General Announcement::Announcement Relating to HKT Limited

Issuer & Securities

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

Announcement Details

Announcement Title	General Announcement
Date & Time of Broadcast	25-Feb-2016 18:11:12
Status	New
Announcement Sub Title	Announcement Relating to HKT Limited
Announcement Reference	SG160225OTHRGZGF
Submitted By (Co./ Ind. Name)	Lim Beng Jin
Designation	Company Secretary
Effective Date and Time of the event	25/02/2016 17:00:00
Description (Please provide a detailed description of the event in the box below)	The Board of Directors of Pacific Century Regional Developments Limited (the "Company") wishes to advise that HKT Management Limited (in its capacity as the trustee-manager of the HKT Trust) and HKT Limited (a 63.07% subsidiary of the Company's 22.3% associated company, PCCW Limited ("PCCW"), which is listed on The Stock Exchange of Hong Kong Limited) have made an announcement in relation to the audited consolidated results of the HKT Trust and HKT Limited together with its subsidiaries for the year ended 31 December 2015. A copy of the HKT Trust and HKT Limited announcement is attached. By Order of the Board Lim Beng Jin Company Secretary 25 February 2016

Attachments	HKT 2015 Results.pdf Total size =127K

Like 0 Tweet G+ Share

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

HKT Trust

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

and

HKT Limited

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 6823)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2015

The directors of HKT Management Limited (the "Trustee-Manager", in its capacity as the trustee-manager of the HKT Trust) and HKT Limited (the "Company" or "HKT") are pleased to announce the audited consolidated results of the HKT Trust and of the Company together with the Company's subsidiaries (collectively the "Group") for the year ended December 31, 2015.

- Total revenue increased by 20% to HK$34,729 million
- Total EBITDA increased by 18% to HK$12,100 million
- Profit attributable to holders of Share Stapled Units increased by 32% to HK$3,949 million; basic earnings per Share Stapled Unit was 52.21 HK cents
- Adjusted funds flow for the year increased by 22% to HK$4,093 million; adjusted funds flow per Share Stapled Unit was 54.06 HK cents
- Final distribution per Share Stapled Unit of 28.27 HK cents

MANAGEMENT REVIEW

We are pleased to announce another set of fruitful financial results for HKT for the year ended December 31, 2015, reflecting the underlying strength and resilience of each of our lines of business and further integration of CSL Holdings Limited ("CSL") during the year.

Total revenue for the year ended December 31, 2015 increased by 20% to HK$34,729 million and total EBITDA for the year was HK$12,100 million, an increase of 18% over the previous year. This growth reflected a full 12-month contribution and the significant cost synergies achieved from the CSL integration as well as sustained growth in the Telecommunications Services ("TSS") business.

Profit attributable to holders of Share Stapled Units was HK$3,949 million, an increase of 32% over the previous year. Basic earnings per Share Stapled Unit was 52.21 HK cents.

Adjusted funds flow for the year ended December 31, 2015 reached HK$4,093 million, an increase of 22% over the previous year. Adjusted funds flow per Share Stapled Unit was 54.06 HK cents.

The board of directors of the Trustee-Manager has recommended the payment of a final distribution of 28.27 HK cents per Share Stapled Unit for the year ended December 31, 2015. This brings the 2015 full-year distribution to 54.06 HK cents per Share Stapled Unit (comprising 25.79 HK cents as interim and 28.27 HK cents as final distribution) representing the complete payout of the adjusted funds flow per Share Stapled Unit.

OUTLOOK

HKT will continue to innovate on services and create new engines for growth on the strong base of its fixed line, broadband, and mobile services.

HKT's broadband strength will continue to be our advantage in tapping the market for new demand and upgrade to fiber services including our first-in-market 10Gbps service. The suite of offerings will be complemented this year with a new integrated 4K all-in-one appliance.

HKT will also benefit from the emergence of more advanced mobile devices with high resolution display as well as a greater variety of content offerings which drive demand for higher mobile speeds and data usage.

In the meantime, upon completion of the consolidation of the mobile cell sites in 2015, we expect to record in 2016 the full-year cost synergies of the site rationalization.

The Hong Kong economy grew slowly last year as characterized by a weaker retail and consumer market. Both the local and external macro-economic environments are expected to remain challenging in 2016, while local competition is expected to remain keen. With this backdrop, HKT will cautiously examine any opportunities to maintain its competitiveness and leadership in the market while identifying ways of generating sustainable growth for the future.

FINANCIAL REVIEW BY SEGMENT

For the year ended December 31, HK$ million	2014 H1	2014 H2	2014 Full Year	2015 H1	2015 H2	2015 Full Year	Better/ (Worse) y-o-y
Revenue							
TSS	9,565	10,348	**19,913**	10,145	10,732	**20,877**	5%
Mobile	2,910	6,040	**8,950**	6,044	8,273	**14,317**	60%
Other Businesses	286	278	**564**	84	123	**207**	(63)%
Eliminations	(241)	(363)	**(604)**	(299)	(373)	**(672)**	(11)%
Total revenue	12,520	16,303	**28,823**	15,974	18,755	**34,729**	20%
Cost of sales	(5,333)	(6,720)	**(12,053)**	(6,544)	(8,995)	**(15,539)**	(29)%
Operating costs before depreciation, amortization, and (loss)/gain on disposal of property, plant and equipment, net	(2,762)	(3,766)	**(6,528)**	(3,660)	(3,430)	**(7,090)**	(9)%
EBITDA[1]							
TSS	3,594	3,768	**7,362**	3,654	3,853	**7,507**	2%
Mobile	965	2,182	**3,147**	2,298	2,732	**5,030**	60%
Other Businesses	(134)	(133)	**(267)**	(182)	(255)	**(437)**	(64)%
Total EBITDA[1]	4,425	5,817	**10,242**	5,770	6,330	**12,100**	18%
TSS EBITDA[1] Margin	*38%*	*36%*	***37%***	*36%*	*36%*	***36%***	
Mobile EBITDA[1] Margin	*33%*	*36%*	***35%***	*38%*	*33%*	***35%***	
Total EBITDA[1] Margin	*35%*	*36%*	***36%***	*36%*	*34%*	***35%***	
Depreciation and amortization	(2,350)	(3,536)	**(5,886)**	(3,194)	(3,008)	**(6,202)**	(5)%
(Loss)/gain on disposal of property, plant and equipment, net	(2)	–	**(2)**	3	2	**5**	NA
Other gains, net	41	58	**99**	33	(15)	**18**	(82)%
Finance costs, net	(452)	(672)	**(1,124)**	(631)	(679)	**(1,310)**	(17)%
Share of results of an associate and joint ventures	2	(31)	**(29)**	(15)	(10)	**(25)**	14%
Profit before income tax	1,664	1,636	**3,300**	1,966	2,620	**4,586**	39%

