



2013 Interim Results

For the six months ended June 30, 2013

August 5, 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

(US\$ million)	<u>H1'12</u>	<u>H1'13</u>	% change
<i>Adjusted Funds Flow</i>	183	190	+ 4%
<i>Adjusted Funds Flow Per Share Stapled Unit (HK cents)</i>	22.29	23.13	

The Board has declared an interim distribution of 21 HK cents per Share Stapled Unit

Financial Review

Susanna Hui

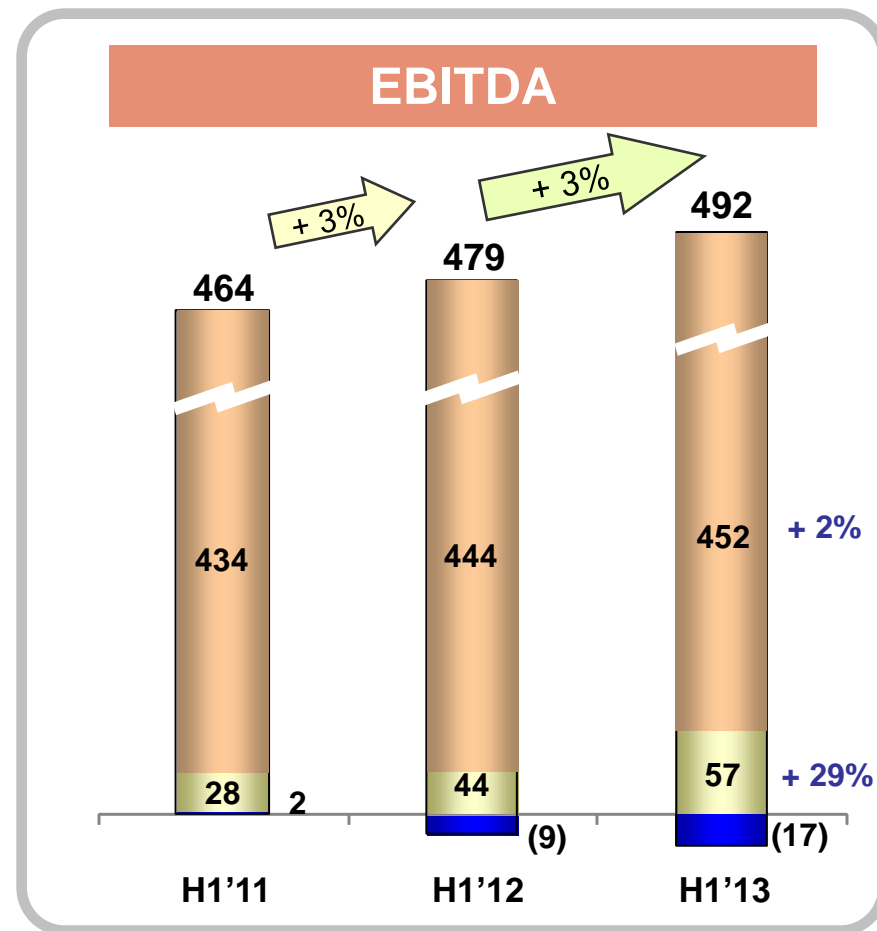
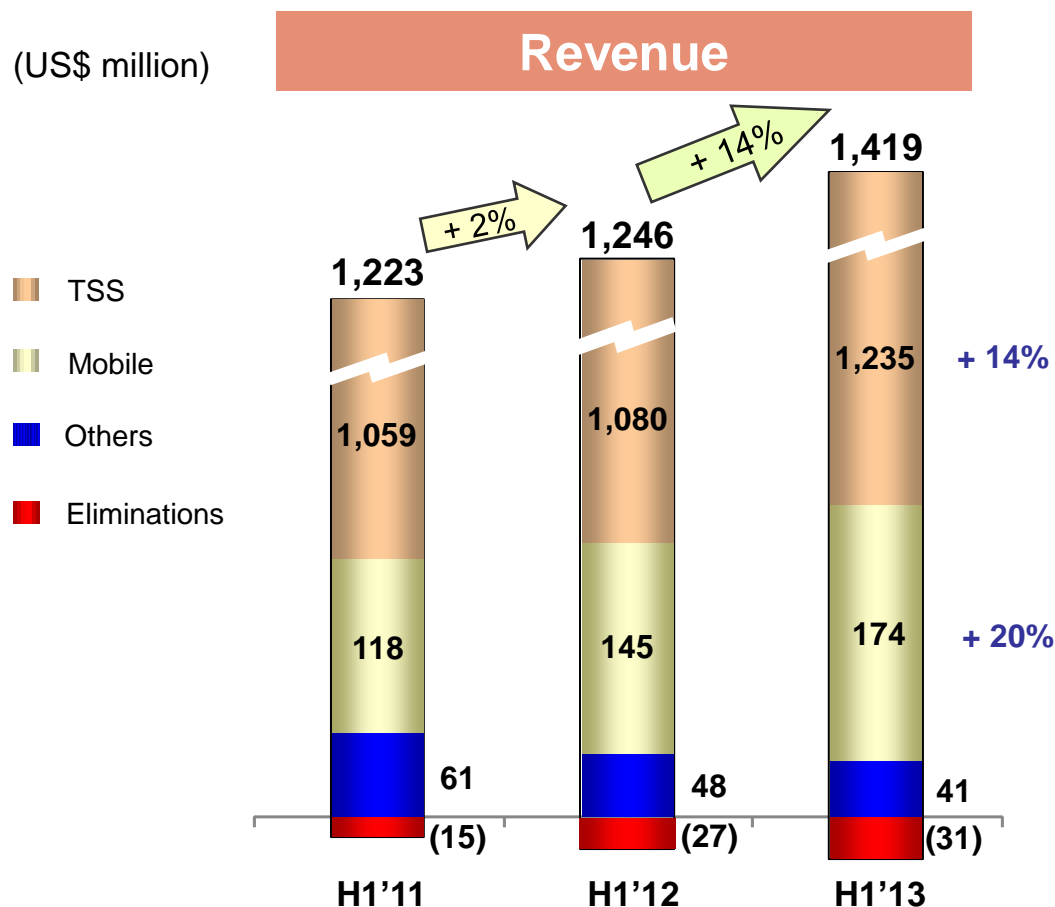
Group Chief Financial Officer

Delivering Growth in AFF

(US\$ million)	<u>H1'12</u>	<u>H1'13</u>	% change
<i>Adjusted Funds Flow</i>	183	190	+ 4%
<i>Revenue</i>	1,246	1,419	+ 14%
<i>EBITDA</i>	479	492	+ 3%
<i>Profit</i> <i>Attributable to Holders of</i> <i>Share Stapled Units</i>	100	153	+ 53%

Achieving Sustainable EBITDA Growth

(US\$ million)

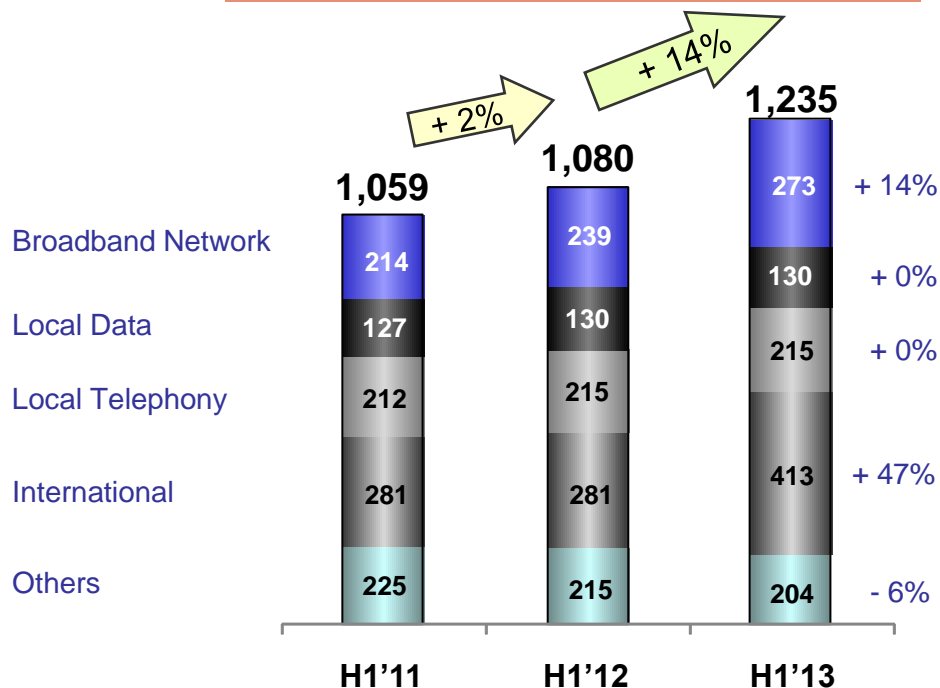


- **TSS delivering steady growth** – TSS revenue and EBITDA increased by 14% and 2% respectively, underpinned by the strong fiber and international businesses
- **Mobile momentum continues** – mobile revenue represented 12% of total HKT revenue (12% in H1'12) and mobile EBITDA accounted for 11% of total HKT EBITDA (9% in H1'12)

