



Annual Results 2012

For the year ended December 31, 2012

February 26, 2013 – Hong Kong

Forward-Looking Statements

This presentation may contain "forward-looking statements" that are not historical in nature. These forward-looking statements, which include, without limitation, statements regarding HKT's future results of operations, financial condition or business prospects, are based on the current beliefs, assumptions, expectations, estimates, and projections of the directors and management of HKT about the business, the industry and the markets in which HKT operates. These statements are not guarantees of future performance and are subject to risks, uncertainties and other factors, some of which are beyond HKT's control and are difficult to predict. Actual results could differ materially from those expressed, implied or forecasted in these forward-looking statements for a variety of factors.

Overview

Alex Arena

Group Managing Director

AFF Beats Forecasts Again

(US\$ million)	<u>2011</u>	<u>2012</u>	% change	<u>Forecast</u> * <u>2012</u>
<i>Adjusted Funds Flow</i>	306	343	+ 12%	330
<i>Adjusted Funds Flow</i> <i>Per Share Stapled Unit</i> <i>(HK cents)</i>	37.20	41.64		40.11

A Final Distribution of 21.58 HK cents per Share Stapled Unit is recommended,
subject to approval of unitholders

* Forecasts as stipulated in HKT's global offering prospectus

Financial Review

Susanna Hui

Group Chief Financial Officer

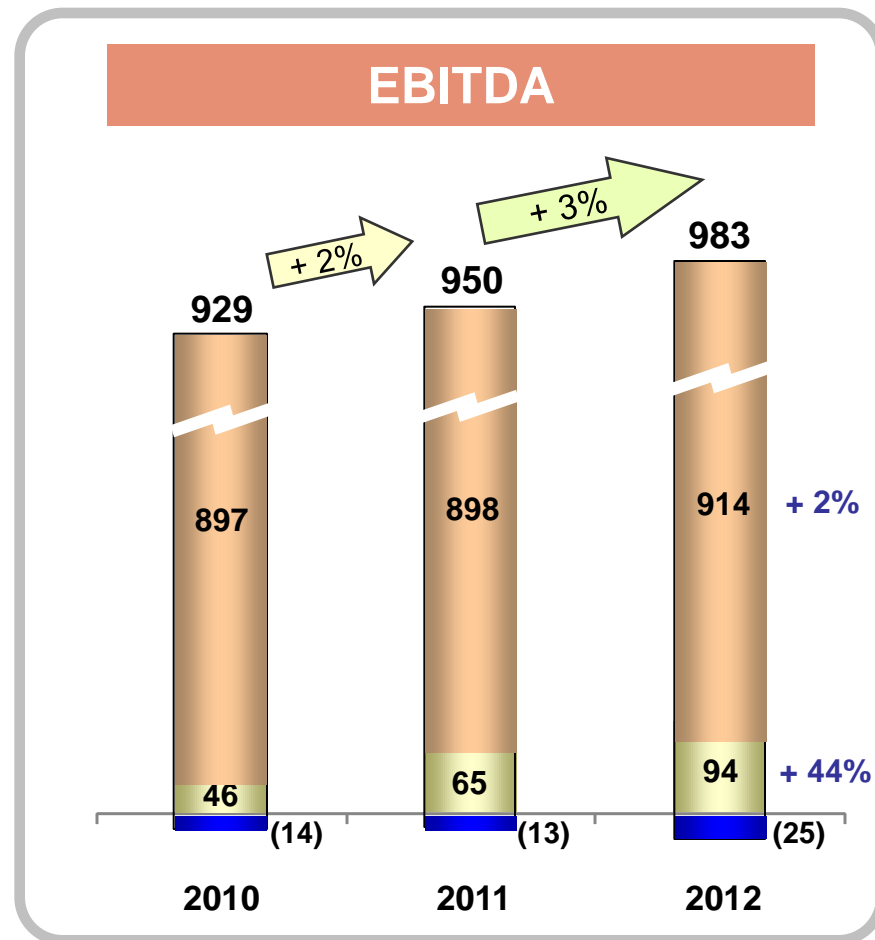
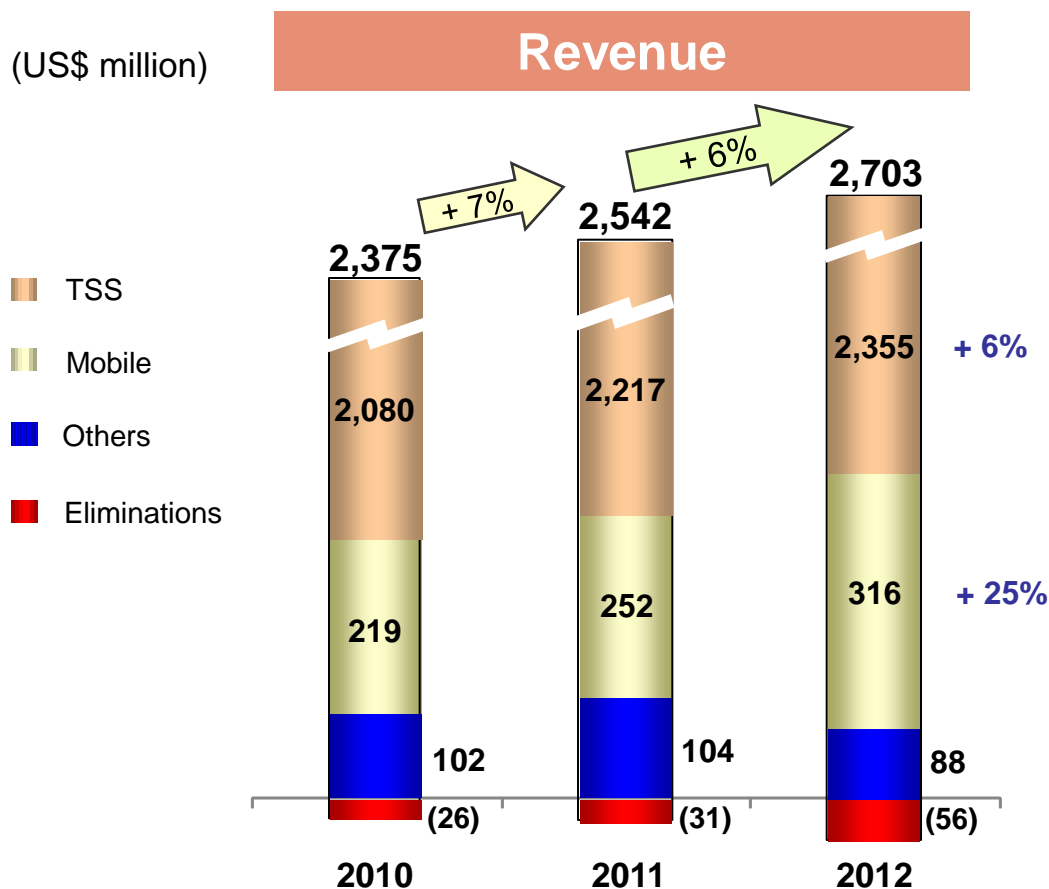
Strong Growth in AFF and Profitability

(US\$ million)	<u>2011</u>	<u>2012</u>	% change	<u>Forecast</u> * <u>2012</u>
<i>Adjusted Funds Flow</i>	306	343	+ 12%	330
<i>Revenue</i>	2,542	2,703	+ 6%	
<i>EBITDA</i>	950	983	+ 3%	977
<i>Profit</i> <i>Attributable to Holders of</i> <i>Share Stapled Units</i>	157	206	+ 32%	175

* Forecasts as stipulated in HKT's global offering prospectus

EBITDA Growth on Accelerated Revenue Momentum

(US\$ million)