ADJUSTED FUNDS FLOW

For the year ended December 31, HK$ million	2014 H1	2014 H2	2014 Full Year	2015 H1	2015 H2	2015 Full Year	Better/ (Worse) y-o-y
Total EBITDA[1]	4,425	5,817	**10,242**	5,770	6,330	**12,100**	18%
Less cash outflows in respect of:							
Customer acquisition costs and licence fees	(770)	(2,032)	**(2,802)**	(1,519)	(1,808)	**(3,327)**	(19)%
Capital expenditures[6]	(1,135)	(1,375)	**(2,510)**	(1,304)	(1,733)	**(3,037)**	(21)%
Adjusted funds flow before tax paid, net finance costs paid and changes in working capital	2,520	2,410	**4,930**	2,947	2,789	**5,736**	16%
Adjusted for:							
Tax payment	(80)	(315)	**(395)**	(75)	(290)	**(365)**	8%
Net finance costs paid	(368)	(433)	**(801)**	(435)	(467)	**(902)**	(13)%
Changes in working capital	(482)	102	**(380)**	(484)	108	**(376)**	1%
Adjusted funds flow[2]	1,590	1,764	**3,354**	1,953	2,140	**4,093**	22%
Annual adjusted funds flow per Share Stapled Unit (HK cents)[3]			**44.30**			**54.06**	

KEY OPERATING DRIVERS[4]

	2014 H1	2014 H2	2015 H1	2015 H2	Better/ (Worse) y-o-y
Exchange lines in service ('000)	2,654	2,654	2,657	2,654	0%
Business lines ('000)	1,245	1,245	1,248	1,249	0%
Residential lines ('000)	1,409	1,409	1,409	1,405	0%
Total broadband access lines ('000) (Consumer, business and wholesale customers)	1,567	1,567	1,567	1,572	0%
Retail consumer broadband subscribers ('000)	1,408	1,404	1,404	1,405	0%
Retail business broadband subscribers ('000)	131	136	138	144	6%
Traditional data (Exit Gbps)	3,016	3,372	3,673	4,072	21%
Retail IDD minutes (million minutes)	431	397	356	319	(18)%
Mobile subscribers ('000)	4,512	4,585	4,653	4,558	(1)%
Post-paid subscribers ('000)	3,183	3,178	3,147	3,127	(2)%
Prepaid subscribers ('000)	1,329	1,407	1,506	1,431	2%

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

Note 2 *Adjusted funds flow is defined as EBITDA less capital expenditures, customer acquisition costs and licence fees paid, taxes paid, finance costs and interest expense paid, and adjusted for interest income received and changes in working capital. It is not presented as a measure of leverage or liquidity in accordance with HKFRS and should not be considered as representing net cash flows or any other similar measures derived in accordance with HKFRS, or an alternative to cash flow from operations or a measure of liquidity. The Group's Adjusted Funds Flow is computed in accordance with the above definition using financial information derived from the Group's audited consolidated financial statements. The Adjusted Funds Flow may be used for debt repayment.*

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

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

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

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

Telecommunications Services

For the year ended December 31, HK$ million	2014 H1	2014 H2	2014 Full Year	2015 H1	2015 H2	2015 Full Year	Better/ (Worse) y-o-y
Local Telephony Services	1,682	1,801	**3,483**	1,690	1,785	**3,475**	0%
Local Data Services	3,236	3,490	**6,726**	3,356	3,648	**7,004**	4%
International Telecommunications Services	3,465	3,538	**7,003**	3,869	3,544	**7,413**	6%
Other Services	1,182	1,519	**2,701**	1,230	1,755	**2,985**	11%
TSS Revenue	9,565	10,348	**19,913**	10,145	10,732	**20,877**	5%
Cost of sales	(4,301)	(4,638)	**(8,939)**	(4,569)	(4,903)	**(9,472)**	(6)%
Operating costs before depreciation and amortization	(1,670)	(1,942)	**(3,612)**	(1,922)	(1,976)	**(3,898)**	(8)%
TSS EBITDA[1]	3,594	3,768	**7,362**	3,654	3,853	**7,507**	2%
TSS EBITDA[1] margin	*38%*	*36%*	***37%***	*36%*	*36%*	***36%***	

TSS revenue for the year ended December 31, 2015 increased by 5% to HK$20,877 million and EBITDA for the year increased by 2% to HK$7,507 million representing an EBITDA margin of 36%.

Local Telephony Services. Local telephony services revenue remained steady at HK$3,475 million for the year ended December 31, 2015, as compared to HK$3,483 million a year earlier. Total fixed lines in service at the end of December 2015 remained stable at 2.65 million.

Local Data Services. Local data services revenue, comprising broadband network revenue and local data revenue, increased by 4% to HK$7,004 million for the year ended December 31, 2015. The broadband network business maintained its growth momentum despite intense competition and reported a solid revenue growth of 5% during the year. This expansion in revenue was fueled by continued customer upgrades to our higher speed plans and supported by the strong content and value proposition of PCCW's now TV service. At the end of December 2015, there were 568,000 fiber-to-the-home ("FTTH") subscribers, which represented an increase of 13% from a year earlier. Local data revenue from the enterprise sector increased by 3% during the year due to the increased usage of customized projects such as cross border connectivity. This increase occurred despite persistent pricing pressure and slowing enterprise spending amid the weak economic conditions prevailing in Hong Kong.