Fiber Strategy Powering TSS Ahead

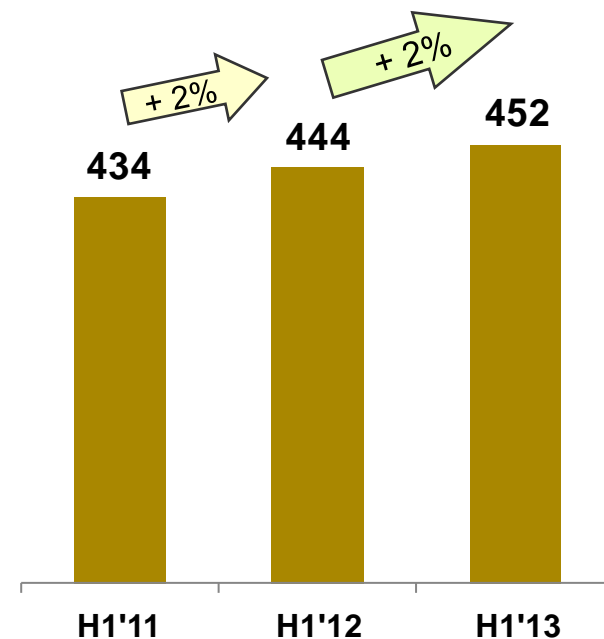
(US\$ million)

TSS Revenue



- Broadband – fiber penetration continues to grow
- Local Data – stable segment of revenue
- Local Telephony – supported by an increase in retail fixed-line revenue and higher eye penetration, but affected by lower revenue from wholesale business
- International – strong growth reflecting the expansion in the Gateway branded business in Europe and Africa as well as overall increase in customer demand
- Others – higher CPE sales but offset by timing of project completions

TSS EBITDA

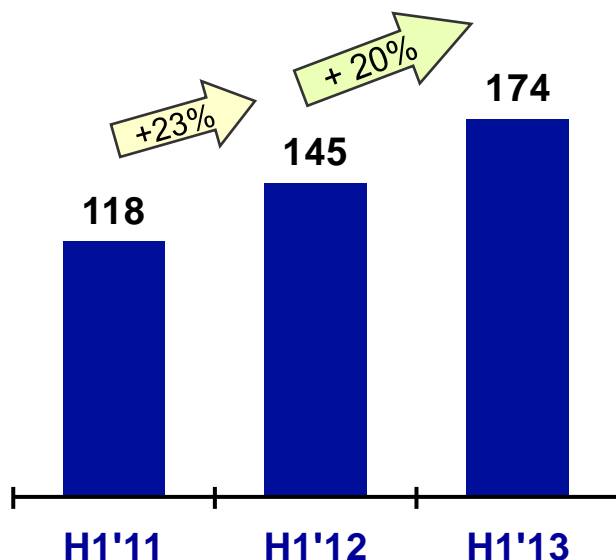


- EBITDA growth fueled by continuing fiber upgrades
- Demonstrates strong market position and resilience of fixed line business

Focus on Premium Customers Yielding Results

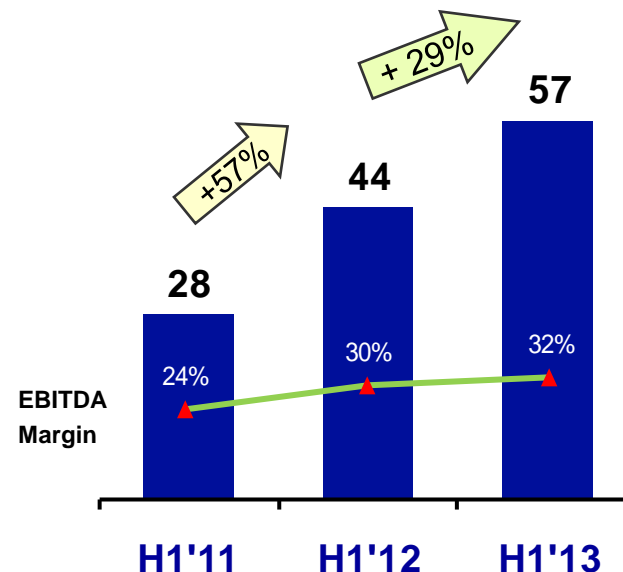
(US\$ million)

Mobile Revenue



- Total mobile revenue up 20% on the back of strong mobile data revenue growth of 29%
- High value, premium customers recognizing superior network performance, innovation and service
- Wide range of affordable mobile data plans
- Blended post-paid exit ARPU increased to HK\$209
- Increasing number of SIM only activations improves cash flow profile

Mobile EBITDA

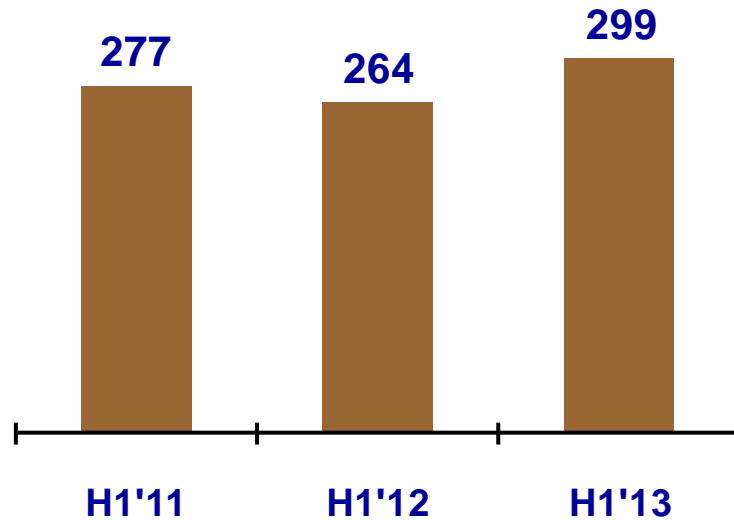


- EBITDA expanded by 29% in H1'13 with margin improving to 32% benefiting from the increased business scale and the competitive advantage of our unique fixed-mobile integrated network

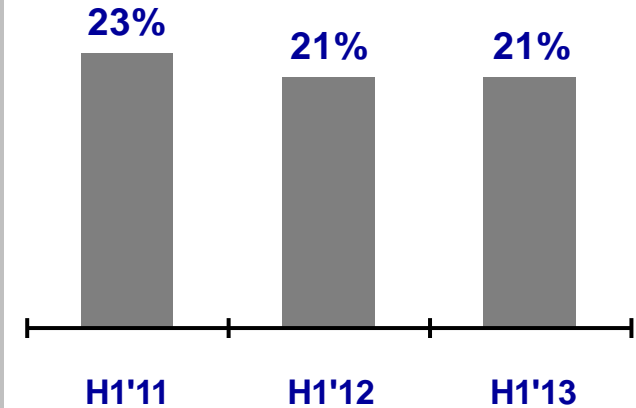
Investing Prudently for Growth

(US\$ million)

