virtual network operator (MVNO), resale and network sharing arrangements);

(b) HKT and CSL Limited would acquire not more than a total of 2 x 15 MHz of spectrum in the 1.9-2.2 GHz band ("**3G Spectrum**") upon expiry of the existing assignment of the 3G Spectrum in October 2016. HKT and CSL Limited would not participate in the auction for the 3G Spectrum (see *Note*); and

(c) HKT would fulfil all of CSL Limited's license and customer contract obligations.

Note: In regard to (b) above, HKT has offered to commit that it would not seek to exercise its right of first refusal to be re-assigned the spectrum in 1920.3 – 1925.3 MHz paired with 2110.3 – 2115.3 MHz bands; HKT and CSL Limited have offered to commit that they would return the spectrum in the 1930.2 – 1935.1 MHz paired with 2120.2 – 2125.1 MHz, and 1935.1 – 1940.0 MHz paired with 2125.1 – 2130 MHz upon expiry of the existing assignment in October 2016; and HKT and CSL Limited have offered to commit that they would not participate in the auction for the 3G Spectrum.

In relation to (b) above, in summary the Group has offered to return to the Government an additional 2 x 5 MHz of 3G Spectrum, which is over and above the 2 x 10 MHz that the Government proposes to take back from HKT and CSL Limited, when the spectrum licenses expire in 2016. HKT also has offered not to participate in the bidding for 3G Spectrum to be returned by itself or other 3G operators.

The imposition of those conditions or proposed directions would be disregarded for the purpose of assessing whether compliance with conditions or proposed directions imposed by the Communications Authority would reasonably be expected to have a material adverse effect on the Enlarged Group for the purposes of satisfying the Communications Authority condition(s) or proposed direction(s).

Published guidance in relation to the operation of Section 7P of the Telecommunications Ordinance contemplates a final decision by the Communications Authority within 3 months.

Break fee

If the Share Purchase Agreement is terminated due to a failure to satisfy either or both of conditions precedent (a) or (b) as described above, then HKT must pay to the Vendors, in their respective pro rata proportions, a break fee of US$75,000,000 (equivalent to approximately HK$583,500,000) within 10 business days of that termination.

If the Share Purchase Agreement is terminated due to a failure to satisfy condition precedent (c) as described above as a result of:

(i) the consent of the Communications Authority being subject to conditions or proposed directions compliance with which would be reasonably expected to have a material adverse effect on the prospects, profitability or operation of the combined mobile telecommunications business of the Enlarged Group which would be reasonably expected to reduce the value of that combined business by not less than US$181,875,000 (equivalent to approximately HK$1,414,987,500) and not more than US$242,500,000 (equivalent to approximately HK$1,886,650,000), then HKT must pay to the Vendors, in their respective pro rata proportions, a break fee of US$37,500,000 (equivalent to approximately HK$291,750,000); or

(ii) either (1) the Communications Authority advising that it will not grant its consent, irrespective of any conditions which may be offered or with any directions; or (2) the consent of the Communications Authority being subject to conditions or proposed directions compliance with which would be reasonably expected to have a material adverse effect on the prospects, profitability or operation of the combined mobile telecommunications business of the Enlarged Group which would be reasonably expected to reduce the value of that combined business by more than US$242,500,000 (equivalent to approximately HK$1,886,650,000), then HKT must pay to the Vendors, in their respective pro rata proportions, a break fee of US$10,000,000 (equivalent to approximately HK$77,800,000).

In either case, the break fee would be payable within 10 business days of termination of the Share Purchase Agreement.

Only one break fee (if any) can be payable. If a break fee is payable in respect of conditions precedent (a) or (b), no break fee will be payable in respect of condition precedent (c). Similarly, the break fees in respect of condition precedent (c) as described in paragraphs (i) and (ii) above are alternatives, only one of which can apply (if at all).

Guarantees

Telstra guarantees to HKT the due and punctual performance by Telstra Bermuda of its obligations under the Share Purchase Agreement. New World guarantees to HKT the due and punctual performance by Upper Start of its obligations under the Share Purchase Agreement.

Completion

Subject to the satisfaction of the conditions precedent referred to above, Completion will take place on a date to be specified by HKT which is not earlier than the second business day, and not later than 15 business days, following the satisfaction of the last of the conditions precedent to be satisfied. Completion is expected to take place in the first quarter of 2014.

Non-Competition

Telstra and Telstra Bermuda have undertaken to HKT and CSLNW, subject to certain exceptions and any other exceptions which may be agreed on a case by case basis, that Telstra and Telstra Bermuda will not (and Telstra will procure that its subsidiaries do not) during the period of 3 years from Completion, engage or be in any capacity directly or indirectly involved in mobile wireless core operations (as defined in the Share Purchase Agreement) including certain types of WiFi operations (as specified in the Share Purchase Agreement) in Hong Kong.

Similarly, New World and Upper Start have undertaken to HKT and CSLNW, subject to certain exceptions and any other exceptions which may be agreed on a case by case basis, that New World and Upper Start will not (and New World will procure that its subsidiaries do not) during the period of 3 years from Completion, engage or be in any capacity directly or indirectly involved in mobile wireless core operations (as defined in the Share Purchase Agreement) or certain types of WiFi operations (as specified in the Share Purchase Agreement) in Hong Kong.

FINANCING

HKT intends to fund the base purchase price and any additional amounts which may result from the adjustments by amounts to be drawn down under a commercial banking facility of up to US$2,500,000,000 (equivalent to approximately HK$19,450,000,000) in aggregate, arranged for the purpose of the Proposed Acquisition and in respect of which a commitment has already been obtained.

The principal terms of the facility commitment are as follows:

Parties

(1) HKTGH (or HKT, if HKT does not assign its rights under the Share Purchase Agreement to HKTGH as referred to above in the section headed "The Principal Terms of the Share Purchase Agreement — Parties"), as borrower

(2) Hong Kong Telecommunications (HKT) Limited (a wholly owned subsidiary of HKT) and HKTGH, as guarantors for HKT if HKT is the borrower; or Hong Kong Telecommunications (HKT) Limited, as guarantor for HKTGH if HKTGH is the borrower

(3) Standard Chartered Bank (Hong Kong) Limited and other banks (if applicable), as lender(s)

Facility

Loan amount:	US$2,500,000,000 (equivalent to approximately HK$19,450,000,000)
Tenor:	18 months from the date of signing of the loan agreement
Repayment:	Repayment of the entire principal loan amount is due at maturity, subject to mandatory prepayment triggered by certain events as specified in the loan agreement
Security:	The facility will be secured by a charge over the Sale Shares and (if applicable) material assets of the CSLNW Group
Interest rate:	Broadly in line with the interest rate payable on the existing bank loan facilities of Hong Kong Telecommunications (HKT) Limited

The Proposed Acquisition will not result in a change of the distribution policy of HKT set out in clause 14.1(e) of the Trust Deed and article 24.8 of the HKT Articles. The costs of servicing the Proposed Acquisition loan facility are permitted deductions for the purpose of calculating the "Adjusted Funds Flow" of the HKT Trust and HKT under the Trust Deed and the HKT Articles.

The disbursement of funds under this facility is conditional on satisfactory completion of the loan documentation and satisfaction of the conditions precedent to Completion. Funds to be drawn down under the facility may only be applied by the Group towards financing the purchase price and any additional amounts for the Proposed Acquisition and related fees and expenses.

HKT intends to refinance the Proposed Acquisition loan facility with longer term financing at an appropriate time and subject to market conditions. The longer term financing could involve longer term debt financing, equity financing (which may take the form of a rights issue) or a combination.

POST COMPLETION REORGANISATION

Following Completion, HKT intends to reorganise the business of the CSLNW Group by combining and integrating it with HKT's existing mobile telecommunications business in order to unlock and make optimal use of available operational synergies and efficiencies.

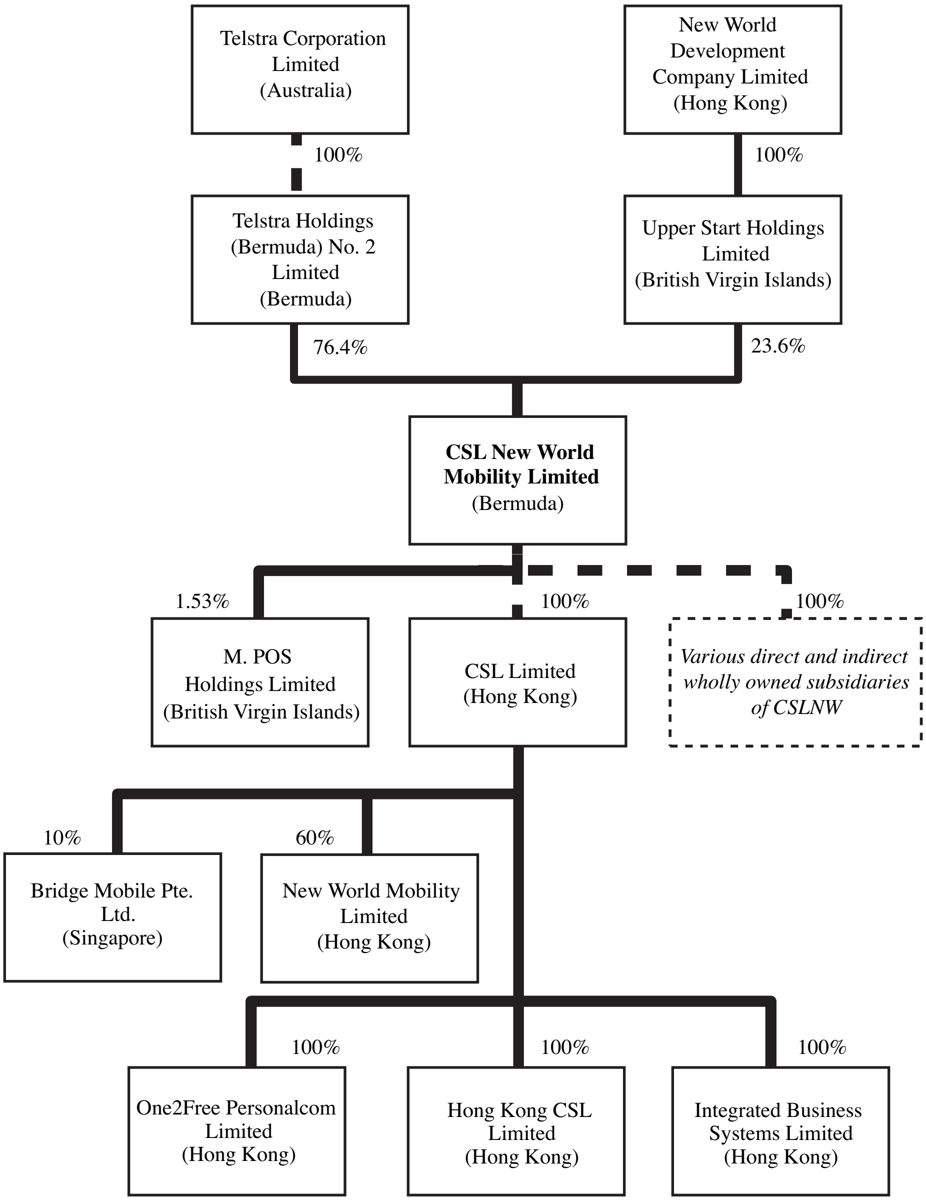
INFORMATION ON THE CSLNW GROUP

CSLNW is an investment holding company incorporated in Bermuda which is engaged, through its subsidiaries and joint venture interests, primarily in the provision of mobile telecommunications services through 4G, 3G and 2G networks, and the sale of mobile telecommunications products, to customers in Hong Kong under three mobile brands: "1O1O", "one2free" and "New World Mobility".

As at 30 June 2013, CSLNW Group had a total subscriber base of approximately 2.8 million subscribers, comprising approximately 2.1 million post-paid subscribers and approximately 0.7 million pre-paid subscribers.

Shareholding structure of the CSLNW Group

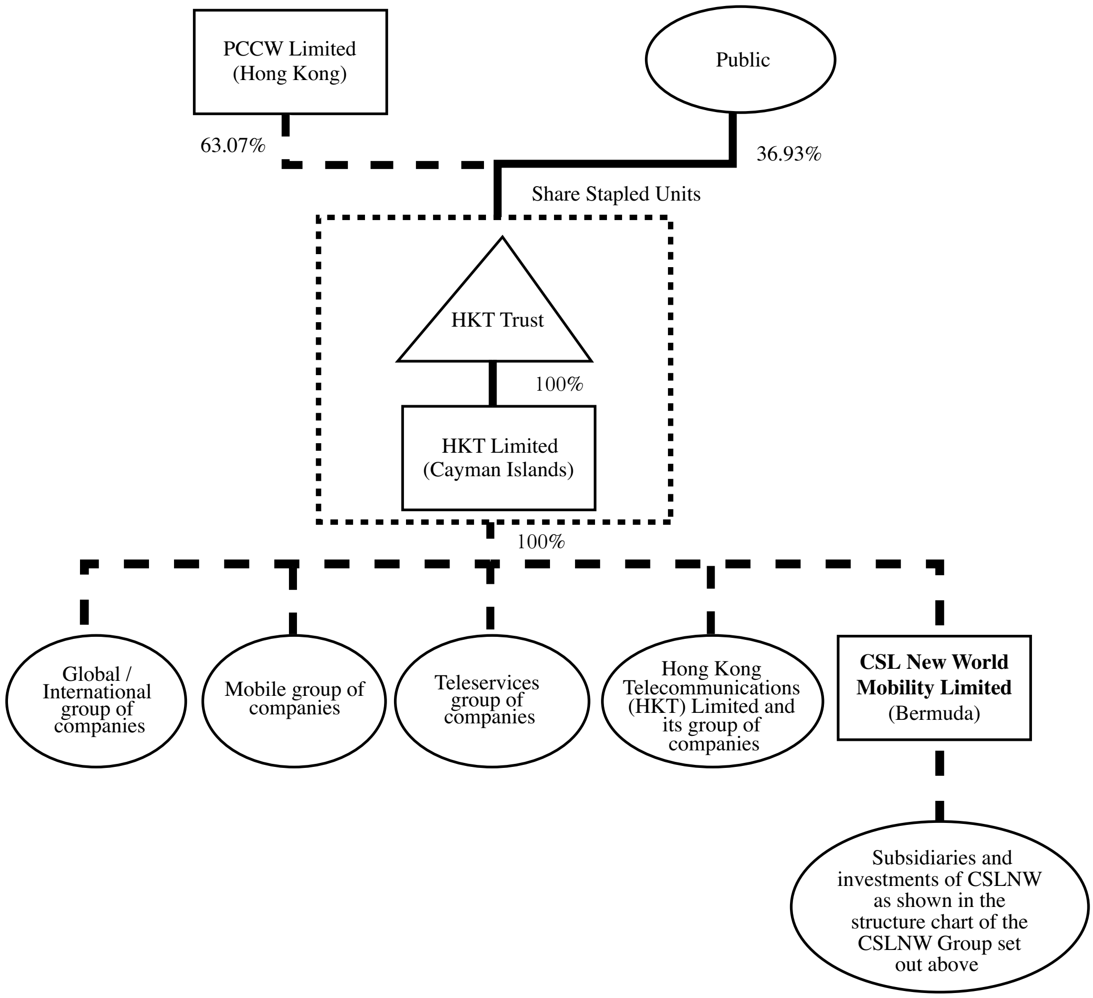
The corporate structure, in simplified form, of the Vendors and the CSLNW Group as at the Latest Practicable Date and immediately before Completion is as follows:



Note: a dotted line denotes an indirect holding.

Corporate structure on Completion

The corporate structure, in simplified form, of the Enlarged Group upon Completion would be as follows:



Note: a dotted line denotes an indirect holding.

Following Completion, HKT intends to reorganise the business of the CSLNW Group by combining and integrating it with HKT's existing mobile telecommunications business under its mobile group of companies in order to unlock and make optimal use of available operational synergies and efficiencies, as described in the section headed "Post Completion Reorganisation" above.

Financial information of the CSLNW Group

Set out below is the selected consolidated financial information of the CSLNW Group for each of the years ended 30 June 2012 and 30 June 2013 as extracted/derived from the accountant's report on the CSLNW Group included in Appendix II to this circular. This financial information has been prepared in accordance with HKT's accounting policies and therefore has been subject to, and reflects, the application of relevant alignment adjustments to the corresponding financial information presented in the Announcement, which was prepared in accordance with CSLNW's accounting policies before such alignment adjustments were applied.

RESULTS

In HK$ million	**For the year ended 30 June 2012**	**For the year ended 30 June 2013**
Revenue*	6,527	7,701
Profit before income tax	1,029	1,170
Profit after income tax	845	970
Profit attributable to equity holders of CSLNW*	841	953
EBITDA*	2,570	3,315
Normalised Adjusted Funds Flow**	831	760

ASSETS AND LIABILITIES

In HK$ million	**As at 30 June 2012**	**As at 30 June 2013**
Total assets	10,002	10,916
Total liabilities	3,998	4,345
Net assets	6,004	6,571

* Please refer to the section headed "6. Management Discussion and Analysis of the CSLNW Group" in Appendix I to this circular.

** The normalised Adjusted Funds Flow represents the Adjusted Funds Flow of the CSLNW Group adjusted for (i) certain material items that are not to be incurred on a recurring basis (such as the one-off payment in respect of 4G spectrum rights during the year ended 30 June 2013); and (ii) capital expenditures in relation to projects that are not required by the Group and are to be pre-funded by the Vendors, which will not affect the Adjusted Funds Flow of the Enlarged Group after Completion. This normalised Adjusted Funds Flow is considered to be an appropriate measure for the purpose of assessing the CSLNW Group's recurring contribution to the Adjusted Funds Flow of the Enlarged Group after Completion.

INFORMATION ON TELSTRA AND TELSTRA BERMUDA

Telstra is Australia's leading telecommunications and information services company, offering a full range of communications services including mobile services, fixed voice services and retail fixed broadband services. Telstra's shares are listed on the Australian Securities Exchange.

Telstra Bermuda is a wholly owned subsidiary of Telstra and its only business activity is to hold its investment in CSLNW through the holding of the Telstra Sale Shares.

INFORMATION ON NEW WORLD AND UPPER START

New World and its subsidiaries are principally engaged in property, infrastructure, hotel operation, department store operation, services, as well as telecommunications and technology businesses. New World's shares are listed on the Stock Exchange.

Upper Start is a wholly owned subsidiary of New World and its only business activity is to hold its investment in CSLNW through the holding of the NW Sale Shares.

INFORMATION ON THE HKT TRUST AND HKT

The HKT Trust has been established as a fixed single investment trust, with its activities being limited to investing in HKT and anything necessary or desirable for or in connection with investing in HKT.

The principal activities of HKT and its subsidiaries are the provision of telecommunications and related services which include local telephony, local data and broadband, international telecommunications, mobile, customer premises equipment sale, outsourcing, consulting and contact centres. HKT and its subsidiaries operate primarily in Hong Kong, and also serve customers in mainland China and other parts of the world.

REASONS FOR AND BENEFITS OF THE PROPOSED ACQUISITION

The Directors believe that the Proposed Acquisition and the terms of the Share Purchase Agreement are fair and reasonable and are in the interests of the HKT Trust and HKT and the holders of Share Stapled Units as a whole for the following reasons:

The Proposed Acquisition is in line with HKT's objectives of investing in businesses which provide holders of Share Stapled Units with stable and regular distributions as well as long-term distribution growth. The mature and stable cash-flow profile of CSLNW would strengthen HKT's mobile services platform and enhance the long-term distribution potential of HKT.

Specifically, the Directors expect to realise the following key benefits through the combination of HKT and CSLNW into one single mobile platform:

(a) ***Enhancement of mobile services income stream through increased scale:*** HKT (under the "PCCW-HKT mobile" brand) and the CSLNW Group (under the "1O1O", "one2free" and "New World Mobility" brands) are currently two of the five network-based providers of mobile telecommunications services in Hong Kong. Although the provision of mobile services has been one of HKT's key focus areas since its re-entry into the mobile market in 2005, HKT is currently the smallest player in the market by number of customers. The Proposed Acquisition would significantly expand HKT's customer base and enable HKT to more efficiently compete in the mobile market.

    HKT is currently an industry leader in the fixed line and broadband sectors and the Proposed Acquisition would help to deliver on HKT's stated strategy of improving its position as the premium telecommunications service provider in Hong Kong. The Group's ability to reach an enlarged and complementary customer base is expected to drive revenue and higher ARPU growth through cross-selling of services targeted at each customer segment.

    The expanded customer base would also create opportunities for HKT to innovate and provide commercially viable new content, e.g. multi-media offerings, to the combined customer base of the Group via HKT's mobile communications and customers' own smart devices. This would provide an opportunity for HKT to further cross-sell telecommunications services and reduce customer churn rate.

(b) ***Enlargement of service capacity and improvement of indoor signal coverage and customer experience:*** HKT has been operating its existing services with some difficulty as it does not hold usable spectrum in the sub-1 GHz bands. Following the Proposed Acquisition, the Enlarged Group would have sufficient usable bandwidth across 850 MHz, 900 MHz, 1.8 GHz, 2.1 GHz and 2.6 GHz. The enlarged bandwidth capacity and comprehensive spectrum would give the Enlarged Group more flexibility to redesign and optimise its network and improve performance and utilisation, as a result of which overall customer experience is expected to improve. The customers of the Enlarged Group would be able to enjoy better voice service quality, fewer call drop-outs, faster data transmission as well as lower latency when streaming.

As mentioned above, HKT has stated in its application to the Communications Authority under Section 7P of the Telecommunications Ordinance that HKT and CSL Limited would acquire not more than a total of 2 x 15 MHz of spectrum in the 1.9-2.2 GHz band (3G Spectrum) upon expiry of the existing assignment of the 3G Spectrum in October 2016. HKT and CSL Limited would not participate in the auction for the 3G Spectrum. After returning the 3G Spectrum, the Enlarged Group would benefit from respective leasing and renewal costs savings, and at the same time continue to possess adequate spectrum resources and provide undisrupted operations.

(c) ***Strengthening of roaming business:*** the Proposed Acquisition would increase HKT's aggregate roaming traffic as well as provide access to the CSLNW Group's roaming partnerships in addition to HKT's existing partnerships, which is expected to provide the Enlarged Group with increased buying power and leverage in obtaining more attractive roaming rates, increased choice of roaming partners and generally improved roaming services for its customers going forward.