International Telecommunications Services. International telecommunications services revenue for the year ended December 31, 2015 increased by 6% to HK$7,413 million, marking the sixth consecutive year of growth. This growth off an enlarged revenue base in 2015 reflected the continued strong demand for data connectivity services from both international carriers and enterprise customers and the upselling of additional value added services such as cyber security solutions and unified cloud-based communication services to these customers.

Other Services. Other services revenue primarily comprises revenue from the sales of network equipment and customer premises equipment ("CPE"), provision of technical and maintenance subcontracting services and contact centre services ("Teleservices"). Other services revenue for the year ended December 31, 2015 increased by 11% to HK$2,985 million on the back of growth in the Teleservices business and the completion of significant networking projects for commercial customers during the year.

Mobile

For the year ended December 31, HK$ million	2014 H1	2014 H2	2014 Full Year	2015 H1	2015 H2	2015 Full Year	Better/ (Worse) y-o-y
Mobile Services	2,328	4,570	**6,898**	4,583	4,636	**9,219**	34%
Handset Sales	582	1,470	**2,052**	1,461	3,637	**5,098**	148%
Mobile Revenue	2,910	6,040	**8,950**	6,044	8,273	**14,317**	60%
Mobile Services	964	2,123	**3,087**	2,272	2,698	**4,970**	61%
Handset Sales	1	59	**60**	26	34	**60**	0%
Mobile EBITDA[1]	965	2,182	**3,147**	2,298	2,732	**5,030**	60%
Mobile EBITDA[1] margin	*33%*	*36%*	***35%***	*38%*	*33%*	***35%***	
Mobile Services EBITDA[1] margin	*41%*	*46%*	***45%***	*50%*	*58%*	***54%***	

The Mobile business, which included the full 12-month contribution from the acquired CSL business, registered a 60% increase in total revenue to HK$14,317 million for the year ended December 31, 2015. The Mobile revenue represented 41% of total HKT revenues for the year ended December 31, 2015, as compared to 31% a year ago.

Mobile services revenue for the year ended December 31, 2015 increased by 34% to HK$9,219 million from HK$6,898 million a year earlier. The overall growth was moderated by an enlarged proportion of SIM-only plan customers and a gradual decline in IDD and roaming revenue during the year. Mobile data revenue soared by 40% and accounted for 71% of mobile services revenue for the year, while IDD and roaming revenue accounted for 17% of mobile services revenue.

Revenue from handset sales of HK$5,098 million was recorded during the year, as compared to HK$2,052 million a year earlier. HKT excels in our offering of a well diversified portfolio of handsets and our extensive retail network of strategically located shops throughout Hong Kong.

The post-paid exit average revenue per user ("ARPU") increased by 5% to HK$230 as at the end of December 2015 from HK$219 a year earlier. As at December 31, 2015, the total mobile customer base was 4,558,000, of which 3,127,000 were post-paid customers. Of these post-paid customers, approximately 80% were smart device users. The churn rate for post-paid customers improved to 1.4% in 2015, as compared to 1.5% a year earlier.

EBITDA for the year increased by 60% to HK$5,030 million representing a margin of 35%. The EBITDA margin for mobile services improved significantly to 54% from 45% a year earlier benefiting from the accelerated achievement of cost synergies from the integration of CSL. Integration of the radio cell sites was completed in December 2015, while the integration of the core mobile network has commenced and is expected to be completed in 2016.

Other Businesses

Revenue from Other Businesses was HK$207 million for the year ended December 31, 2015, as compared to HK$564 million a year ago. The decrease in revenue was mainly due to the disposal of the entire 38.2% effective equity interest in Unihub China Information Technology Company Limited and partly offset by the revenue recognized from Keycom plc which was acquired in April 2015. Keycom plc provides design, development and delivery of communications and multimedia services via high-speed connectivity in the United Kingdom.

Eliminations

Eliminations were HK$672 million for the year ended December 31, 2015, as compared to HK$604 million a year ago. Eliminations mainly related to internal charges for telecommunications services consumed amongst HKT's business units.

Cost of Sales

Cost of sales for the year ended December 31, 2015 increased by 29% to HK$15,539 million, which was in line with the revenue growth during the year. Gross margin was 55% in 2015, as compared to 58% a year ago, mainly due to the lower margin on mobile handset sales.

General and Administrative Expenses

During the year, operating costs before depreciation, amortization, and (loss)/gain on disposal of property, plant and equipment, net, ("operating costs") increased by 9% to HK$7,090 million as a result of the full-year impact of CSL as well as to support the business growth in the TSS and Mobile businesses and investments in new business initiatives such as Tap & Go mobile payment service and The Club loyalty and rewards program. Operating costs to revenue ratio for the TSS business increased slightly to 19% from 18% a year ago, while operating costs to revenue ratio for the Mobile business significantly improved to 21% from 31% a year ago as a result of the cost synergies achieved from the successful CSL integration.

Upon completion of the CSL acquisition in mid 2014, certain intangible assets attributable to the CSL mobile business have been recognized by the Group. The full-year impact of this as well as the increased customer acquisition costs driven by the growth in Mobile services of the Group as a whole resulted in the corresponding amortization charges for the year ended December 31, 2015 increasing as compared with 2014. On the other hand, during the network integration after the CSL acquisition, the useful lives of certain network assets were reassessed during 2014 which resulted in the recognition of one-off accelerated depreciation charges in that year. The combination of these factors led to total depreciation and amortization expenses increasing slightly by 5% to HK$6,202 million for the year ended December 31, 2015, from HK$5,886 million in 2014.

General and administrative expenses, therefore, increased by 7% to HK$13,287 million for the year ended December 31, 2015.

EBITDA[1]

As a result of the steady performance in the TSS business and the contribution from the enlarged Mobile business, overall EBITDA increased by 18% to HK$12,100 million for the year ended December 31, 2015. The EBITDA margin remained relatively stable at 35% for the year.