Operating Expenses



Opex to Revenue Ratio



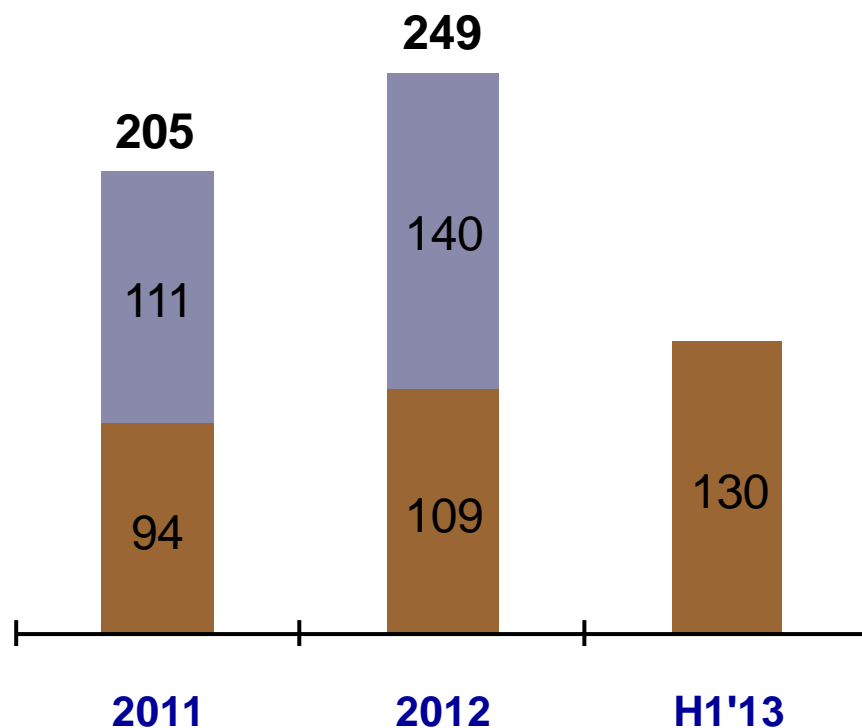
- Opex increased by 13% in H1'13 – a combined result of the expansion in business, in particular the International business in Europe and Africa, and higher inflationary pressure on staff costs and rental expenses
- Contribution from the new business beginning to materialize
- Will continue to drive operating efficiency

Demand-Driven Capex

(US\$ million)

■ H2

■ H1



- Focused on demand driven spending for fiber upgrades and increasing mobile data usage
- Capex to revenue ratio continues to remain within the below 10% guidance

Capex to Revenue Ratio:

8%

9%

9%

Adjusted Funds Flow

(US\$ million)	H1'12	H2'12	H1'13	YoY
EBITDA	479	504	492	+ 3%
Less cash outflows in respect of:				
Customer acquisition costs and licence fees	(97)	(123)	(91)	
Capital expenditures	(107)	(137)	(127)	
Adjusted Funds Flow before tax paid, net finance costs paid and changes in working capital	275	244	274	
Adjusted for:				
Tax payment	(3)	(23)	(14)	
Net finance costs paid	(46)	(47)	(31)	
Changes in working capital	(43)	(14)	(39)	
Adjusted Funds Flow for the period	183	160	190	+ 4%
Adjusted Funds Flow per Share Stapled Unit (HK cents)	22.29	19.35	23.13	

Income Statement

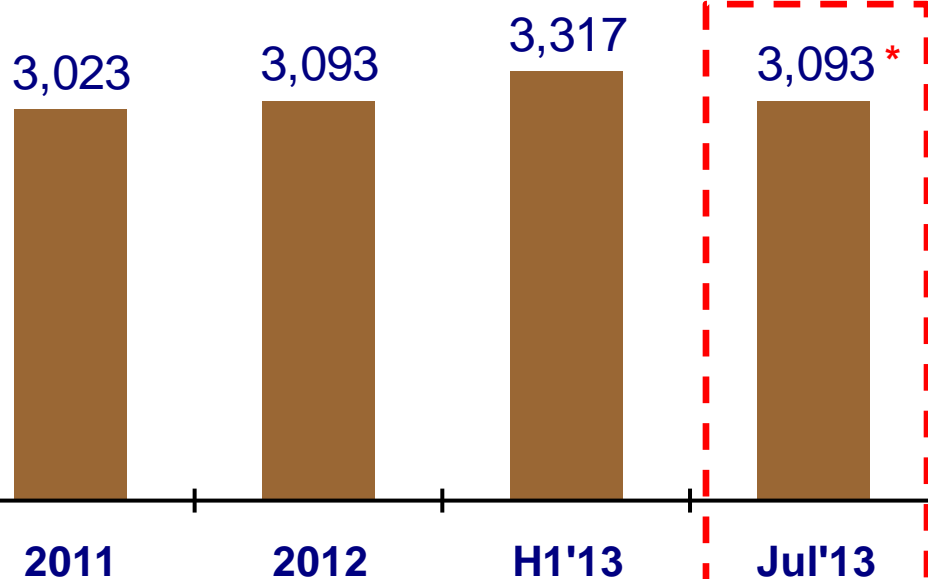
(US\$ million)	H1'12	H1'13	
Turnover	1,246	1,419	+ 14%
Cost of sales	(503)	(628)	
Opex	(264)	(299)	
EBITDA	479	492	+ 3%
Depreciation & Amortization expenses	(292)	(308)	
Gain on disposal of fixed assets	—	1	
Net other gains	1	6	
Net finance costs	(53)	(58)	
Share of results of an associate & JVs	(8)	1	
Profit before income tax	127	134	
Income tax	(24)	21	
<i>Effective tax rate</i>	<i>19%</i>	<i>NA</i>	
Profit for the period	103	155	
Attributable to:			
Holders of Share Stapled Units	100	153	+ 53%
Non-controlling interests	3	2	

Stable Financial Position and Leverage Level

HKT Gross Debt (1),(2)

(US\$ million)

BBB/Baa2
Investment Grade
Rating with
Stable Outlook



Post Redemption of the
US\$500M guaranteed notes
due in July 2013

HKT Gross Debt / EBITDA⁽³⁾

3.2x

3.1x

3.3x

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

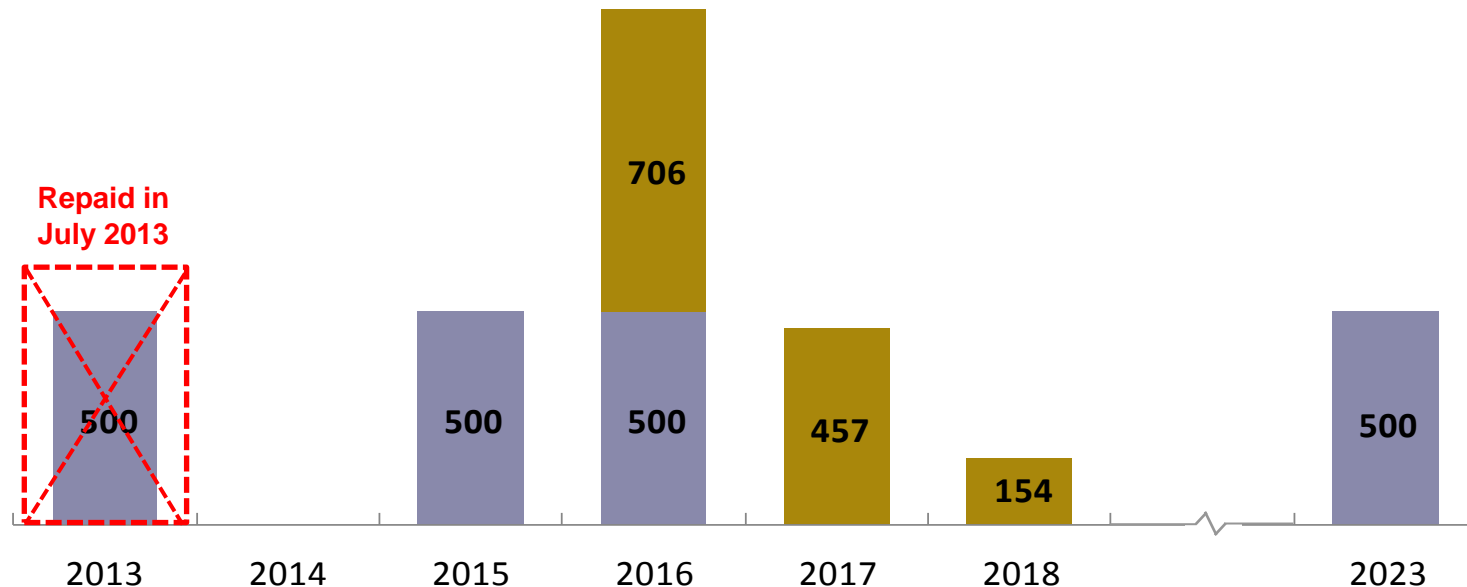
Minimal Near Term Financing Needs

(US\$ million)