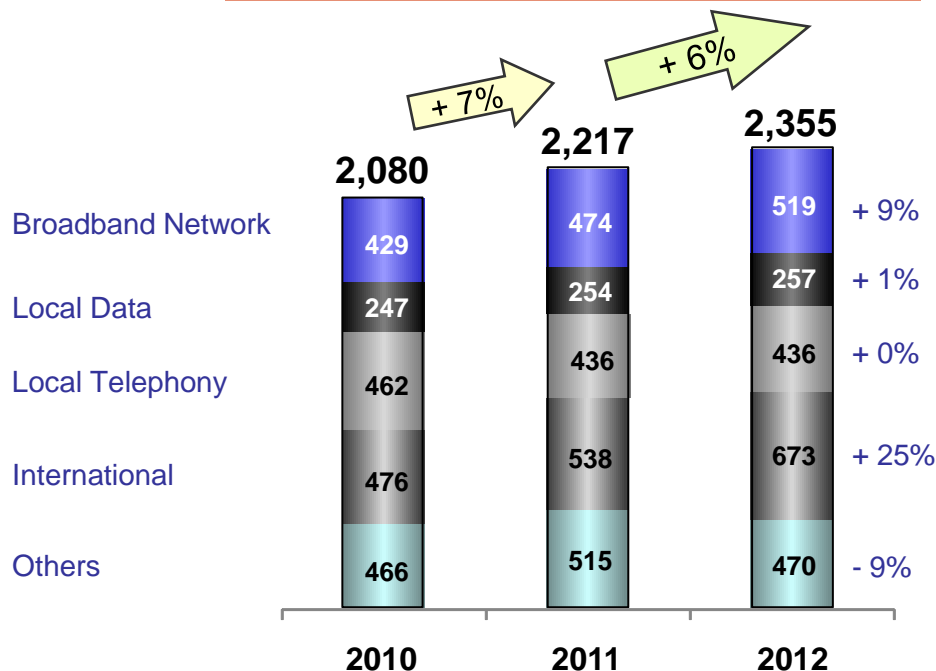


- **TSS continues to grow on large base** – TSS revenue and EBITDA increased by 6% and 2% respectively, underpinned by the strong broadband and international businesses
- **Mobile is coming to the foreground** – mobile revenue represented 12% of total HKT revenue (10% in 2011) and mobile EBITDA accounted for 10% of total HKT EBITDA (7% in 2011)

TSS Thrives on Fiber Broadband Demand

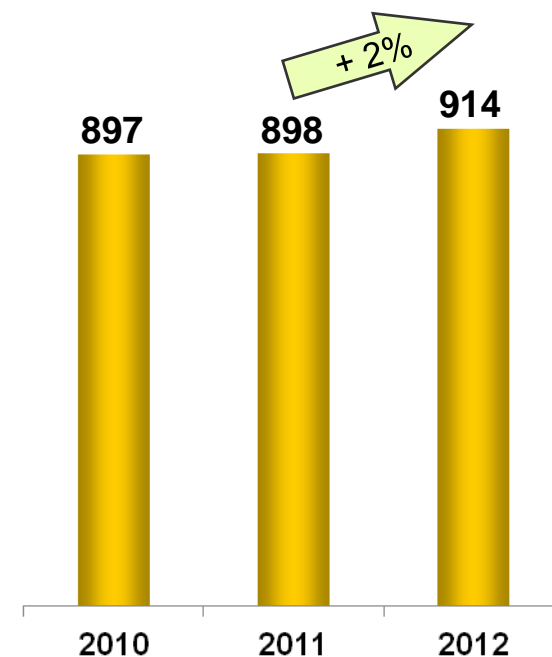
(US\$ million)

TSS Revenue



- Broadband - fiber strategy in full swing and monetizing on premier customers
- Local Data – our trusted brand continues to win contracts
- Local Telephony - our eye strategy combined with true quadplay services successfully increased customer stickiness and helped arrest the decline in LTS revenue
- International - growth momentum organically and inorganically
- Others – decline due to timing of project completions and lower CPE sales

TSS EBITDA

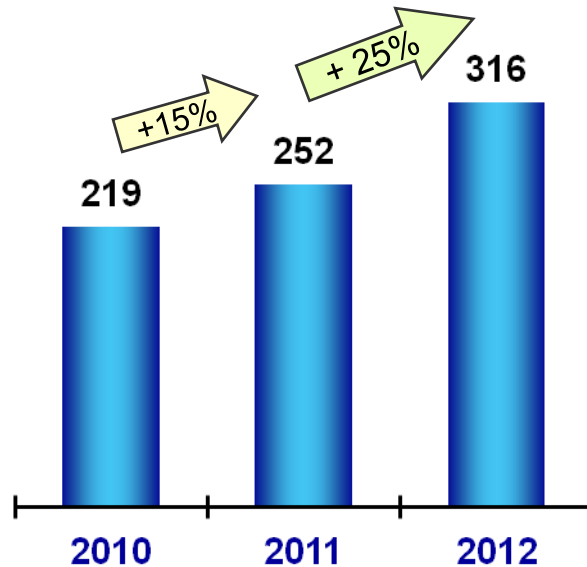


- EBITDA growth driven by broadband business growth
- Demonstrates a return to a solid upward trend

Mobile Rides on New Era of Data Communications

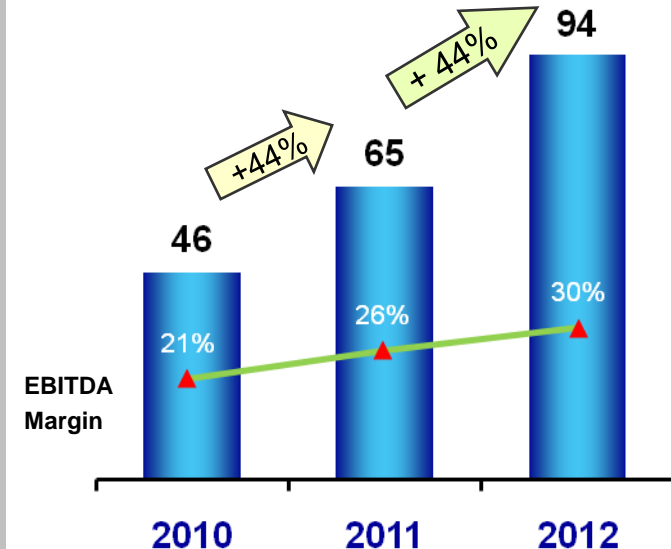
(US\$ million)

Mobile Revenue



- Total mobile revenue up 25% on the back of strong mobile data revenue growth of 55%
- Effective marketing campaigns helped re-establish prominence in the mobile market
- Strong sales of smart devices including Samsung's Galaxy S series increased customer acquisition and drove revenue growth
- Launch of 4G LTE network boosted new customer in-take and existing customer upgrades
- Blended post-paid exit ARPU increased to HK\$206

Mobile EBITDA

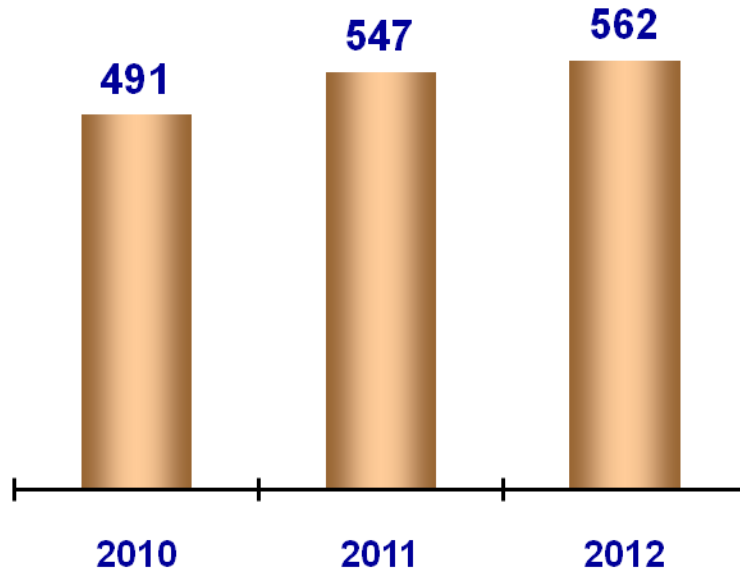


- EBITDA surged again by 44% in 2012 with margin improving to 30% demonstrating the success of our focus on high-value customers and the competitive advantage of our unique fixed-mobile integrated network