Finance Costs, Net

Net finance costs for the year ended December 31, 2015 increased to HK$1,310 million from HK$1,124 million a year ago. The increase in net finance costs was due to the full-year impact of interest on the borrowings raised to finance the CSL acquisition and the rebalancing of floating rate debt to fixed rate debt during the year. The average cost of debt was 2.8% in 2015, as compared to 2.5% a year ago.

Income Tax

Income tax expense for the year ended December 31, 2015 was HK$600 million, as compared to HK$242 million a year ago, representing an effective tax rate of 13% for the year. The increase in the tax expense is mainly due to increase in taxable profit resulting from the acquisition of mobile group companies.

Non-controlling Interests

Non-controlling interests of HK$37 million (2014: HK$67 million) primarily represented the net profit attributable to the minority shareholders of Sun Mobile Limited.

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

Profit attributable to holders of Share Stapled Units/shares of the Company for the year ended December 31, 2015 increased by 32% to HK$3,949 million (2014: HK$2,991 million).

LIQUIDITY AND CAPITAL RESOURCES

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

During the year, HKT took advantage of the favorable interest rate environment and raised a total of approximately US$1,013 million through the issuance of US$300 million in 15-year, zero coupon guaranteed notes, US$500 million in 10-year, 3.625% guaranteed notes and €200 million in 12-year, 1.65% guaranteed notes. The use of proceeds was for general corporate purposes including the refinancing of outstanding debt. HKT's gross debt[5] was HK$36,849 million as at December 31, 2015 (December 31, 2014: HK$36,847 million). Cash and cash equivalents totaled HK$3,768 million as at December 31, 2015 (December 31, 2014: HK$3,613 million).

As at December 31, 2015, HKT had ample liquidity as evidenced by committed banking facilities totaling HK$26,671 million, of which HK$5,527 million remained undrawn.

HKT's gross debt[5] to total assets was 41% as at December 31, 2015 (December 31, 2014: 41%).

CREDIT RATINGS OF HONG KONG TELECOMMUNICATIONS (HKT) LIMITED

As at December 31, 2015, Hong Kong Telecommunications (HKT) Limited, an indirect wholly-owned subsidiary of the Company, had investment grade ratings with Moody's Investors Service (Baa2) and Standard & Poor's Ratings Services (BBB).

CAPITAL EXPENDITURE[6]

Capital expenditure including capitalized interest for the year ended December 31, 2015 was HK$3,054 million (2014: HK$2,529 million). Capital expenditure relative to revenue was 8.8% for the year ended December 31, 2015 (2014: 8.8%). These capital investments made during the year were attributable to the network integration and coverage improvement work for the Mobile business, outlays in relation to satisfying customers’ demand for our high speed broadband fiber services, and the investment in an international submarine cable system.

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

HEDGING

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

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

As for financing, a significant portion of HKT’s debt is denominated in foreign currency including United States dollars. Accordingly, HKT has entered into forward and swap contracts in order to manage its exposure to adverse fluctuations in foreign currency exchange rates and interest rates. These instruments are executed with creditworthy financial institutions. As at December 31, 2015, all forward and swap contracts were designated as cash flow hedges for the Company’s foreign currency denominated borrowings.

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

CHARGE ON ASSETS

As at December 31, 2015, no assets of the Group (2014: nil) were pledged to secure loans and banking facilities of HKT.

CONTINGENT LIABILITIES

As at December 31, HK$ million	2014	**2015**
Performance guarantees	2,076	**2,108**
Tender guarantees	52	**–**
Others	74	**65**
	2,202	**2,173**

The Group is subject to certain corporate guarantee obligations to guarantee performance of the Company's 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 of the Company are of the opinion that any resulting liability would not materially affect the financial position of the Group.

HUMAN RESOURCES

HKT had approximately 19,400 employees as at December 31, 2015 (2014: 17,600) located in over 45 countries and cities. About 57% of these employees work in Hong Kong and the others are based mainly in mainland China, the Philippines and the United States. HKT has established performance based bonus and incentive schemes designed to motivate and reward employees at all levels to achieve business performance targets. Payment of performance bonuses is generally based on achievement of revenue, EBITDA and free cash flow targets for HKT as a whole and for each of the individual business units and performance ratings of employees.

FINAL DIVIDEND/DISTRIBUTION

The board of directors of the Trustee-Manager has recommended the payment of a final distribution by the HKT Trust in respect of the Share Stapled Units, of 28.27 HK cents per Share Stapled Unit (after deduction of any operating expenses permissible under the trust deed dated November 7, 2011 constituting the HKT Trust (the "Trust Deed")), in respect of the year ended December 31, 2015 (and in order to enable the HKT Trust to pay that distribution, the board of directors of the Company has recommended the payment of a final dividend in respect of the ordinary shares in the Company held by the Trustee-Manager, of 28.27 HK cents per ordinary share, in respect of the same period), subject to the approval of unitholders of the HKT Trust and of shareholders of the Company at the forthcoming annual general meeting of unitholders of the HKT Trust and of shareholders of the Company to be held on a combined basis as a single meeting characterized as an annual general meeting of registered holders of Share Stapled Units ("AGM"). An interim distribution/dividend of 25.79 HK cents per Share Stapled Unit/ordinary share of the Company for the six months ended June 30, 2015 was paid to holders of Share Stapled Units/shareholder of the Company in September 2015.

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

CLOSURE OF BOOKS

The record date for the proposed final distribution will be Thursday, May 12, 2016. The register of registered holders of Share Stapled Units, the register of holders of units, the principal and Hong Kong branch registers of members of the Company and the register of beneficial interests as maintained by the Trustee-Manager and the Company in accordance with the provisions of the Trust Deed will all be closed from Wednesday, May 11, 2016 to Thursday, May 12, 2016 (both days inclusive), in order to determine entitlements to the proposed final distribution. During such period, no transfer of Share Stapled Units will be effected. In order to qualify for the proposed final distribution, all transfers of Share Stapled Units accompanied by the relevant certificates in respect of the Share Stapled Units must be lodged with the Share Stapled Units Registrar, Computershare Hong Kong Investor Services Limited, Transfer Office, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong (the "Share Stapled Units Registrar"), for registration no later than 4:30 p.m. on Tuesday, May 10, 2016. Subject to the approval of holders of Share Stapled Units at the AGM, distribution warrants will be despatched to holders of Share Stapled Units on or around Thursday, May 26, 2016.