(d) ***Opportunity to realise operational synergies:*** the Proposed Acquisition is expected to be synergistic in terms of both revenue generation and cost savings. To date, HKT has identified the following potential synergies:

- **Cost synergies:** cost synergies can be potentially achieved by combining and rationalising various aspects of the Enlarged Group. Based on the preliminary integration study conducted for the Proposed Acquisition, it is estimated that the operating cost savings for the Enlarged Group would be mainly driven by the following factors:

  i. *Cell-sites rationalisation*: combining the networks would result in duplicative base stations that can be removed to realise cost savings and environmental benefits, whilst at the same time substantially improving the combined network in terms of coverage and capacity for the reasons set out in paragraph (b) above.

  ii. *Backhaul transmission rationalisation*: savings are also expected in the provision of optical fibre backhaul connectivity to the combined radio base station network by leveraging HKT's existing proprietary infrastructure as CSLNW Group's current contracts with third-party backhaul transmission providers would gradually be replaced.

iii. *Sharing of spectrum and network infrastructure*: the Proposed Acquisition would help minimise future spectrum and network expenditure since HKT and CSLNW Group have mostly completed their bandwidth acquisitions and LTE investments. Moreover, the Proposed Acquisition would help the Enlarged Group achieve lower capital expenditure on base station build-out and maintenance cost through general economies of scale.

iv. *Improved bargaining power in procurement*: given the improved size of the Enlarged Group, HKT would be in a better position to negotiate contracts with network equipment and handset vendors which is expected to drive down capital expenditure, customer acquisition and handset subsidy costs.

v. *Content cost reduction*: the Enlarged Group would also benefit from lower acquisition costs for proprietary content, value-added services and applications from its providers. This would provide higher operating efficiency as the increase in scale would drive average cost down.

vi. *Retail and distribution channels optimisation*: both CSLNW Group and HKT currently have extensive distribution outreach in Hong Kong. The Enlarged Group will conduct a thorough review of distribution strategy after the Proposed Acquisition and identify opportunities to optimise the combined retail channel.

vii. *Efficient administrative resources allocation*: further savings can potentially be achieved by rationalising and combining administrative and corporate functions of HKT and CSLNW Group.

- **Revenue synergies:** following the Proposed Acquisition, the Enlarged Group would be able to implement several strategies and initiatives to improve its brand awareness and potentially achieve higher growth in revenue, including but not limited to:

i. *Strengthening of multi-brand strategy*: acquiring CSLNW Group's business platform would allow the Enlarged Group to provide tailored pricing plans targeted at various customer segments with different data and voice requirements.

ii. *Attractive handset and subsidy offerings*: the Enlarged Group would be able to leverage its customer base and provide more device choices, offer exclusive handsets or launch sought-after handsets in a timely manner. Relatedly, the Enlarged Group is expected to be in a better position to introduce plans with attractive handset subsidies to further grow its post-paid subscription base.

iii. *Cross-selling of proprietary services and applications*: proprietary services would be available to users from both networks, such as Near Field Communications ("**NFC**") payments services with Octopus and various banks, "**Roamsave**" applications as well as access to HKT's extensive WiFi network.

(e) ***Historical familiarity with CSLNW Group's business to facilitate business integration:*** Hong Kong CSL Limited (the vehicle through which the business of the CSLNW Group was then conducted) was part of the PCCW Group prior to the sale of Hong Kong CSL Limited to Telstra in 2001/2002. As such, HKT still maintains a good understanding of CSLNW Group's business and culture. Some of the staff in HKT's network team previously worked at CSLNW Group and are therefore familiar with both its network infrastructure and operations. As evidenced by the successful acquisition of Sunday Communications Limited in 2005, the HKT management team has a solid track-record in building its operations both organically and inorganically which is expected to minimise integration risk associated with the Proposed Acquisition.

FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

Earnings

Upon Completion, CSLNW will be accounted for as a wholly owned subsidiary of HKT and its results will be consolidated into the consolidated financial statements of the Group.

As set out in the accountant's report on the CSLNW Group in Appendix II to this circular, the revenue and net profit attributable to equity holders of CSLNW reached approximately HK$7,701 million and HK$953 million for the year ended 30 June 2013, respectively. After Completion, the revenue and profits of the CSLNW Group will be consolidated in the Group's consolidated financial statements.

Assets and liabilities

As extracted from the interim report of the Group for the six months ended 30 June 2013, the unaudited consolidated total assets and total liabilities of the Group were approximately HK$67,643 million and HK$36,828 million respectively; and the unaudited consolidated net assets of the Group as at 30 June 2013 were approximately HK$30,815 million.

As set out in Appendix III to this circular, the unaudited pro forma total assets and total liabilities of the Enlarged Group would increase to approximately HK$91,812 million and HK$60,997 million, respectively; and the unaudited pro forma net asset value of the Enlarged Group would remain unchanged assuming Completion had taken place on 30 June 2013.

The attention of holders of Share Stapled Units is drawn to the unaudited pro forma financial information of the Enlarged Group set out in Appendix III to this circular.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in relation to the HKT Trust and HKT in respect of the Proposed Acquisition is greater than 25% and less than 100%, as calculated under Rule 14.07 of the Listing Rules, the Proposed Acquisition is a major transaction for the HKT Trust and HKT under the Listing Rules. Completion of the Proposed Acquisition is, therefore, conditional on approval by holders of Share Stapled Units.

As one or more of the applicable percentage ratios in relation to PCCW in respect of the Proposed Acquisition is greater than 25% and less than 100%, as calculated under Rule 14.07 of the Listing Rules, and HKT is a subsidiary of PCCW, the Proposed Acquisition is also a major transaction for PCCW under the Listing Rules. The Proposed Acquisition is, therefore, conditional on approval by PCCW Shareholders. A meeting of PCCW Shareholders will be convened to consider and, if thought fit, pass an ordinary resolution by a simple majority of votes of PCCW Shareholders present and voting (whether in person or by proxy) at the shareholders' meeting to be convened by PCCW to approve the Proposed Acquisition.

PCCW has provided a written undertaking to Telstra, New World, the HKT Trust and HKT in relation to the approval of the Proposed Acquisition as a major transaction for the HKT Trust and HKT under the Listing Rules. The undertaking provides that, subject to the PCCW Shareholders passing an ordinary resolution approving the Proposed Acquisition as a major transaction for PCCW under the Listing Rules, PCCW's wholly owned subsidiary, CAS, shall approve the Proposed Acquisition as a major transaction for the HKT Trust and HKT in accordance with Rule 14.44 of the Listing Rules. The undertaking provides that such approval shall be given immediately following the PCCW Shareholders having passed an ordinary resolution approving the Proposed Acquisition as a major transaction for PCCW under the Listing Rules.

As at the Latest Practicable Date, CAS held 4,047,215,832 Share Stapled Units, representing approximately 63.07% of the Share Stapled Units in issue.

Accordingly, subject to the PCCW Shareholders present and voting (whether in person or by proxy) at the shareholders' meeting to be convened by PCCW (as described above) passing an ordinary resolution approving the Proposed Acquisition as a major transaction for PCCW under the Listing Rules, the Proposed Acquisition will be approved as a major transaction for the HKT Trust and HKT under the Listing Rules by way of the written approval of CAS as holder of more than 50% in nominal value of the Share Stapled Units in issue, as permitted by Rule 14.44 of the Listing Rules. No meeting of holders of Share Stapled Units will be convened by the Trustee-Manager and HKT to approve the Proposed Acquisition. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, no holder of Share Stapled Units would be required to abstain from voting if the Trustee-Manager and HKT were to convene a general meeting of holders of Share Stapled Units for the approval of the Proposed Acquisition.

Pacific Century Regional Developments Limited, which, as at the Latest Practicable Date, held 1,548,211,301 shares in PCCW, representing approximately 21.29% of PCCW's issued share capital, has provided a written undertaking to Telstra, New World and PCCW to vote all the shares in PCCW held by Pacific Century Regional Developments Limited in favour of the ordinary resolution of PCCW Shareholders to be proposed to approve the Proposed Acquisition at the meeting of PCCW Shareholders to be convened for that purpose.

中國聯合網絡通信集團有限公司 (China United Network Communications Group Company Limited#) has provided a written undertaking to Telstra, New World and PCCW to ensure that all the

For identification only

1,343,571,766 shares in PCCW (representing approximately 18.48% of the issued share capital of PCCW) held by its wholly owned subsidiary, China Unicom Group Corporation (BVI) Limited, are voted in favour of the ordinary resolution of PCCW Shareholders to be proposed to approve the Proposed Acquisition at the meeting of PCCW Shareholders to be convened for that purpose.

Pacific Century Group Holdings Limited, which, as at the Latest Practicable Date, held 154,785,177 shares in PCCW representing approximately 2.13% of PCCW's issued share capital, has provided a written undertaking to Telstra, New World and PCCW to vote all the shares in PCCW held by Pacific Century Group Holdings Limited in favour of the ordinary resolution of PCCW Shareholders to be proposed to approve the Proposed Acquisition at the meeting of PCCW Shareholders to be convened for that purpose.

Pacific Century Diversified Limited, which, as at the Latest Practicable Date, held 237,919,824 shares in PCCW representing approximately 3.27% of PCCW's issued share capital, has provided a written undertaking to Telstra, New World and PCCW to vote all the shares in PCCW held by Pacific Century Diversified Limited in favour of the ordinary resolution of PCCW Shareholders to be proposed to approve the Proposed Acquisition at the meeting of PCCW Shareholders to be convened for that purpose.

Eisner Investments Limited, which, as at the Latest Practicable Date, held 33,747,000 shares in PCCW representing approximately 0.46% of PCCW's issued share capital, has provided a written undertaking to Telstra, New World and PCCW to vote all the shares in PCCW held by Eisner Investments Limited in favour of the ordinary resolution of PCCW Shareholders to be proposed to approve the Proposed Acquisition at the meeting of PCCW Shareholders to be convened for that purpose.

GENERAL

Holders of Share Stapled Units and potential investors should note that Completion of the Proposed Acquisition is subject to a number of conditions. There is no assurance that the Proposed Acquisition will be completed. Holders of Share Stapled Units and potential investors should, accordingly, exercise caution when dealing in the Share Stapled Units of the HKT Trust and HKT.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information as set out in the appendices to this circular.

Yours faithfully,
By order of the boards of
HKT Management Limited
and
HKT Limited
Alexander Anthony Arena
Group Managing Director

The following is the full text of the letter of opinion from Standard Chartered Bank (Hong Kong) Limited to the HKT Board in respect of the fairness of the purchase price payable by HKT to the Vendors under the Share Purchase Agreement, for the purpose of incorporation in this circular.

The Board of Directors
HKT Limited
39th Floor
PCCW Tower
TaiKoo Place, 979 King's Road
Quarry Bay, Hong Kong Special Administrative Region
People's Republic of China

31 December 2013

Dear Sirs,

We refer to the proposed purchase by HKT Limited of the entire issued share capital of CSL New World Mobility Limited (the "Proposed Acquisition").

On 19 December 2013, Standard Chartered Bank (Hong Kong) Limited ("**SCB**") was appointed by HKT Limited ("**HKT**" or the "**Company**") to act as its sole financial adviser in connection with the Proposed Acquisition (the "**Engagement**").

Details of the Proposed Acquisition are contained in the circular to be despatched by the HKT Trust and HKT to the holders of their Share Stapled Units dated 31 December 2013 (the "**Circular**"), in which this letter is reproduced. Terms defined in this letter shall have the same meanings as defined elsewhere in the Circular unless the context otherwise requires.

As part of the Engagement, HKT has requested SCB to issue an opinion to the Board of the Company as to the fairness, strictly from a financial point of view, of the purchase price of US$2,425,000,000 (equivalent to approximately HK$18,866,500,000) (the "**Purchase Consideration**"), payable pursuant to the Share Purchase Agreement (the "**Opinion**").

This Opinion has been approved by SCB's M&A Advisory Transaction Review Committee.

Transaction Summary

On 20 December 2013, the HKT Trust and HKT and PCCW jointly announced that HKT entered into the Share Purchase Agreement with CSLNW, Telstra Bermuda, Telstra, Upper Start and New World, pursuant to which the Vendors have conditionally agreed to sell, and HKT has conditionally agreed to purchase, the entire issued share capital of CSLNW in consideration for the Purchase Consideration, subject to certain adjustments.

Information

In connection with rendering this Opinion, SCB has reviewed, among other things, the following (collectively the "**Information**"):

(i) the Share Purchase Agreement;

(ii) the information contained in the Circular;

(iii) historical and prospective financial information on both CSLNW and HKT provided to us by the management of the Company (unaudited);

(iv) certain qualitative and unaudited quantitative information regarding the opportunity to realise operational synergies following the Proposed Acquisition, as described in the section titled "Reasons for and Benefits of the Proposed Acquisition" of the Circular; and

(v) certain publicly available information.

SCB has not independently verified the authenticity, completeness, accuracy or fair presentation of the Information. SCB did not meet with the auditors of HKT or CSLNW. The Engagement did not include: (a) assessing or conducting any due diligence on the Information; (b) assessing or conducting any due diligence on the assets and liabilities of the companies involved in the Proposed Acquisition; or (c) submitting the Information, assets and liabilities to an independent appraisal or evaluation. As such, SCB does not take any responsibility for the Information or its underlying assumptions.

SCB has therefore relied on the Information, on the assumption that all the Information is true, accurate, fairly presented, not misleading and complete and that all the Information relevant to the Engagement which has any impact on this Opinion has been provided to SCB. With respect to any forecasts, projections, estimates and/or budgets provided to SCB and used in its analyses, SCB notes that projecting future results of any company is inherently subject to uncertainty. SCB has assumed, however, that such forecasts, projections, estimates and/or budgets were prepared using the assumptions identified therein, which were at the time reasonable in the circumstances.

Fairness Opinion Approach

SCB has undertaken its financial analysis in the context of the Proposed Acquisition and has compared its results with the Purchase Consideration.

SCB's work involved determining the most appropriate methods of financial analysis including complex considerations and judgements concerning the Proposed Acquisition, financial and operating characteristics, industry practices and interpretation and analysis of market and comparable data.

In rendering this Opinion, SCB has utilised and relied on a number of valuation methods, including but not limited to, the following three approaches (the "**Fairness Opinion Approach**"):

(i) comparable public companies analysis;

(ii) precedent transactions analysis; and

(iii) pro forma impact analysis of the Proposed Acquisition on HKT's future Adjusted Funds Flow,

and has used its professional judgment to opine on the fairness, strictly from a financial point of view, of the Purchase Consideration.

1. Comparable Public Companies Analysis

SCB has reviewed the valuation metrics of ten comparable telecommunications companies, whose revenues are largely generated from providing mobile communications services, two of which are listed on the Stock Exchange, and eight of which are listed companies in Asia (collectively these ten companies are the "**Comparable Companies**" and each is a "**Comparable Company**"). The Comparable Companies provide their respective services predominantly, if not solely, in a single country with a well-developed mobile market (defined as a market with a high mobile penetration rate). We consider these companies to be broadly comparable to CSLNW, whose operations are limited to Hong Kong, which has one of the world's highest penetration rates of 236.6 per cent. based on data published by the Office of the Communications Authority.

In this comparable public companies analysis, we have considered the Price-to-Earnings[1] ratio ("**P/E Multiple**") and Enterprise Value-to-EBITDA[2] ratio ("**EBITDA Multiple**" or "**EV/EBITDA**") as the primary valuation metrics. Although these valuation metrics are commonly used as analytical parameters, they may not fully reflect the possible unique characteristics of the Comparable Companies such as quality of management, growth profile and operational efficiency.

The financial year for CSLNW ends on 30 June whereas the financial year of most of the Comparable Companies ends on 31 December, except for SmarTone and NTT DoCoMo, whose financial years end on 30 June and 31 March, respectively. In order to facilitate a meaningful comparison of P/E Multiples and EBITDA Multiples for financial periods comparable to CSLNW's, we have calculated and derived earnings and EBITDA numbers based on a 30 June year-end for the Comparable Companies using publicly available information. In order to calculate and derive these financial numbers for the Comparable Companies, we have had to use the announced quarterly interim or six-month financial results of the Comparable Companies, which, in most instances, were compiled on an unaudited basis.

[1] Prices for the Comparable Companies are their respective equity market capitalisation as at the Latest Practicable Date.

[2] Enterprise values for the Comparable Companies are computed as the sum of (i) their respective equity market capitalisation as at the Latest Practicable Date, and (ii) their respective preferred equity, minority interest, short and long term debt positions less their respective cash and cash equivalent positions as at the date of the most recent (un)audited results which are publicly available as at the Latest Practicable Date.

In addition to the P/E Multiple, we believe that the EBITDA Multiple is a relevant metric to analyse the valuation of a company relative to its peers. It is a valuation method which is commonly used to compare the valuation of companies in similar industries but in different countries, as the calculation addresses any discrepancies that might exist across borders between varying accounting, tax and financing methods[3].

Table 1

Company	Country	2013 EV/ EBITDA(1)(2)(5)	2013 P/E(2)(5)
Hong Kong Peers			
Hutchison Telecommunications Hong Kong Holdings	Hong Kong	5.8x	11.4x
SmarTone Mobile Communications(3)	Hong Kong	3.1x	10.9x
Asian Peers			
M1	Singapore	10.6x	20.2x
Taiwan Mobile	Taiwan	9.7x	18.1x
Far Eastone Telecommunications	Taiwan	8.2x	18.6x
Maxis	Malaysia	13.7x	29.6x
DiGi.Com	Malaysia	12.9x	29.6x
Advanced Info Service	Thailand	10.4x	17.5x
Total Access Communication	Thailand	8.8x	20.7x
NTT DoCoMo	Japan	3.9x	14.2x
Comparable Companies Average		**8.7x**	**19.1x**
Comparable Companies Median		**9.2x**	**18.4x**
Selected Comparable Companies Average (3)(4)		**9.3x**	**20.0x**
Selected Comparable Companies Median (3)(4)		**9.7x**	**18.6x**
HKT Trust and HKT (included for reference only)	**Hong Kong**	**9.0x**	**24.0x**

Notes:

(1) Balance sheet data as of latest available company filings, i.e., 30 June 2013 for Hong Kong listed companies and 30 September 2013 for the rest of the Comparable Companies

(2) EBITDA and earnings are adjusted to CSLNW's year-end of 30 June 2013

(3) SmarTone Mobile Communications is excluded from the Selected Comparable Companies as SmarTone Mobile Communications capitalises its CAC based on SCB's review of SmarTone Mobile Communications' accounting policies

(4) Selected Comparable Companies include Hutchison Telecommunications Hong Kong Holdings, M1, Taiwan Mobile, Far Eastone Telecommunications, Maxis, DiGi.Com, Advanced Info Service, Total Access Communication and NTT DoCoMo, which do not capitalise any meaningful or significant part of their CAC, based on SCB's review of their accounting policies

(5) Share price as of Latest Practicable Date

Sources: Annual reports, interim reports and FactSet

[3] It should be noted that in the telecommunications sector there is significant variation in the ways in which operators account for handset bundle sales and customer acquisition costs ("**CAC**"). Those operators that capitalise CAC would typically report higher EBITDA numbers compared to those which account for CAC as an immediate expense, as evidenced by the difference between CSLNW's 2013 EBITDA figures of HK$2,057 million and HK$3,315 million, respectively, based on Telstra Corporation's (without CAC capitalisation) and HKT's (with CAC capitalisation) accounting policies. We note that both accounting policies (with or without CAC capitalisation) are acceptable under the generally accepted accounting principles in Hong Kong.

The dataset used to derive the valuation parameters in Table 1 is set out in the following table.

Table 2

Company	Local Currency ("LC")	Share Price (LC)	52-week Low/High (LC)	Current as % of 52-week High	Market Capitalisation (LC million)	Enterprise Value (LC million)	EBITDA (LC million)	Earnings (LC million)
Hong Kong Peers								
Hutchison Telecommunications Hong Kong Holdings	HKD	2.9	2.5 - 4.7	62.7%	14,071.6	17,709.6	3,051.0	1,237.0
SmarTone Mobile Communications	HKD	8.8	7.4 - 14.5	61.1%	9,165.0	9,314.6	2,989.0	843.2
Asian Peers								
M1	SGD	3.3	2.7 - 3.5	93.2%	3,057.5	3,258.8	306.5	151.2
Taiwan Mobile	TWD	96.4	87.2 - 121.5	79.3%	259,326.3	271,373.7	27,991.9	14,289.8
Far Eastone Telecommunications	TWD	64.8	59.6 - 83.0	78.1%	211,150.9	203,164.1	24,852.4	11,341.6
Maxis	MYR	7.2	6.2 - 7.3	98.4%	54,057.3	59,866.3	4,356.8	1,823.3
DiGi.Com	MYR	4.8	4.4 - 5.3	90.4%	37,553.3	37,955.0	2,939.0	1,269.5
Advanced Info Service	THB	208.0	194.0 - 311.0	66.9%	618,403.8	627,649.2	60,457.1	35,364.7
Total Access Communication	THB	99.8	82.5 - 133.0	75.0%	236,189.1	245,217.2	27,881.8	11,384.4
NTT DoCoMo	JPY	1,679.0	1,223.0 - 1,690.0	99.3%	6,962,410.2	6,002,414.2	1,531,397.0	489,344.0
HKT Trust and HKT	HKD	7.6	6.2 - 9.2	82.0%	48,510.5	69,589.5	7,772.0	2,021.0

Sources: Annual reports, interim reports and FactSet

P/E Multiple

The P/E Multiple implied by the Purchase Consideration is 19.8 times[4] which is in line with the simple average P/E Multiple for the Comparable Companies of 19.1 times.

EBITDA Multiple

The EV/EBITDA (with CAC capitalisation) implied by the Purchase Consideration is 5.7 times[5], which stands at a premium to SmarTone Mobile Communications' EV/EBITDA of 3.1 times (based on our review of the CAC accounting treatment adopted by the Comparable Companies, we believe that only SmarTone Mobile Communications capitalises a meaningful or significant part of CAC). We note

4 The implied P/E Multiple is calculated based on the net profit prepared under HKT's accounting policy (with CAC capitalisation) of HK$953 million. Net profit based on Telstra Corporation's accounting policy (without CAC capitalisation) was HK$1,005 million as of 30 June 2013; Price refers to equity value of the Proposed Acquisition, which is assumed to be equal to US$2,425 million (equivalent to approximately HK$18,866.5 million), assuming that CSLNW will be delivered as a cash-free, debt-free company at completion.