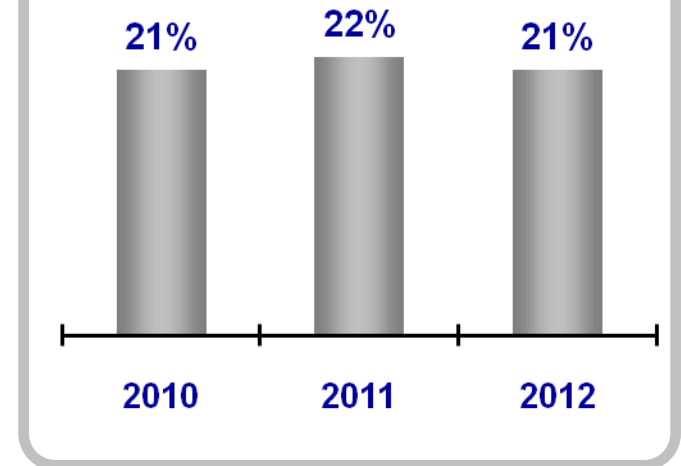
Effective Cost Management Strategy

(US\$ million)

Operating Expenses



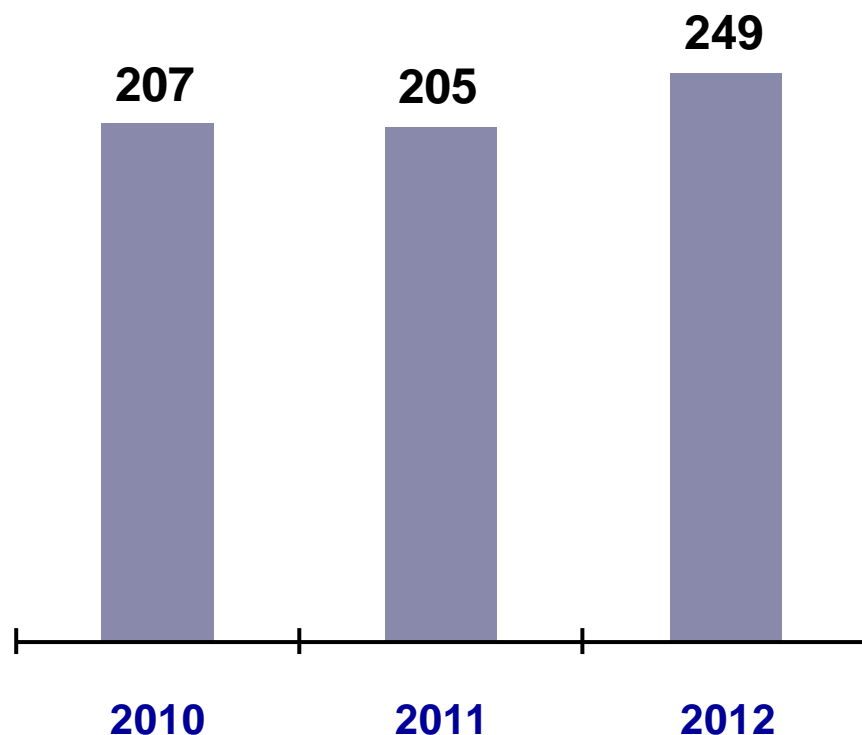
Opex to Revenue Ratio



- Successfully launched a series of P&P campaigns and opened flagship stores, reinforcing our leading brand in the market to drive revenue growth
- Spending mainly to generate business with revenue benefits to be realized throughout long contract periods
- Against this backdrop, we managed to contain the rate of opex growth to 3% in 2012
- Continued to streamline back office support and processes to drive operating efficiency
- Opex to revenue ratio improved to 21% in 2012

Demand-driven Capex

(US\$ million)



- Continue to invest for near- and longer-term growth
- Remains demand-driven, particularly to support the strong demand for high-speed fiber broadband service and the growing mobile customer base
- Capex to revenue ratio continues to remain within the below 10% guidance

Capex to Revenue Ratio: 8.7% 8.1% 9.2%

Adjusted Funds Flow

(US\$ million)	Actual FY10	Actual FY11	Actual FY12	Forecast FY12
EBITDA	929	950	983	+ 3% 977
Less cash outflows in respect of:				
Customer acquisition costs and licence fees	(135)	(181)	(220)	
Capital expenditures	(201)	(201)	(244)	
Adjusted Funds Flow before tax paid, net finance costs paid and changes in working capital	593	568	519	
Adjusted for:				
Tax payment	(6)	(17)	(26)	
Net finance costs paid	(203)	(170)	(93)	
Changes in working capital	(125)	(75)	(57)	
Adjusted Funds Flow for the year	259	306	343	+12% 330
Adjusted Funds Flow per Share Stapled Unit (HK cents)	n/a	37.20	41.64	40.11

Income Statement

(US\$ million)

	<u>2011</u>	<u>2012</u>	
Turnover	2,542	2,703	+ 6%
Cost of sales	(1,045)	(1,158)	
Opex	(547)	(562)	
EBITDA	950	983	+ 3%
Depreciation & Amortization Expenses	(544)	(601)	
Net other (losses) / gains	(4)	2	
Net finance costs	(193)	(103)	
Share of results of associates & JVs	(2)	(10)	
Profit before income tax	207	271	
Income tax	(44)	(58)	
<i>Effective tax rate</i>	<i>21%</i>	<i>22%</i>	
Profit for the year	163	213	
Attributable to:			
Holders of Share Stapled Units	157	206	+ 32%
Non-controlling interests	6	7	

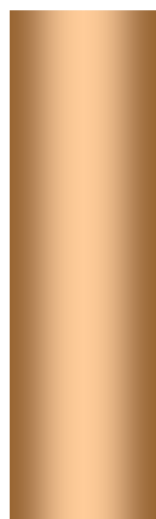
Stable Financial Position and Credit Profile

HKT Gross Debt (1),(2)

(US\$ million)

BBB/Baa2
Investment Grade
Rating with
Stable Outlook

4,526



3,023



3,093



2010

2011

2012

HKT Gross Debt / EBITDA⁽³⁾

4.9x

3.2x

3.1x

(1) HKT denotes HKT Trust and HKT Limited

(2) Gross debt refers to the principal amount of short-term and long-term borrowings

(3) Based on gross debt as at period end divided by EBITDA for the 12-month period