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

The record date for determining the entitlement of the holders of Share Stapled Units to attend and vote at the AGM, which is to be held on Thursday, May 5, 2016, will be Tuesday, May 3, 2016. All transfers of Share Stapled Units accompanied by the relevant certificates in respect of the Share Stapled Units must be lodged with the Share Stapled Units Registrar for registration no later than 4:30 p.m. on Tuesday, May 3, 2016.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

During the year ended December 31, 2015, none of the HKT Trust (including the Trustee-Manager), the Company or the Company's subsidiaries purchased, sold or redeemed any Share Stapled Units.

AUDIT COMMITTEE

The Trustee-Manager's Audit Committee and the Company's Audit Committee have reviewed the accounting policies adopted by the Group and the Trustee-Manager, the audited consolidated financial statements of the HKT Trust and HKT Limited for the year ended December 31, 2015 and the audited financial statements of the Trustee-Manager for the same period.

CORPORATE GOVERNANCE CODE

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

The HKT Trust and the Company have applied the principles and complied with all relevant code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited during the year ended December 31, 2015, save and except for the code provisions set out below. The requirement to establish a separate Remuneration Committee with written terms of reference for the Trustee-Manager under the code provision B.1.2 of the CG Code is not relevant to the Trustee-Manager as its directors are not entitled to any remuneration under the Trust Deed, and therefore has not been complied with. In addition, given the unique circumstances of the HKT Trust i.e., the fact that the Trust Deed requires that the directors of the Company and the directors of the Trustee-Manager must always be the same individuals, the establishment of a separate Nomination Committee for the Trustee-Manager as required by code provision A.5.1 of the CG Code is not relevant to the Trustee-Manager, and therefore has not been complied with. The appointments of company secretaries during the year were discussed and approved at the physical executive committee meetings in accordance with the delegated board authority, of which the directors were briefed on the outcome, and therefore the requirement by code provision F.1.2 of the CG Code to approve these matters by physical board meetings has not been complied with. It is considered that the approval process is efficient and appropriate in the view of directors.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the websites of the Company (www.hkt.com/ir) and Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk). The 2015 annual report will be despatched to holders of Share Stapled Units and available on the above websites in due course.

By order of the boards of
HKT Management Limited
and
HKT Limited
Grace M.Y. Lee
Group General Counsel and Company Secretary

Hong Kong, February 25, 2016

AUDITED CONSOLIDATED INCOME STATEMENT OF HKT TRUST AND OF HKT LIMITED
For the year ended December 31, 2015
(In HK$ million except for earnings per Share Stapled Unit/share of the Company)

	Note(s)	2014	**2015**
Revenue	2	28,823	**34,729**
Cost of sales		(12,053)	**(15,539)**
General and administrative expenses		(12,416)	**(13,287)**
Other gains, net	3	99	**18**
Finance costs, net		(1,124)	**(1,310)**
Share of results of an associate		(35)	**(27)**
Share of results of joint ventures		6	**2**
Profit before income tax	2, 4	3,300	**4,586**
Income tax	5	(242)	**(600)**
Profit for the year		3,058	**3,986**
Attributable to:			
Holders of Share Stapled Units/shares of the Company		2,991	**3,949**
Non-controlling interests		67	**37**
Profit for the year		3,058	**3,986**
Earnings per Share Stapled Unit/share of the Company			
Basic	7	42.20 cents	**52.21 cents**
Diluted	7	42.19 cents	**52.17 cents**

AUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF HKT TRUST AND OF HKT LIMITED
For the year ended December 31, 2015

In HK$ million	2014	**2015**
Profit for the year	3,058	**3,986**
Other comprehensive income		
Items that may be reclassified subsequently to consolidated income statement:		
Translation exchange differences:		
- exchange differences on translating foreign operations	(150)	**(109)**
- exchange differences on translating foreign operations transferred to consolidated income statement upon disposal	(79)	**–**
Available-for-sale financial assets:		
- changes in fair value	(110)	**(54)**
Cash flow hedges:		
- effective portion of changes in fair value	(18)	**(263)**
- transfer from equity to consolidated income statement	(24)	**(77)**
Other comprehensive loss for the year	(381)	**(503)**
Total comprehensive income for the year	2,677	**3,483**
Attributable to:		
Holders of Share Stapled Units/shares of the Company	2,610	**3,446**
Non-controlling interests	67	**37**
Total comprehensive income for the year	2,677	**3,483**

AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF HKT TRUST AND OF HKT LIMITED
As at December 31, 2015
(In HK$ million)

	Note(s)	2014	**2015**
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		15,489	**16,674**
Interests in leasehold land		278	**265**
Goodwill		49,655	**49,817**
Intangible assets		10,307	**9,314**
Interest in an associate		171	**67**
Interests in joint ventures		550	**554**
Available-for-sale financial assets		61	**7**
Financial assets at fair value through profit or loss		21	**11**
Deferred income tax assets		371	**231**
Other non-current assets		639	**630**
		77,542	**77,570**
Current assets			
Prepayments, deposits and other current assets		4,006	**4,462**
Inventories		621	**598**
Trade receivables, net	8	3,875	**3,422**
Amounts due from related companies		76	**73**
Derivative financial instruments		49	**–**
Financial assets at fair value through profit or loss		18	**14**
Restricted cash		–	**10**
Cash and cash equivalents		3,613	**3,768**
		12,258	**12,347**

AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF HKT TRUST AND OF HKT LIMITED (CONTINUED)
As at December 31, 2015
(In HK$ million)

