



2012 Interim Results

For the period ended June 30, 2012

August 9, 2012 – Hong Kong



HKT - a PCCW Group member

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

On Track for 2012 AFF Forecast

(US\$ million)	<u>H1'11</u>	<u>H1'12</u>	% change	<u>Forecast</u> * <u>2012</u>
<i>Adjusted Funds Flow</i>	173	183	+ 6%	330
<i>Adjusted Funds Flow Per Share Stapled Unit (HK cents)</i>	n/a	22.29		40.11

The Board has declared an interim distribution of 20.06 HK cents per Share Stapled Unit

* Forecasts as stipulated in the global offering prospectus

Financial Review

Susanna Hui

Group Chief Financial Officer

Solid Financial Performance

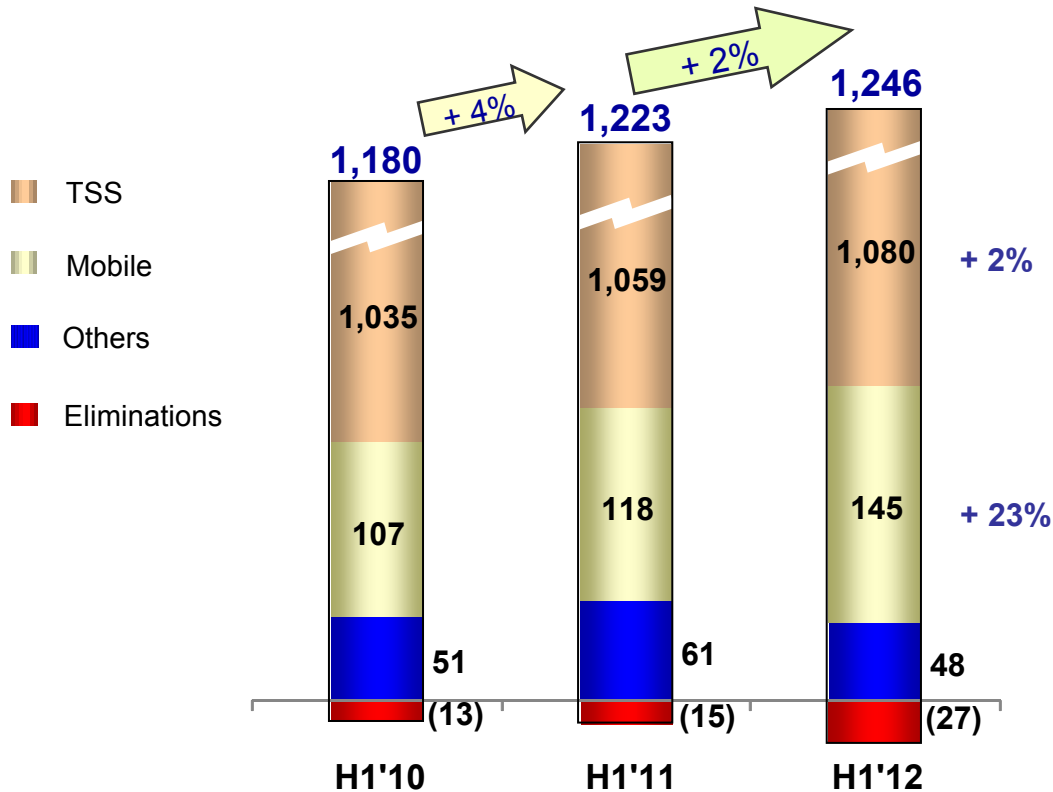
(US\$ million)	<u>H1'11</u>	<u>H1'12</u>	% change	<u>Forecast</u> * <u>2012</u>
<i>Adjusted Funds Flow</i>	173	183	+ 6%	330
<i>Revenue</i>	1,223	1,246	+ 2%	
<i>EBITDA</i>	464	479	+ 3%	977
<i>Profit</i> <i>Attributable to Holders of</i> <i>Share Stapled Units</i>	69	100	+ 45%	175