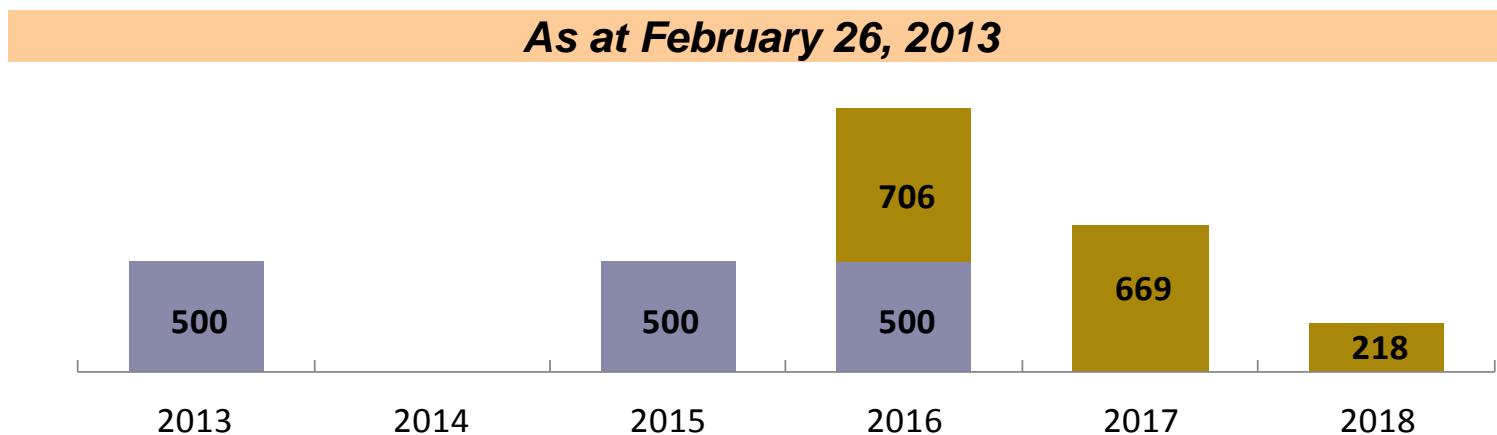
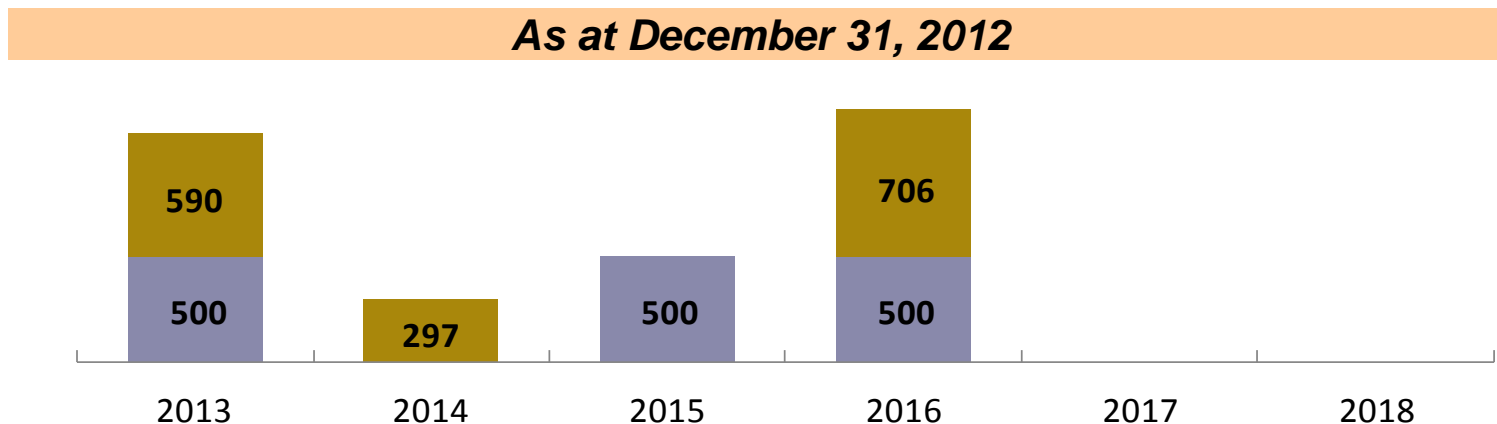


HKT - a PCCW Group member

A Measured Debt Maturity Profile

(US\$ million)

■ Bank Loans
■ US\$ Bonds



- Effective interest rate fell to approx. 3% in 2012
- Proactively managed the debt maturity profile by refinancing bank loans and extending the tenor to 2018
- Maintain significant liquidity of US\$1.26 billion in undrawn banking facilities

Business Review

Alex Arena

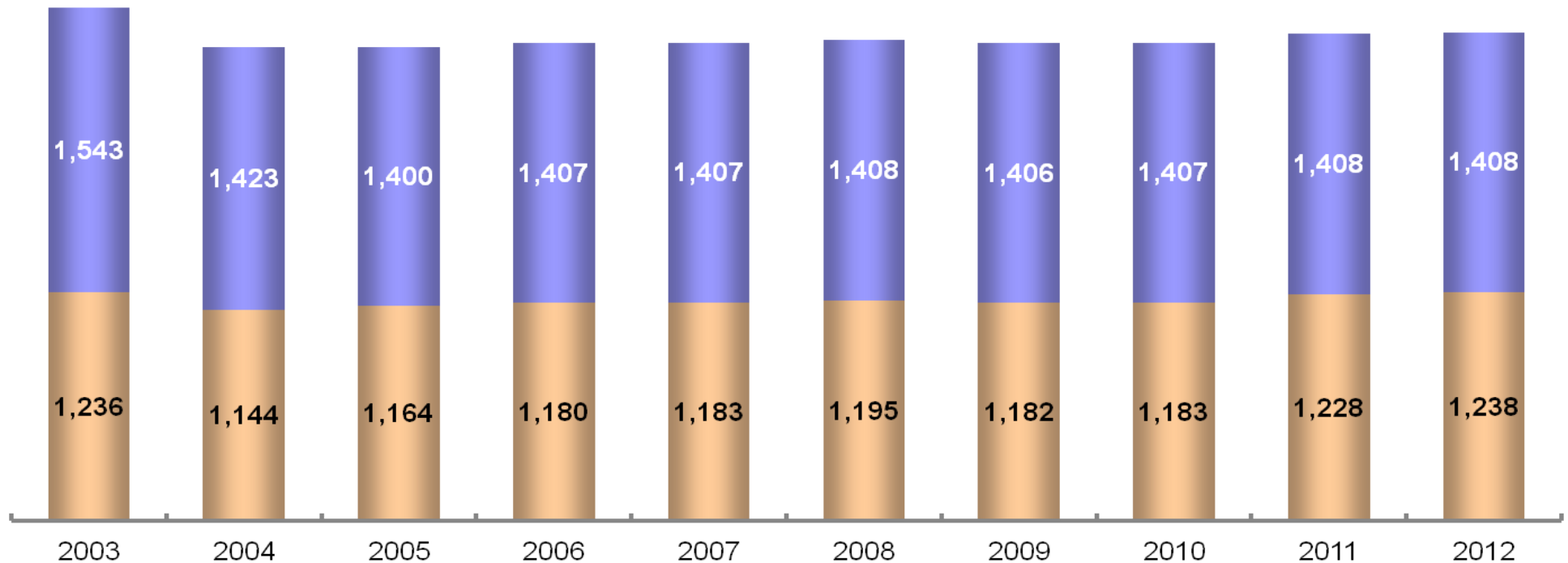
Group Managing Director

Stable Fixed-line Business

Solid Customer Base Maintained Since 2004

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■ Business Lines
■ Residential Lines