■ Bank Loans

■ US\$ Bonds

As at June 30, 2013



- Next debt repayment only due in 2015
- Maintain significant liquidity of US\$673 million in undrawn banking facilities post the redemption of the US\$500 million guaranteed notes due in July 2013
- Effective interest rate was steady at 3.1% in H1'13

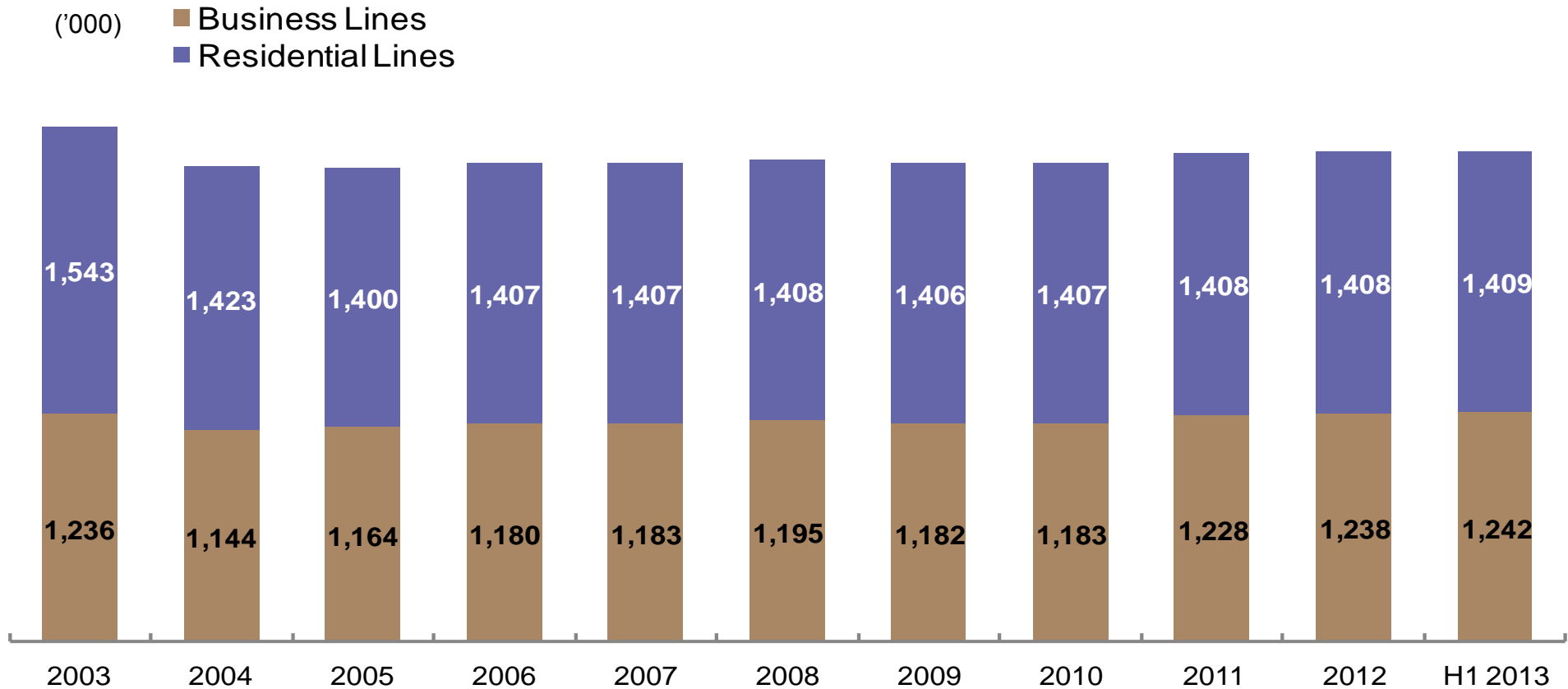
Business Review

Alex Arena

Group Managing Director

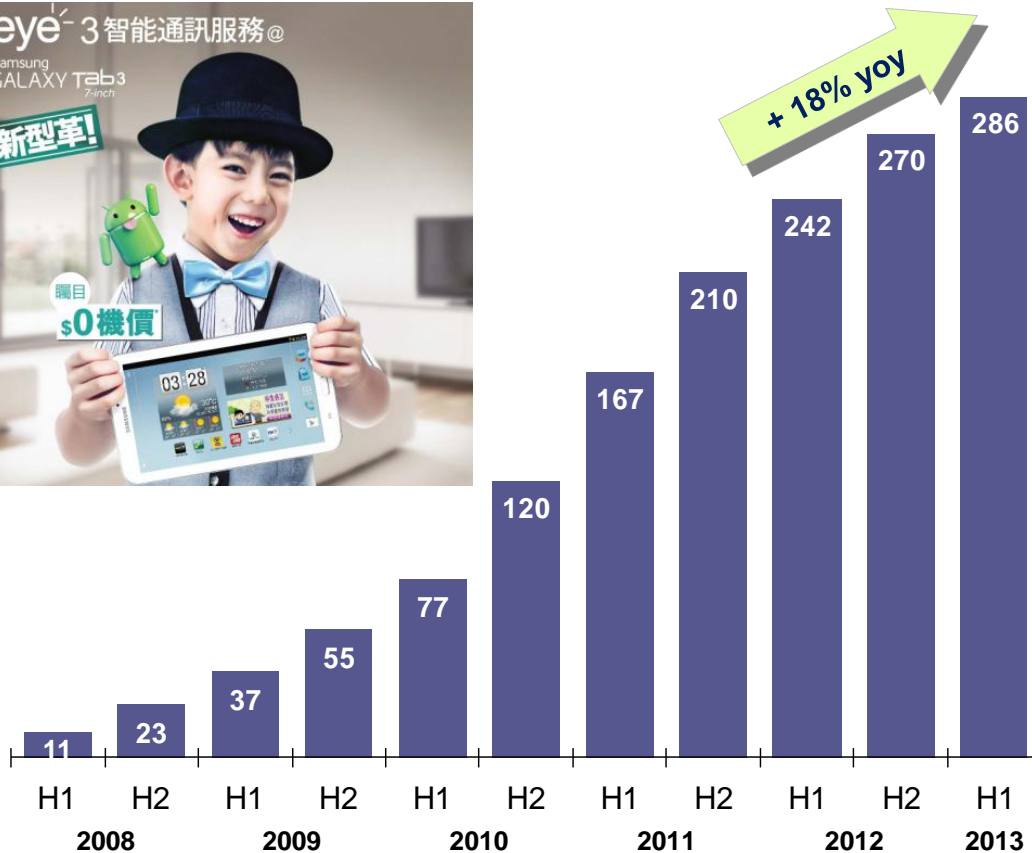
Stable Fixed-line Business

Solid Customer Base Maintained Since 2004



Driving further eye Penetration

Rapid Growth of Higher ARPU eye Customer Base



eye Subscriber Base ('000)