* Forecasts as stipulated in the global offering prospectus

Steady Overall Growth in Revenue and EBITDA

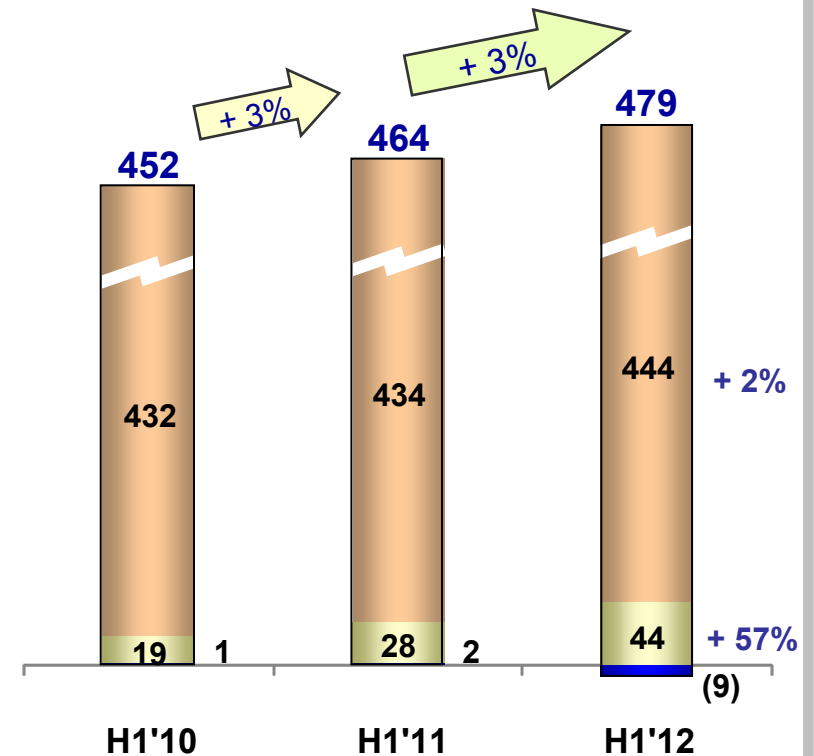
(US\$ million)

Revenue



- Steady overall revenue growth underpinned by TSS performance
- Broadband and Mobile businesses continue to be the growth drivers