eye Customer Base

Rapid Growth of Higher ARPU eye Customer Base



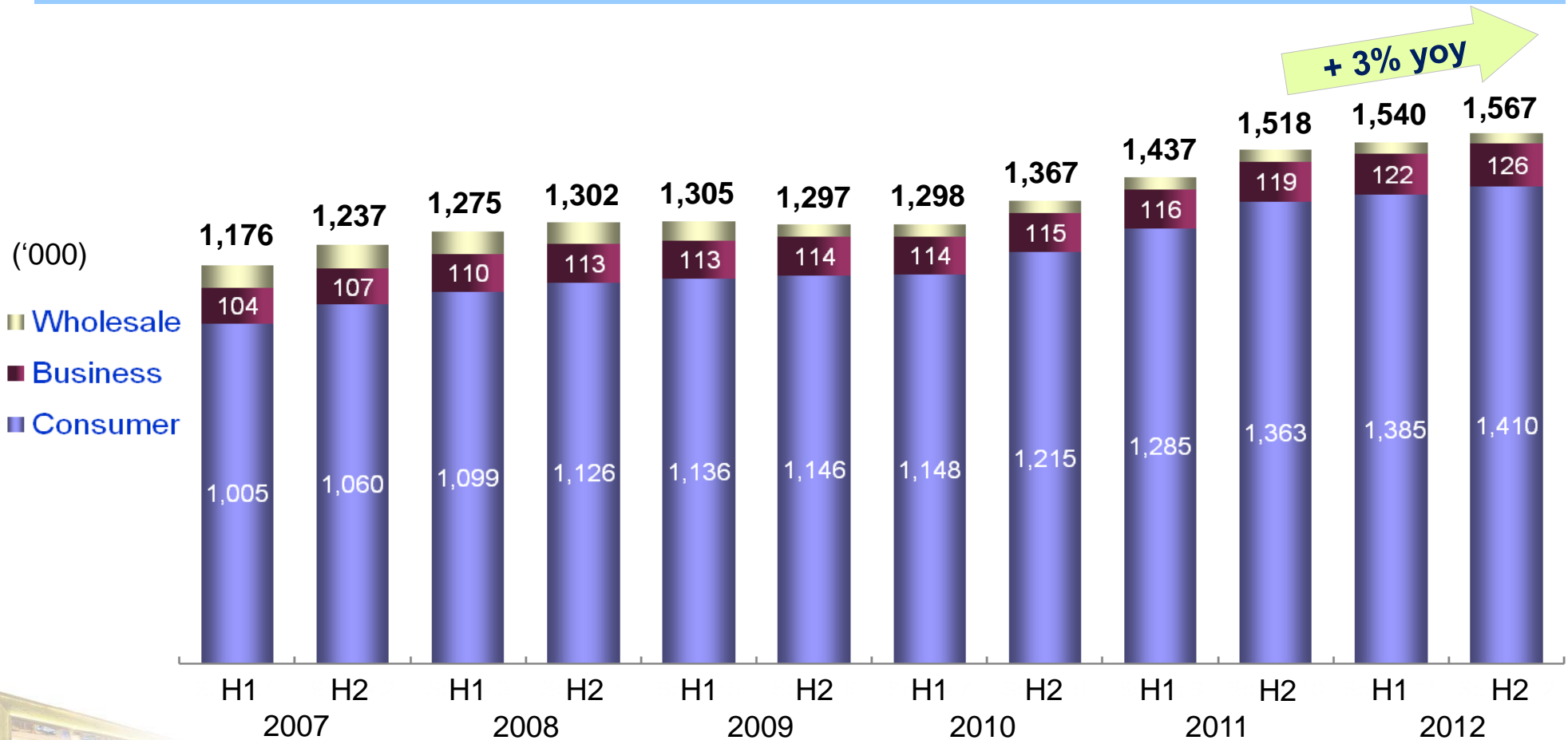
eye Strategy

- eye strategy delivering results (current penetration ~19% of residential customers)
- Additional revenues from email, Internet browsing and NOW TV channel subscriptions
- Further eye penetration and ARPU uplift with value added features e.g. control panel for Smart Living, upload device for eSmartHealth



Continued Growth in Broadband

- Broadband continued to grow at a rate of 3% while churn was below 1%
- Industry dynamic has shifted from market share gain to value creation and ARPU growth



Wide Coverage of our Fiber Network



NETVIGATOR
Real Fiber-to-the-Home
All the way into your place

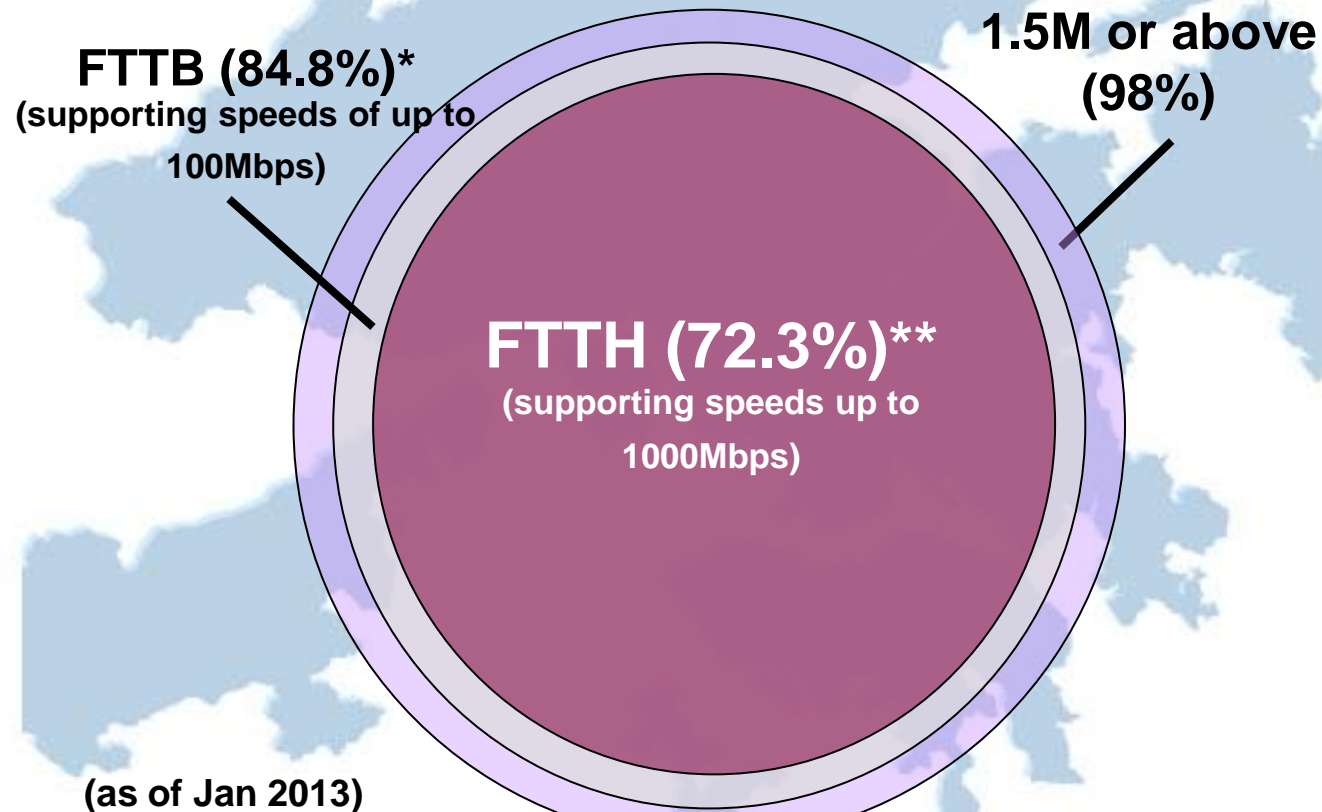
100% fiber all the way.
Experience the Internet at the speed of light!

Developed by our own technology. Connecting with PCCW Global's fiber optic backbone network enables seamless access to overseas websites.

Now available. High speed Internet connectivity in every corner of your home for multiple users. Over 30,000 Wi-Fi hotspots. Stay connected to the Internet in locations across Hong Kong and Macau while you travel. Upload and download any file anytime at high speed using your Fiber-to-the-Home service.