eye Strategy

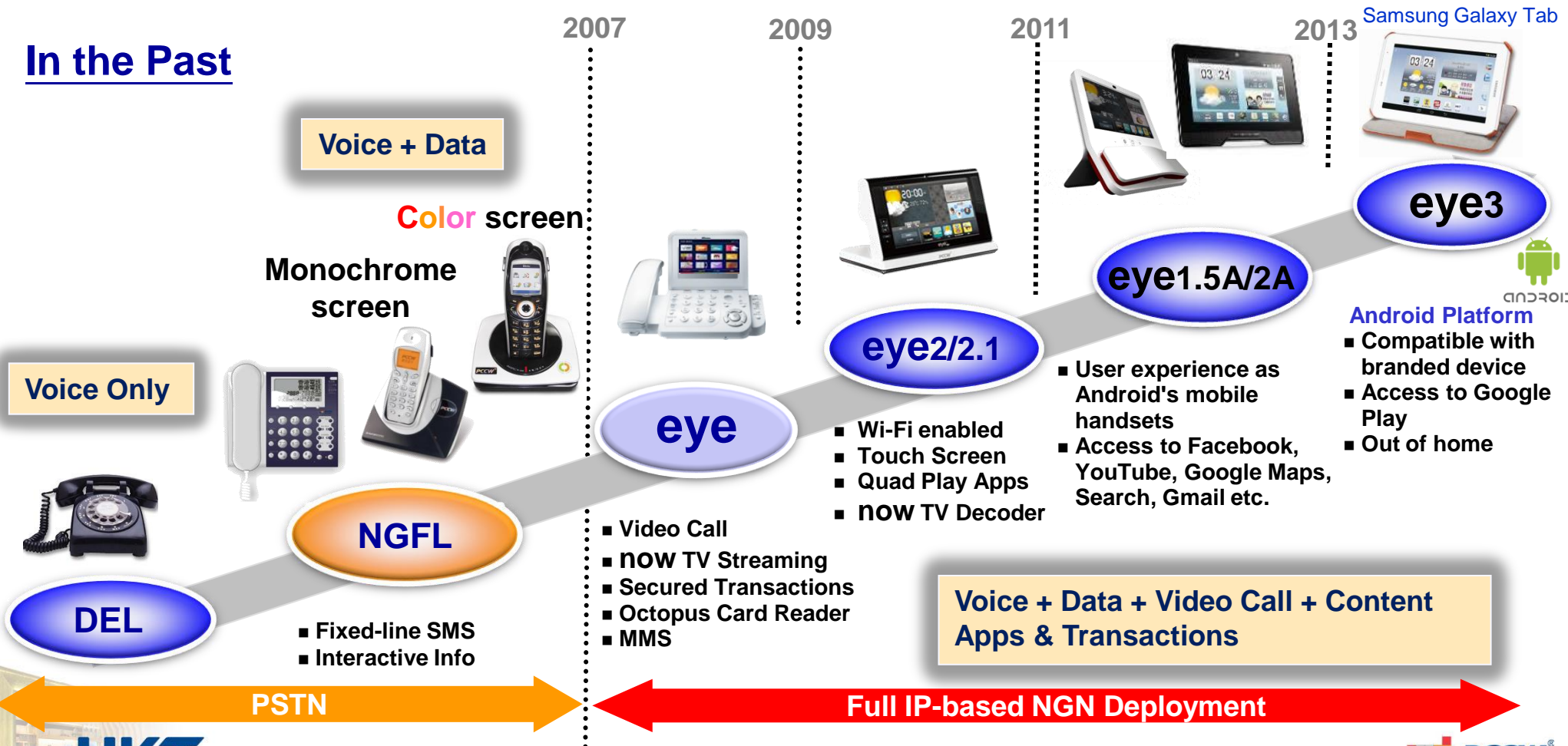
- eye strategy delivering results (current penetration ~20% of residential customers)
- Becoming the Infotainment and Edutainment companion at home
- Launch of eye 3 on Samsung Galaxy Tab 3 in May 2013 to drive further penetration and ARPU uplift



Evolution from Voice to Multimedia Communications

eyeX : Android-based Tablet Series Addressing Different Segments

In the Past



Extend Office Communication Functionalities to include Smartphones

HKT
SMARTLINE

- Customer can enjoy business communication services on their smartphones



Office line
extension



Visual
Voicemail



Visual
Faxmail



Presence
Management

- More value added services to meet specific industry needs



Mobile Recording for
Banking & Finance



Super Hotline Call Queue
for Service Industries

Launch of **HKT Enterprise Cloud** Service

Carrier-grade Cloud Service Providing a Secure and World-Class Service to Enterprises in Hong Kong



Benefits for Enterprises:

- Ubiquitous and fastest-in-town broadband access to the cloud platform through fixed, mobile, Wi-Fi and private networks
- Multi-layered security measures offering carrier-grade data protection
- World-class partnership (HKT & HP) provides comprehensive solution, service and deployment expertise
- One-stop cross-border solution between Hong Kong and China

Evolution from Voice to Unified Communications

Enabling Unified Voice, Data, Messaging and Applications over Fixed and Mobile Integrated Network

In the Past

Voice + Data



Voice Only



NGFL

- Intelligent Voice Recognition
- Fixed-line SMS

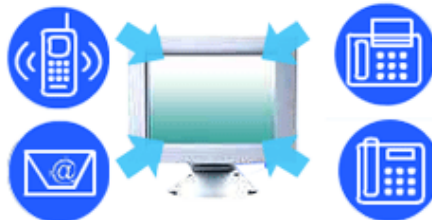
DEL

PSTN

HKT Here To Serve

2003

PCCW Convergence®



PCCW Convergence

- Single view of voice calls, voice mails, faxes and emails
- One click to start conference call
- Automatic call screening with intelligent call routing

2007

one™
COMMUNICATIONS



one
Communications

- Integrated Voice & Broadband service
- Converge voice mails, emails and faxes on a web portal
- Intra-group text messaging
- Swap calls between fixed line and mobile phone with one single button

2013

HKT SMART LINE

HKT
Enterprise Cloud

HKT Smartline and HKT Enterprise Cloud

- Extend office voice calls, voice mails and faxes to smartphone
- Turn mobile phone into office line extension
- Use mobile phone to manage incoming calls with profiles
- HKT Enterprise Cloud enables customers to manage virtual infrastructure

Full IP-based NGN Deployment

PCCW®

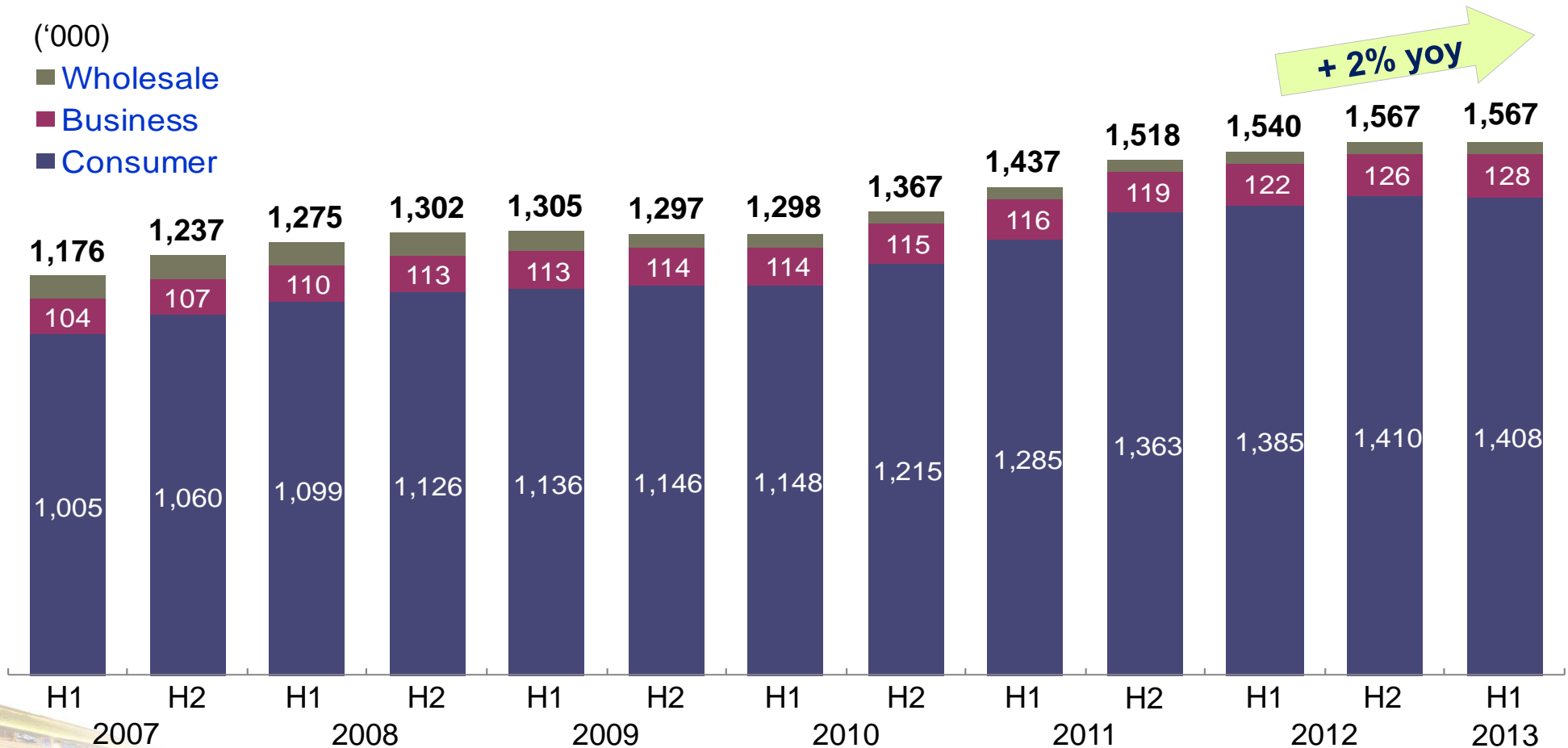
HKT - a PCCW Group member

Continued Growth in Broadband

- Broadband continued to grow at a rate of 2% while churn maintained at 1%
- Industry dynamic has shifted from market share gain to value creation and ARPU growth