5 Enterprise value of the Proposed Acquisition is assumed to be equal to US$2,425 million (equivalent to approximately HK$18,866.5 million), assuming that CSLNW will be delivered as a cash-free, debt-free company at completion.

that, as at the Latest Practicable Date, SmarTone Mobile Communications' share price was trading at 61.1% of its 52-week high and had decreased 27.5% since its full-year results were released on 11 September 2013, suggesting that a comparison of today's EV to last fiscal year's performance might produce unrepresentative multiples to compare other companies against.

The EV/EBITDA (without CAC capitalisation) implied by the Purchase Consideration is 9.2 times[5], which is in line with the Selected Comparable Companies' simple average EBITDA Multiple of 9.3 times.

Lack of Control Premium

We note that the financial multiples set out in Table 1 exclude a control premium which is ordinarily paid in a transaction where one company acquires control of the other. Whilst HKT will acquire 100% of the equity interest in CSLNW pursuant to the Proposed Acquisition, the multiples of the Comparable Companies do not incorporate this control premium.

2. Precedent Transactions Analysis

We have reviewed acquisitions that have taken place in developed mobile telecommunication markets during the past two years and have selected those transactions (the "**Recent Transactions**") which involved the acquisition of a controlling stake in the respective target. Given the geographic relevance, we have also reviewed transactions in the Hong Kong mobile telecommunications market since 2000 (the "**Hong Kong Transactions**").

It should be noted that the precedent transactions must each be judged on their own commercial and financial merits. The transaction multiples that an acquirer is prepared to pay in a particular transaction depends on various factors, including but not limited to the potential for synergies upon acquisition, the presence of competing bids, prevailing market conditions, the attractiveness of the target's business, the existing level of control in the target, and general economic and business risks. This analysis merely serves as a general indication of the pricing metrics observed in the telecommunications industry.

Table 3

Hong Kong Transactions [1]

Announcement Date	Target	Target Country	Acquirer	EV/EBITDA (Last Fiscal Year)
Jun 2005	Sunday Communications	Hong Kong	PCCW[3]	19.0x
Oct 2005	China Resources Peoples Telephone Company	Hong Kong	China Mobile Hong Kong Company	6.4x
Oct 2000	CSL[2]	Hong Kong	Telstra Corporation[3]	18.5x
			Hong Kong Transactions Average	**14.6x**

Recent Transactions

Announcement Date	Target	Target Country	Acquirer	EV/EBITDA (Last Fiscal Year)
Asian Transaction				
Jan 2013	Companhia de Telecomunicações de Macau[4]	Macau	CITIC Telecom International Holdings	8.5x
European Transactions				
Jul 2013	E-Plus Gruppe	Germany	Telefónica Deutschland Holding	6.3x
Jun 2013	Telefónica Ireland	Ireland	Hutchison 3G Ireland	6.0x
Feb 2012	Orange Austria Telecommunication	Austria	Hutchison 3G Austria	6.9x
Dec 2011	Orange Communications	Switzerland	Matterhorn Mobile Holdings	6.5x
US Transactions				
Jul 2013	Leap Wireless International	US	AT&T	6.7x
Jan 2013	Allied Wireless Communications Corporation	US	AT&T	8.0x
Oct 2012	MetroPCS Communications	US	T-Mobile USA	5.5x
			Recent Transactions Average	**6.8x**

Notes:

(1) We have excluded Telstra Corporation's acquisition of New World PCS in March 2006 from the Hong Kong Transactions as it was a merger with the vendor in that transaction receiving shares in CSLNW as consideration. For reference, this transaction was conducted at an EV/EBITDA of 7.3 times

(2) Telstra Corporation acquired 60% of CSL in February 2001 at 18.5 times EV/EBITDA and subsequently acquired the remaining 40% it did not already own in June 2002 at an EV/EBITDA of 6.7 times

(3) These acquirers did not have existing mobile services or infrastructure in-market at the time of acquisition and hence potentially had fewer infrastructure and other synergies

(4) Companhia de Telecomunicações de Macau is an integrated telecommunications service provider engaging in fixed-line, data and mobile services

Sources: Company filings

The EV/EBITDA (with CAC capitalisation) implied by the Purchase Consideration is 5.7 times, which is at a discount to the simple average of 6.8 times for the Recent Transactions and the simple average of 14.6 times for the Hong Kong Transactions. However, a caveat should be applied to this comparison as we believe that none of the targets used in the analysis capitalised CAC at the time of the transaction.

The EV/EBITDA (without CAC capitalisation) implied by the Purchase Consideration is 9.2 times, which is higher than the simple average of 6.8 times for the Recent Transactions but lower than the simple average of 14.6 times for the Hong Kong Transactions.

The valuation differentials between the Proposed Acquisition and Recent Transactions could be a function of several factors, including different macroeconomic environments and growth rates, markets-specific competitive dynamics and recent regulatory developments (particularly in Europe) and, importantly, the varying degrees in which operating synergies are likely to be achievable due to the different geographic coverage dynamics and population density between those transactions that take place in a city-state like Hong Kong on the one hand, and transactions in Europe and the United States which covered wider geographies on the other hand. Notwithstanding the fact that the Hong Kong Transactions were completed several years ago, we believe it is reasonable to argue that these transactions provide more relevant benchmarks for the Proposed Transaction as they, by definition, capture the unique characteristics of Hong Kong's mobile market and the inherent potential for synergies.

3. Pro Forma Impact Analysis of the Proposed Acquisition on HKT's Future Adjusted Funds Flow

As set out in the section titled "Management Discussion and Analysis of the CSLNW Group" in Appendix I to the Circular, CSLNW generated positive normalised Adjusted Funds Flow of HK$831 million and HK$760 million for the financial years ended 30 June 2012 and 2013, respectively. The table below sets out the Equity Value/Adjusted Funds Flow multiple of HKT based on its market capitalisation as at the Latest Practicable Date and the implied Equity Value/Adjusted Funds Flow multiple of CSLNW based on the Purchase Consideration, before taking into account of any synergies upon the integration of the two businesses.

Table 4

	HKT	CSLNW (No Debt Financing)
Equity Value[(1)]	48,511	18,867
Adjusted Funds Flow[(2)]	2,726	760
Equity Value/Adjusted Funds Flow	17.8x	24.8x
Implied Adjusted Funds Flow yield[(3)]	*5.6%*	*4.0%*

Notes:

(1) In HK$ millions; for HKT, Equity Value refers to its market capitalisation as at the Latest Practicable Date; for CSLNW, Equity Value refers to the Purchase Consideration

(2) In HK$ millions; Adjusted Funds Flow of HKT is derived by summing the Adjusted Funds Flow of HK$1,484 million and HK$1,242 million for the six months ended 30 June 2013 and 31 December 2012, respectively, as disclosed in HKT Trust and HKT's 2013 interim financial report for the 6 months ended 30 June 2013. Please refer to the section titled "Financial Information of the CSLNW Group" of the Circular for the Adjusted Funds Flow of CSLNW

(3) Equal to Adjusted Funds Flow divided by Equity Value

The Equity Value/Adjusted Funds Flow multiple implied by the Purchase Consideration is 24.8 times, which is higher than HKT's current Equity Value/Adjusted Funds Flow multiple of 17.8 times. This suggests that, if the Purchase Consideration had been fully settled in new HKT equity (which is not the case), the Proposed Acquisition would have been dilutive to HKT's Adjusted Funds Flow per Share Stapled Unit on a pro forma, pre-synergies basis.

However, based on our review of the Information and financial analysis, we believe that the Proposed Acquisition is likely to be accretive to Adjusted Funds Flow per Share Stapled Unit in the first full year of integration due to a combination of the following factors:

Financing Mix

As set out in the section titled "Financing" of the Circular, HKT intends to refinance the Proposed Acquisition loan facility with longer term financing at an appropriate time and subject to market conditions, and this longer term financing could involve term debt financing, equity financing or a combination of both. To the extent that the effective cost of the resultant longer term financing mix is below 5.6% (being HKT's implied Adjusted Funds Flow yield as set out in Table 4), the Proposed Acquisition would be less dilutive (or accretive) to HKT's Adjusted Funds Flow per Share Stapled Unit as compared to the scenario whereby the Purchase Consideration were fully settled in new HKT equity (which is not the case).

By way of illustration, as per information set out in note 34 of HKT's annual report for the year ended 31 December 2012, HKT's weighted-average interest rate was approximately 3.4% in 2012 on a pre-tax basis (2.8% on a post-tax basis)[6]. Assuming that HKT would finance two-thirds of the Purchase Consideration with debt at the aforementioned interest rate level, the resultant implied Adjusted Funds Flow yield would be approximately 6.4%, which is higher than HKT's Adjusted Funds Flow yield of 5.6% (as set out in the Table 4):

6 After adjusting for Hong Kong's corporate tax rate of 16.5%

Table 5

	CSLNW (No Debt Financing)	CSLNW (Assumes 1/3 Financed by Equity; 2/3 Financed by Debt)
Equity Value(1)	18,867	6,289
Adjusted Funds Flow(2)	760	402
Equity Value/Adjusted Funds Flow	24.8x	15.7x
Implied Adjusted Funds Flow yield(3)	*4.0%*	*6.4%*

Notes:

(1) In HK$ millions; Equity Value refers to the Purchase Consideration financed by new HKT equity

(2) In HK$ millions; For the scenario with no debt financing, please refer to the section titled "Management Discussion and Analysis of the CSLNW Group" of the Circular for the Adjusted Funds Flow of CSLNW. For the scenario with 1/3 of the Purchase Consideration to be financed by equity and 2/3 financed by debt, the Adjusted Funds Flow is derived by subtracting the post-tax interest expense of the illustrative acquisition debt (equal to HK$18,867 million x (2/3) x 3.4% x (1 - 16.5%)) from the Adjusted Funds Flow for CLSNW (assuming no debt financing) of HK$760 million

(3) Equal to Adjusted Funds Flow divided by Equity Value

Synergies

As stated in the section titled "Reasons for and Benefits of the Proposed Acquisition" of the Circular, it is expected that there will be cost and revenue synergies following the Proposed Acquisition. As stated in the section titled "Financial and Trading Prospects of the Enlarged Group" in Appendix I to the Circular, the Enlarged Group has a target of reducing the operating expenses of the combined mobile businesses by 10% to 15% on an annual basis after full integration of the business.

SCB has reviewed certain information relating to the operational synergies arising from the Proposed Acquisition and believes that the net financial impact of the operational synergies (comprising both operational and capital expenditure savings), after taking into consideration certain one-off pre-tax integration expenses, is expected to be accretive to HKT's Adjusted Funds Flow from the first full year of integration onwards. The pro forma accretive impact of the Proposed Acquisition on HKT's future Adjusted Funds Flow is expected to increase as the integration progresses. We believe that these synergies will be material in the context of CSLNW's normalised Adjusted Funds Flow of HK$760 million for the year ended 30 June 2013.

Qualifications

The Opinion is issued as of the date set out above and is based exclusively on the Information, the terms of the Proposed Acquisition as described in the Circular, and economic and market conditions as of the date of this Opinion. In SCB's analyses and in connection with the preparation of this Opinion, SCB has made various assumptions with respect to industry performance, general business, legal and regulatory, market and economic conditions and other matters, many of which are beyond the control of SCB and any party involved in the Proposed Acquisition. Any significant change, either in the Information or in the Proposed Acquisition terms, as well as any event which could lead to a revision of SCB's assumptions and methods, will require a further analysis and could change SCB's Opinion. Events of which SCB have no actual or constructive knowledge subsequent to the date of this Opinion may affect this Opinion but SCB has no obligation to reaffirm the Opinion.

The preparation of a fairness opinion is a complex process and is not necessarily capable of being partially analysed or summarised. SCB believes that its analyses must be considered as a whole and that selecting portions of the analyses or the factors considered by it, without considering all factors and analyses together, could create an incomplete view of the process underlying the Opinion. This Opinion should be read in its entirety.

SCB is not expressing any opinion on: (i) the commercial or strategic merits of the Proposed Acquisition; or (ii) the future trading price of the Company's securities following the Proposed Acquisition. The Company and its holders of Share Stapled Units should not construe this Opinion as a recommendation by SCB as to how the Company and/or its holders of Share Stapled Units should act or exercise any voting rights either in relation to the Proposed Acquisition or any other matters relating to the Proposed Acquisition.

This Opinion is only valid if the Proposed Acquisition is completed as described herein.

Use and Reliance

This Opinion is addressed to the Board of Directors of the Company only. This Opinion may not be used by, or relied upon, in any other connection and is not intended to confer any benefit on any other person (including without limitation any of the Company's holders of Share Stapled Units or employees or any of its directors as individuals).

Disclosure of Interests

SCB and its affiliates (the "**SCB Group**") is an international financial institution which provides a broad range of services including, without limitation, financial, funding or advisory services and trading in debt and equity securities, both for the SCB Group's own account and for the account of clients of the SCB Group. In the ordinary course of the SCB Group's businesses, members of the SCB Group may actively trade the debt and equity securities of the Company or other persons involved in the Proposed Acquisition for SCB's own account or for the accounts of customers and, accordingly, may at any time hold long or short positions in such securities. SCB confirms that the SCB Group has established practices and procedures which are directed at managing potential and actual conflicts of interest.

The SCB Group has provided, and intends to further provide, services to the Company and its affiliates, as well as any other entity involved in or affected by the Proposed Acquisition, for which the SCB Group intends to receive customary compensation or other financial benefits. In respect of the Proposed Acquisition:

(a) SCB will be paid a fixed fee for the issuance of this Opinion and other services (the "**Fee**"). No portion of the Fee is conditional upon the success or failure of the Proposed Acquisition. SCB will also be reimbursed for its out-of-pocket expenses and is to be indemnified by the Company in accordance with the engagement letter which SCB has signed with the Company in relation to the Engagement; and

(b) as set forth in the "Financing" section of the Circular, SCB acts as a lender to HKT on the funding of the base purchase price and any additional amounts which may result from the adjustments to the base purchase price.

Opinion

Based on the Information, the Proposed Acquisition terms set out in the Circular and the various considerations set out above, SCB is of the view that, as at the date of this Opinion, the Purchase Consideration payable by the Company pursuant to the Proposed Acquisition is fair from a financial point of view to the Company.

Yours faithfully
For and on behalf of
Standard Chartered Bank (Hong Kong) Limited

1. SUMMARY OF FINANCIAL INFORMATION

The following is a summary of the selected consolidated financial information of the Group for the six months ended 30 June 2012 and 2013 and the three years ended 31 December 2010, 2011 and 2012, as extracted from the interim report of the Group for the six months ended 30 June 2013 and the annual reports of the Group for the two years ended 31 December 2011 and 2012.

RESULTS

In HK$ million	**For the year ended 31 December**			**For the six months ended 30 June**	
	2010	**2011**	**2012**	**2012**	**2013**
				(unaudited)	*(unaudited)*
Revenue	18,527	19,825	21,081	9,715	11,071
Profit before income tax	1,350	1,615	2,115	994	1,047
Profit for the year/period attributable to holders of Share Stapled Units/ shares of HKT	925	1,221	1,610	778	1,189
EBITDA	7,249	7,411	7,669	3,736	3,839
Adjusted Funds Flow	2,019	2,387	2,672	1,430	1,484

ASSETS AND LIABILITIES

In HK$ million	**As at 31 December**			**As at 30 June**
	2010	**2011**	**2012**	**2013**
				(unaudited)
Total assets	67,667	65,038	66,373	67,643
Total liabilities	(48,154)	(34,105)	(35,256)	(36,828)
Net assets	19,513	30,933	31,117	30,815

2. CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP FOR THE THREE FINANCIAL YEARS ENDED 31 DECEMBER 2012 AND THE SIX MONTHS ENDED 30 JUNE 2013

Financial information of the Group for the three years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013 are disclosed on pages 56 to 135 of the annual report of the HKT Trust and HKT for the year ended 31 December 2011, pages 63 to 148 of the annual report of the HKT Trust and HKT for the year ended 31 December 2012, and pages 17 to 37 of the interim report of the HKT Trust and HKT for the six months ended 30 June 2013, all of which are published on both the websites of the Stock Exchange (http://www.hkexnews.hk) and the HKT Trust and HKT (http://www.hkt.com/ir) and which can be accessed by the direct hyperlinks below:

(i) the annual report of the HKT Trust and HKT for the year ended 31 December 2011:

http://www.hkt.com/staticfiles/HKTCorpsite/About%20HKT/Investor%20Relations/Financial%20Results/2011/e-2012.03.26%20(2011%20Annual%20Report).pdf

(ii) the annual report of the HKT Trust and HKT for the year ended 31 December 2012:

http://www.hkt.com/staticfiles/HKTCorpsite/About%20HKT/Investor%20Relations/Announcements%20&%20Notices/2013/Mar/e01-2013.02.26(Annual%20Report%202012).pdf

(iii) the interim report of the HKT Trust and HKT for the six months ended 30 June 2013:

http://www.hkt.com/staticfiles/HKTCorpsite/About%20HKT/Investor%20Relations/Announcements%20&%20Notices/2013/Sep/e1-2013%2009%2005%20(2013%20Interim%20Report).pdf

3. INDEBTEDNESS

As at the close of business on 31 October 2013, being the most recent practicable date for the purpose of this indebtedness statement, the Enlarged Group had outstanding borrowings of approximately HK$23,906 million which comprised unsecured bank loans and other borrowings.

As at the close of business on 31 October 2013, the Enlarged Group had contingent liabilities of approximately HK$268 million in respect of performance guarantees for its subsidiaries in the normal course of business and other guarantees of approximately HK$100 million.

Save as disclosed above or as otherwise disclosed in this circular, and apart from intra-group liabilities, the Enlarged Group did not, at the close of business on 31 October 2013, have any mortgages, charges, debentures, bank overdrafts or loan capital, issued or outstanding, or authorised or otherwise created but unissued, or other similar indebtedness, finance lease commitments, hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits or guarantees or other contingent liabilities.

4. WORKING CAPITAL

The Directors are of the opinion that after taking into account Completion of the Proposed Acquisition, and based on the expected cash flows, banking facilities available, internal resources of the Enlarged Group including the short-term commercial banking facility of up to US$2,500 million (approximately HK$19,450 million) to be provided to the Group for the purposes of financing the Proposed Acquisition, the Enlarged Group has sufficient working capital for its present requirements in the absence of unforeseen circumstances for at least the next twelve months from the date of this circular.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP AND THE ENLARGED GROUP

RESULTS

	The Group		**CSLNW Group**
In HK$ million	**For the year ended 31 December 2012**	**For the six months ended 30 June 2013**	**For the year ended 30 June 2013**
Revenue	21,081	11,071	7,701
EBITDA	7,669	3,839	3,315
Adjusted Funds Flow/ Normalised Adjusted Funds Flow	2,672	1,484	760

The Group recorded total revenue of HK$21,081 million and HK$11,071 million for the year ended 31 December 2012 and the six months ended 30 June 2013, respectively, which included mobile revenue of HK$2,466 million and HK$1,360 million for the year ended 31 December 2012 and the six months ended 30 June 2013, respectively. The Group's EBITDA achieved during the year ended 31 December 2012 and six months ended 30 June 2013 were HK$7,669 million and HK$3,839 million, of which the mobile business achieved HK$736 million and HK$441 million, respectively. The Group's Adjusted Funds Flow for the periods were HK$2,672 million and HK$1,484 million, respectively. The total subscriber base has reached 1,652,000 by end of June 2013, while ARPU has increased by 13% to HK$209 from HK$185 a year ago.

For the year ended 30 June 2013, the revenue and EBITDA of the CSLNW Group amounted to HK$7,701 million and HK$3,315 million, respectively, while the normalised Adjusted Funds Flow reached HK$760 million for the year.

The aggregated revenue and EBITDA of the Group for the year ended 31 December 2012 and CSLNW Group for the year ended 30 June 2013 were HK$28,782 million and HK$10,984 million respectively. The aggregate of the Adjusted Funds Flow of the Group for the year ended 31 December 2012 and the normalised Adjusted Funds Flow of the CSLNW Group for the year ended 30 June 2013 is HK$3,432 million, before considering certain factors including any synergistic benefits to be realised upon operational restructuring following Completion and financing expenses to be incurred in connection with the funding of the Proposed Acquisition.

Upon Completion, the mobile subscriber base of the CSLNW Group of currently around 2.8 million will be added to HKT's existing portfolio, enabling the Group to more efficiently compete in the mobile market in Hong Kong. Riding on this solid foundation, the Enlarged Group will continue to strive for exploiting further market potential through provision of an unparalleled mobile experience on its strengthened and extensive network. On the other hand, the Enlarged Group will also critically assess the operation and cost structure so as to achieve and maximise the synergistic benefits that it can enjoy and realise.

In respect of synergistic benefits in the longer term, the Enlarged Group has a target of reducing the operating expenses of the combined mobile businesses by approximately 10% to 15% on an annual basis after full integration of the respective mobile telecommunications businesses of the Group and the CSLNW Group.

Financing expenses in relation to the financing of the Proposed Acquisition will be with reference to interest rates broadly in line with the interest rate payable on the existing bank loan facilities of Hong Kong Telecommunications (HKT) Limited.

6. MANAGEMENT DISCUSSION AND ANALYSIS OF THE CSLNW GROUP

The following management discussion and analysis is based on the financial information included in the accountant's report on the CSLNW Group as set out in Appendix II to this circular for the three years ended 30 June 2011, 2012 and 2013.

A. Review of financial results

Revenues

For each of the three years ended 30 June 2011, 2012 and 2013, turnover of the CSLNW Group was HK$5,883 million, HK$6,527 million and HK$7,701 million, respectively. The turnover of the CSLNW Group represents revenue from the provision of mobile telecommunications services and sale of mobile telecommunications products to customers in Hong Kong under the CSLNW Group's three mobile brands: "1O1O", "one2free" and "New World Mobility".