2888 0008 www.netvigator.com

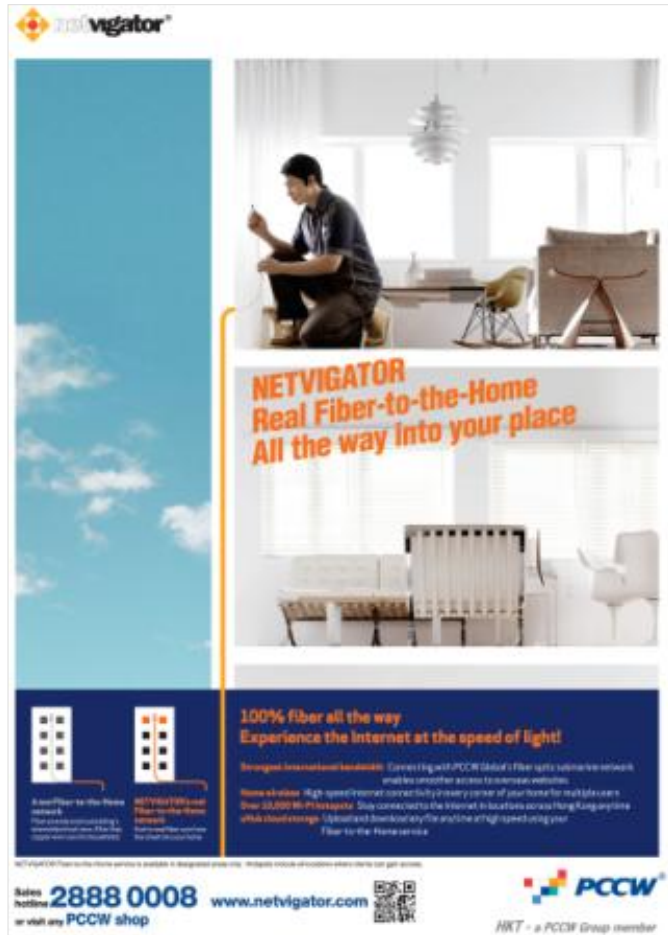
HKT - a PCCW Group member



* FTTB ready means FTTH service can be available within 29 days of receiving a service order, building management access permitting

** FTTH ready means FTTH service can be available within 4 days of receiving a service order

Rapid Growth of Fiber Customers



NETVIGATOR
Real Fiber-to-the-Home
All the way into your place

100% fiber all the way.
Experience the Internet at the speed of light!

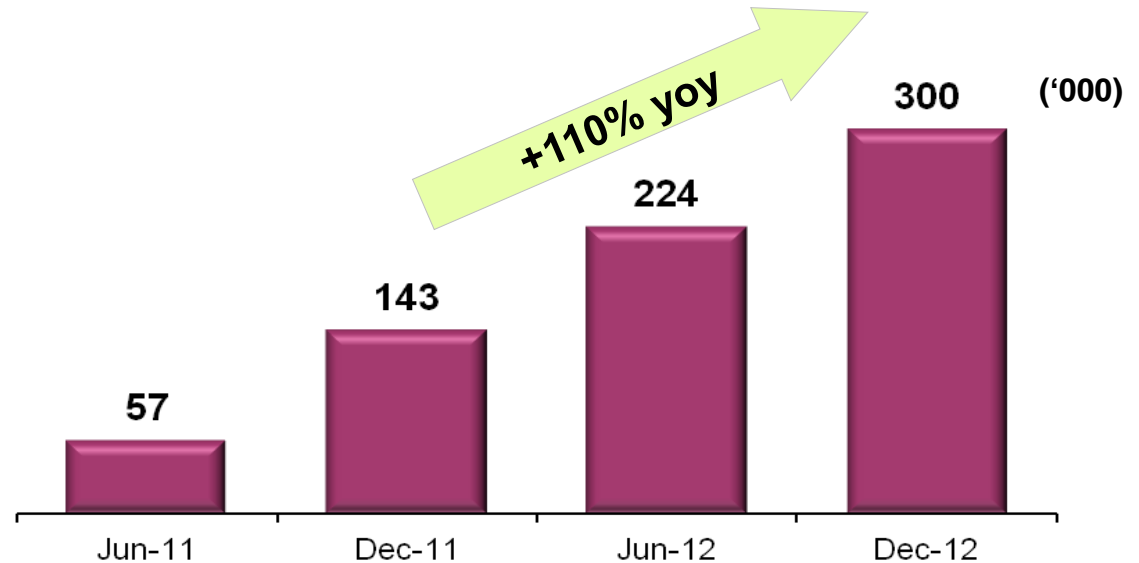
Strongest Internet bandwidth. Connecting with PCCW Global Fiber optic submarine network enables smoother access to overseas websites.

Home edition: High speed Internet connectivity to every corner of your home for multiple users. Over 10,000 Mbps available. Stay connected to the Internet in locations across Hong Kong anytime, while downloading, uploading, downloading and online high speed using your Fiber-to-the-Home service.

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www.netvigator.com

PCCW
HKT - a PCCW Group member

- NETVIGATOR Fiber-To-The-Home Service continued to attract new customers and existing customers for service upgrade
- 300K NETVIGATOR customers enjoying FTTH service as of Dec 2012, grew 110% vs. Dec 2011
- Growing fiber customer base creates future upgrade opportunity to higher speed, higher price service plans



Strong Base of High-Speed Broadband Customers

NETVIGATOR
Real Fiber-to-the-Home
All the way into your place

100% fiber all the way.
Experience the Internet at the speed of light!

Strongest Internet bandwidth. Connecting with PCCW Global Fiber optic submarine network enables smoother access to overseas websites. Home wireless high-speed Internet connectivity in every corner of your home for multiple users. Over 10,000 Mbps available. Stay connected to the Internet in locations across Hong Kong anytime, while you lounge. Unlimited download any time and anywhere at high speed using your Fiber-to-the-Home service.

Sales hotline: **2888 0008**
or visit any PCCW shop

www.netvigator.com

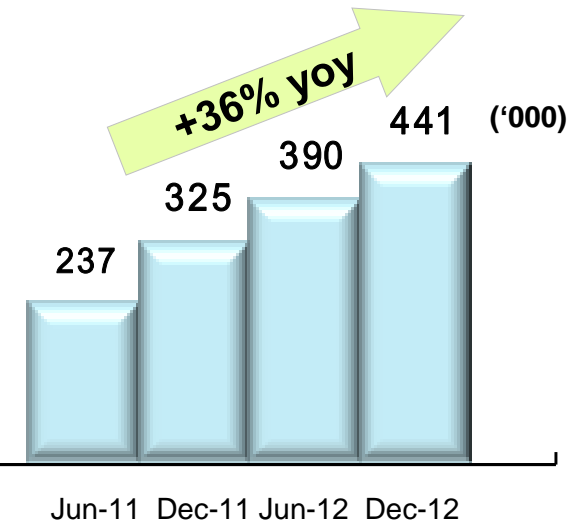
PCCW
HKT - a PCCW Group member

- Leveraging multiple technologies in our network infrastructure, 441K customers now enjoying high speed service as of Dec 2012