EBITDA

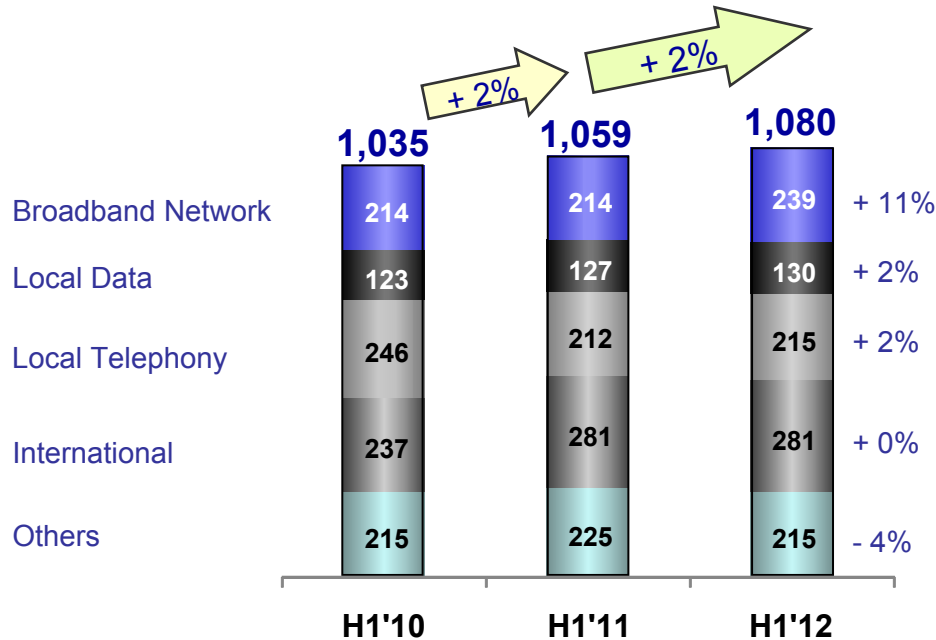


- EBITDA has consistently increased for the past 3 interim periods

TSS Delivers Meaningful EBITDA Growth

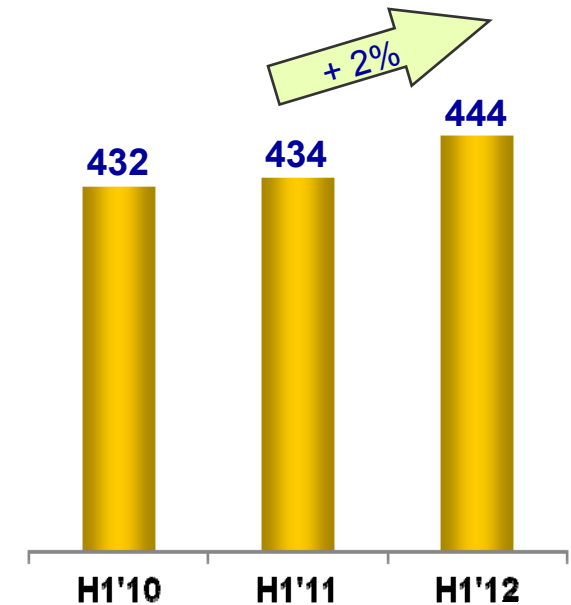
(US\$ million)

TSS Revenue



- Broadband revenues increased significantly by 11% due to further fiber roll-out and subscriptions
- LTS revenues grew by 2% supported by healthy take-up of **eye** devices
- Sustained performance at International following strong 1H11 performance
- Decline in Others due to timing of project completions and lower CPE sales as limited handset choices in H1

TSS EBITDA

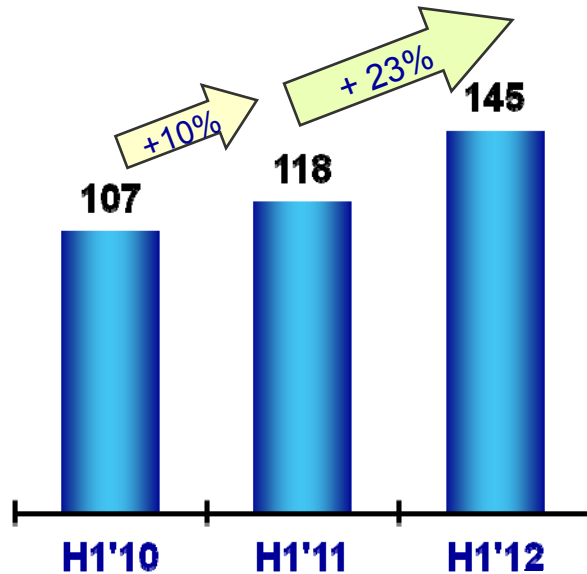


- EBITDA grew meaningfully by 2% supported by broadband and LTS revenue increase
- Margin maintained at 41% due to cost efficiencies and improved productivity

Mobile Continues Strong Performance

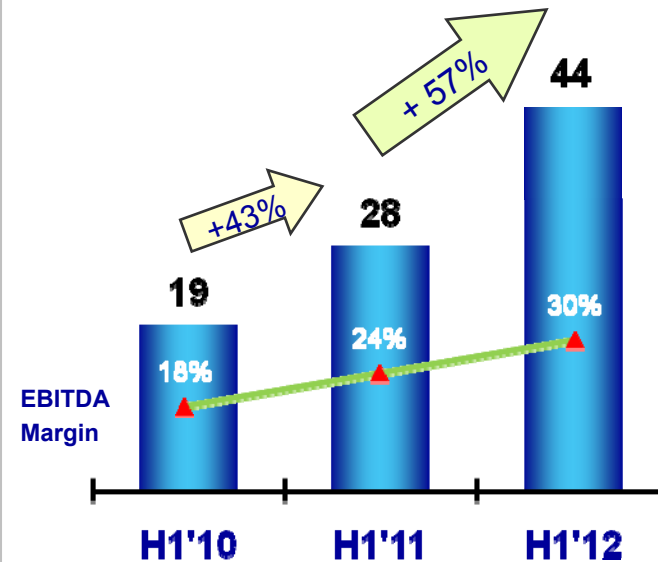
(US\$ million)

Mobile Revenue



- Mobile revenues grew by an impressive 23% driven by a growing customer base and improved ARPU
- Significant growth in mobile data revenues due to our superior 3G and recently launched 4G network