('000)

■ Wholesale
■ Business
■ Consumer



Wide Coverage of our Fiber Network



真正「光纖入屋」寬頻
締造光纖城市 活現生活

四大光纖優勢 唯您體驗

- 真正「光纖入屋」寬頻覆蓋無間伸延
- 完美結合uHub雲端儲存服務
- now TV超高清提升電視娛樂享受
- 全面強化一站式智能家居服務

www.netvigator.com

詳情請向銷售員查詢

HKT 擊誠為你

PCCW
電訊盈科
香港電訊 - 電訊盈科集團成員

FTTB-ready (85.6%)*
(supporting speeds of up to 100Mbps)

1.5M or above (98%)

FTTH-ready (75.5%)**
(supporting speeds up to 1000Mbps)

(as of July 2013)

* 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



HKT - a PCCW Group member

Rapid Growth of Fiber Customers



真正「光纖入屋」寬頻
締造光纖城市 活現生活

四大光纖優勢 唯您體驗

- 真正「光纖入屋」寬頻覆蓋無間伸延
- 完美結合uHub雲端儲存服務
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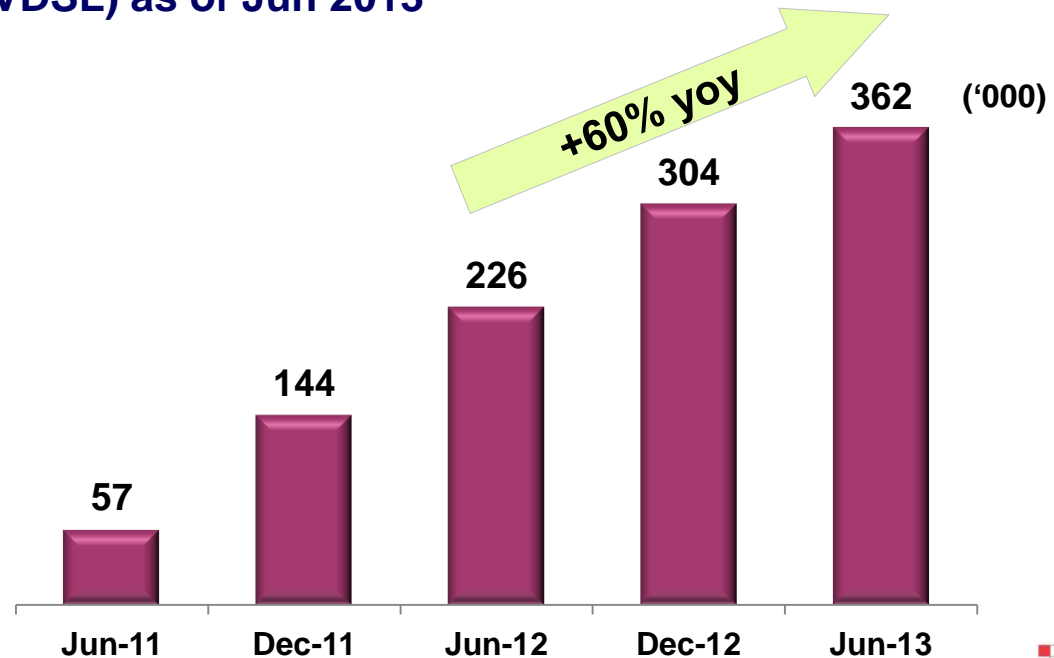
www.netvigator.com

詳情請向銷售處查詢

HKT 摯誠為你

PCCW
電訊盈科
香港電訊 - 電訊服務集團成員

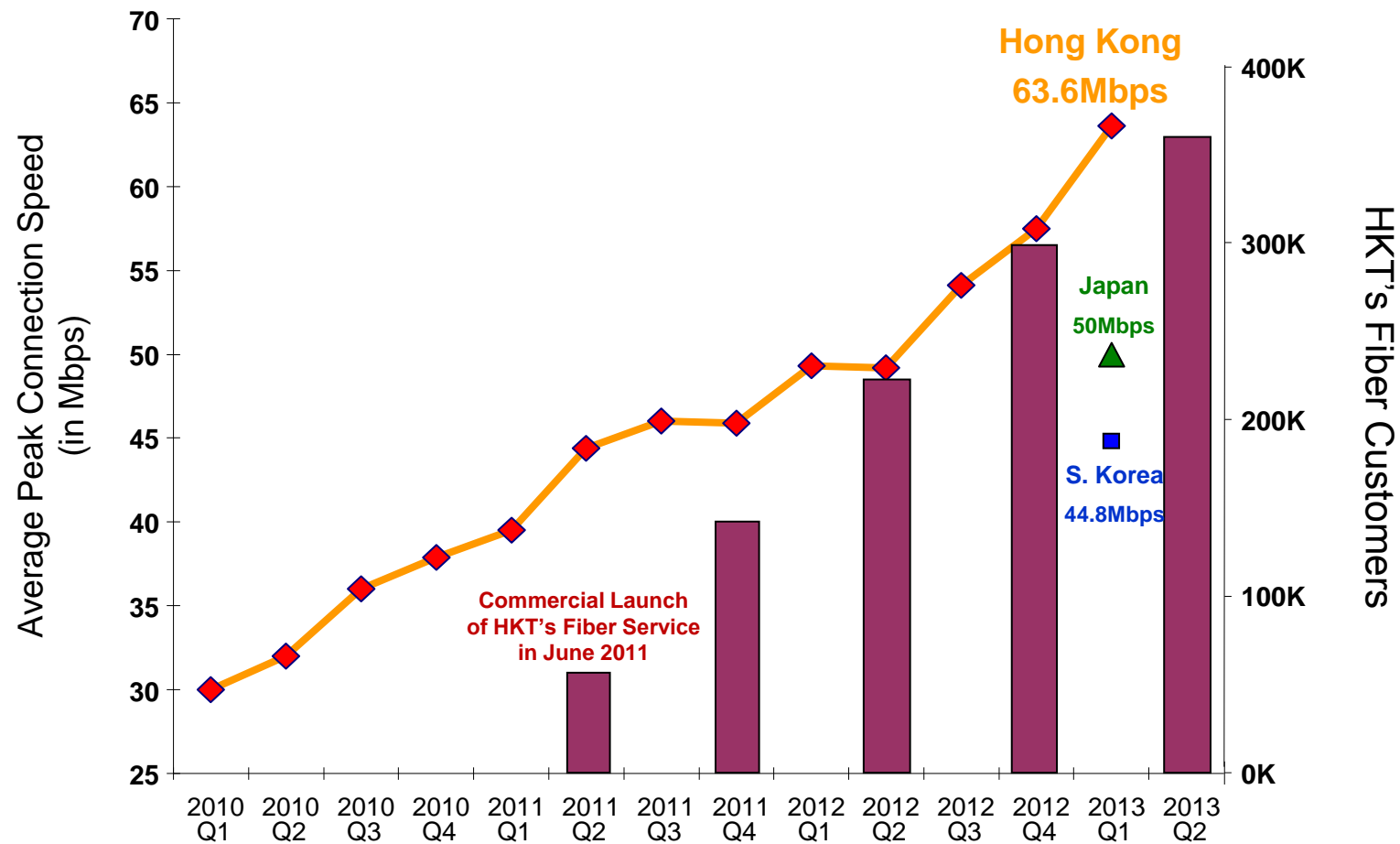
- Fiber-To-The-Home (FTTH) Service continued to attract new customers and existing customers for service upgrade
- 362K customers enjoying FTTH service as of Jun 2013, grew 60% vs. Jun 2012
- Growing fiber customer base creates future upgrade opportunity to higher speed, higher price service plans
- 503K customer enjoying high speed service (FTTH and VDSL) as of Jun 2013