Service revenue for the years ended 30 June 2011, 2012 and 2013 was HK$4,654 million, HK$5,410 million and HK$6,362 million, respectively. Annual increase in service revenues (16% from the year ended 30 June 2011 to the year ended 30 June 2012 and 18% from the year ended 30 June 2012 to the year ended 30 June 2013) was driven by continuous expansion in customer base and popularity of the wide selection of handset subscription offerings and competitive tariff packages. Total subscriber base increased from 2,220,000 at the end of June 2011 to 2,457,000 in June 2012, and further increased to 2,792,000 in June 2013. The number of post-paid subscribers also increased steadily year-on-year from 1,517,000 at the end of June 2011 to 1,809,000 in June 2012 and to 2,100,000 in June 2013.

Handsets and accessories sales decreased by 9% from HK$1,229 million for the year ended 30 June 2011 to HK$1,117 million for the year ended 30 June 2012, and increased by 20% to HK$1,339 million for the year ended 30 June 2013. The increase in sales from the year ended 30 June 2012 to the year ended 30 June 2013 was the result of growing popularity and demand for smart devices.

Cost of sales

Cost of services for the years ended 30 June 2011, 2012 and 2013, was HK$848 million, HK$743 million and HK$724 million, respectively. This reflected a drop in cost of services by 12% from the year ended 30 June 2011 to the year ended 30 June 2012 and 3% from the year ended 30 June 2012 to the year ended 30 June 2013, which resulted from lowered roaming related costs.

Cost of inventories sold for the years ended 30 June 2011, 2012 and 2013, was HK$1,320 million, HK$1,169 million and HK$1,381 million, respectively. The decrease in cost of sales from the year ended 30 June 2011 to the year ended 30 June 2012 and subsequent increase from the year ended 30 June 2012 to the year ended 30 June 2013 was in line with the fluctuation in handsets and accessories sales.

General and administrative expenses

General and administrative expenses increased from HK$2,796 million for year ended 30 June 2011 to HK$3,472 million for year ended 30 June 2012 and to HK$4,319 million for year ended 30 June 2013. The increase in general and administrative expenses is in line with business growth. The increase from year ended 30 June 2011 to the year ended 30 June 2012 was mainly attributable to a 17% increase in staff costs from HK$579 million to HK$678 million as a result of an increase in headcount and higher publicity and promotion costs to launch the CSLNW Group's new brand identity and to upgrade 1O1O flagship stores during the year ended 30 June 2012. The increase from the year ended 30 June 2012 to the year ended 30 June 2013 was mainly attributable to a 12% increase in staff costs from HK$678 million to HK$761 million as a result of an increased headcount and an increase in network costs as the CSLNW Group continued to expand its network capacity and improve coverage.

Amortisation expenses also increased year-on-year by 94% from the year ended 30 June 2011 to the year ended 30 June 2012 and by 55% from the year ended 30 June 2012 to the year ended 30 June 2013, mainly as a result of increased customer acquisition costs which is in line with the growth in subscriber base.

EBITDA

The CSLNW Group's EBITDA for the years ended 30 June 2011, 2012 and 2013, was HK$1,855 million, HK$2,570 million and HK$3,315 million respectively. Overall increase in EBITDA was mainly attributable to the year-on-year revenue increase whilst EBITDA margin grew during the period under review.

Income tax expense

Income tax expense for the years ended 30 June 2011, 2012 and 2013, was HK$161 million, HK$184 million and HK$200 million, representing effective tax rates of 19%, 18% and 17% respectively. The increase in income tax was largely in line with the growth in profit before tax during the three years. The effective tax rates were slightly higher than the statutory tax rate of 16.5%, mainly due to certain non-deductible expenses of the CSLNW Group.

Profit attributable to equity holders of CSLNW

Profit attributable to equity holders of CSLNW for the years ended 30 June 2011, 2012 and 2013, was HK$686 million, HK$841 million and HK$953 million, respectively.

Normalised Adjusted Funds Flow

The normalised Adjusted Funds Flow represents the Adjusted Funds Flow of the CSLNW Group adjusted to exclude one-off payments such as the 4G spectrum rights acquisition costs and capital expenditures in relation to projects prefunded by the Vendors. Normalised Adjusted Funds Flow for the years ended 30 June 2012 and 2013 was HK$831 million and HK$760 million, respectively. The improvement in EBITDA was set off by increases in payments for capital expenditure and customer acquisition costs commensurate with business growth, resulted in lower normalised Adjusted Funds Flow for the year ended 30 June 2013.

Financial position

The CSLNW Group's current liabilities exceeded its current assets by HK$9 million as at 30 June 2011 and HK$283 million as at 30 June 2013. Growth in handset subscription plans resulted in the corresponding increases in non-refundable customer prepayments included in current liabilities and non-current liabilities, which will reduce gradually over the contract term of the subscription. The CSLNW Group had net current assets of HK$108 million as at 30 June 2012.

Excluding the non-refundable customer prepayments of HK$239 million as at 30 June 2011, HK$406 million as at 30 June 2012 and HK$572 million as at 30 June 2013, included in current liabilities, the CSLNW Group would have net current assets of HK$230 million, HK$514 million and HK$289 million as at 30 June 2011, 2012 and 2013, respectively.

Net assets of the CSLNW Group were HK$5,565 million, HK$6,004 million and HK$6,571 million as at 30 June 2011, 2012 and 2013, respectively. The increase in net assets from 30 June 2011 to 30 June 2013 was mainly attributable to increase in retained earnings of the CSLNW Group.

B. Key operating drivers

	Year ended 30 June		
	2011	**2012**	**2013**
Mobile subscribers ('000)	2,220	2,457	2,792
- Post-paid subscribers ('000)	1,517	1,809	2,100
- Pre-paid subscribers ('000)	703	648	692
Post-paid ARPU (HK$)	226	230	235

In 2013, the mobile business of the CSLNW Group witnessed healthy subscriber growth which lifted the total subscriber base of the CSLNW Group over the past two years from 2,220,000 to 2,792,000 at 30 June 2013. The post-paid ARPU grew steadily due to popularity of smart devices offerings, coupled with continuing growth in data usage.

C. Capital structure, liquidity and financial resources

Capital structure

The CSLNW Group actively and regularly reviews and manages its capital structure to maintain a balance between shareholders' return and a sound capital position. The CSLNW Group monitors capital by reviewing the level of capital that is at the disposal of the CSLNW Group, taking into consideration its future capital requirements, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. Since the CSLNW Group did not have significant foreign exchange exposures or borrowings, the CSLNW Group did not use any financial instruments for hedging purposes or have any material foreign currency net investments during the years ended 30 June 2011, 2012 and 2013.

Cash resources

The CSLNW Group's cash resources remained robust with cash and bank balances (including short-term bank deposits) of HK$1,003 million as at 30 June 2011, HK$1,575 million as at 30 June 2012 and HK$1,296 million as at 30 June 2013. As at 30 June 2013, the CSLNW Group's bank balance of approximately HK$80 million was a guarantee deposit placed in a bank in relation to a letter of credit facility issued by the bank to a vendor for the CSLNW Group's purchases of property, plant and equipment and services.

The CSLNW Group had net cash generated from operating activities in the amount of HK$1,959 million, HK$2,788 million and HK$3,355 million respectively during the years ended 30 June 2011, 2012 and 2013. The CSLNW Group's major outflows of funds during the three years were payments for customer acquisition costs, purchase of property, plant and equipment, dividends, and carrier license fees. For the year ended 30 June 2013, a one-off 4G spectrum fee was paid by the CSLNW Group which amounted to HK$310 million. The CSLNW Group paid dividends of HK$370 million, HK$308 million and HK$488 million, for the years ended 30 June 2011, 2012 and 2013 respectively.

Bank borrowings and facilities

The CSLNW Group did not have any external debt as at 30 June 2011, 2012 and 2013, respectively.

D. Foreign exchange risk management

The CSLNW Group has transaction currency exposures. Such exposures primarily arise from transactions for receipts and payments for international telecommunications traffic and other purchases in currencies other than the CSLNW Group's functional currency.

The CSLNW Group manages this risk by seeking contracts to be denominated in Hong Kong dollars where possible and economically favourable, and will continue to monitor such exposures and market conditions to determine if any hedging arrangements are required in the future.

The CSLNW Group did not engage in any hedging activities designed or intended to manage such exchange risk during the years ended 30 June 2011, 2012 and 2013, respectively.

E. Capital commitments and future plans

As at 30 June 2011, 2012 and 2013, the CSLNW Group had capital commitments amounting to HK$384 million, HK$817 million and HK$646 million, respectively. The commitments in each of the years are in respect of property, plant and equipment. Save for combining and integrating the business of the CSLNW Group with HKT's existing mobile telecommunications business following Completion, there are currently no significant future plans for the material investments or capital assets of the CSLNW Group.

F. Contingent assets and liabilities

As at 30 June 2011, 2012 and 2013, the CSLNW Group had contingent liabilities amounting to HK$160 million, HK$10 million and HK$59 million respectively. The CSLNW Group's contingent liabilities in each of the years mainly represented bank performance bonds and bank guarantees in respect of the CSLNW Group's spectrum rights.

G. Employees and remuneration policies

The CSLNW Group employed a total of 1,242 employees, 1,503 employees and 1,678 employees as at 30 June 2011, 2012 and 2013, respectively. Staff costs for the years ended 30 June 2011, 2012 and 2013 were HK$579 million, HK$678 million and HK$761 million, respectively. The CSLNW Group's remuneration policy is in line with prevailing market practice on performance of individual staff and the CSLNW Group operates a bonus plan to reward the staff on a performance related basis.

H. Gearing and charge on assets

As the CSLNW Group did not have any external debt as at 30 June 2011, 2012 and 2013, respectively, no gearing ratios were applicable as at each of those dates.

There were no charges on the CSLNW Group's assets as at 30 June 2011, 2012 and 2013, respectively.

I. Significant investments, material acquisitions and disposals of subsidiaries or associated companies

Save for the holding of investments in connection with the CSLNW Group's mobile telecommunications business marketed under the "1O1O", "one2free" and "New World Mobility" brands, the CSLNW Group had no significant investment or material acquisition or disposal of subsidiaries and associates for the years ended 30 June 2011, 2012 and 2013, respectively.

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, there had been no material adverse change in the financial or trading position or outlook of the Group since 31 December 2012 (being the date to which the latest published audited consolidated financial statements of the Group were made up).

The following is the text of a report received from the reporting accountant of HKT Trust and HKT, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

pwc 羅兵咸永道

31 December 2013

The Directors
HKT Management Limited
(in its capacity as trustee-manager of HKT Trust)
39/F, PCCW Tower
TaiKoo Place
979 King's Road
Quarry Bay
Hong Kong

The Directors
HKT Limited
39/F, PCCW Tower
TaiKoo Place
979 King's Road
Quarry Bay
Hong Kong

Dear Sirs,

We report on the financial information of CSL New World Mobility Limited ("CSLNW") and its subsidiaries (together, the "CSLNW Group"), which comprises the consolidated balance sheets of CSLNW as at 30 June 2011, 2012 and 2013, the balance sheets of CSLNW as at 30 June 2011, 2012 and 2013, and the consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of CSLNW for each of the years ended 30 June 2011, 2012 and 2013 (the "Relevant Periods") and a summary of significant accounting policies and other explanatory information. This financial information has been prepared by the directors of HKT Limited (the "HKT") and the directors of HKT

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Management Limited (in its capacity as trustee-manager of the HKT Trust) ("Trustee-Manager") and is set out in Sections I to III below for inclusion in Appendix II to the circular of the HKT Trust and HKT dated 31 December 2013 (the "Circular") in connection with the proposed acquisition of CSLNW by the HKT.

CSLNW was incorporated in Bermuda on 22 September 2000 with limited liability.

As at the date of this report, CSLNW has direct and indirect interests in subsidiaries and a joint venture as set out in Notes 18 and 19 of Section II below.

The financial information of CSLNW for each of the years ended 30 June 2011, 2012 and 2013 was audited by PricewaterhouseCoopers pursuant to separate terms of engagement with the HKT Trust and HKT.

The directors of CSLNW during the Relevant Periods are responsible for the preparation of the consolidated financial statements of CSLNW that give a true and fair view in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") (the "Underlying Financial Statements"), and for such internal control as the directors determine is necessary to enable the preparation of the Underlying Financial Statements that is free from material misstatement, whether due to fraud or error. We have audited the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing (the "HKSAs") issued by the HKICPA pursuant to separate terms of engagement.

The financial information has been prepared based on the Underlying Financial Statements of CSLNW with no adjustment made thereon.

Directors' Responsibility for the Financial Information

The directors of HKT and the directors of the Trustee-Manager are responsible for the preparation of the financial information that gives a true and fair view in accordance with HKFRS and accounting policies adopted by the HKT Trust, HKT and its subsidiaries (together, the "Group").

Reporting Accountant's Responsibility

Our responsibility is to express an opinion on the financial information and to report our opinion to you. We carried out our procedures in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

Opinion

In our opinion, the financial information gives, for the purpose of this report, a true and fair view of the state of affairs of CSLNW and of the CSLNW Group as at 30 June 2011, 2012 and 2013 and of the CSLNW Group's results and cash flows for the Relevant Periods then ended.

CSL NEW WORLD MOBILITY LIMITED

I FINANCIAL INFORMATION

The following is the financial information of the CSLNW Group prepared by the directors of the Trustee-Manager and the Company as at 30 June 2011, 2012 and 2013 and for each of the years ended 30 June 2011, 2012 and 2013 (the "Financial Information"):

CONSOLIDATED INCOME STATEMENTS

		Year ended 30 June		
	Note	**2011**	**2012**	**2013**
		HK$ million	*HK$ million*	*HK$ million*
Turnover	5	5,883	6,527	7,701
Cost of sales		(2,168)	(1,912)	(2,105)
General and administrative expenses		(2,796)	(3,472)	(4,319)
Other gains	7	35	—	—
Interest Income		3	8	7
Finance costs	9	(112)	(123)	(114)
Share of results of a joint venture	18	—	1	—
Profit before income tax	8	845	1,029	1,170
Income tax	11	(161)	(184)	(200)
Profit for the year		684	845	970
Attributable to:				
Equity holders of CSLNW		686	841	953
Non-controlling interests		(2)	4	17
		684	845	970
Earnings per share				
Basic and diluted	13	HK$1.05	HK$1.28	HK$1.45

Details of dividends payable to equity holders of CSLNW attributable to the profits for the years presented are set out in Note 12.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended 30 June		
	2011	**2012**	**2013**
	HK$ million	*HK$ million*	*HK$ million*
Profit for the year	684	845	970
Other comprehensive income/(loss)			
Item that will not be reclassified subsequently to profit or loss:			
Remeasurements of a defined benefit scheme, net of tax	58	(98)	85
Total comprehensive income for the year	742	747	1,055
Attributable to:			
Equity holders of CSLNW	744	743	1,038
Non-controlling interests	(2)	4	17
	742	747	1,055

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of CSLNW	**Non-controlling interests**	**Total equity**
	HK$ million	*HK$ million*	*HK$ million*
At 1 July 2010	5,183	10	5,193
Comprehensive income/(loss)			
Profit for the year	686	(2)	684
Other comprehensive income	58	—	58
Total comprehensive income/(loss) for the year	744	(2)	742
Transactions with equity holders			
Dividends declared and paid in respect of 2010	(370)	—	(370)
At 30 June 2011	5,557	8	5,565
Comprehensive income			
Profit for the year	841	4	845
Other comprehensive loss	(98)	—	(98)
Total comprehensive income for the year	743	4	747
Transactions with equity holders			
Dividends declared and paid in respect of 2011	(308)	—	(308)
At 30 June 2012	5,992	12	6,004
Comprehensive income			
Profit for the year	953	17	970
Other comprehensive income	85	—	85
Total comprehensive income for the year	1,038	17	1,055
Transactions with equity holders			
Dividends declared and paid in respect of 2012	(488)	—	(488)
At 30 June 2013	6,542	29	6,571

CONSOLIDATED BALANCE SHEETS

		As at 30 June		
	Note	**2011**	**2012**	**2013**
		HK$ million	*HK$ million*	*HK$ million*
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	15	2,085	2,222	2,603
Goodwill	16	2,694	2,694	2,694
Intangible assets	17	1,795	2,086	2,583
Interest in a joint venture	18	12	13	13
Prepayments, deposits and other non-current assets	27	69	74	75
Deferred income tax assets	24	31	33	30
Defined benefit assets	21(b)	93	—	22
		6,779	7,122	8,020
Current assets				
Prepayments, deposits and other current assets	27	656	862	1,024
Inventories	20(a)	176	110	72
Trade receivables, net	20(b)	331	333	424
Restricted cash	20(c)	50	—	80
Cash and cash equivalents	25(b)	1,003	1,575	1,296
		2,216	2,880	2,896
Current liabilities				
Trade payables	20(d)	497	731	894
Accruals and other payables		1,262	1,221	1,291
Amounts due to related companies	4(b)	11	7	5
Amount due to a non-controlling shareholder of a subsidiary	4(b)	5	4	5
Advances from customers		403	605	678
Current income tax liabilities		47	204	306
		2,225	2,772	3,179
Net current (liabilities)/assets		(9)	108	(283)
Total assets less current liabilities		6,770	7,230	7,737

	Note	As at 30 June 2011 HK$ million	2012 HK$ million	2013 HK$ million
Non-current liabilities				
Accruals and other payables		972	893	794
Deferred income		62	101	122
Deferred income tax liabilities	24	171	181	250
Defined benefit liabilities	21(b)	—	51	—
		1,205	1,226	1,166
Net assets		5,565	6,004	6,571
CAPITAL AND RESERVES				
Share capital	22	1,618	1,618	1,618
Reserves	23	3,939	4,374	4,924
Equity attributable to equity holders of CSLNW		5,557	5,992	6,542
Non-controlling interests		8	12	29
Total equity		5,565	6,004	6,571

BALANCE SHEETS OF CSLNW

		As at 30 June		
	Note	**2011**	**2012**	**2013**
		HK$ million	*HK$ million*	*HK$ million*
ASSETS AND LIABILITIES				
Non-current assets				
Investments in subsidiaries	19	4,615	4,615	4,615
Current asset				
Amount due from a subsidiary	4(b)	321	13	—
Current liability				
Amount due to a subsidiary	4(b)	—	—	1
Net current asset/(liability)		321	13	(1)
Net assets		4,936	4,628	4,614
CAPITAL AND RESERVES				
Share capital	22	1,618	1,618	1,618
Reserves	23	3,318	3,010	2,996
Total equity		4,936	4,628	4,614

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended 30 June		
	Note	**2011**	**2012**	**2013**
		HK$ million	*HK$ million*	*HK$ million*
Net cash generated from operating activities	25(a)	1,959	2,788	3,355
Investing activities				
Proceeds from disposals of property, plant and equipment		39	—	—
Purchases of property, plant and equipment		(568)	(523)	(951)
Acquisition of carrier licences		—	—	(310)
Purchase of intangible assets		(1,041)	(1,385)	(1,885)
Net cash used in investing activities		(1,570)	(1,908)	(3,146)
Financing activities				
Dividends paid	12	(370)	(308)	(488)
Net increase/(decrease) in cash and cash equivalents		19	572	(279)
Cash and cash equivalents				
Beginning of year		984	1,003	1,575
End of year	25(b)	1,003	1,575	1,296

II NOTES TO THE FINANCIAL INFORMATION

1 General information and basis of presentation

CSL New World Mobility Limited ("CSLNW") is a limited liability company incorporated in Bermuda. The registered office of CSLNW is located at Units 501-8, Cyberport 3, 100 Cyberport Road, Hong Kong. CSLNW and its subsidiaries are collectively referred to as "CSLNW Group".

The CSLNW Group is principally engaged in the provision of mobile telecommunications services and the sale of products to customers in Hong Kong through its mobile systems and networks.

As at 30 June 2011, 2012 and 2013, and for each of the years ended 30 June 2011, 2012 and 2013 (the "Relevant Periods"), the CSLNW Group was controlled by Telstra Holdings (Bermuda) No. 2 Limited ("Telstra Bermuda"), the immediate holding company incorporated in Bermuda which directly holds approximately 76.4% of CSLNW's shares. In the opinion of the directors, for the relevant periods CSLNW's ultimate holding company was Telstra Corporation Limited ("Telstra"), a company incorporated in Australia and listed in Australia and New Zealand.

2 Basis of preparation and significant accounting policies

(a) ***Basis of preparation***

The financial information of the CSLNW Group comprises the balance sheets of CSLNW and the consolidated balance sheets of the CSLNW Group as at 30 June 2011, 2012 and 2013, and the consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for the Relevant Periods, and a summary of significant accounting policies and other explanatory information (the "financial information").

The principal accounting policies applied in the preparation of this financial information are set out below. These accounting policies have been consistently applied to all the years presented, unless otherwise stated. This financial information is presented in millions of units of Hong Kong dollars (HK$ million), unless otherwise stated.

The financial information of CSLNW and the CSLNW Group has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") and accounting policies adopted by the Group as set out in the interim report of the Group for the six months ended 30 June 2013. The financial information has been prepared under the historical cost convention, except for the measurement of pension scheme assets/liabilities at fair value (as explained in note 2(r)) set out below.

The preparation of financial information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies set out below. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial information are disclosed in Note 3 below.

Details of amendments to, and new or revised, accounting standards and interpretations which have been issued but are not yet effective and have not been early adopted in the preparation of this financial information are set out in Note 31.

(b) ***Subsidiaries and non-controlling interests***

Subsidiaries are all entities (including structured entities) over which the CSLNW Group has control. The CSLNW Group controls an entity when the CSLNW Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the CSLNW Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the CSLNW Group. The cost of an acquisition is measured as the aggregate fair value of the assets transferred, equity instruments issued and liabilities incurred or assumed at the date of exchange. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the CSLNW Group recognises any non-controlling interest in the acquiree, on a case by case basis, either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill (see note 2(h)). If this is less than the aggregate fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement. Where businesses are acquired and fair values of the net assets of the acquired business are not finalised at completion but within 12 months of the acquisition date, all fair value adjustments are recorded with effect from the date of acquisition which may result in the restatement of previously reported financial results.

For subsidiaries which have accounting year ends different from the CSLNW Group, the subsidiaries prepare, for the purpose of consolidation, financial statements up to and as at the same date as the CSLNW Group.

Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the CSLNW Group consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment of the asset transferred.

(c) ***Changes in ownership interests in subsidiaries without change of control***

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions — that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(d) ***Disposal of subsidiaries***

When the CSLNW group ceases to have control any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(e) ***Joint arrangements***

Under HKFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. CSLNW has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method. Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the CSLNW Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the CSLNW Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the CSLNW Group's net investment in the joint ventures), the CSLNW Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the CSLNW Group and its joint ventures are eliminated to the extent of the CSLNW Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the CSLNW Group.