Mobile EBITDA

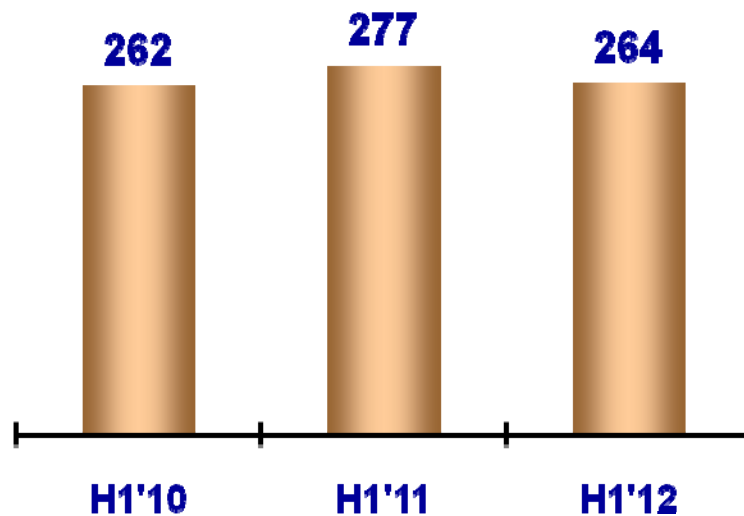


- EBITDA grew by 57% and margin improved to 30% demonstrating our focus on high end customers and the competitive advantage of our unique fixed-mobile integrated network

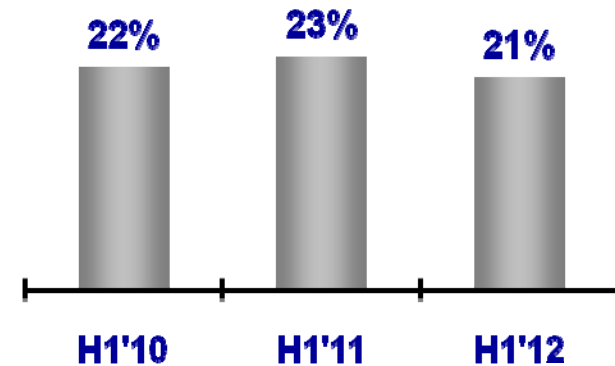
Focus on Delivering Opex Efficiencies

(US\$ million)

Operating Expenses



Opex to Revenue Ratio



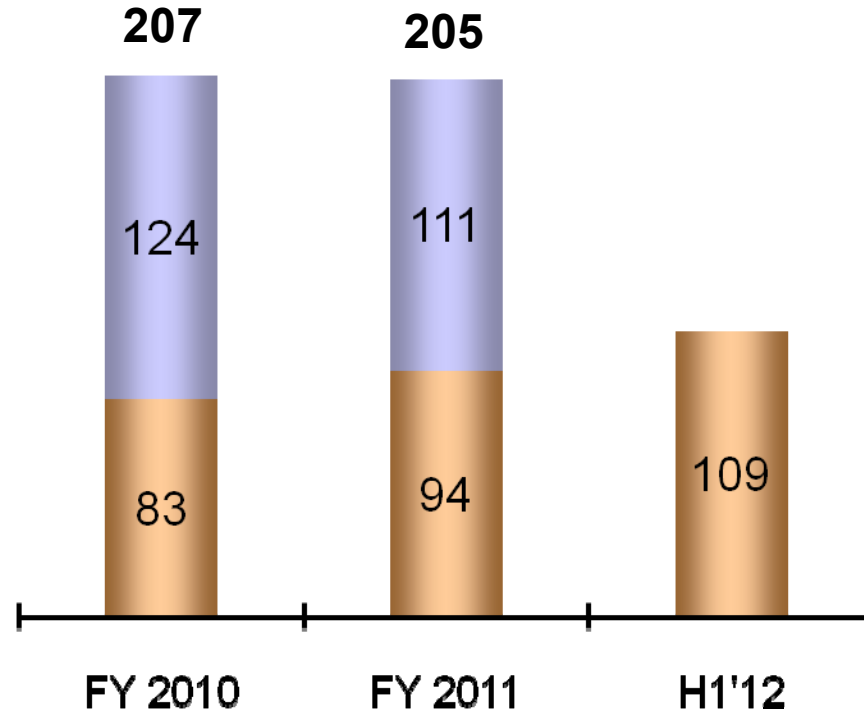
- Improved productivity and continued efficiencies result in a decline in overall opex spending and opex to revenue ratio