	Note(s)	2014	**2015**
Current liabilities			
Short-term borrowings	10	(3,877)	**(3,879)**
Trade payables	9	(1,979)	**(2,194)**
Accruals and other payables		(5,023)	**(4,900)**
Carrier licence fee liabilities		(433)	**(452)**
Amounts due to a related company		(94)	**(72)**
Amounts due to fellow subsidiaries		(278)	**(353)**
Advances from customers		(1,997)	**(2,066)**
Current income tax liabilities		(734)	**(862)**
		(14,415)	**(14,778)**
Non-current liabilities			
Long-term borrowings	11	(32,549)	**(32,436)**
Derivative financial instruments		(100)	**(443)**
Deferred income tax liabilities		(2,591)	**(2,552)**
Deferred income		(1,033)	**(1,079)**
Carrier licence fee liabilities		(954)	**(627)**
Other long-term liabilities		(119)	**(267)**
		(37,346)	**(37,404)**
Net assets		38,039	**37,735**
CAPITAL AND RESERVES			
Share capital		8	**8**
Reserves		37,924	**37,608**
Equity attributable to holders of Share Stapled Units/shares of the Company		37,932	**37,616**
Non-controlling interests		107	**119**
Total equity		38,039	**37,735**

NOTES

1. BASIS OF PREPARATION AND CRITICAL ACCOUNTING ESTIMATES

In accordance with the trust deed, HKT Trust (the "HKT Trust") and HKT Limited are each required to prepare their own sets of financial statements on a consolidated basis. The HKT Trust consolidated financial statements for the year ended December 31, 2015 comprise the consolidated financial statements of the HKT Trust, HKT Limited (or the "Company") and its subsidiaries (together the "Group"), and the Group's interests in an associate and joint ventures. The HKT Limited consolidated financial statements for the year ended December 31, 2015 comprise the consolidated financial statements of HKT Limited and its subsidiaries (together the "HKT Limited Group") and the HKT Limited Group's interests in an associate and joint ventures, and the Company's statement of financial position.

The HKT Trust controls HKT Limited and the sole activity of the HKT Trust during the year ended December 31, 2015 was investing in HKT Limited. Therefore, the consolidated results and financial position that would be presented in the consolidated financial statements of the HKT Trust are identical to the consolidated financial results and financial position of HKT Limited with the only differences being disclosures of capital of HKT Limited. The directors of the Trustee-Manager and the directors of the Company believe therefore that it is clearer to present the consolidated financial statements of the HKT Trust and the HKT Limited together. The consolidated financial statements of the HKT Trust and the consolidated financial statements of HKT Limited are presented together to the extent they are identical and are hereinafter referred as the "HKT Trust and HKT Limited consolidated financial statements".

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

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

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

The following new HKFRSs are mandatory for the first time for the financial year beginning January 1, 2015, but have no material effect on the Groups' results and financial position for the current and prior accounting periods.

- HKAS 19 (2011) (Amendment), 'Defined Benefit Plans: Employee Contributions'.
- Annual Improvements to 2010-2012 Cycle published in January 2014 by HKICPA.
- Annual Improvements to 2011-2013 Cycle published in January 2014 by HKICPA.

The financial information of the Trustee-Manager relating to the years ended December 31, 2015 and 2014 included in this preliminary announcement of annual results 2015 does not constitute the Trustee-Manager's statutory annual financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance (Cap. 622) (the "Companies Ordinance") is as follows:

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

The Trustee-Manager's financial statements combined with the HKT Trust and HKT Limited consolidated financial statements (collectively the "Combined Financial Statements") for the year ended December 31, 2014 has been delivered to the Registrar of Companies and the Combined Financial Statements for the year ended December 31, 2015 will be delivered to the Registrar of Companies in due course.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

iii. Revenue recognition

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

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

iii. Revenue recognition *(continued)*

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

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

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

iv. Deferred income tax

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

v. Current income tax

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

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

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

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

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

The useful lives are estimated at the time of purchase of these assets after considering future technology changes, business developments and the Groups' strategies. The Groups perform annual reviews to assess the appropriateness of the estimated useful lives. Such review takes into account any unexpected adverse changes in circumstances or events, including declines in projected operating results, negative industry or economic trends and rapid advancement in technology. The Groups extend or shorten the useful lives and/or makes impairment provisions according to the results of the review. During the year ended December 31, 2015, the Groups also performed a review to reassess the useful life of certain customer base. The reassessment has resulted in a change in accounting estimate. As a result of this change in accounting estimate, the Groups' profit for the year ended December 31, 2015 decreased by HK$388 million and the net assets as at December 31, 2015 decreased by HK$388 million.

vii. Recognition of intangible asset – carrier licences

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

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

The directors of the Groups made significant judgements that Yinghuan Network Technology (Shanghai) Co., Ltd. was controlled by the Groups, even though the Groups held 50% equity interest of the subsidiary as the Groups owned more than one half of the voting rights in the board of directors.

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

ix. Classification of joint arrangements

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

2. SEGMENT INFORMATION

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

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

- Telecommunications Services ("TSS") is the leading provider of telecommunications products and services including local telephony, broadband access services, local and international data, international direct dial, sales of equipment, technical, maintenance and subcontracting services and teleservices businesses.

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

- Other businesses of the Groups ("Other Businesses") primarily comprised corporate support functions, Keycom plc, a wholly-owned subsidiary acquired during the year ended December 31, 2015 which provides the design, development and delivery of communications and multimedia services via high-speed connectivity in the United Kingdom, and ZhongYing JV, which provides network integration and related services to telecommunications operators in the PRC. In December 2014, the Groups completed the disposal of its entire equity interest in ZhongYing JV.