(f) ***Property, plant and equipment***

The following items of property, plant and equipment are stated in the consolidated balance sheets at cost less accumulated depreciation and impairment losses (see note 2(j)(ii)):

- Buildings held for own use which are situated on leasehold land, where the fair value of the building could be measured separately from the fair value of the leasehold land at the inception of the lease (see note 2(g));

- Land and buildings held for own use which are situated on leasehold land, where the fair values of the leasehold interests in land and building elements could not be separated reliably at the inception of the respective leases; and

- Other items of plant and equipment.

The cost of an item of property, plant and equipment comprises (i) its purchase price, (ii) any directly attributable costs of bringing the asset to its working condition and location for its intended use, and (iii) the initial estimate at the time of installation and during the period of use, where relevant, of the discounted costs of dismantling and removing the items and restoring the site on which they are located.

Subsequent costs are included in the carrying amount of an item of property, plant and equipment or recognised as a separate item of property, plant and equipment, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the CSLNW Group and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance and overhaul costs, are recognised in the consolidated income statements as an expense in the period in which they are incurred.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in the consolidated income statements on the date of retirement or disposal.

Projects under construction are not depreciated. Depreciation on other property, plant and equipment is calculated to write off the cost of items of property, plant and equipment, less their expected residual value, if any, using the straight line method over their estimated useful lives as follows:

Land and buildings	Over the shorter of the unexpired term of land lease and the estimated useful lives
Exchange equipment and other plant and equipment	2 to 10 years

The assets' useful lives and residual values, if any, are reviewed, and adjusted if appropriate, at each balance sheet date.

(g) ***Leased assets***

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the CSLNW Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the CSLNW Group

Leases which do not transfer substantially all the risks and rewards of ownership to the CSLNW Group are classified as operating leases.

(ii) Operating lease charges

Where the CSLNW Group has the use of assets held under operating leases, payments made under the leases are charged to the consolidated income statements in equal instalments over the accounting periods covered by the lease term. Lease incentives received are recognised in the consolidated income statements as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the consolidated income statements in the accounting period in which they are incurred.

(h) ***Goodwill***

Goodwill represents the excess of the cost of a business combination or interest in a joint venture over the CSLNW Group's interest in the aggregate net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities at the date of acquisition.

Goodwill is stated in the consolidated balance sheets at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units ("CGUs") and is tested annually for impairment (see Note 16). In respect of joint ventures, the carrying amount of goodwill is included in the carrying amount of the interest in joint ventures.

On disposal of a CGU or part of a CGU and a joint venture during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(i) ***Intangible assets (other than goodwill)***

(i) Customer acquisition costs

Costs (such as handset subsidies, acquisition and retention program costs and commission bonus) incurred to acquire contractual relationships with customers are capitalised if it is probable that future economic benefits will flow from the customers to the CSLNW Group and such costs can be measured reliably. Capitalised customer acquisition costs are amortised on a straight-line basis over the minimum enforceable contractual periods. By the end of the minimum enforceable contractual period, fully amortised customer acquisition costs will be written off.

In the event that a customer terminates the contract prior to the end of the minimum enforceable contractual period, the unamortised customer acquisition cost will be written off immediately in the consolidated income statements.

(ii) Carrier licenses

The carrier licenses to establish and maintain the telecommunications network and to provide telecommunications services are recorded as intangible assets. Upon the issuance of the license, the cost thereof, which is the discounted value of the minimum annual fees payable over the period of the license and directly attributable costs of preparing the asset for its intended use, is recorded together with the related obligations. Where the CSLNW Group has the right to return a license and expects to do so, the asset and the related obligation recorded reflect the expected period that the license will be held. Amortisation is provided on a straight-line basis over the estimated useful life of the license, commencing from the date of launch of the relevant telecommunications services.

The difference between the discounted value and the total of the minimum annual fee payments represents the effective cost of financing. Such finance cost will be charged to the consolidated income statements in the period in which it is incurred using the effective interest method.

Variable annual payments on top of the minimum annual payments, if any, are recognised in the consolidated income statements as incurred.

(iii) Other intangible assets

Other intangible assets that are acquired by the CSLNW Group are stated in the consolidated balance sheets at cost less accumulated amortisation (where the estimated useful life is not indefinite) and impairment losses (see note 2(j)(ii)). Expenditures on internally generated goodwill and brands are recognised as expenses in the period in which they are incurred.

Amortisation of intangible assets with finite useful lives is charged to the consolidated income statements on a straight-line basis over their estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

Trademarks	15 years
Customer base	3 to 5 years

The assets' useful lives and their amortisation methods are reviewed annually.

(j) ***Impairment of assets***

(i) Impairment of investments in trade and other receivables

Trade and other current and non-current receivables that are stated at cost or amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the CSLNW Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets.

If any such evidence exists, any impairment loss is determined and recognised as follows:

- For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through the consolidated income statements. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade receivables, whose recovery are considered doubtful but not remote. In this case, the impairment loss for doubtful debts is recorded using an allowance account. When the CSLNW Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in the consolidated income statements.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- intangible assets;
- interest in a joint venture;
- goodwill; and

- investments 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.

- Calculation of recoverable amount

  The recoverable amount of an asset is the greater of its fair value less cost to sell and value in use. Fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a CGU).

- Recognition of impairment losses

  An impairment loss is recognised in the consolidated income statements whenever the carrying amount of an asset, or the CGU to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then, to reduce the carrying amount of the other assets in the CGU on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

- Reversals of impairment losses

  In respect of assets other than goodwill, an impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not allowed to be reversed.

  A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the consolidated income statements in the period in which the reversals are recognised.

(k) ***Inventories***

Inventories consist of trading inventories.

Trading inventories are carried at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

(l) ***Trade and other receivables***

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business.

If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 2(j)(i)).

(m) ***Cash and cash equivalents***

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions (other than restricted cash), and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition, less bank overdrafts that are repayable on demand and form an integral part of the CSLNW Group's cash management.

(n) ***Trade and other payables***

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost using the effective interest method.

(o) ***Provisions and contingent liabilities***

Provisions are recognised when (i) the CSLNW Group has a present legal or constructive obligation arising as a result of a past event; (ii) it is probable that an outflow of economic benefits will be required to settle the obligation; and (iii) a reliable estimate can be made of the amount of the obligation. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation. The increase in provision due to the passage of time is recognised as interest expense.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(p) ***Revenue recognition***

Provided it is probable that the economic benefits will flow to the CSLNW Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the consolidated income statements as follows:

(i) Telecommunications and other services

Telecommunications services comprise the mobile telecommunications network services, and equipment businesses mainly in Hong Kong.

Telecommunications service revenue based on usage of the CSLNW Group's network and facilities is recognised when the services are rendered. Telecommunications revenue for services provided for fixed periods is recognised on a straight-line basis over the applicable fixed period.

Other service income is recognised when services are rendered to customers.

(ii) Sales of goods

Revenue from the sales of goods is recognised when goods are delivered to customers which generally coincides with the time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue is recorded after deduction of any trade discounts.

(iii) Interest income

Interest income is recognised on a time-apportioned basis using the effective interest method.

(iv) Dividend income

Dividend income is recognised when the shareholder's right to receive payment is established.

(q) ***Income tax***

(i) Income tax for the year comprises current income tax and movements in deferred income tax assets and liabilities. Current income tax and movements in deferred income tax assets and liabilities are recognised in the consolidated income statements except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts are recognised in other comprehensive income or directly in equity, respectively.

(ii) Current income tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to income tax payable in respect of previous year.

(iii) Deferred income tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax bases. Deferred income tax assets also arise from unused tax losses and unused tax credits.

All deferred income tax liabilities, and all deferred income tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred income tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred income tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred income tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The amount of deferred income tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date and are expected to apply when the related deferred income tax asset is realised and the deferred income tax liability is settled. Deferred income tax assets and liabilities are not discounted.

The carrying amount of a deferred income tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

(iv) Current income tax balances and deferred income tax balances, and movements therein, are presented separately from each other and are not offset. Current income tax assets are offset against current income tax liabilities, and deferred income tax assets against deferred income tax liabilities, if the CSLNW Group has the legally enforceable right to set off current income tax assets against current income tax liabilities and the following additional conditions are met:

- in the case of current income tax assets and liabilities, the CSLNW Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred income tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

  - different taxable entities, which, in each future period in which significant amounts of deferred income tax liabilities or assets are expected to be settled or recovered, intend to realise the current income tax assets and settle the current income tax liabilities on a net basis or realise and settle simultaneously.

(r) ***Employee benefits***

(i) Short-term employee benefits

Salaries, annual bonuses, paid annual leave and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Retirement benefits

The CSLNW Group operates both defined benefit and defined contribution retirement schemes (including the Mandatory Provident Fund) for its employees, the assets of which are generally held in separate trustee-administered funds. The schemes are generally funded by payments from the relevant CSLNW Group companies and, in some cases, employees themselves, taking account of the recommendations of independent qualified actuaries.

The CSLNW Group's contributions to the defined contribution schemes are recognised as an expense in the consolidated income statement in the period to which the contributions relate.

The CSLNW Group's defined benefit liability recognised in the consolidated balance sheets in respect of defined benefit retirement schemes is the present value of the defined benefit obligation at the balance sheet date less the fair value of scheme assets. The calculation is performed annually by independent qualified actuaries using the projected unit credit method. Under this method, the cost of providing defined benefits is charged to the consolidated income statement so as to spread the regular cost over the service lives of employees in accordance with the advice of the actuaries. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates with reference to market yields at the balance sheet date based on Exchange Fund Notes, which have terms to maturity approximating the terms of the related liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in consolidated statement of other comprehensive income in the period in which they arise.

Past service costs are recognised immediately in the consolidated income statement.

(s) ***Translation of foreign currencies***

Items included in the financial information of each of the CSLNW Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial information is presented in Hong Kong dollars (HK$), which is the CSLNW Group's functional and the CSLNW Group's presentation currency.

Foreign currency transactions during the year are translated to functional currencies at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in the consolidated income statements.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined. Exchange differences arising on translation of non-monetary assets and liabilities are reported as part of the fair value gain or loss in the consolidated income statements. Exchange differences arising on translation of non-monetary assets and liabilities are included in the fair value gain or loss in the reserve under equity, if any.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of transactions. Balance sheet items of foreign operations, including goodwill arising on consolidation of foreign operations, are translated into Hong Kong dollars at the foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in the currency translation reserve under equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, if any, are taken to other comprehensive income and accumulated separately in the currency translation reserve under equity. On disposal of a foreign operation, the cumulative amount of the exchange differences recognised in the currency translation reserve under equity which relate to that foreign operation is included in the calculation of the profit or loss on disposal.

(t) **Related parties**

For the purposes of this financial information, a party is considered to be related to the CSLNW Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the CSLNW Group in making financial and operating policy decisions, or has joint control over the CSLNW Group;

(ii) the CSLNW Group and the party are subject to common control;

(iii) the party is a joint venture in which the CSLNW Group is a venturer;

(iv) the party is a member of key management personnel of the CSLNW Group or the CSLNW Group's parent, or a close family member of such an individual, or is an entity under the control or joint control of such individuals;

(v) the party is a close family member of a party referred to in (i) above or is an entity under the control or joint control of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the CSLNW Group or of any entity that is a related party of the CSLNW Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

3 Critical accounting estimates and judgements

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.

Key sources of estimation uncertainty

The CSLNW Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Notes 16 and 27 contain information about the assumptions and the risk factors relating to goodwill impairment and financial instruments. Other key sources of estimation uncertainty are discussed below:

(i) Impairment of assets (other than trade and other receivables)

At each balance sheet date, the CSLNW Group reviews 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 recognised no longer exists or may have decreased:

- property, plant and equipment;
- intangible assets;
- interest in a joint venture;
- goodwill; and
- investments 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 recognised in the consolidated income statements whenever the carrying amount of an asset exceeds its recoverable amount.

The sources utilised to identify indications of impairment are often subjective in nature and the CSLNW Group is required to use judgement in applying such information to its business. The CSLNW Group's interpretation of this information has a direct impact on whether an impairment assessment is performed as at any given balance sheet date. Such information is particularly significant as it relates to the CSLNW Group's 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 CSLNW Group 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 CSLNW Group's assessment of the overall materiality of the asset under review and complexity of deriving reasonable estimates of the recoverable value, the CSLNW Group may perform such assessment utilising internal resources or the CSLNW Group may engage external advisors to counsel the CSLNW Group in making this assessment. Regardless of the resources utilised, the CSLNW Group is required to make many assumptions to make this assessment, including the utilisation 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.

(ii) Revenue recognition

Telecommunications service revenue based on usage of the CSLNW Group's network and facilities is recognised when the services are rendered. Telecommunications revenue for services provided for fixed periods is recognised 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 recognised over the expected customer relationship period. Significant changes in management estimates may result in material revenue adjustments.

The CSLNW Group offers 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 recognised 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 recognised 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 CSLNW Group is unable to determine the fair value of each of the elements in an arrangement, it uses the residual value method. Under this method, the CSLNW Group determines 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.

(iii) Deferred income tax

While deferred income tax liabilities are provided in full on all taxable temporary differences, deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. In assessing the amount of deferred income tax assets that need to be recognised, the CSLNW Group considers future taxable income and ongoing prudent and feasible tax planning strategies. In the event that the CSLNW Group's estimates 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 CSLNW Group's ability to utilise 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.

(iv) Current income tax

The CSLNW Group makes a provision for current income tax based on estimated taxable income for the years. The estimated income tax liabilities are primarily computed based on the tax computations as prepared by the CSLNW Group. 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 CSLNW Group considers 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.

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

The CSLNW Group has significant property, plant and equipment and intangible assets (other than goodwill). The CSLNW Group is 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 amortisation charges for each reporting period.

The useful lives are estimated at the time of purchase of these assets after considering future technology changes, business developments and the CSLNW Group's strategies. The CSLNW Group performs 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 CSLNW Group extends or shortens the useful lives and/or makes impairment provisions according to the results of the review.

(vi) Recognition of intangible asset - carrier licenses

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 licenses, the discount rate used is an indicative incremental borrowing rate estimated by the CSLNW Group. Had a different discount rate been used to determine the fair value, the CSLNW Group's results of operations and financial position could be materially different.

4 Related party balances and transactions

(a) As at 30 June 2011, 2012 and 2013, and for the Relevant Periods, the immediate holding company and the ultimate holding company of the CSLNW Group were Telstra Bermuda and Telstra respectively (Note 1).

During the year, the CSLNW Group had the following significant transactions with related parties:

		Years ended 30 June		
	Notes	**2011**	**2012**	**2013**
		HK$ million	*HK$ million*	*HK$ million*
Transactions with the ultimate holding company				
Purchases of roaming services	(i)	8	9	6
Sale of roaming services	(i)	40	40	35
Purchases of international call services	(i)	44	—	—
Service fee expenses	(ii)	1	—	—
Transactions with a non-controlling shareholder of a subsidiary				
Service fees paid	(iii)	40	57	118
Performance incentive bonus paid	(iii)	3	4	7
Purchase of handsets	(iv)	2	—	—
Transactions with related companies				
Purchases of international call services	(i)	34	120	95
Rental charges	(v)	2	2	2
Service fee expenses	(vi)	23	27	44
Service income	(vi)	1	1	1
Sales of handsets	(vii)	—	—	1

Notes:

(i) The purchases and sale of roaming and international call services were charged based on the usage of networks by CSLNW Group's customers at mutually agreed rates specified on invoices.

(ii) The service fee expenses were charged to the CSLNW Group based on invoices issued by the ultimate holding company.

(iii) Service fees and performance incentive bonus paid were charged by a non-controlling shareholder of a subsidiary, in accordance with the terms of the shareholders' agreement between the CSLNW Group and that non-controlling shareholder.

(iv) Purchase of handsets from a non-controlling shareholder of a subsidiary was charged based on the agreed terms as approved by the directors of the subsidiary.

(v) The rental charges were at fixed levels according to the terms of the contracts agreed between the parties with certain common directors.

(vi) Service fee expenses and income were based on the terms of the contracts agreed between the parties with certain common directors.

(vii) The sales of handsets were based on the agreed terms charged to the parties with certain common directors.

(b) Balances with the holding companies, related companies and fellow subsidiaries

The balances included in the net amounts due to the holding companies and fellow subsidiaries are unsecured, non-interest bearing and have no fixed repayment terms as at 30 June 2011, 2012 and 2013.

The balances included in the amounts due to related companies, are unsecured, non-interest bearing and have no fixed repayment terms as at 30 June 2011, 2012 and 2013.

(c) Details of key management compensation are as follows:

	Year ended 30 June		
	2011	**2012**	**2013**
	HK$ million	*HK$ million*	*HK$ million*
Salaries and other short-term employee benefits	47	50	42
Post-employment benefits	1	1	1
	48	51	43

5 Turnover

	Year ended 30 June		
	2011	**2012**	**2013**
	HK$ million	*HK$ million*	*HK$ million*
Telecommunications and other services revenue	4,654	5,410	6,362
Sales of goods	1,229	1,117	1,339
	5,883	6,527	7,701

6 Segment information

An operating segment is a component of the CSLNW Group that engages in business activities from which the CSLNW Group may earn revenue and incur expenses, and is monitored on the basis of the internal financial reports that are provided to and regularly reviewed by the CSLNW Group's chief operating decision maker in order to allocate resource and assess performance of the segment. For the Relevant Periods presented, the CSLNW Group as a whole is an operating segment since the CSLNW Group is only engaged in mobile telecommunications and related business. No geographical information has been disclosed as the majority of the CSLNW Group's operating activities are carried out in Hong Kong. The CSLNW Group's assets located and operating revenue derived from activities outside Hong Kong are less than 5% of the CSLNW Group's assets and operating revenue, respectively.

7 Other gains

	Year ended 30 June		
	2011	**2012**	**2013**
	HK$ million	*HK$ million*	*HK$ million*
Gain on disposal of property, plant and equipment	35	—	—

8 Profit before income tax

Profit before income tax is stated after charging/(crediting) the following:

(a) ***Staff costs***

	Year ended 30 June		
	2011	**2012**	**2013**
	HK$ million	*HK$ million*	*HK$ million*
Salaries, bonuses and other benefits	542	636	710
Retirement costs for staff under defined contribution retirement schemes	37	42	51
	579	678	761

(b) ***Other items***

	Year ended 30 June		
	2011	**2012**	**2013**
	HK$ million	*HK$ million*	*HK$ million*
Impairment loss on doubtful debts	21	29	31
Impairment of property, plant and equipment	—	—	25
Provision/(reversal of provision) for inventory obsolescence	1	69	(5)
Depreciation of property, plant and equipment	440	464	517
Amortisation of intangible assets	496	963	1,496
Cost of inventories sold	1,320	1,169	1,381
Cost of sales, excluding inventories sold	848	743	724
Exchange losses/(gains)	1	1	(9)
Auditor's remuneration	3	3	3
Minimum lease payments under operating leases for land and buildings	514	528	582

9 Finance costs

	Year ended 30 June		
	2011	**2012**	**2013**
	HK$ million	*HK$ million*	*HK$ million*
Accretion of interest on other payables	112	123	114

10 Directors' and senior executives' emoluments

(a) No directors received any fees or emoluments in respect of their services rendered to the CSLNW Group for the Relevant Periods.

(b) Individuals with highest emoluments

(i) Of the five individuals with the highest emoluments, all are non-director individuals. The emoluments for the Relevant Periods were as follows:

	Year ended 30 June		
	2011	**2012**	**2013**
	HK$ million	*HK$ million*	*HK$ million*
Salaries, allowances and benefits in kind	17	22	19
Bonuses	8	11	8
Retirement scheme contributions	1	1	1
	26	34	28

(ii) The emoluments of the non-director individuals for the Relevant Periods are within the following emolument ranges:

	Number of individuals		
	2011	**2012**	**2013**
HK$3,000,001 — HK$4,000,000	3	1	—
HK$4,000,001 — HK$5,000,000	1	3	2
HK$5,000,001 — HK$6,000,000	—	—	1
HK$6,000,001 — HK$7,000,000	—	—	2
HK$10,000,001 — HK$11,000,000	1	—	—
HK$15,000,001 — HK$16,000,000	—	1	—
	5	5	5

11 Income tax

(a) Income tax in the consolidated income statements represents:

	Year ended 30 June		
	2011	**2012**	**2013**
	HK$ million	*HK$ million*	*HK$ million*
Hong Kong profits tax			
- provision for current year	32	161	155
- under/(over) provision in prior years	1	1	(15)
- tax credit in respect of prior years	—	(13)	—
Movement of deferred income tax (Note 24(a))	128	35	60
	161	184	200

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits for the Relevant Periods.

(b) Reconciliation between income tax expense and accounting profit at applicable tax rate:

	Year ended 30 June		
	2011	**2012**	**2013**
	HK$ million	*HK$ million*	*HK$ million*
Profit before income tax	845	1,029	1,170
Notional tax on profit before income tax, calculated at applicable tax rate	139	169	193
Income not subject to tax	(5)	(1)	(1)
Expenses not deductible for tax purposes	26	28	23
Under/(over) provision in prior years	1	1	(15)
Tax credit in respect of prior years	—	(13)	—
Income tax expense	161	184	200

12 Dividend

	As at 30 June		
	2011	**2012**	**2013**
	HK$ million	*HK$ million*	*HK$ million*
Dividend on ordinary shares declared and paid:			
Final dividend for 2010: 56.36 HK cents; 2011: 47.00 HK cents; 2012: 74.34 HK cents per ordinary share	370	308	488
Proposed final dividend of 2011: 47.00 HK cents; 2012: 74.34 HK cents; 2013: 92.51 HK cents per ordinary share	308	488	607

The proposed final dividend for the year ended 30 June 2013 was approved by CSLNW's shareholders in its annual general meeting on 4 September 2013.

13 Earnings per share of CSLNW

The calculations of basic and diluted earnings per share are based on the following data:

	Year ended 30 June		
	2011	**2012**	**2013**
Earnings (in HK$ million)			
Earnings for the purpose of basic and diluted earnings per share	686	841	953
Number of shares			
Number of ordinary shares at beginning and end of year	655,886,331	655,886,331	655,886,331
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	655,886,331	655,886,331	655,886,331

14 Profits attributable to equity holders of CSLNW

There were no profits attributable to equity holders of CSLNW is dealt with in the financial information of CSLNW for the years ended 30 June 2011 and 2012 respectively, and approximately HK$474 million for the year ended 30 June 2013.