Disciplined, Demand-driven Capex

(US\$ million)

■ H2

■ H1



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

Capex to Revenue Ratio: 8.7% 8.1% 8.8%

Adjusted Funds Flow

(US\$ million)	Actual FY10	Actual FY11	Forecast FY12	Actual H1'11	Actual H1'12
EBITDA	929	950	977	464	479
Less cash outflows in respect of:					
Customer acquisition costs and licence fees	(135)	(181)	(151)	(79)	(97)
Capital expenditures	(201)	(201)	(231)	(92)	(107)
Adjusted Funds Flow before tax paid, net finance costs paid and changes in working capital	593	568	n/d	293	275
Adjusted for:					
Tax payment	(6)	(17)	n/d	(3)	(3)
Net finance costs paid	(203)	(170)	n/d	(85)	(46)
Changes in working capital	(125)	(75)	n/d	(32)	(43)
Adjusted Funds Flow for the year / period	259	306	330	173	183 +6%
Adjusted Funds Flow per Share Stapled Unit (HK cents)	n/a	37.20	40.11	n/a	22.29

n/d: Not disclosed in global offering prospectus

Income Statement

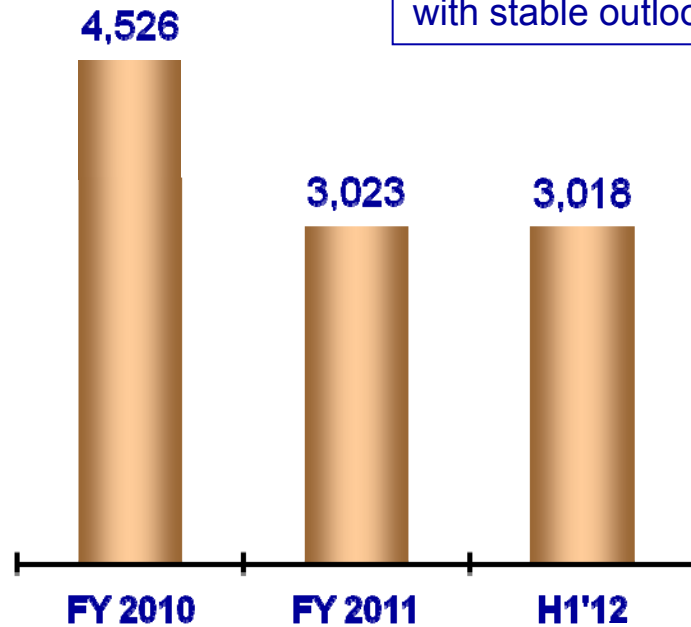
(US\$ million)

	<u>H1'11</u>	<u>H1'12</u>	
Turnover	1,223	1,246	+ 2%
Cost of sales	(482)	(503)	
Opex	(277)	(264)	
EBITDA	464	479	+ 3%
Depreciation & Amortization Expenses	(273)	(292)	
Net other gains / (losses)	(4)	1	
Net finance costs	(93)	(53)	
Share of results of associates & JVs	(1)	(8)	
Profit before income tax	93	127	
Income tax	(21)	(24)	
<i>Effective tax rate</i>	<i>23%</i>	<i>19%</i>	
Profit for the period	72	103	
Attributable to:			
Holders of Share Stapled Units	69	100	+ 45%
Non-controlling interests	3	3	

Solid Financial Position

HKT Gross Debt^{(1),(2)}

(US\$ million)