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

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

2. SEGMENT INFORMATION (CONTINUED)

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

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

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

For the year ended December 31, 2015
(In HK$ million)

	TSS	**Mobile**	**Other Businesses**	**Eliminations**	**Consolidated**
REVENUE					
Total Revenue	**20,877**	**14,317**	**207**	**(672)**	**34,729**
RESULTS					
EBITDA	**7,507**	**5,030**	**(437)**	**–**	**12,100**

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

In HK$ million	2014	**2015**
Total segment EBITDA	10,242	**12,100**
(Loss)/gain on disposals of property, plant and equipment, net	(2)	**5**
Depreciation and amortization	(5,886)	**(6,202)**
Other gains, net	99	**18**
Finance costs, net	(1,124)	**(1,310)**
Share of results of joint ventures	6	**2**
Share of results of an associate	(35)	**(27)**
Profit before income tax	3,300	**4,586**

2. SEGMENT INFORMATION (CONTINUED)

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

In HK$ million	2014	**2015**
Hong Kong	22,265	**27,212**
The PRC (excluding Hong Kong) and Taiwan, China	1,436	**1,197**
Others	5,122	**6,320**
	28,823	**34,729**

The total non-current assets other than financial instruments and deferred income tax assets located in Hong Kong are HK$74,758 million as at December 31, 2015 (2014: HK$74,698 million). The total of these non-current assets located in other countries are HK$2,461 million as at December 31, 2015 (2014: HK$2,391 million).

3. OTHER GAINS, NET

In HK$ million	2014	**2015**
Net gain on cash flow hedging instruments transferred from equity	22	**67**
Net gain on fair value hedging instruments	47	**48**
Impairment loss on an interest in an associate	(52)	**(95)**
Gain on disposal of interest in a subsidiary	55	**–**
Others	27	**(2)**
	99	**18**

4. PROFIT BEFORE INCOME TAX

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

(a) Staff costs

In HK$ million	2014	**2015**
Salaries, bonuses and other benefits	2,211	**2,330**
Share-based compensation expenses	78	**60**
Retirement costs for staff under defined contribution retirement schemes	139	**275**
	2,428	**2,665**

(b) Other items

In HK$ million	2014	**2015**
Crediting:		
Gross rental income	45	**48**
Charging:		
Impairment loss for doubtful debts	164	**284**
Loss/(gain) on disposals of property, plant and equipment, net	2	**(5)**
Provision for inventory obsolescence	10	**8**
Depreciation of property, plant and equipment	3,071	**1,854**
Amortization of land lease premium	13	**13**
Amortization of intangible assets	2,802	**4,335**
Cost of inventories sold	3,645	**6,490**
Cost of sales, excluding inventories sold	8,408	**9,049**
Exchange losses, net	6	**13**
Cash flow hedges: transferred from equity	(3)	**(11)**
Remuneration to the Company's auditor		
- audit and audit related services	28	**15**
- non-audit services	1	**4**
Remuneration to other auditors		
- audit and audit related services	3	**3**
- non-audit services	–	**5**
Operating lease rental	1,395	**1,551**

5. INCOME TAX

In HK$ million	2014	**2015**
Hong Kong profits tax	348	**466**
Overseas tax	45	**27**
Movement of deferred income tax	(151)	**107**
	242	**600**

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 16.5%) on the estimated assessable profits for the year. Overseas tax has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the respective jurisdictions.

6. DISTRIBUTIONS/DIVIDENDS

In HK$ million	2014	**2015**
Interim distribution/dividend declared and paid in respect of current year of 25.79 HK cents (2014: 21 HK cents) per Share Stapled Unit/ordinary share of the Company	1,590	**1,953**
Less: Distribution/dividend for Share Stapled Units/shares held by the Company's Share Stapled Units Award Schemes	(1)	**(2)**
	1,589	**1,951**
Final distribution/dividend declared in respect of previous financial year, approved and paid during the year of 23.30 HK cents (2014: final distribution/second interim dividend of 24.21 HK cents) per Share Stapled Unit/ordinary share of the Company	1,553	**1,764**
Less: Distribution/dividend for Share Stapled Units/shares held by the Company's Share Stapled Units Award Schemes	(1)	**(2)**
	1,552	**1,762**
	3,141	**3,713**

For the year ended December 31, 2015, the Company proposed a final dividend of 28.27 HK cents per ordinary share, totaling HK$2,141 million (2014: 23.30 HK cents per ordinary share, totaling HK$1,764 million) to HKT Trust after the end of the reporting period.

For the year ended December 31, 2015, HKT Trust proposed a final distribution of 28.27 HK cents per Share Stapled Unit, totaling HK$2,141 million (2014: 23.30 HK cents per Share Stapled Unit, totaling HK$1,764 million) to holders of Share Stapled Units after the end of the reporting period.

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

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

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

	2014	**2015**
Earnings (in HK$ million)		
Earnings for the purpose of basic and diluted earnings per Share Stapled Unit/share of the Company	2,991	**3,949**
Number of Share Stapled Units/shares of the Company		
Weighted average number of Share Stapled Units/ordinary shares of the Company	7,094,443,832	**7,571,742,334**
Effect of Share Stapled Units held under the Company's Share Stapled Units Award Schemes	(6,135,686)	**(8,333,897)**
Weighted average number of Share Stapled Units/ordinary shares of the Company for the purpose of basic earnings per Share Stapled Unit/share of the Company	7,088,308,146	**7,563,408,437**
Effect of Share Stapled Units awarded under the Company's Share Stapled Units Award Schemes	1,164,461	**6,393,272**
Weighted average number of Share Stapled Units/ordinary shares of the Company for the purpose of diluted earnings per Share Stapled Unit/share of the Company	7,089,472,607	**7,569,801,709**

8. TRADE RECEIVABLES, NET

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

In HK$ million	2014	**2015**
1 – 30 days	2,161	**2,079**
31 – 60 days	542	**579**
61 – 90 days	258	**211**
91 – 120 days	146	**167**
Over 120 days	919	**554**
	4,026	**3,590**
Less: Impairment loss for doubtful debts	(151)	**(168)**
	3,875	**3,422**

Included in trade receivables, net of the Groups were the amounts due from related parties of HK$12 million (2014: HK$25 million).