15 Property, plant and equipment

The CSLNW Group

	Land and buildings *HK$ million*	Exchange equipment *HK$ million*	Other plant and equipment *HK$ million*	Projects under construction *HK$ million*	Total *HK$ million*
Cost					
As at 1 July 2010	129	3,640	239	169	4,177
Additions	—	—	—	608	608
Transfers	1	262	33	(296)	—
Disposals	(7)	(1,024)	(17)	—	(1,048)
As at 30 June 2011	123	2,878	255	481	3,737
Additions	—	—	—	601	601
Transfers	—	413	57	(470)	—
Disposals	—	(47)	(41)	—	(88)
As at 30 June 2012	123	3,244	271	612	4,250
Additions	—	—	1	922	923
Transfers	—	1,106	22	(1,128)	—
Disposals	—	(1)	(9)	—	(10)
As at 30 June 2013	123	4,349	285	406	5,163
Accumulated depreciation and impairment					
As at 1 July 2010	34	2,050	172	—	2,256
Charge for the year	4	408	28	—	440
Disposals	(3)	(1,024)	(17)	—	(1,044)
As at 30 June 2011	35	1,434	183	—	1,652
Charge for the year	2	427	35	—	464
Disposals	—	(47)	(41)	—	(88)
As at 30 June 2012	37	1,814	177	—	2,028
Charge for the year	2	474	41	—	517
Disposals	—	(1)	(9)	—	(10)
Impairment loss (note (a))	—	—	—	25	25
As at 30 June 2013	39	2,287	209	25	2,560
Net book value					
As at 30 June 2011	88	1,444	72	481	2,085
As at 30 June 2012	86	1,430	94	612	2,222
As at 30 June 2013	84	2,062	76	381	2,603

Notes:

(a) The carrying amounts of certain projects under construction have been reduced to their recoverable amounts through recognition of an impairment loss. This loss has been included in general and administrative expenses in the consolidated income statement.

(b) The carrying amount of land and buildings is analysed as follows:

The CSLNW Group

	As at 30 June		
	2011	**2012**	**2013**
	HK$ million	*HK$ million*	*HK$ million*
Held in Hong Kong			
On long-term lease	3	3	3
On medium-term lease	85	83	81
	88	86	84

16 Goodwill

The CSLNW Group

	As at 30 June		
	2011	**2012**	**2013**
	HK$ million	*HK$ million*	*HK$ million*
Cost			
Beginning and end of year	2,694	2,694	2,694

Impairment tests for goodwill

Goodwill relates to the CSLNW Group's mobile telecommunications operation.

For the purpose of impairment testing of goodwill, the recoverable amount of the CSLNW Group's mobile telecommunications service business to which goodwill is allocated has been determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The terminal growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

The key assumptions used for value-in-use calculations for the Relevant Periods are as follows:

	Year ended 30 June		
	2011	**2012**	**2013**
Gross margin	49.20-51.50%	55.10-54.40%	54.80-57.40%
Revenue growth rate	1.30-9.10%	7.80-10.00%	5.00-7.10%
Terminal growth rate	2.00%	2.00%	2.00%
Discount rate	10.60%	10.85%	11.60%

These assumptions have been used for the analysis of each CGU.

There was no indication of impairment arising from review on goodwill. Management determined budgeted gross margin based on past performance and its expectations for market development. The weighted average terminal growth rates used are consistent with the forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risks relating to the relevant CGU.

17 Intangible assets

The CSLNW Group

	Customer acquisition costs	Carrier licenses	Trademarks	Customer base	Total
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*
Cost					
As at 1 July 2010	147	1,530	115	405	2,197
Additions	941	—	—	—	941
Write off	(149)	—	—	—	(149)
As at 30 June 2011	939	1,530	115	405	2,989
Additions	1,254	—	—	—	1,254
Write off	(176)	—	—	(368)	(544)
As at 30 June 2012	2,017	1,530	115	37	3,699
Additions	1,683	310	—	—	1,993
Write off	(970)	—	—	—	(970)
As at 30 June 2013	2,730	1,840	115	37	4,722
Accumulated amortisation					
As at 1 July 2010	76	406	32	333	847
Charge for the year	334	86	8	68	496
Write off	(149)	—	—	—	(149)
As at 30 June 2011	261	492	40	401	1,194
Charge for the year	832	119	8	4	963
Write off	(176)	—	—	(368)	(544)
As at 30 June 2012	917	611	48	37	1,613
Charge for the year	1,367	121	8	—	1,496
Write off	(970)	—	—	—	(970)
As at 30 June 2013	1,314	732	56	37	2,139
Net book value					
As at 30 June 2011	678	1,038	75	4	1,795
As at 30 June 2012	1,100	919	67	—	2,086
As at 30 June 2013	1,416	1,108	59	—	2,583

Note:

(a) The amortisation charge for the years are included in "general and administrative expenses" in the consolidated income statements.

18 Interest in a joint venture

	As at 30 June		
	2011	**2012**	**2013**
	HK$ million	*HK$ million*	*HK$ million*
Share of net assets of a joint venture	12	13	13

Particulars of the joint venture are as follows:

Company name	Place of incorporation and operation	Principal activity	Nominal value of issued capital/ registered capital	Interest held directly by CSLNW 30 June 2011, 2012 and 2013
Bridge Mobile Pte. Ltd.	Republic of Singapore	Services development for an alliance of mobile telecommunications services operators	US$2,200,000	10%

The CSLNW Group's share of net assets of the joint venture as at the end of the Relevant Periods is as follows:

	As at 30 June		
	2011	**2012**	**2013**
	HK$ million	*HK$ million*	*HK$ million*
Non-current assets	1	1	1
Current assets	14	14	14
Total assets	15	15	15
Current liabilities	(3)	(2)	(2)
Net assets	12	13	13

The CSLNW Group's share of the results of the joint venture during the Relevant Periods is as follows:

	Year ended 30 June		
	2011	**2012**	**2013**
	HK$ million	*HK$ million*	*HK$ million*
Turnover	3	4	4
Other income	—	1	—
Operating costs	(3)	(4)	(4)
Profit for the year	—	1	—

19 Investments in subsidiaries

CSLNW

	As at 30 June		
	2011	**2012**	**2013**
	HK$ million	*HK$ million*	*HK$ million*
Unlisted shares, at cost	4,615	4,615	4,615

Particulars of the subsidiaries of CSLNW are as follows:

Name of subsidiary	Place of incorporation and operations	Nominal value of issued share capital	Percentage of equity attributable to CSLNW Direct	Percentage of equity attributable to CSLNW Indirect	Principal activities
Hong Kong CSL Limited	Hong Kong	HK$1	—	100	Inactive
Integrated Business Systems Limited	Hong Kong	HK$2	—	100	Property investment
One2Free Personalcom Limited	Hong Kong	HK$2	—	100	Inactive
New World PCS Limited	Hong Kong	HK$2	—	100	Dormant
New World PCS Holdings Limited	Cayman Islands/ Hong Kong	HK$2,652,826,279	100	—	Investment holding

Name of subsidiary	Place of incorporation and operations	Nominal value of issued share capital	Percentage of equity attributable to CSLNW Direct	Percentage of equity attributable to CSLNW Indirect	Principal activities
CSL Limited	Hong Kong	HK$3,362,477,240	—	100	Provision of mobile telecommunications services and sale of products
New World 3G Limited	Hong Kong	HK$1	—	100	Dormant
New World Mobility Limited	Hong Kong	HK$1,000	—	60	Provision of mobile telecommunications services
Big Bang Holdings Limited	Hong Kong	HK$1	—	100	Dormant

20 Current assets and liabilities

(a) *Inventories*

As at 30 June 2011, 2012 and 2013, the inventories of the CSLNW Group represented mobile handsets and accessories.

(b) *Trade receivables, net*

The CSLNW Group

	As at 30 June 2011 HK$ million	As at 30 June 2012 HK$ million	As at 30 June 2013 HK$ million
Trade receivables (note (i))	345	356	445
Less: Impairment loss on doubtful debts (note (ii))	(14)	(23)	(21)
Trade receivables, net	331	333	424

Trade receivables are unsecured, interest-free and repayable within one month or on demand. The carrying amounts of trade receivables approximate their fair values due to their short maturity.

Notes:

(i) Aging of trade receivables

The CSLNW Group

	As at 30 June		
	2011	**2012**	**2013**
	HK$ million	*HK$ million*	*HK$ million*
0 - 30 days	192	194	213
31 - 60 days	82	97	91
61 - 90 days	36	24	91
91 - 120 days	13	8	9
Over 120 days	22	33	41
	345	356	445

(ii) Impairment loss on doubtful debts

The movements in the provision for doubtful debts during the Relevant Periods, including both specific and collective loss components, are as follows:

The CSLNW Group

	As at 30 June		
	2011	**2012**	**2013**
	HK$ million	*HK$ million*	*HK$ million*
Beginning of year	19	14	23
Impairment loss recognised	21	29	31
Uncollectible amounts written off	(26)	(20)	(33)
End of year	14	23	21

(iii) Trade receivables that are not impaired

The aging analysis of trade receivables that are neither individually nor collectively considered to be impaired is as follows:

The CSLNW Group

	As at 30 June		
	2011	**2012**	**2013**
	HK$ million	*HK$ million*	*HK$ million*
Neither past due nor impaired	192	194	213
0-30 days past due	82	97	92
Over 30 days past due	57	42	119
Past due but not impaired	139	139	211
	331	333	424

Trade receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Trade receivables that were past due but not impaired relate to customers that have a good track record with the CSLNW Group or a sound credit quality. Based on past experience and regular credit risk assessment performed on all significant outstanding trade receivables, management believes that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

No trade receivables were pledged as at 30 June 2011, 2012 and 2013.

(c) ***Restricted cash***

The CSLNW Group

	As at 30 June		
	2011	**2012**	**2013**
	HK$ million	*HK$ million*	*HK$ million*
Restricted cash	50	—	80

As at 30 June 2011, the CSLNW Group had restricted cash placed with a bank of approximately HK$50 million for the performance bonds issued by the bank in favour of the office of the Communications Authority for the provision of broadband wireless access services (the "BWA Spectrum Right").

As at 30 June 2013, the CSLNW Group's bank balance of approximately HK$80 million was a guarantee deposit placed in a bank in relation to a letter of credit facility issued by the bank to a vendor for the CSLNW Group's purchases of property, plant and equipment and services.

(d) ***Trade payables***

The aging of trade payables is set out below:

The CSLNW Group

	As at 30 June		
	2011	**2012**	**2013**
	HK$ million	*HK$ million*	*HK$ million*
0-30 days	213	373	558
31-60 days	36	39	41
61-90 days	28	17	48
91-120 days	14	35	20
Over 120 days	206	267	227
	497	731	894

Trade payables are unsecured, interest-free and repayable within one month or on demand. The carrying amounts of trade payables approximate their fair values due to their short maturity.

21 Employee retirement benefits

(a) ***Defined contribution retirement schemes***

The CSLNW Group operates defined contribution schemes, including the Mandatory Provident Fund Scheme (the "MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance, for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The schemes are administered by independent trustees.

Under the defined contribution scheme, the employer is required to make contributions to the scheme at rates specified under the rules of the scheme. Where employees leave the scheme prior to the full vesting of the employer's contributions, the amount of forfeited contributions is used to reduce the contributions payable by the CSLNW Group.

Under the MPF scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$20,000 which was revised upward to HK$25,000 with effect from 1 June 2012. Contributions to the scheme vest immediately upon the completion of the service in the relevant service period.

(b) ***Defined benefit retirement schemes***

The CSLNW Group also operates defined benefit retirement schemes (the "DB Schemes"). The DB Schemes are final salary defined benefit schemes. The scheme assets are administered by independent trustees and are maintained independently of the CSLNW Group's finances.

The DB Schemes are funded by contributions from the CSLNW Group and employees in accordance with qualified independent actuaries recommendation from time to time on the basis of periodic valuations.

The latest independent actuarial valuation of the DB Schemes, prepared in accordance with HKAS 19, was carried out on 3 July 2013 and was prepared by Mercer (Hong Kong) Limited ("Mercer"), a fellow of the Faculty of Actuaries of the United Kingdom, using the projected unit credit method.

(i) The amounts recognised in the consolidated balance sheets are determined as follows:

The CSLNW Group

	As at 30 June		
	2011	**2012**	**2013**
	HK$ million	*HK$ million*	*HK$ million*
Present value of the defined benefit obligations (note (iii))	(432)	(524)	(481)
Fair value of scheme assets (note (iv))	525	473	503
Defined benefit assets/(liabilities) in the consolidated balance sheets	93	(51)	22

No employer's contributions are expected to be paid to the scheme by 30 June 2014.

(ii) Major categories of scheme assets as a percentage of total scheme assets are as follows:

The CSLNW Group

	As at 30 June		
	2011	**2012**	**2013**
Equities	52.5%	46.1%	52.9%
Bonds	40.0%	44.5%	43.2%
Cash and alternatives	7.5%	9.4%	3.9%
	100.0%	100.0%	100.0%

As at 30 June 2011, 2012, and 2013, the scheme assets do not include any ordinary shares issued by CSLNW.

(iii) Movements in the present value of the defined benefit obligations are as follows:

The CSLNW Group

	Year ended 30 June		
	2011	**2012**	**2013**
	HK$ million	*HK$ million*	*HK$ million*
Beginning of year	414	432	524
Current service cost	21	21	24
Interest cost on defined benefit obligations	10	11	5
Remeasurements			
Losses/(gains) from change in financial assumptions	11	78	(50)
Experience losses/(gains)	(1)	8	(2)
Total remeasurements	10	86	(52)
Employee contributions	2	1	1
Benefits paid	(24)	(26)	(20)
Expenses paid	(1)	(1)	(1)
End of year	432	524	481

(iv) Movements in the fair value of scheme assets are as follows:

The CSLNW Group

	Year ended 30 June		
	2011	2012	2013
	HK$ million	*HK$ million*	*HK$ million*
Beginning of year	459	525	473
Interest income on pension scheme assets	11	13	5
Remeasurements			
Return on plan assets, excluding amounts included in interest income	68	(39)	45
Total remeasurements	68	(39)	45
Employer contributions	10	—	—
Employee contributions	2	1	1
Benefits paid	(24)	(26)	(20)
Expenses paid	(1)	(1)	(1)
End of year	525	473	503

(v) Income recognised in the consolidated income statements is as follows:

The CSLNW Group

	Year ended 30 June		
	2011	2012	2013
	HK$ million	*HK$ million*	*HK$ million*
Current service cost	21	21	24
Interest income, net	(1)	(2)	—
Total expense included in general and administrative expenses	20	19	24
Actual return on scheme assets - gains/(losses)	79	(26)	50

(vi) The significant actuarial assumptions used (expressed as weighted averages) are as follows:

The CSLNW Group

	As at 30 June		
	2011	**2012**	**2013**
Discount rate	2.50%	1.00%	2.10%
Salaries increase rate			
for 2012	4.50%	N/A	N/A
for 2013	4.50%	5.00%	N/A
for 2014	4.50%	5.00%	6.00%
for 2015	4.20%	5.00%	6.00%
thereafter	4.20%	4.00%	4.00%

22 Share capital

	Number of shares	**Nominal value** *HK$ million*
Authorised:		
Ordinary shares of US$0.3163 each		
As at 1 July 2010 and 30 June 2011, 2012 and 2013	655,886,331	1,618
Issued and fully paid:		
Ordinary shares of US$0.3163 each		
As at 1 July 2010 and 30 June 2011, 2012 and 2013	655,886,331	1,618

23 Reserves

The CSLNW Group

	Share premium	Contributed surplus (note (a))	Retained profits	Total
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*
At 1 July 2010	2,823	180	562	3,565
Comprehensive income				
Profit for the year	—	—	686	686
Other comprehensive income				
Actuarial gains of a defined benefit scheme, net of tax	—	—	58	58
Total comprehensive income for the year	—	—	744	744
Distributions to owners				
Dividend declared and paid in respect of 2010	—	—	(370)	(370)
At 30 June 2011	2,823	180	936	3,939
Comprehensive income				
Profit for the year	—	—	841	841
Other comprehensive loss				
Actuarial losses of a defined benefit scheme, net of tax	—	—	(98)	(98)
Total comprehensive income for the year	—	—	743	743
Distributions to owners				
Dividend declared and paid in respect of 2011	—	(180)	(128)	(308)
At 30 June 2012	2,823	—	1,551	4,374
Comprehensive income				
Profit for the year	—	—	953	953
Other comprehensive income				
Actuarial gains of a defined benefit scheme, net of tax	—	—	85	85
Total comprehensive income for the year	—	—	1,038	1,038
Distributions to owners				
Dividend declared and paid in respect of 2012	—	—	(488)	(488)
At 30 June 2013	2,823	—	2,101	4,924

CSLNW

	Share premium	Contributed surplus (note (a))	Retained profits	Total
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*
At 1 July 2010	2,823	796	69	3,688
Dividend declared and paid to owners in respect of 2010	—	(301)	(69)	(370)
At 30 June 2011	2,823	495	—	3,318
Dividend declared and paid to owners in respect of 2011	—	(308)	—	(308)
At 30 June 2012	2,823	187	—	3,010
Profit for the year	—	—	474	474
Dividend declared and paid to owners in respect of 2012	—	(187)	(301)	(488)
At 30 June 2013	2,823	—	173	2,996

Note:

(a) The contributed surplus of CSLNW and the CSLNW Group represents the difference between the consolidated shareholders' fund of the subsidiaries acquired and the nominal value of the CSLNW Group's shares issued in exchange therefor at the time of a group reorganisation completed in 2001 which resulted in the formation of the CSLNW Group.

Under the Bermuda Companies Act 1981 (as amended), a company may make distributions to its members out of the contributed surplus in certain circumstances.

24 Deferred income tax

(a) Movements in deferred income tax liabilities/(assets) during the Relevant Periods are as follows:

The CSLNW Group

	Accelerated tax depreciation and amortisation	**Tax losses**	**Others**	**Total**
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*
At 1 July 2010	167	(68)	(87)	12
Charged to the consolidated income statement (Note 11(a))	29	68	31	128
At 30 June 2011	196	—	(56)	140
Charged to the consolidated income statement (Note 11(a))	20	—	15	35
Credited to the consolidated statement of other comprehensive income	—	—	(27)	(27)
At 30 June 2012	216	—	(68)	148
Charged to the consolidated income statement (Note 11(a))	56	—	4	60
Charged to the consolidated statement of other comprehensive income	—	—	12	12
At 30 June 2013	272	—	(52)	220

(b) The analysis of deferred income tax liabilities/(assets) is as follows:

The CSLNW Group

	As at 30 June		
	2011	**2012**	**2013**
	HK$ million	*HK$ million*	*HK$ million*
Net deferred income tax assets			
To be recovered after more than 12 months	(16)	(29)	(30)
To be recovered within 12 months	(15)	(4)	—
	(31)	(33)	(30)
Net deferred income tax liabilities			
To be recovered after more than 12 months	123	129	192
To be recovered within 12 months	48	52	58
	171	181	250
	140	148	220

25 Notes to the Consolidated Statements of Cash Flows

(a) Reconciliation of profit before income tax to net cash generated from operating activities

	Year ended 30 June		
	2011	**2012**	**2013**
	HK$ million	*HK$ million*	*HK$ million*
Profit before income tax	845	1,029	1,170
Adjustments for:			
Interest income	(3)	(8)	(7)
Finance charges	112	123	114
Depreciation	440	464	517
Gain on disposal of property, plant and equipment	(35)	—	—
Impairment of property, plant and equipment	—	—	25
Amortisation of intangible assets	496	963	1,496
Share of results of a joint venture	—	(1)	—
(Increase)/decrease in operating assets			
- inventories	(107)	66	38
- trade and other receivables, prepayments and deposits	(70)	(214)	(254)
- restricted cash	—	50	(80)
- pension scheme assets	10	19	25
Increase/(decrease) in operating liabilities			
- trade payables, accruals and other payables	50	46	249
- advances from customers	213	241	94
- amounts due to related companies	6	(4)	(2)
- amount due to a non-controlling shareholder of a subsidiary	1	(1)	1
Cash generated from operations	1,958	2,773	3,386
Interest received	3	8	7
Hong Kong profits tax paid, net of tax refund	(2)	7	(38)
Net cash generated from operating activities	1,959	2,788	3,355

(b) Analysis of cash and cash equivalents

The CSLNW Group

	As at 30 June		
	2011	**2012**	**2013**
	HK$ million	*HK$ million*	*HK$ million*
Cash and bank balances	209	645	249
Non-pledged time deposits with original maturity of less than three months when acquired	794	930	1,047
Cash and cash equivalents	1,003	1,575	1,296

26 Capital management

The CSLNW Group's primary objectives when managing capital are to safeguard the CSLNW Group's ability to continue as a going concern, so that it can continue to provide returns for owners of the CSLNW Group, to support the CSLNW Group's stability and growth; and to earn a margin commensurate with the level of business and market risks in the CSLNW Group's operation.

The CSLNW Group monitors capital by reviewing the level of capital that is at the disposal of the CSLNW Group ("adjusted capital"), taking into consideration the future capital requirements of the CSLNW Group, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. Adjusted capital comprises all components of equity.

The CSLNW Group is not subject to externally imposed capital requirements except as disclosed in Note 29.

27 Financial instruments

The carrying amounts of each of the categories of financial instruments as at 30 June 2011, 2012 and 2013 were as follows:

The CSLNW Group

	Loans and receivables		
	As at 30 June		
	2011	**2012**	**2013**
	HK$ million	*HK$ million*	*HK$ million*
Trade receivables	331	333	424
Financial assets included in deposits and other receivables	500	741	881
Restricted cash	50	—	80
Cash and cash equivalents	1,003	1,575	1,296
	1,884	2,649	2,681

The CSLNW Group

	Other financial liabilities at amortised cost		
	As at 30 June		
	2011	**2012**	**2013**
	HK$ million	*HK$ million*	*HK$ million*
Trade payables	497	731	894
Financial liabilities included in other payables, accruals and customer deposits	1,864	1,843	1,871
Due to related companies	11	7	5
Due to a non-controlling shareholder of a subsidiary	5	4	5
	2,377	2,585	2,775

CSLNW

	Loans and receivables		
	As at 30 June		
	2011	**2012**	**2013**
	HK$ million	*HK$ million*	*HK$ million*
Due from a subsidiary	321	13	—

CSLNW

	Other financial liabilities at amortised cost		
	As at 30 June		
	2011	**2012**	**2013**
	HK$ million	*HK$ million*	*HK$ million*
Due to a subsidiary	—	—	1

Exposures to credit, liquidity and market (including foreign currency, interest rate) risks arise in the normal course of the CSLNW Group's business. Exposures to these risks are controlled by the CSLNW Group's financial management policies and practices described below.