BBB/Baa2 rating
with stable outlook

HKT Gross Debt /
EBITDA⁽³⁾

4.9x

3.2x

3.1x

(1) HKT denotes HKT Trust and HKT Limited

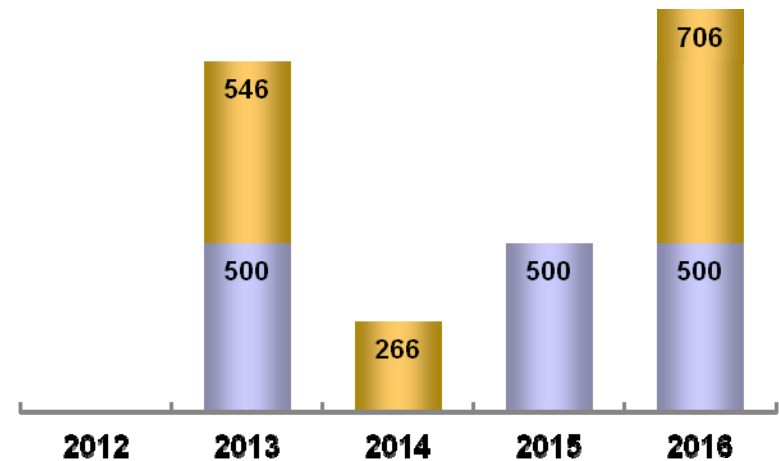
(2) Gross debt refers to the principal amount of short-term and long-term borrowings

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

Debt Maturity Profile

(US\$ million)

Bank Loans
US\$ Bonds



- Next debt repayment only due in 2013
- Significant liquidity of US\$1.1 billion in undrawn facilities
- Effective interest rate fell to 3%