8. TRADE RECEIVABLES, NET (CONTINUED)

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

9. TRADE PAYABLES

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

In HK$ million	2014	**2015**
1 – 30 days	974	**1,410**
31 – 60 days	128	**95**
61 – 90 days	39	**79**
91 – 120 days	37	**96**
Over 120 days	801	**514**
	1,979	**2,194**

Included in trade payables of the Groups were the amounts due to related parties of HK$61 million (2014: HK$22 million).

10. SHORT-TERM BORROWINGS

In HK$ million	2014	**2015**
US$500 million 5.25% guaranteed notes due 2015 (note (a))	3,877	**–**
US$500 million 4.25% guaranteed notes due 2016 (note (b))	–	**3,879**
Secured	–	**–**
Unsecured	3,877	**3,879**

10. SHORT-TERM BORROWINGS (CONTINUED)

(a) US$500 million 5.25% guaranteed notes due 2015

On July 20, 2005, PCCW-HKT Capital No.3 Limited, an indirect wholly-owned subsidiary of the Company, issued US$500 million 5.25% guaranteed notes due 2015, which were listed on the Singapore Exchange Securities Trading Limited. The notes were irrevocably and unconditionally guaranteed by PCCW-HKT Telephone Limited (“HKTC”), an indirect wholly-owned subsidiary of PCCW Limited, HKT Group Holdings Limited (“HKTGH”) and Hong Kong Telecommunications (HKT) Limited (“HKTL”), both being wholly-owned subsidiaries of the Company. The notes ranked pari passu with all other outstanding unsecured and unsubordinated obligations of HKTC, HKTGH and HKTL.

The notes were fully redeemed in July 2015 and were delisted from the Singapore Exchange Securities Trading Limited.

(b) US$500 million 4.25% guaranteed notes due 2016

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

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

11. LONG-TERM BORROWINGS

In HK$ million	2014	**2015**
Repayable within a period		
- over one year, but not exceeding two years	11,798	**3,544**
- over two years, but not exceeding five years	17,057	**17,386**
- over five years	3,694	**11,506**
	32,549	**32,436**
Representing		
US$500 million 4.25% guaranteed notes due 2016 (note (a))	3,924	**–**
US$500 million 3.75% guaranteed notes due 2023 (note (b))	3,694	**3,711**
US$300 million zero coupon guaranteed notes due 2030 (note (c))	–	**2,308**
US$500 million 3.625% guaranteed notes due 2025 (note (d))	–	**3,821**
€200 million 1.65% guaranteed notes due 2027 (note (e))	–	**1,666**
Bank borrowings	24,931	**20,930**
	32,549	**32,436**
Secured	–	**–**
Unsecured	32,549	**32,436**

11. LONG-TERM BORROWINGS (CONTINUED)

(a) US$500 million 4.25% guaranteed notes due 2016

The notes were classified as short-term borrowings as at December 31, 2015. Please refer to note 10(b) for more details.

(b) US$500 million 3.75% guaranteed notes due 2023

On March 8, 2013, PCCW-HKT Capital No.5 Limited, an indirect wholly-owned subsidiary of the Company, issued US$500 million 3.75% guaranteed notes due 2023, which are listed on the Singapore Exchange Securities Trading Limited. The notes are irrevocably and unconditionally guaranteed by HKTGH and HKTL and rank pari passu with all other outstanding unsecured and unsubordinated obligations of HKTGH and HKTL.

(c) US$300 million zero coupon guaranteed notes due 2030

On January 15, 2015, HKT Capital No. 1 Limited, an indirect wholly-owned subsidiary of the Company, issued US$300 million zero coupon guaranteed notes due 2030, which are listed on the Taipei Exchange (previously known as the GreTai Securities Market) in Taiwan, China. The notes are irrevocably and unconditionally guaranteed by HKTGH and HKTL and rank pari passu with all other outstanding unsecured and unsubordinated obligations of HKTGH and HKTL.

(d) US$500 million 3.625% guaranteed notes due 2025

On April 2, 2015, HKT Capital No. 2 Limited, an indirect wholly-owned subsidiary of the Company, issued US$500 million 3.625% guaranteed notes due 2025, which are listed on the Singapore Exchange Securities Trading Limited. The notes are irrevocably and unconditionally guaranteed by HKTGH and HKTL and rank pari passu with all other outstanding unsecured and unsubordinated obligations of HKTGH and HKTL.

(e) €200 million 1.65% guaranteed notes due 2027

On April 10, 2015, HKT Capital No. 3 Limited, an indirect wholly-owned subsidiary of the Company, issued €200 million 1.65% guaranteed notes due 2027, which are listed on the Singapore Exchange Securities Trading Limited. The notes are irrevocably and unconditionally guaranteed by HKTGH and HKTL and rank pari passu with all other outstanding unsecured and unsubordinated obligations of HKTGH and HKTL.

AUDITED INCOME STATEMENT OF
HKT MANAGEMENT LIMITED
For the year ended December 31, 2015

In HK$'000	2014	**2015**
Management fee income	45	**89**
General and administrative expenses	(45)	**(47)**
Profit before income tax	–	**42**
Income tax	–	**–**
Profit for the year	–	**42**

AUDITED STATEMENT OF COMPREHENSIVE INCOME OF
HKT MANAGEMENT LIMITED
For the year ended December 31, 2015

In HK$'000	2014	**2015**
Profit for the year	–	**42**
Other comprehensive income	–	**–**
Total comprehensive income for the year	–	**42**

AUDITED STATEMENT OF FINANCIAL POSITION OF HKT MANAGEMENT LIMITED
As at December 31, 2015

In HK$'000	2014	**2015**
ASSETS AND LIABILITIES		
Current assets		
Amount due from a fellow subsidiary	84	**174**
	84	**174**
Current liabilities		
Accruals and other payables	(82)	**(127)**
Amount due to a fellow subsidiary	(44)	**(47)**
	(126)	**(174)**
Net liabilities	(42)	**–**
CAPITAL AND RESERVES		
Share capital	–	**–**
Deficit	(42)	**–**
Total equity	(42)	**–**

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

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

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

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

Forward-Looking Statements

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