HKT - a PCCW Group member

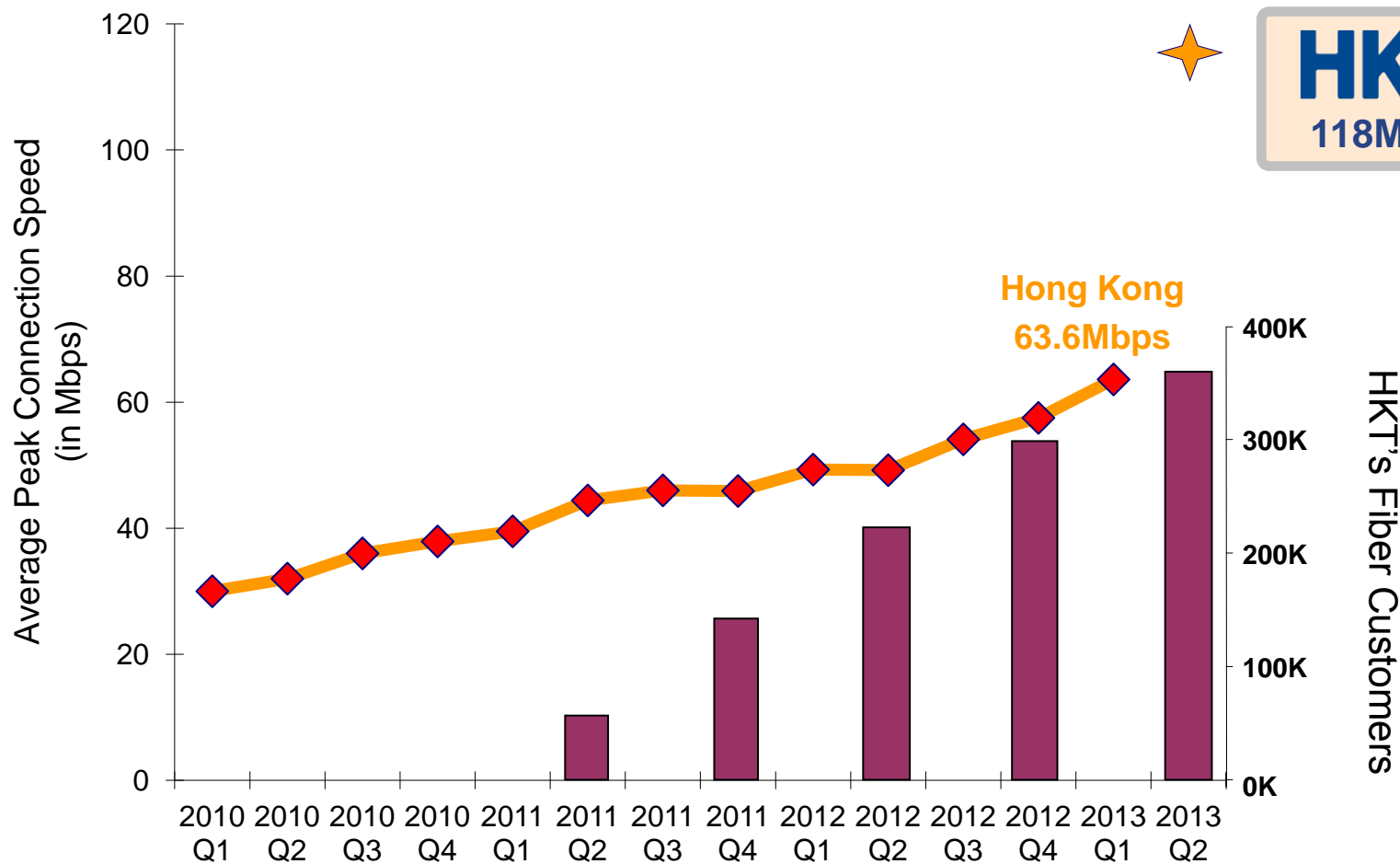
Hong Kong Becomes No.1 in the World for Internet Speed

Hong Kong's Average Peak Connection Speed reached 63.6Mbps* in Q1 2013



Hong Kong Becomes No.1 in the World for Internet Speed

HKT's FTTH Customers Achieving A.P.C.S.⁽¹⁾ of 118Mbps⁽²⁾



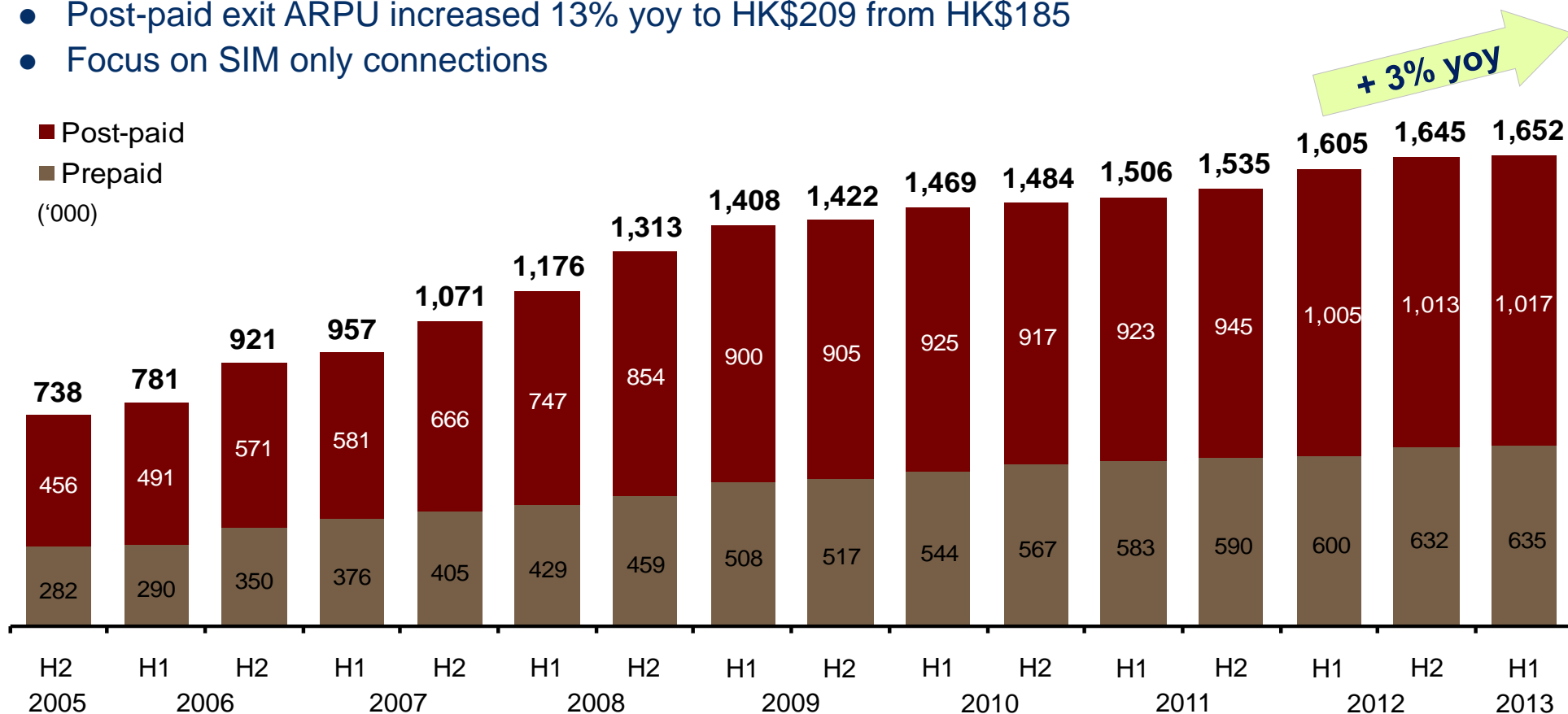
(1) A.P.C.S. represents Average Peak Connection Speed

(2) Based on measurements from Akamai's test site



Mobile Business Acquires More High-end Customers

- Total customer base reached 1.652M, up 3% yoy
- Post-paid customer base reached 1.017M, up 1% yoy
- Post-paid exit ARPU increased 13% yoy to HK\$209 from HK\$185
- Focus on SIM only connections