Business Review

Alex Arena

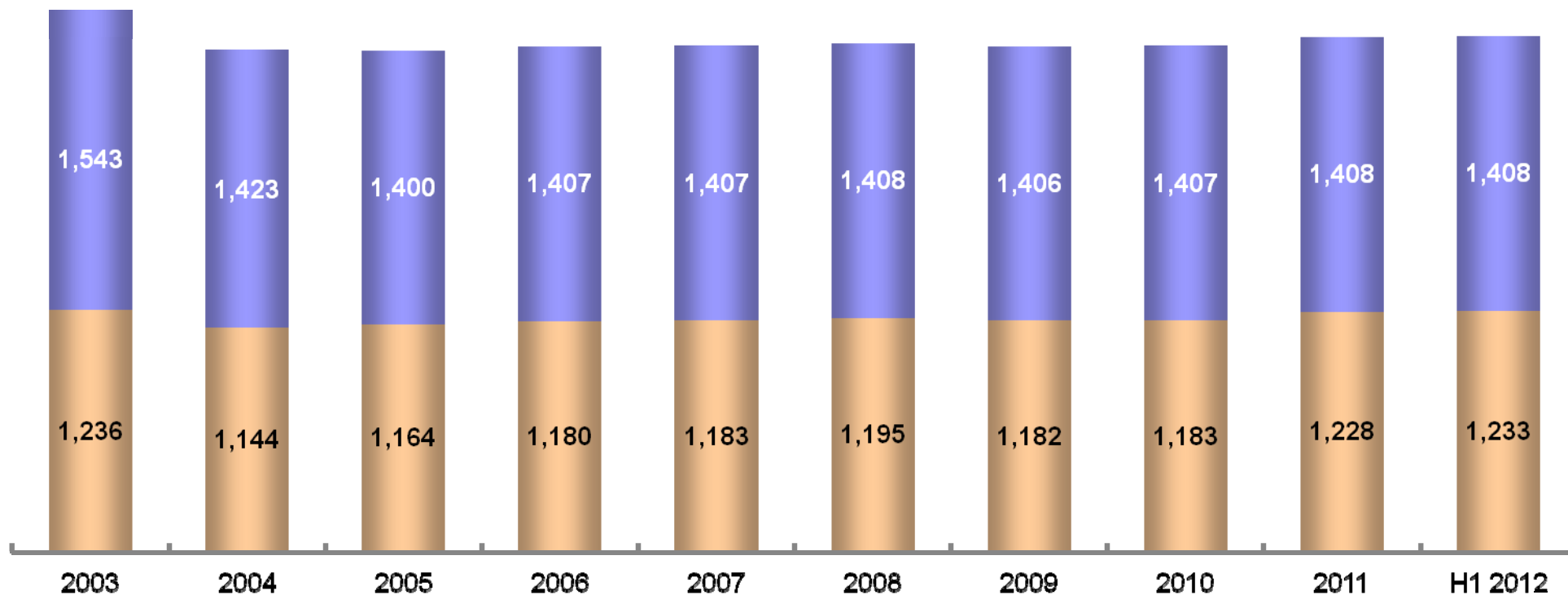
Group Managing Director

Stable Fixed-line Business

Solid Customer Base Maintained Since 2004

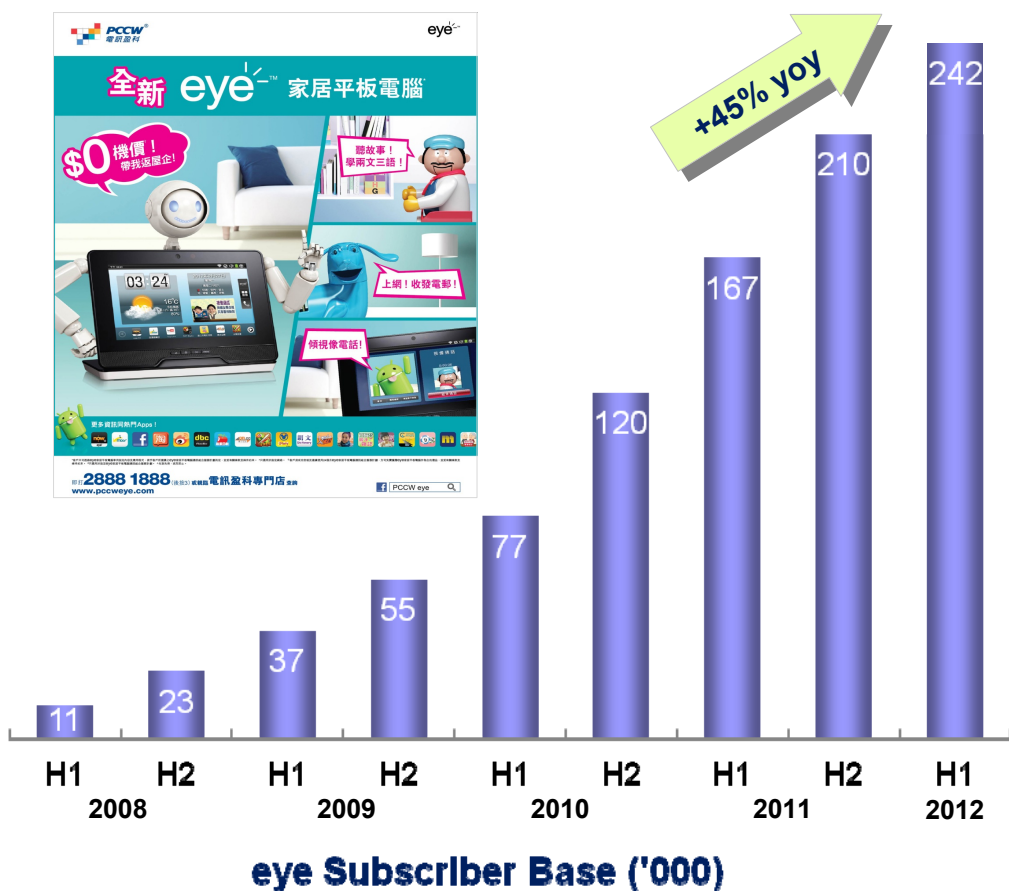
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■ Business Lines
■ Residential Lines