FTTH Customers

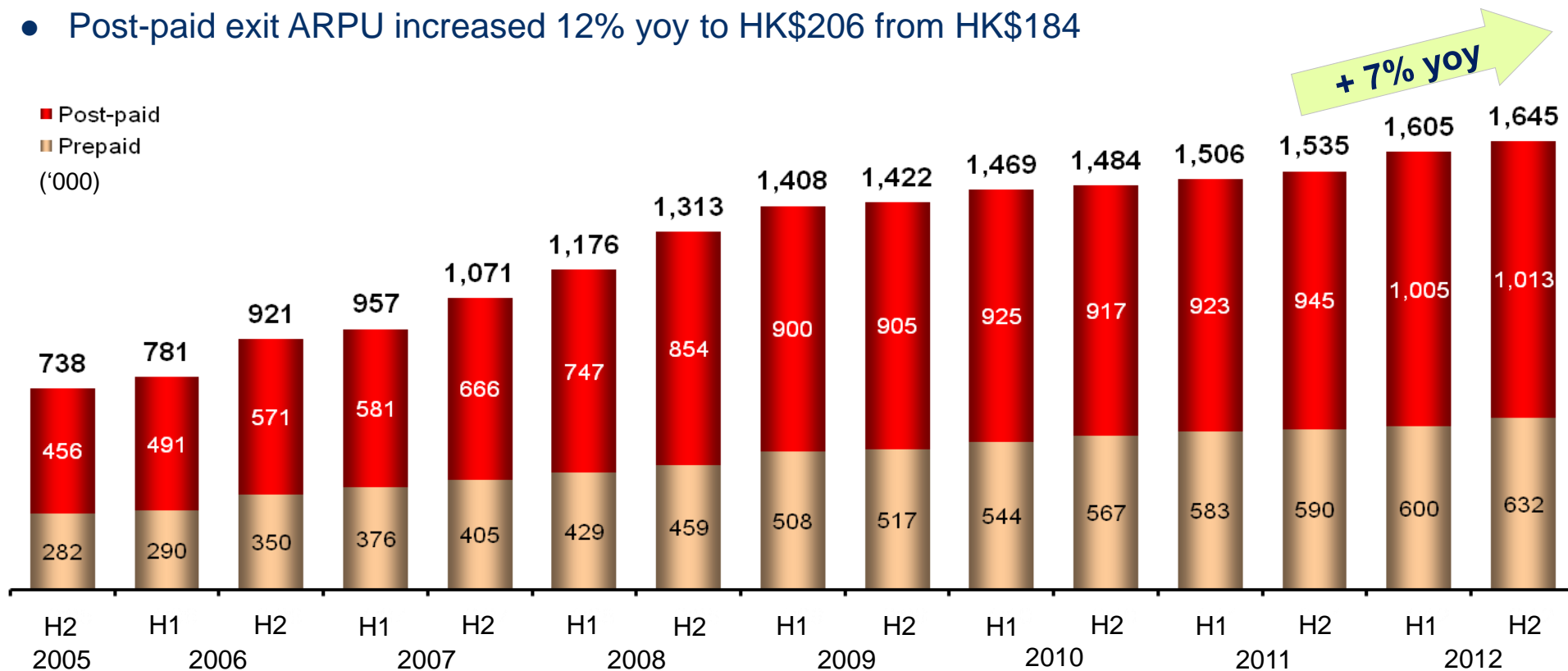


FTTH + VDSL Customers



Mobile Business Acquires More High-end Customers

- Total customer base reached 1.645M, up 7% yoy
- Post-paid customer base reached 1.013M, up 7% yoy
- Post-paid exit ARPU increased 12% yoy to HK\$206 from HK\$184

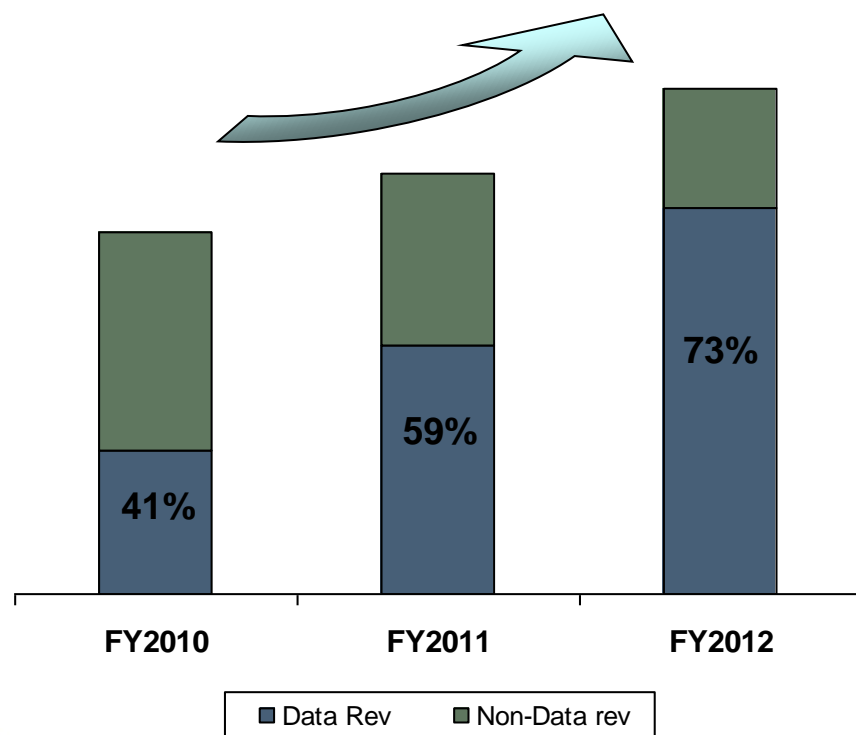


Focusing resources on quality, high-end smart device users to drive profitability

Continued Data Revenue Growth

Data revenue now accounting for 73% of service revenue

Service Revenue



- Increasing mobile service revenue driven by data revenue growth of more than 50% y-o-y as a result of the successful acquisition and retention of quality smart device customers
- 80% of post-paid customer base are smart device users

4G LTE Network Leadership

4G LTE network equipped with 1000Mbps optical fiber backhaul offers unparalleled data network experience



- Unparalleled 4G network supported by HKT's 1000Mbps fiber backhaul
- 4G leadership – first to announce MTR LTE coverage, superior results in independent speed tests
- Offer the widest variety of 4G smartphones to lead the market for service upgrade

Unparalleled Wireless Network

- Combining HKT's mobile and Wi-Fi networks supported by fiber backhaul provides further edge
- Currently over 12,000 Wi-Fi hotspots, including exclusive MTR coverage
- Strategic partnership with KMB to launch free Wi-Fi at bus stations



**Wi-Fi at Siu Lam Bus Interchange
(Kowloon Bound)**



**Wi-Fi at Salisbury Bus Station
(Tsim Sha Tsui)**

Mobile Service Innovation

First-to-market with Tiered Mobile Data Plans

- Successful introduction of mobile data plans with pre-set usage caps
- New tools launched to ensure customers have control of their usage, complete peace-of-mind and no bill shock
- Easy “top-up” mechanisms available to customers



First-to-market with Unlimited Voice Plans

- Introduction of unlimited mobile voice service in data tariff plans in anticipation of data voice launch
- Unique “傾 King” app offers unlimited voice over WiFi networks whilst roaming



Enhancement of Overall Customer Experience



Further Diversification of our Business

Smart Living™



HKT Smart Living
全屋設備 隨時隨地
一指操控

- 燈光調控
- 音樂廣播
- 家庭影院
- 溫度調節
- 家庭監察

HKT全新推出Smart Living，將家庭設備、影音產品及通訊網絡合而為一，為你提供真正需要的一站式智能家居服務

家庭自動化系統
透過智能電話或平板電腦，即可操控全屋燈光、音樂、冷氣及影音產品各項設備

家庭網絡服務
將全屋具備網絡功能的數碼產品連接至同一網絡，以於家中每個角落享受安全穩定的Wi-Fi覆蓋

一站式家庭影音組合
專人為你選擇最佳音響組合及提供上門安裝及後援服務

家庭監察系統
隨時監察家庭狀況及經電影接收機轉圖片，外出更安心

想體驗智能家居的好處
請即致電Smart Living服務熱線查詢
2888 1888 查詢

HKT 華誠為你

PCCW 電訊盈科
香港電訊、電訊盈科集團成員

Launch of Smart Living

- Through HKT's high-speed fiber broadband network, Smart Living makes use of technology to enhance the quality of living by bringing comfort, convenience and efficiency to our customers at home
- Smart Living offers simple, one-stop home solutions ranging from automation and network design, AV equipment purchasing, to overall set-up and after-sales services
- Customers can control multiple home settings such as lighting, curtains, air-conditioning, home entertainment and home surveillance in just one touch through a customized remote control, HKT's eye device or through a smart device when they are on the move



Modernizing our Distribution Channels

Rejuvenation of our Retail Shops

- Revolutionizing the way traditional telecom shops are designed our new retail shops have various distinctive features to showcase how quadruple play services can be integrated into daily life
- Our **Central Signature Store** was opened in Feb 2013 and contains a number of unique features including the first-of-its-kind Smart Living apartment, HKT Education classroom and TelePresence conference room