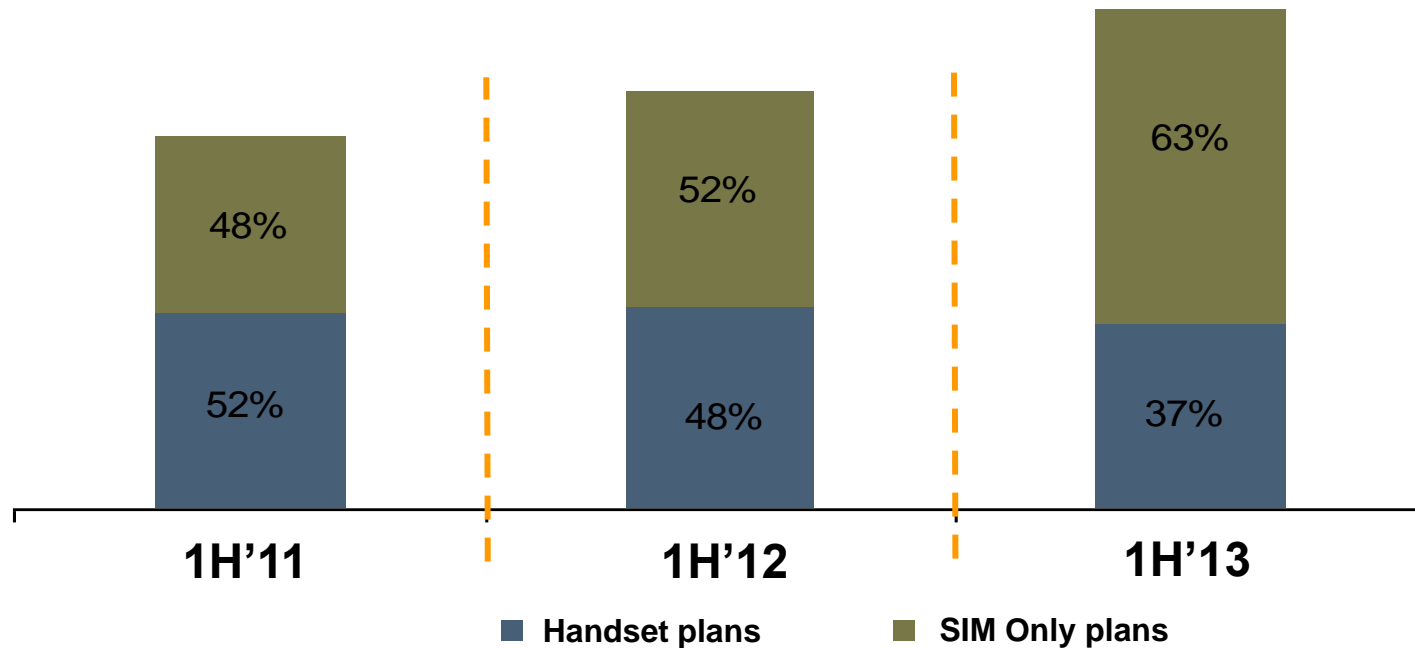


Focusing resources on the higher value, premium mobile segment to drive profitability

Increased Focus on SIM Only Plans

Focus new activations on SIM only connections to grow post-paid base:

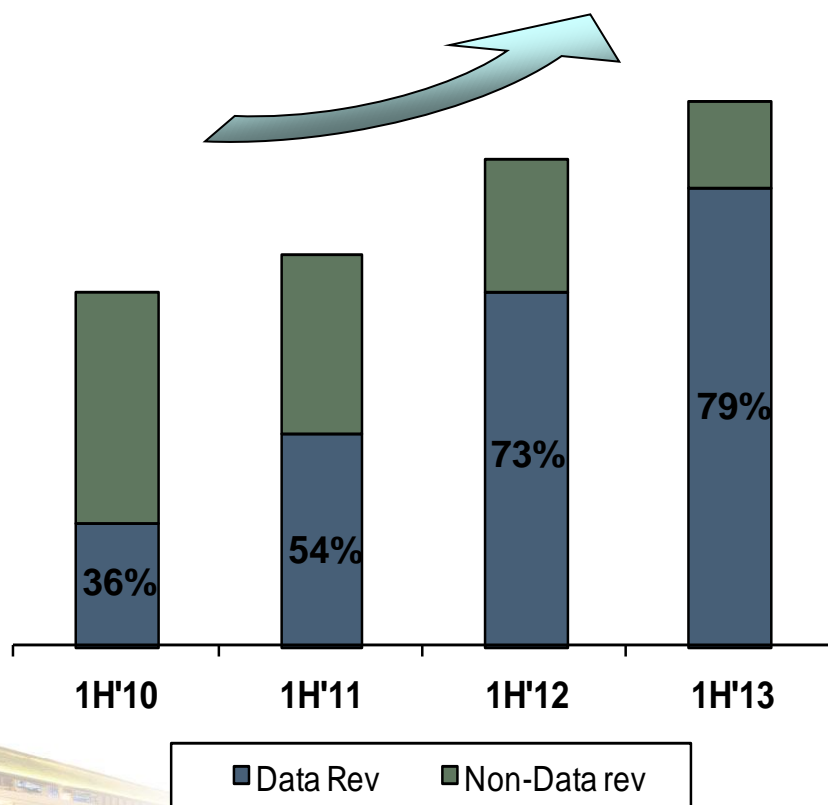
- Many new smartphones in the market but no true “hero” handset in 1st half 2013
- Helps control handset subsidies and customer acquisition costs



Continued Data Revenue Growth

Data revenue now accounting for 79% of service revenue

Service Revenue



- Increasing mobile service revenue contributed by data revenue which grew 29% y-o-y as a result of the successful acquisition and retention of quality smart device customers
- Over 80% of post-paid customer base are smart device users

A Comprehensive Wireless Experience

Ultra-fast mobile experience through integrated **4G LTE** and **Wi-Fi** networks

Launch of 4G LTE 150Mbps Network

- Offer a dual-band 1800MHz and 2600MHz 4G LTE network that provides comprehensive outdoor and indoor coverage
- Enhanced 4G LTE network up to 150Mbps offering fastest possible mobile experience for our customers
- Provide the most comprehensive devices able to utilize our high speed network

Hong Kong's Most Extensive Wi-Fi Service

- A unique fixed-mobile integrated network supported by an extensive Wi-Fi network of over 12,000 hotspots to provide ultra-fast mobile experience
- Target to expand Wi-Fi coverage to over 20,000 hotspots in 2014
- Progressively implement the 802.11ac technology which enables speed of over 1000Mbps

The poster features a central image of a smartphone with a bright light beam emanating from it, surrounded by a burst of white particles. The text 'PCCW-HKT 流動無極' is at the top. Below it, '150Mbps 的4G網絡' and '1000Mbps 的Wi-Fi熱點' are displayed in large, bold characters. At the bottom, it says '合一無敵 終極網絡威力'. The bottom section contains a table of compatible devices, including various smartphones and tablets, and mentions 'PCCW-HKT 4G LTE 150Mbps Network' and 'Wi-Fi 1000Mbps'. It also includes contact information like '2888 1888' and 'www.pccw-hkt.com', and logos for Cisco, HKT, and PCCW.

Mobile Service Innovation



First in Hong Kong to launch NFC Mobile Payment Service

- Partnered with Hang Seng Bank to be the first mobile operator in Hong Kong to launch SIM-based Near Field Communication (NFC) Mobile Payment Service



恒生銀行
HANG SENG BANK

Co-branded Prepaid SIM card with Hong Kong Tourism Board

- Partnered with Hong Kong Tourism Board to launch a co-brand prepaid card - “Discover Hong Kong Tourist SIM card” in June
- Prepaid SIM cards with two face values – HK\$69 (5-day pass with 1.5GB data) and HK\$96 (8-day pass with 5GB data), together with unlimited local voice calls and Wi-Fi service as well as flat rate IDD 0060 service to 36 destinations



HONG KONG TOURISM BOARD
香港旅遊發展局



Comprehensive, One-Stop Mobile Solution

Wide Range of Mobile Services

Comprehensive offering including SIM only, handset subscription and standalone handset purchases



Secure Data Transfer Service

Secure data transfer service via「天機」 makes switching to new devices hassle-free



Trade-in Service

Dedicated trade-in booth for customers who wish to trade-in alongside a new handset purchase



Mobile Workshop

Regular workshops and training sessions for new market segments unfamiliar with smartphones



Recapping Our Strategy

A Total Value Proposition for Our Customers