(a) ***Credit risk***

The CSLNW Group's credit risk is primarily attributable to trade receivables, interest receivable and cash transactions entered into for risk management purposes. Management has policies in place and exposures to these credit risks are monitored on an ongoing basis.

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 CSLNW Group maintains 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. Normally, the CSLNW Group does not obtain collateral from customers. As at 30 June 2011, 2012 and 2013, the CSLNW Group did not have a significant exposure to any individual debtors or counterparties.

Further quantitative disclosures in respect of the CSLNW Group's exposure to credit risk arising from trade receivables are set out in Note 20(b).

Amounts due from the ultimate holding company and related companies, deposits and other current assets are continuously monitored by assessing the credit quality of the counterparty, taking into account its financial position, past experience and other factors. Where necessary, impairment loss is made for estimated irrecoverable amounts. As at 30 June 2011, 2012 and 2013, the amounts due from the ultimate holding company and related companies, deposits and other current assets were fully performing.

Investments, interest receivable and cash transactions are executed with financial institutions or investment counterparties with sound credit ratings and the CSLNW Group does not expect any significant counterparty risk. Moreover, credit limits are set for individual counterparties and periodic reviews are conducted to ensure that the limits are strictly followed.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated balance sheets. Except for the guarantees as disclosed in Note 29, the CSLNW Group does not provide any other guarantees which would expose the CSLNW Group to credit risk.

(b) ***Liquidity risk***

The CSLNW Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with debt covenants, if any, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. Management believes there is no significant liquidity risk as the CSLNW Group has sufficient committed facilities to fund its operations and debt servicing requirements.

The CSLNW Group is subject to certain corporate guarantee obligations to guarantee performance of the CSLNW Group in the normal course of business. Please refer to Note 29 for details.

The following table details the remaining contractual maturities at the balance sheet dates of the CSLNW Group's non-derivative financial liabilities and derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet dates) and the earliest date the CSLNW Group can be required to pay:

The CSLNW Group

	2011					
	Within 1 year or on demand	**More than 1 year but within 2 years**	**More than 2 years but within 5 years**	**More than 5 years**	**Total contractual undiscounted cash flow**	**Carrying amount**
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*
Trade and bill payables	497	—	—	—	497	497
Financial liabilities included in other payables, accruals and customer deposits	752	202	667	675	2,296	2,296
Due to an intermediate holding company	321	—	—	—	321	321
Due to related companies	11	—	—	—	11	11
Due to a non-controlling shareholder of a subsidiary	5	—	—	—	5	5
	1,586	202	667	675	3,130	3,130

The CSLNW Group

	2012					
	Within 1 year or on demand	**More than 1 year but within 2 years**	**More than 2 years but within 5 years**	**More than 5 years**	**Total contractual undiscounted cash flow**	**Carrying amount**
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*
Trade and bill payables	731	—	—	—	731	731
Financial liabilities included in other payables, accruals and customer deposits	763	212	698	433	2,106	2,106
Due to an intermediate holding company	13	—	—	—	13	13
Due to related companies	7	—	—	—	7	7
Due to a non-controlling shareholder of a subsidiary	4	—	—	—	4	4
	1,518	212	698	433	2,861	2,861

The CSLNW Group

	2013					
	Within 1 year or on demand	**More than 1 year but within 2 years**	**More than 2 years but within 5 years**	**More than 5 years**	**Total contractual undiscounted cash flow**	**Carrying amount**
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*
Trade and bill payables	894	—	—	—	894	894
Financial liabilities included in other payables, accruals and customer deposits	611	223	566	341	1,741	1,741
Due to related companies	5	—	—	—	5	5
Due to a non-controlling shareholder of a subsidiary	5	—	—	—	5	5
	1,515	223	566	341	2,645	2,645

CSLNW

As at 30 June 2011 and 2012, CSLNW is not exposed to any liquidity risks as there were no liabilities.

As at 30 June 2013, CSLNW has an amount due to a subsidiary of approximately HK$1 million which is expected to be repaid within 1 year or on demand.

(c) ***Market risk***

The Finance and Management Committee, a sub-committee of the Executive Committee of the Board, determines the appropriate risk management activities with the aim of prudently managing the market risk associated with transactions entered into in the normal course of business.

All treasury risk management activities are carried out in accordance with policies and guidelines approved by the Finance and Management Committee and the Executive Committee, which are reviewed on a regular basis. Early termination and amendments to the terms of the transaction would typically occur when there are changes in the underlying assets or liabilities or in the risk management strategy of the CSLNW Group.

(i) Foreign currency risk

The CSLNW Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures. Foreign exchange risk arises when the CSLNW Group's recognized assets and liabilities are denominated in a currency that is not the entity's functional currency.

In respect of trade receivables and payables held in currencies other than the functional currency of the operations to which they relate, the CSLNW Group ensures that the net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

The following table details the CSLNW Group's exposure at the balance sheet dates to company risk arising from significant recognized financial assets or liabilities denominated in foreign currencies.

The CSLNW Group

	As at 30 June		
USD	**2011**	**2012**	**2013**
	HK$ million	*HK$ million*	*HK$ million*
Trade and other receivables	68	149	212
Trade and other payables	(179)	(226)	(245)
Overall net exposure	(111)	(77)	(33)

EUR	As at 30 June 2011	2012	2013
	HK$ million	*HK$ million*	*HK$ million*
Trade and other receivables	120	328	380
Trade and other payables	(217)	(219)	(152)
Overall net exposure	(97)	109	228

CHF	As at 30 June 2011	2012	2013
	HK$ million	*HK$ million*	*HK$ million*
Trade and other receivables	—	—	13
Trade and other payables	—	(1)	—
Overall net exposure	—	(1)	13

If Hong Kong dollar had weakened/strengthened by 5% against the USD, with all other variables held constant as at 30 June 2011, 2012 and 2013, the profit before tax of the CSLNW Group for the years ended 30 June 2011, 2012 and 2013 would have decreased/increased by approximately HK$6 million, HK$4 million and HK$2 million respectively, mainly as a result of foreign exchange gains/losses on translation of USD denominated recognised assets and liabilities which are not hedged by hedging instruments.

If Hong Kong dollar had weakened/strengthened by 5% against the Euro, with all other variables held constant as at 30 June 2011, 2012 and 2013, the profit before tax of the CSLNW Group for the years ended 30 June 2011, 2012 and 2013 would have decreased/increased by approximately HK$5 million, increased/decreased by HK$5 million and HK$11 million respectively, mainly as a result of foreign exchange gains/losses on translation of Euro denominated recognised assets and liabilities which are not hedged by hedging instruments.

If Hong Kong dollar had weakened/strengthened by 5% against the CHF, with all other variables held constant as at 30 June 2013, the profit before tax of the CSLNW Group for the years ended 30 June 2013 would have decreased/increased by approximately HK$1 million, mainly as a result of foreign exchange gains/losses on translation of CHF denominated recognised assets and liabilities which are not hedged by hedging instruments.

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the balance sheet dates and had been applied to the CSLNW Group's exposure to currency risk for recognised assets and liabilities in existence at the dates, and that all other variables, in particular interest rates, remain constant.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the periods until the next annual balance sheet date. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any change in the movement in value of the United States dollar against other currencies. The analysis is performed on the same basis for the Relevant Periods.

(ii) Interest rate risk

The CSLNW Group currently does not have any interest-bearing borrowings and its exposure to the risk of changes in market interest rates primarily to its cash and cash equivalents placed with banks as time deposits.

As the exposure to the risk of changes in market interest rates in relation to the CSLNW Group's cash and cash equivalents is not significant, the CSLNW Group has not devised any specific management policy and a sensitivity analysis has not been disclosed.

(d) ***Estimation of fair values***

As at 30 June 2011, 2012 and 2013, the CSLNW Group did not hold any financial instruments that were measured at fair value.

(e) ***Valuation process of the CSLNW Group***

The CSLNW Group's finance department includes a team that performs the valuations of financial assets required for financial reporting purposes, including fair values of financial assets with inputs that are not based on observable market data. Valuation results are reviewed by senior management semi-annually, in line with the CSLNW Group's reporting dates.

(f) ***Fair values of financial assets and liabilities measured at amortised cost***

All financial instruments are carried at amounts not materially different from their fair values as at 30 June 2011, 2012 and 2013.

28 Commitments

(a) ***Capital***

The CSLNW Group

	As at 30 June		
	2011	**2012**	**2013**
	HK$ million	*HK$ million*	*HK$ million*
Authorised and contracted for	38	206	284
Authorised but not contracted for	346	611	362
	384	817	646

The above capital commitments are in respect of purchases of items of property, plant and equipment.

(b) ***Operating leases***

As at 30 June 2011, 2012 and 2013, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

The CSLNW Group

	As at 30 June		
	2011	**2012**	**2013**
	HK$ million	*HK$ million*	*HK$ million*
Within 1 year	417	453	478
After 1 year but within 5 years	324	449	439
After 5 years	14	10	21
	755	912	938

29 Contingent liabilities

	As at 30 June		
	2011	**2012**	**2013**
	HK$ million	*HK$ million*	*HK$ million*
Bank performance bond			
BWA Spectrum Right (note (a))	150	—	—
2.5/2.6GHz Band Right (note (b))	—	—	50
Bank guarantees (note (c))	10	10	9
	160	10	59

Notes:

(a) At 30 June 2011, a performance bond was provided by the CSLNW Group to the Office of the Communications Authority (the "OFCA") (formerly known as the Office of Telecommunications Authority) in respect of the CSLNW Group's spectrum right (2,540-2,555MHz and 2,660-2,675MHz), granted on 31 March 2009, for the provision of broadband wireless access services (the "BWA Spectrum Right") amounted to HK$150 million. The BWA Spectrum Right requires the performance bond to remain in force until the earlier of 29 July 2014 or the issuance of any certificate of completion by the OFCA regarding the CSLNW Group's and CSLNW's achievement of certain milestones for network coverage. During the year ended 30 June 2012, the CSLNW Group obtained a certificate of completion from the OFCA for achieving certain milestones for network coverage and the requirement of the performance bond was released accordingly.

(b) At 30 June 2013, the bank performance bond provided by the CSLNW Group to the OFCA in respect of the CSLNW Group's spectrum right (2,535-2,540MHz and 2,655-2,660MHz), granted on 21 May 2013, for the provision of wireless broadband services (the "2.5/2.6GHz Band Right") amounted to HK$50 million. The 2.5/2.6GHz Band Right requires the performance bond to remain in force until the earlier of 20 May 2018 or the issuance of any certificate of completion by the OFCA regarding the CSLNW Group's achievement of certain milestones for network coverage.

(c) At 30 June 2011, 2012 and 2013, the CSLNW Group and CSLNW had contingent liabilities in respect of bank guarantees provided in connection with rental and utility deposit requirements.

Performance guarantee

The CSLNW Group 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 the CSLNW Group.

30 Subsequent events

(i) On 20 December 2013, CSLNW entered into a share purchase agreement with HKT, Telstra Bermuda, Telstra, Upper Start Holdings Limited and New World Development Company Limited, whereby HKT will acquire the entire issued share capital of CSLNW from Telstra Bermuda and Upper Start Holdings Limited, for the purchase price (excluding the estimated net cash amount) of US$2,425 million (equivalent to approximately HK$18,867 million), subject to certain price adjustments (being the estimated net cash amount and post completion adjustment to the base purchase price calculated in accordance with the methodology as set out in the share purchase agreement). Completion of the transaction is subject to certain conditions being satisfied.

(ii) A final dividend of HK$607 million for the year ended 30 June 2013 was approved on 4 September 2013 (see note 12 for details) and was fully paid on 16 September 2013.

31 Possible impact of amendments, new or revised standards and interpretations issued but not yet effective for the annual accounting period ended 30 June 2013

The HKICPA has issued the following amendments, new or revised standards and interpretations which are not effective for the accounting period ended 30 June 2013 and which have not been adopted in this financial information:

		Effective for accounting periods beginning on or after
HKFRS 10 (Amendment)	Consolidated Financial Statements - Investment Entities	1 January 2014
HKFRS 12 (Amendment)	Disclosure of Interests in Other Entities - Investment Entities	1 January 2014
HKAS 27 (2011) (Amendment)	Separate Financial Statements - Investment Entities	1 January 2014
HKAS 32 (Amendment)	Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities	1 January 2014
HKAS 36 (Amendment)	Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
HKAS 39 (Amendment)	Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
HK(IFRIC) - Int 21	Levies	1 January 2014
HKFRS 9	Financial Instruments	1 January 2015

Apart from the above, a number of improvements and minor amendments to HKFRS have also been issued by the HKICPA but they are not effective for the year ended 30 June 2013 and have not been adopted in this financial information.

The CSLNW Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations would be in the period of initial application, but is not yet in a position to state whether these amendments, new or revised standards and new interpretations would have a significant impact on the CSLNW Group's results of operations and financial position.

III SUBSEQUENT FINANCIAL INFORMATION

No audited financial information has been prepared by CSLNW or any of its subsidiaries in respect of any period subsequent to 30 June 2013 up to the date of this report. Save as disclosed in this report, no dividend or distribution has been declared or made by CSLNW or any of its subsidiaries in respect of any period subsequent to 30 June 2013.

Yours faithfully,

PricewaterhouseCoopers
Certified Public Accountants

1. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is an illustrative and unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group (the "**Unaudited Pro Forma Financial Information**"), which has been prepared on the basis of the notes set out below and in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effects of the Proposed Acquisition on the Group, assuming that the Proposed Acquisition had been completed on 30 June 2013.

The Unaudited Pro Forma Financial Information has been prepared using accounting policies consistent with that of the Group, as set out in the interim report of the Group for the six months ended 30 June 2013.

The Unaudited Pro Forma Financial Information of the Enlarged Group should be read in conjunction with the financial information contained in this circular and the accountant's report on the CSLNW Group as set out in Appendix II to this circular.

The Unaudited Pro Forma Financial Information has been prepared by the Directors for illustrative purposes only and is based on a number of assumptions, estimates, uncertainties and currently available information. Because of its hypothetical nature, the Unaudited Pro Forma Financial Information may not reflect the true picture of the financial position of the Enlarged Group had the Proposed Acquisition been completed at 30 June 2013 or at any future date.

A. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP AS AT 30 JUNE 2013

	Unaudited consolidated statement of assets and liabilities of the Group as at 30 June 2013	**Audited consolidated statement of assets and liabilities of the CSLNW Group as at 30 June 2013**	**Pro forma Adjustments**	**Unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as at 30 June 2013**
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*
	Note 1	*Note 2*	*Note 3, 4*	
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	14,133	2,603	—	16,736
Interests in leasehold land	297	—	—	297
Goodwill	36,018	2,694	10,534	49,246
Intangible assets	4,239	2,583	2,719	9,541
Interest in an associate	194	—	—	194
Interests in joint ventures	796	13	—	809
Available-for-sale financial assets	82	—	—	82
Financial assets at fair value through profit or loss	9	—	—	9

	Unaudited consolidated statement of assets and liabilities of the Group as at 30 June 2013	Audited consolidated statement of assets and liabilities of the CSLNW Group as at 30 June 2013	Pro forma Adjustments	Unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as at 30 June 2013
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*
	Note 1	*Note 2*	*Note 3, 4*	
Derivative financial instruments	74	—	—	74
Deferred income tax assets	362	30	—	392
Other non-current assets	540	75	—	615
Defined benefit assets	—	22	—	22
	56,744	**8,020**	**13,253**	**78,017**
Current assets				
Prepayments, deposits and other current assets	3,128	1,024	—	4,152
Inventories	862	72	—	934
Trade receivables, net	3,444	424	—	3,868
Amount due from related companies	40	—	—	40
Financial assets at fair value through profit or loss	11	—	—	11
Restricted cash	—	80	—	80
Cash and cash equivalents	3,414	1,296	—	4,710
	10,899	**2,896**	**—**	**13,795**
Current liabilities				
Short-term borrowings	(3,879)	—	—	(3,879)
Trade payables	(2,010)	(894)	—	(2,904)
Accruals, other payables and deferred revenue	(2,252)	(1,291)	—	(3,543)
Derivative financial instruments	(8)	—	—	(8)
Carrier license fee liabilities	(253)	—	—	(253)
Amounts due to related companies	(249)	(5)	—	(254)
Amounts due to fellow subsidiaries	(829)	—	—	(829)
Amount due to a non-controlling shareholder of a subsidiary	—	(5)	—	(5)
Advances from customers	(1,601)	(678)	—	(2,279)
Current income tax liabilities	(538)	(306)	—	(844)
	(11,619)	**(3,179)**	**—**	**(14,798)**
Net current liabilities	**(720)**	**(283)**	**—**	**(1,003)**
Total assets less current liabilities	**56,024**	**7,737**	**13,253**	**77,014**

	Unaudited consolidated statement of assets and liabilities of the Group as at 30 June 2013	Audited consolidated statement of assets and liabilities of the CSLNW Group as at 30 June 2013	Pro forma Adjustments	Unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as at 30 June 2013
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*
	Note 1	*Note 2*	*Note 3, 4*	
Non-current liabilities				
Long-term borrowings	(21,458)	—	(19,375)	(40,833)
Derivative financial instruments	(317)	—	—	(317)
Deferred income tax liabilities	(1,732)	(250)	(449)	(2,431)
Deferred income	(939)	(122)	—	(1,061)
Carrier license fee liabilities	(712)	—	—	(712)
Accruals and other payables	—	(794)	—	(794)
Other long-term liabilities	(51)	—	—	(51)
	(25,209)	**(1,166)**	**(19,824)**	**(46,199)**
NET ASSETS	**30,815**	**6,571**	**(6,571)**	**30,815**

B. NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

1. Amounts are extracted from the unaudited consolidated balance sheet of the Group as at 30 June 2013 as set out in the Group's published interim report for the six months ended 30 June 2013.

2. Amounts are extracted from the audited consolidated balance sheet of CSLNW as at 30 June 2013 as set out in Appendix II to this circular.

3. Pursuant to the Share Purchase Agreement, the aggregate consideration of HK$19,375 million for the Proposed Acquisition comprised the purchase price (excluding the Estimated Net Cash Amount) of US$2,425 million (equivalent to approximately HK$18,867 million) and price adjustment (being the Estimated Net Cash Amount and post completion adjustments to the base purchase price calculated in accordance with the methodology as set out in the Share Purchase Agreement). For the purpose of the Unaudited Pro Forma Financial Information, the price adjustment (including the Estimated Net Cash Amount of US$30 million (equivalent to approximately HK$230 million)) is estimated to be US$65 million (equivalent to approximately HK$508 million) based on the unaudited consolidated management accounts of CSLNW as at 30 September 2013 being the latest management accounts available as at the Latest Practicable Date. The base purchase price shall be payable by HKT on Completion and is assumed to be funded by a commercial banking facility of up to US$2,500 million (equivalent to approximately HK$19,450 million) in aggregate, arranged for the purpose of the Proposed Acquisition and in respect of which a commitment has already been obtained, for the purpose of the Unaudited Pro Forma Financial Information.

4. Upon Completion of the Proposed Acquisition, the net identifiable assets of the CSLNW Group will be accounted for in the consolidated financial statements of the Enlarged Group at their fair values as required by the acquisition method in accordance with HKFRS 3 "Business Combinations". For the purposes of the Unaudited Pro Forma Financial Information and for illustrative purpose only, the Group has carried out an illustrative consideration allocation exercise following the guidance of HKFRS 3. Details of the net identifiable assets of the CSLNW Group to be accounted for in the consolidated financial statements of the Enlarged Group and the calculation of goodwill is as follows:

	Carrying Amount	**Fair value**
	HK$ million	*HK$ million*
Property, plant and equipment	2,603	2,603
Intangible assets* (excluding goodwill recognised at CSLNW Group)	2,583	5,302
Interest in a joint venture	13	13
Prepayments, deposits and other current and non-current assets	1,099	1,099
Deferred income tax assets	30	30
Defined benefit assets	22	22
Inventories	72	72
Trade receivables, net	424	424
Restricted cash	80	80
Cash and cash equivalents	1,296	1,296
Trade payables	(894)	(894)
Amounts due to related companies	(5)	(5)
Amount due to a non-controlling shareholder of a subsidiary	(5)	(5)
Accruals and other payables (current and non-current)	(2,085)	(2,085)
Advances from customers	(678)	(678)
Deferred income	(122)	(122)
Current income tax liabilities	(306)	(306)
Deferred income tax liabilities	(250)	(699)
Net identifiable assets	3,877	6,147

	HK$ million
Aggregate consideration	19,375
Less: Fair value of net identifiable assets	(6,147)
Goodwill	13,228
Less: Goodwill recognised at CSLNW Group	(2,694)
Pro forma adjustment on goodwill	10,534

* *Intangible assets represent carrier licenses of approximately HK$1,392 million, customer base of approximately HK$2,568 million and trademarks of approximately HK$1,342 million. The increase in fair value arose mainly from the upward valuation of the customer base and carrier licenses and recognition of the trademarks of CSLNW Group to be acquired as part of the Proposed Acquisition.*

The estimated price adjustment (including the Estimated Net Cash Amount) of approximately US$65 million (equivalent to approximately HK$508 million) represents the estimated price adjustment to the consideration in respect of the following items in relation to the CSLNW Group based on the unaudited consolidated management accounts of CSLNW as at 30 September 2013 being the latest management accounts available as at the Latest Practicable Date:

- *working capital surplus or deficit;*
- *any surplus or deficit under the CSLNW Group's defined benefits pension scheme;*
- *outstanding tax liabilities;*
- *outstanding commitments for certain specified capital expenditure amounts;*
- *liabilities in connection with the transfer of certain employees;*
- *outstanding indebtedness; and*
- *surplus or deficit of cash and cash equivalents.*

Upon the Completion of the Proposed Acquisition and at the end of each reporting period, HKT will perform a review for impairment on the Enlarged Group's goodwill annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable in accordance with the Group's accounting policies and principal assumptions as described in the Accountant's Report on the CSLNW Group in Appendix II.