Central Signature Store



Tsim Sha Tsui

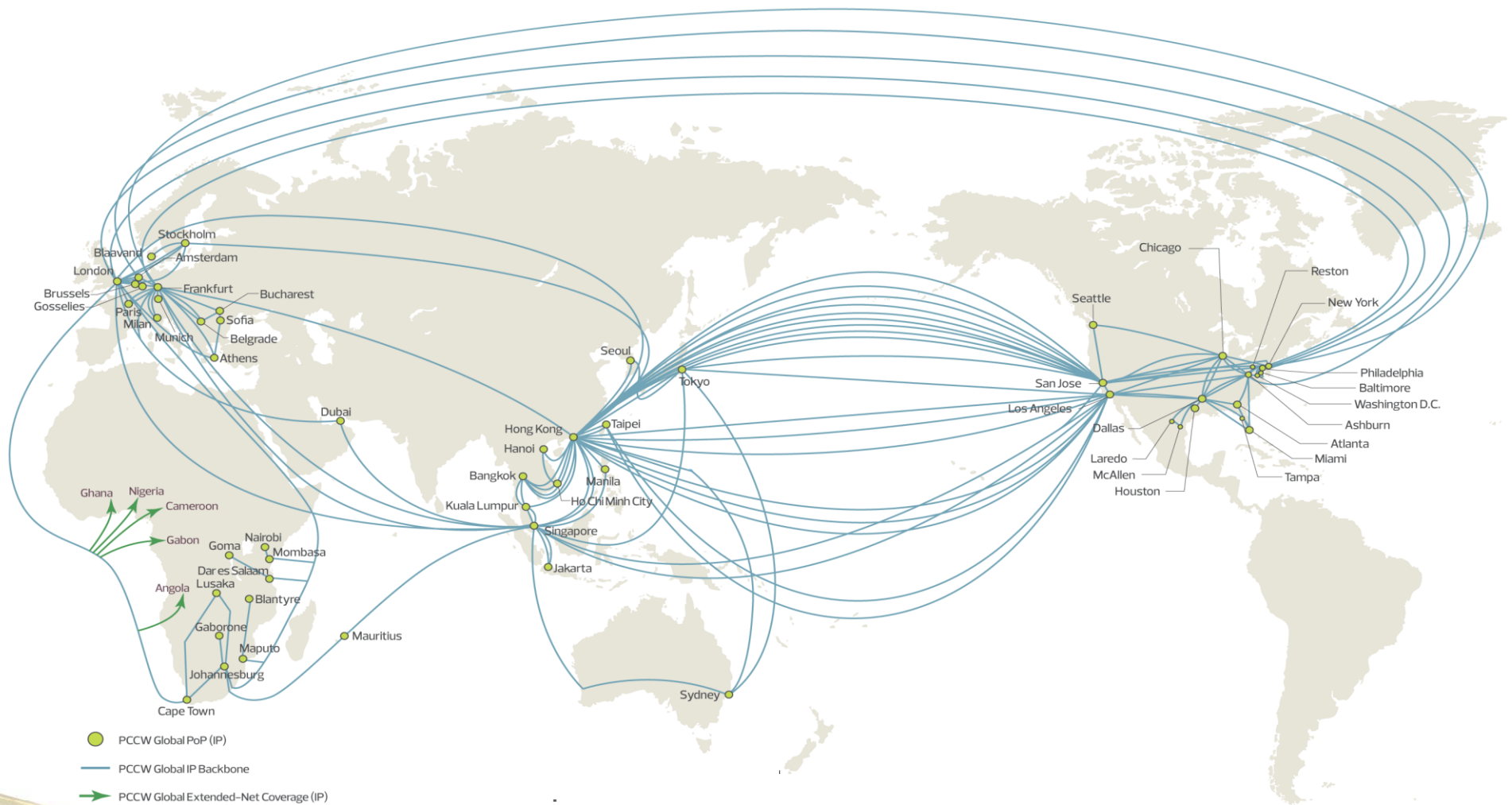


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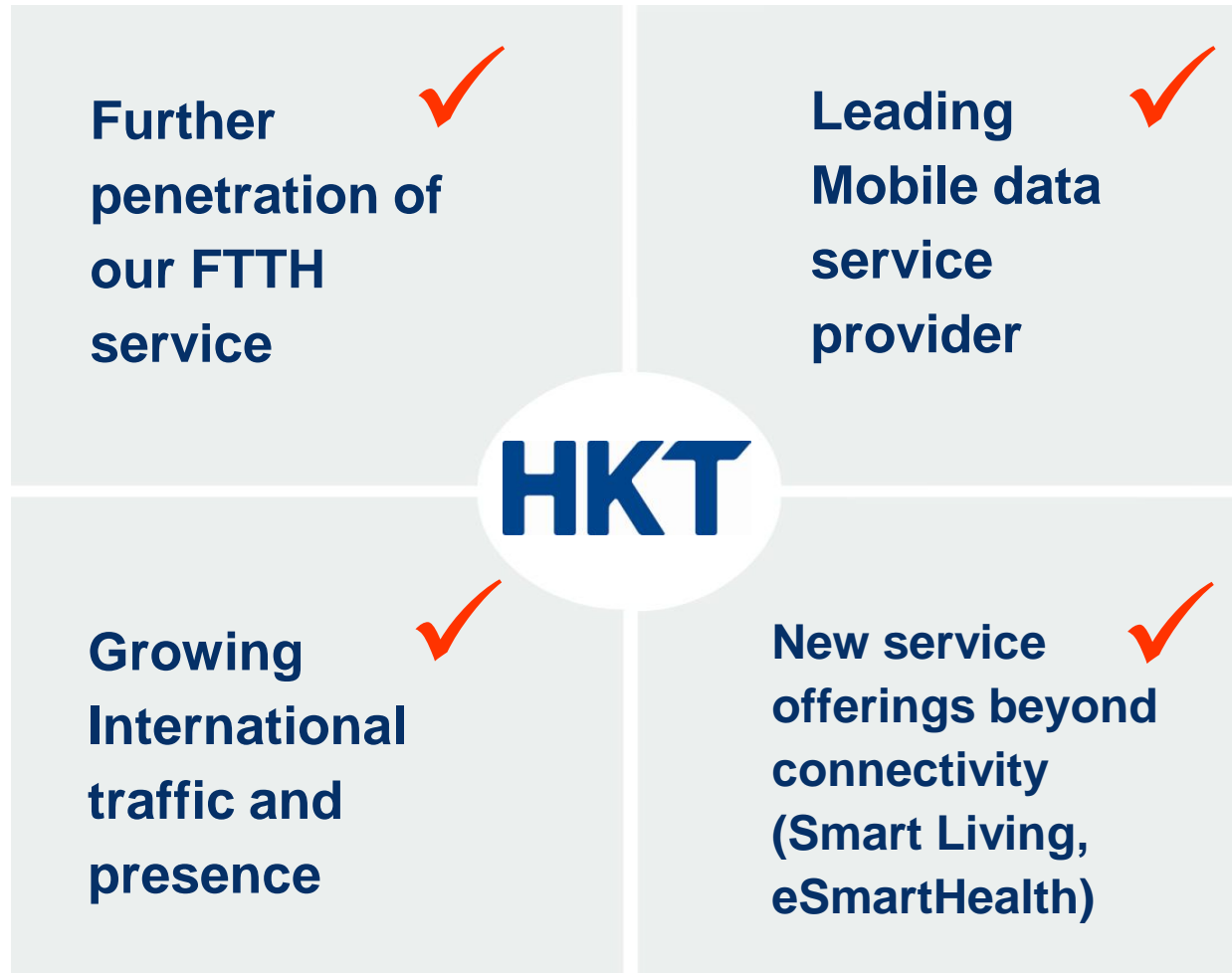


Tin Shui Wai

Global IP Backbone Expansion into Europe and Africa



Well Positioned for Further Growth



HKT's Balanced Business Portfolio will Drive Future Growth