The Directors confirm that consistent policies and assumptions have been applied for the purpose of assessing impairment of goodwill and other intangible assets under HKAS 36 "Impairment of Assets", and the Directors are not aware of any indications that an impairment of the Enlarged Group's goodwill is required after considering the nature, prospects, financial condition and business risks of the Enlarged Group.

Since the fair values and the carrying amounts of the net identifiable assets of the CSLNW Group as at the Adjustment Date may be materially different from the values used in the preparation of the Unaudited Pro Forma Financial Information, the actual amounts of the assets, liabilities and goodwill to be recorded in the consolidated financial statements of the Group upon Completion may be materially different from the estimated amounts shown in this Appendix.

5. No other adjustments have been made to reflect any trading result or other transactions of the Group and the CSLNW Group entered into subsequent to 30 June 2013. Unless otherwise stated, the adjustments above do not have a recurring effect.

C. REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

pwc 羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION INCLUDED IN A CIRCULAR

TO THE DIRECTORS OF HKT MANAGEMENT LIMITED (IN ITS CAPACITY AS TRUSTEE-MANAGER OF HKT TRUST) AND HKT LIMITED

We have completed our assurance engagement to report on the compilation by the directors of unaudited pro forma financial information of HKT Trust, HKT Limited ("HKT") and its subsidiaries (collectively the "Group"), and CSL New World Mobility Limited and its subsidiaries (the "CSLNW Group") (collectively the "Enlarged Group") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of assets and liabilities as at 30 June 2013, and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages 110 to 115 of HKT Trust and HKT's circular dated 31 December 2013, in connection with the proposed acquisition of the CSLNW Group (the "Transaction") by HKT. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described in Note 1 to the Unaudited Pro Forma Financial Information.

The Unaudited Pro Forma Financial Information has been compiled by the directors of HKT Management Limited (in its capacity as trustee-manager of the HKT Trust) (the "Trustee-Manager") and HKT to illustrate the impact of the Transaction on the Group's financial position as at 30 June 2013. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's interim financial information for the period ended 30 June 2013, on which a review report has been issued by us.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors of the Trustee Manager and HKT are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus", issued by the HKICPA. This standard requires that the reporting accountant complies with ethical requirements and plans and performs procedures to obtain reasonable assurance about whether the directors of the Trustee-Manager and HKT have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For the purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Transaction at 30 June 2013 would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and

- the Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgement, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Trustee-Manager and HKT on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 31 December 2013

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the HKT Trust and HKT. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(i) Directors' and Chief Executives' interests and short positions in Share Stapled Units and underlying Share Stapled Units of the HKT Trust and HKT, and shares, underlying shares and debentures of HKT and its associated corporations

As at the Latest Practicable Date, the Directors, and the chief executives of the Trustee-Manager and HKT (collectively referred to as the "**Chief Executives**") had the following interests and short positions in the Share Stapled Units and underlying Share Stapled Units, and the shares, underlying shares and debentures of HKT and its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Trustee-Manager, HKT and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO to be entered in the register(s) maintained by the Trustee-Manager and HKT referred to therein; or (c) were otherwise required to be notified to the Trustee-Manager, HKT and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules:

(A) Interests in the HKT Trust and HKT

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

Name of Director/ Chief Executive	Number of Share Stapled Units held Personal interests	Family interests	Corporate interests	Other interests	Number of underlying Share Stapled Units held under equity derivatives	Total	Approximate percentage of issued Share Stapled Units
Li Tzar Kai, Richard	—	—	177,552,046 *(Note 1(a))*	125,358,732 *(Note 1(b))*	—	302,910,778	4.72%
Alexander Anthony Arena	1,054,756	—	—	762,401 *(Note 2)*	—	1,817,157	0.03%
Hui Hon Hing, Susanna	—	—	—	330,374 *(Note 2)*	—	330,374	0.01%
Peter Anthony Allen	18,245	—	—	—	—	18,245	0.0003%
Chung Cho Yee, Mico	84,100	802 *(Note 3)*	—	—	—	84,902	0.001%
Professor Chang Hsin Kang	2,790	—	—	—	—	2,790	0.00004%

Each Share Stapled Unit confers an interest in:

(a) one voting ordinary share of HK$0.0005 in HKT; and

(b) one voting preference share of HK$0.0005 in HKT,

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

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

Notes:

1. (a) Of these Share Stapled Units, Pacific Century Diversified Limited ("**PCD**"), a wholly owned subsidiary of Chiltonlink Limited ("**Chiltonlink**"), held 17,142,046 Share Stapled Units, Eisner Investments Limited ("**Eisner**") held 39,000,000 Share Stapled Units and FWD Life Insurance Company (Bermuda) Limited (formerly ING Life Insurance Company (Bermuda) Limited) ("**FWD**") held 121,410,000 Share Stapled Units. Li Tzar Kai, Richard owned 100% of the issued share capital of Chiltonlink and Eisner; and indirectly owned one-third or more of the issued share capital of FWD.

   (b) These interests represented:

      (i) a deemed interest in 2,646,156 Share Stapled Units held by Yue Shun Limited ("**Yue Shun**"), a subsidiary of Hutchison Whampoa Limited ("**HWL**"). Cheung Kong (Holdings) Limited ("**Cheung Kong**") through certain subsidiaries held more than one-third of the issued share capital of HWL. Li Tzar Kai, Richard was a discretionary beneficiary of certain discretionary trusts which held units in unit trusts which in turn held interests in certain shares of Cheung Kong and HWL. Accordingly, Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the 2,646,156 Share Stapled Units held by Yue Shun;

      (ii) a deemed interest in 11,152,220 Share Stapled Units held by Pacific Century Group Holdings Limited ("**PCGH**"). Li Tzar Kai, Richard was the founder of certain trusts which held 100% interests in PCGH. Accordingly, Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the 11,152,220 Share Stapled Units held by PCGH;

      (iii) a deemed interest in 111,548,140 Share Stapled Units held by Pacific Century Regional Developments Limited ("**PCRD**"), a company in which PCGH had, through itself and certain wholly owned subsidiaries being Anglang Investments Limited, Pacific Century Group (Cayman Islands) Limited, Pacific Century International Limited and Borsington Limited, an aggregate of 75.98% interest. Li Tzar Kai, Richard was the founder of certain trusts which held 100% interests in PCGH. Accordingly, Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the 111,548,140 Share Stapled Units held by PCRD. Li Tzar Kai, Richard was also deemed to be interested in 0.91% of the issued share capital of PCRD through Hopestar Holdings Limited, a company wholly owned by Li Tzar Kai, Richard; and

(iv) a deemed interest in 12,216 Share Stapled Units held by PineBridge Investments LLC ("**PBI LLC**") in the capacity of investment manager. PBI LLC was an indirect subsidiary of Chiltonlink and Li Tzar Kai, Richard owned 100% of the issued share capital of Chiltonlink. Accordingly, Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the 12,216 Share Stapled Units held by PBI LLC in the capacity of investment manager.

2. These interests represented awards made to these Directors which were subject to certain vesting conditions pursuant to an award scheme of HKT, namely the HKT Share Stapled Units Purchase Scheme.

3. These Share Stapled Units were held by the spouse of Chung Cho Yee, Mico.

(B) Interests in the Associated Corporations of HKT

PCCW

The table below sets out the aggregate long positions in the shares and underlying shares of PCCW held by the Directors and the Chief Executives:

Name of Director/ Chief Executive	Number of ordinary shares of PCCW held Personal interests	Family interests	Corporate interests	Other interests	Number of underlying shares of PCCW held under equity derivatives	Total	Approximate percentage of issued share capital of PCCW
Li Tzar Kai, Richard	—	—	271,666,824 *(Note 1(a))*	1,740,004,335 *(Note 1(b))*	—	2,011,671,159	27.66%
Alexander Anthony Arena *(Note 4)*	760,000	—	—	1,560,408 *(Note 3)*	200 *(Note 2)*	2,320,608	0.03%
Hui Hon Hing, Susanna	—	—	—	1,301,177 *(Note 3)*	—	1,301,177	0.02%
Peter Anthony Allen	253,200	—	—	—	—	253,200	0.003%
Chung Cho Yee, Mico	1,176,260	18,455 *(Note 5)*	—	—	—	1,194,715	0.02%
Professor Chang Hsin Kang	64,180	—	—	—	—	64,180	0.001%

Notes:

1. (a) Of these PCCW shares, PCD held 237,919,824 shares and Eisner held 33,747,000 shares.

(b) These interests represented:

(i) a deemed interest in 36,726,857 shares of PCCW held by Yue Shun. Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the 36,726,857 shares of PCCW held by Yue Shun;

(ii) a deemed interest in 154,785,177 shares of PCCW held by PCGH. Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the 154,785,177 shares of PCCW held by PCGH;

(iii) a deemed interest in 1,548,211,301 shares of PCCW held by PCRD. Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the 1,548,211,301 shares of PCCW held by PCRD; and

(iv) a deemed interest in 281,000 shares of PCCW held by PBI LLC in the capacity of investment manager. Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the 281,000 shares of PCCW held by PBI LLC in the capacity of investment manager.

2. These interests represented Alexander Anthony Arena's beneficial interest in 200 underlying shares of PCCW held in the form of 20 American Depositary Receipts which constituted listed equity derivatives.

3. These interests represented awards made to these Directors which were subject to certain vesting conditions pursuant to an award scheme of PCCW, namely the Purchase Scheme.

4. As disclosed previously in the prospectus dated 16 November 2011 jointly issued by the HKT Trust and HKT and the annual reports and interim reports of PCCW, in 2009 a private company owned by Li Tzar Kai, Richard has provided a seven year interest-free loan in the amount of US$10,000,000 to Alexander Anthony Arena at his request and for personal reasons. Alexander Anthony Arena has entered into a seven year consultancy agreement with another private company owned by Li Tzar Kai, Richard with an annual consultancy fee sufficient to repay the aforementioned loan over its seven year term. This private arrangement was reviewed by the remuneration committee of PCCW prior to its finalisation. The committee noted that the consultancy services provided to the private company would be publicly disclosed, would not conflict with Alexander Anthony Arena's duties at PCCW and overall would be in the interests of PCCW. A subsequent amendment made in October 2013 permits part of the loan previously repaid to be re-drawn, as an interest bearing loan repayable in cash within the original 7 year term.

5. These PCCW shares were held by the spouse of Chung Cho Yee, Mico.

*Pacific Century Premium Developments Limited ("**PCPD**")*

The table below sets out the long position in the shares and underlying shares of PCPD held by a Director:

	Number of ordinary shares of PCPD held				Number of underlying shares of PCPD held under equity derivatives		Approximate percentage of issued share capital of PCPD
Name of Director	**Personal interests**	**Family interests**	**Corporate interests**	**Other interests**		**Total**	
Chung Cho Yee, Mico	—	—	—	—	5,000,000	5,000,000	1.26%

The above interests represented the interests in underlying shares in respect of share options granted by PCPD to the Director as beneficial owner pursuant to a share option scheme of PCPD adopted on 17 March 2003, the termination of which was approved by the shareholders of PCPD at its annual general meeting held on 13 May 2005 ("**2003 PCPD Scheme**"). Details of PCPD's share options outstanding under the 2003 PCPD Scheme are as follows:

Name of Director	Date of grant *(Note)*	Vesting period *(Note)*	Exercise period *(Note)*	Exercise price HK$	Number of options outstanding
Chung Cho Yee, Mico	12.20.2004	Fully vested on 12.20.2004	12.20.2004 to 12.19.2014	2.375	5,000,000

Note: All dates are shown month/day/year.

PCCW-HKT Capital No.4 Limited

FWD held US$9,000,000 of 4.25% guaranteed notes due 2016 issued by PCCW-HKT Capital No.4 Limited, an associated corporation of HKT. Li Tzar Kai, Richard indirectly owned one-third or more of the issued share capital of FWD.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the Chief Executives had any interests or short positions in any Share Stapled Units or underlying Share Stapled Units or in the shares, underlying shares or debentures of HKT or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Trustee-Manager, HKT and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required to be recorded in the register(s) required to be kept under Section 352 of the SFO or which were otherwise required to be notified to the Trustee-Manager, HKT and the Stock Exchange pursuant to the Model Code.

(ii) Interests and short positions of substantial holders of Share Stapled Units

As at the Latest Practicable Date, so far as is known to the Directors and Chief Executives, the following persons (other than any Directors or Chief Executives) were substantial holders of Share Stapled Units, and of ordinary shares and preference shares in HKT, or had interests or short positions in the Share Stapled Units and underlying Share Stapled Units, and shares and underlying shares of HKT which fall to be disclosed to the Trustee-Manager and HKT under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be entered into the register(s) required to be kept under Section 336 of the SFO:

Name of holder	Capacity	Number of Share Stapled Units held	Approximate percentage of issued Share Stapled Units	*Note*
PCCW	Interest in controlled entity	4,047,215,832	63.07%	*1*
CAS	Beneficial interest	4,047,215,832	63.07%	
The Capital Group Companies, Inc.	Interest in controlled entities	511,640,000	7.97%	*2*

Each Share Stapled Unit confers an interest in:

(a) one voting ordinary share of HK$0.0005 in HKT; and
(b) one voting preference share of HK$0.0005 in HKT,

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

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

Notes:

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

1. PCCW indirectly held these interests through its direct wholly owned subsidiary, CAS.

2. The Capital Group Companies, Inc. indirectly held these interests through its direct/indirect wholly owned subsidiaries, based on the information that was publicly available to HKT.

Save as disclosed above, the Directors and Chief Executives are not aware that there is any other person (other than any Directors or Chief Executives) who, as at the Latest Practicable Date, had an interest or a short position in the Share Stapled Units or underlying Share Stapled Units, or in the shares or underlying shares of HKT which would fall to be disclosed to the Trustee-Manager and HKT under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be entered into the register(s) required to be kept under Section 336 of the SFO.

3. SERVICE CONTRACTS

As at the Latest Practicable Date, none of Directors had any service contracts with the Trustee-Manager or the Group (excluding contracts expiring or determinable by the Trustee-Manager or the Group within one year without payment of compensation, other than statutory compensation).

4. LITIGATION

As at the Latest Practicable Date, no litigation or claim of material importance is known to the Directors to be pending or threatened against any member of the Group (as a defendant).

5. COMPETING INTERESTS

As at the Latest Practicable Date, the following are the interests of the Directors in businesses apart from the Group's business, which compete or are likely to compete, either directly or indirectly, with the Group's business:

Li Tzar Kai, Richard

Li Tzar Kai, Richard was a director of HWL and certain of its subsidiaries until 16 August 2000, the day before the acquisition of Cable & Wireless HKT Limited (now known as PCCW-HKT Limited) became effective. HWL is a company listed on the main board of the Stock Exchange and has its own management team separate from the Group. HWL and its subsidiaries (the "**Hutchison Group**") are involved in the business of ports and related services, property and hotels, retail, infrastructure, energy, telecommunications, and finance & investments and others. Among others, the Hutchison Group operates GSM dual-band and 3G mobile telecommunications services in Hong Kong and the Macau Special Administrative Region of the People's Republic of China and provides fixed-line telecommunications services in Hong Kong. As such, certain businesses of the Hutchison Group compete with certain aspects of the business of the Group. Li Tzar Kai, Richard has a personal interest in 110,000 shares in HWL, and is one of the discretionary beneficiaries of certain discretionary trusts which hold units in unit trusts which in turn are interested in certain shares of HWL. In view of the above, the Directors consider that Li Tzar Kai, Richard is not able to exert control or influence over the Hutchison Group.

Lu Yimin and Li Fushen

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

Li Fushen is an executive director and Chief Financial Officer of China Unicom (Hong Kong) Limited. He is a director, Vice President and Chief Accountant of 中國聯合網絡通信集團有限公司 (China United Network Communications Group Company Limited[#]). He is also a director of China United Network Communications Limited and a director and Senior Vice President of China United Network Communications Corporation Limited.

China Unicom (Hong Kong) Limited is a company listed on the New York Stock Exchange and the main board of the Stock Exchange. 中國聯合網絡通信集團有限公司 (China United Network Communications Group Company Limited[#]) is the ultimate parent company of China Unicom (Hong Kong) Limited and China United Network Communications Limited is a shareholder of China Unicom (Hong Kong) Limited. China United Network Communications Corporation

[#] *For identification only*

Limited is a subsidiary of China Unicom (Hong Kong) Limited. China United Network Communications Limited is a company listed on Shanghai Stock Exchange. Save for Lu Yimin and Li Fushen, each of these companies has its own management team separate from the Group. These companies are involved in the business of provision of wireless, fixed-line, broadband, data and related value-added services and compete with certain aspects of the business of the Group. As Lu Yimin and Li Fushen are non-executive Directors who are not involved in the day-to-day management of the Trustee-Manager, HKT or any other member of the Group, the Directors consider that Lu Yimin and Li Fushen are not able to exert control or influence over the Group.

Each of Li Tzar Kai, Richard, Lu Yimin and Li Fushen has undertaken to the Trustee-Manager and HKT that they will continue to prominently disclose details of their interests as disclosed above and any change in details of such interests other than those disclosed in the annual reports of the HKT Trust and HKT as required under Rule 8.10(2) of the Listing Rules.

Other than as disclosed above, as at the Latest Practicable Date, to the best knowledge of the Directors, none of the Directors is interested in any business, apart from the Group's businesses, which competes or is likely to compete, either directly or indirectly, with the Group's businesses.

6. MATERIAL INTERESTS IN CONTRACTS OR ARRANGEMENTS

None of the Directors or proposed Directors was materially interested in any contract or arrangement entered into by the Trustee-Manager or any member of the Group which is subsisting at the Latest Practicable Date and which is significant in relation to the business of the Group.

As at the Latest Practicable Date, none of the Directors or proposed Directors had any direct or indirect interest in any assets which have been, since 31 December 2012 (being the date to which the latest published audited financial statements of the HKT Trust and HKT were made up), acquired or disposed of by or leased to any member of the Group, or which were proposed to be acquired or disposed of by or leased to any member of the Group.

7. EXPERTS

The following are the qualifications of the experts (the "**Experts**") who have given their opinion, letter or advice contained in this circular or whose name is otherwise referred to in this circular:

Name	Qualification
PricewaterhouseCoopers ("**PwC**")	Certified public accountants
Standard Chartered Bank (Hong Kong) Limited	Licensed corporation under the SFO, licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities

Each of the Experts has expressed that it did not have any shareholding (or holding of any other securities), directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group as at the Latest Practicable Date.

Each of the Experts has given and has not withdrawn its written consent to the issue of this circular, with the inclusion therein of its letter and/or report or the references to its name in the form and context in which it appears.

As at the Latest Practicable Date, each of the Experts did not have any direct or indirect interest in any asset which has been acquired or disposed of by or leased to any member of the Group, or which was proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2012 (being the date to which the latest published audited financial statements of the HKT Trust and HKT were made up).

8. MATERIAL CONTRACTS

As at the Latest Practicable Date, the following contracts (not being contracts entered into in the ordinary course of business) were entered into by any member of the Group within the two years immediately preceding the Latest Practicable Date and are, or may be considered, material:

(a) the Share Purchase Agreement;

(b) the trust deed dated 8 March 2013 between PCCW-HKT Capital No.5 Limited as issuer, HKT Group Holdings Limited and Hong Kong Telecommunications (HKT) Limited as guarantors and The Hongkong and Shanghai Banking Corporation Limited as trustee in relation to US$500,000,000 3.75% guaranteed notes due 2023; and

(c) the agency agreement dated 8 March 2013 between PCCW-HKT Capital No.5 Limited as issuer, HKT Group Holdings Limited and Hong Kong Telecommunications (HKT) Limited as guarantors and The Hongkong and Shanghai Banking Corporation Limited as registrar, principal paying agent, transfer agent, paying agent and trustee in relation to US$500,000,000 3.75% guaranteed notes due 2023.

9. MISCELLANEOUS

(a) The registered office of the Trustee-Manager is situated at 39th Floor, PCCW Tower, TaiKoo Place, 979 King's Road, Quarry Bay, Hong Kong.

(b) The head office and the registered office of HKT are situated at 39th Floor, PCCW Tower, TaiKoo Place, 979 King's Road, Quarry Bay, Hong Kong and PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands, respectively.

(c) The company secretary of the Trustee-Manager and HKT is Philana WY Poon. She has about 20 years of post-qualification legal experience both in private practice and in-house, and holds a Bachelor of Commerce degree from the University of Toronto and a Doctor of Law degree from Cornell University.

(d) The principal share registrar and transfer office of HKT is Maples Fund Services (Cayman) Limited at PO Box 1093, Boundary Hall, Cricket Square, Grand Cayman, KY1-1102, Cayman Islands. The Share Stapled Units registrar of the HKT Trust and HKT and the branch share registrar and transfer office in Hong Kong of HKT is Computershare Hong Kong Investor Services Limited with its office located at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

(e) In the event of inconsistency, the English version of this circular shall prevail over the Chinese version.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at the registered office of the Trustee-Manager and the head office of HKT in Hong Kong at 39th Floor, PCCW Tower, TaiKoo Place, 979 King's Road, Quarry Bay, Hong Kong, on any weekday (except public holidays) up to and including 28 February 2014:

(a) the trust deed dated 7 November 2011 constituting the HKT Trust (as amended);

(b) the amended and restated memorandum and articles of association of HKT;

(c) the annual reports of the HKT Trust and HKT (including audited financial statements of the HKT Trust and HKT) for the two financial years ended 31 December 2011 and 2012;

(d) the interim report of the HKT Trust and HKT (including unaudited financial statements of the HKT Trust and HKT) for the six months period ended 30 June 2013;

(e) the accountant's report on the CSLNW Group issued by PwC, the text of which is set out in Appendix II to this circular;

(f) the report from PwC in connection with the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix III to this circular;

(g) the letter of opinion from Standard Chartered Bank (Hong Kong) Limited, the financial adviser to HKT, to the HKT Board, the full text of which is set out on pages 25 to 36 of this circular;

(h) the written consents referred to in the section headed "Experts" in this Appendix IV;

(i) copies of each of the material contracts referred to in the section headed "Material Contracts" in this Appendix IV; and

(j) this circular.