eye Customer Base

Rapid Growth of Higher ARPU eye Customer Base



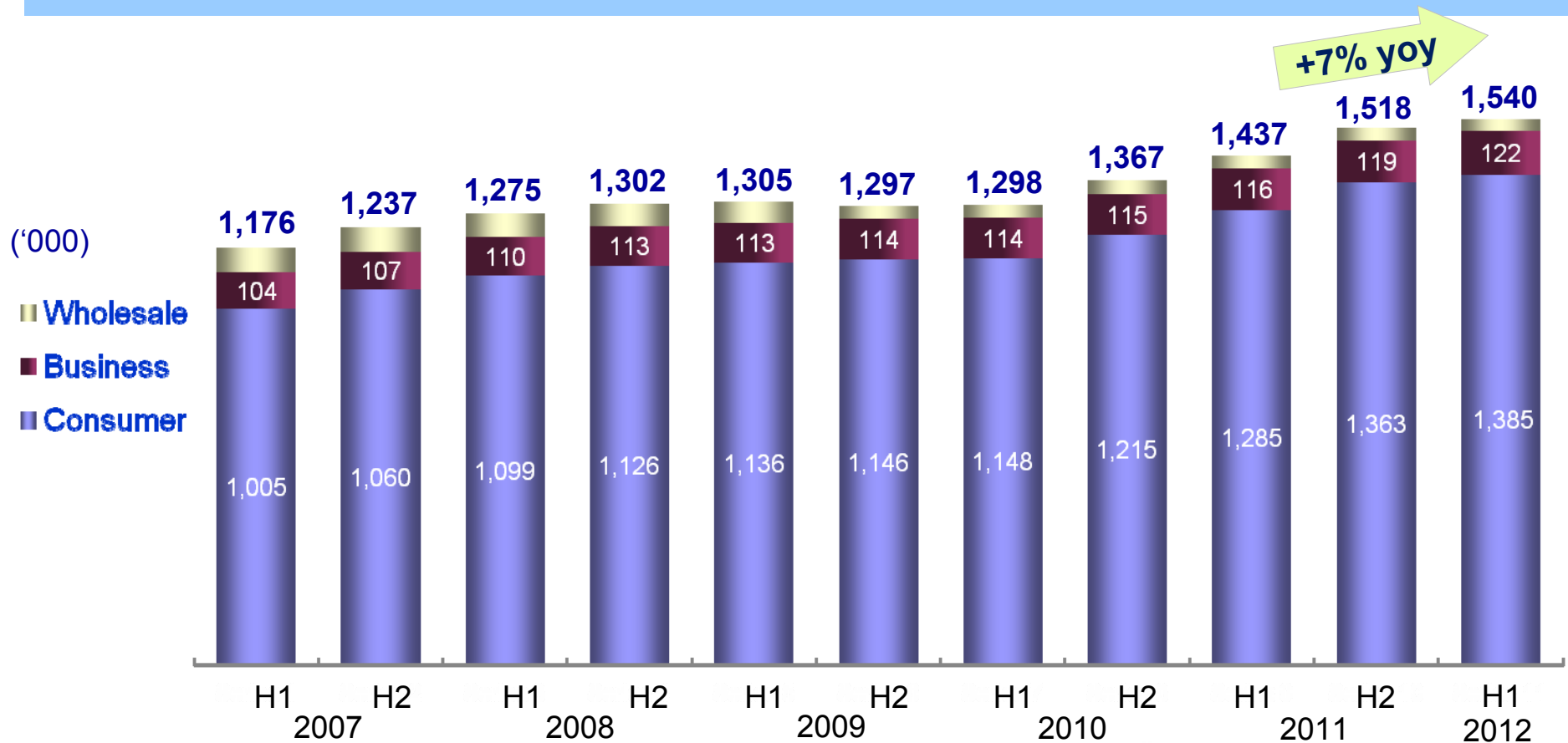
eye Strategy

- eye strategy gaining traction (current penetration ~17% of residential customers)
- Additional revenues from email, Internet browsing and now TV channel subscriptions
- Growing, high quality customer base will enable new revenue streams e.g. advertising



Continued Growth in Broadband

- Broadband continued to grow at a rate of 7% while churn was maintained at 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!

Strongest Internet bandwidth: Connecting with PCCW Global's fiber optic submarine network enables seamless access to overseas websites.

Home choice: High-speed Internet connectivity in every corner of your home for multiple users.

Over 10,000 Wi-Fi hotspots: Stay connected to the Internet in locations across Hong Kong anytime, while cloud storage: Upload and download any file anytime at high speed using your Fiber-to-the-Home service.

Sales hotline **2888 0008** www.netvigator.com
or visit any **PCCW shop**

PCCW
HKT - a PCCW Group member

FTTB (84.3%)*
(supporting speeds of up to 100Mbps)

1.5M or above (98%)

FTTH (70.1%)**
(supporting speeds up to 1000Mbps)

(as of Jul 2012)

* 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's fiber optic submarine network enables seamless access to overseas websites.

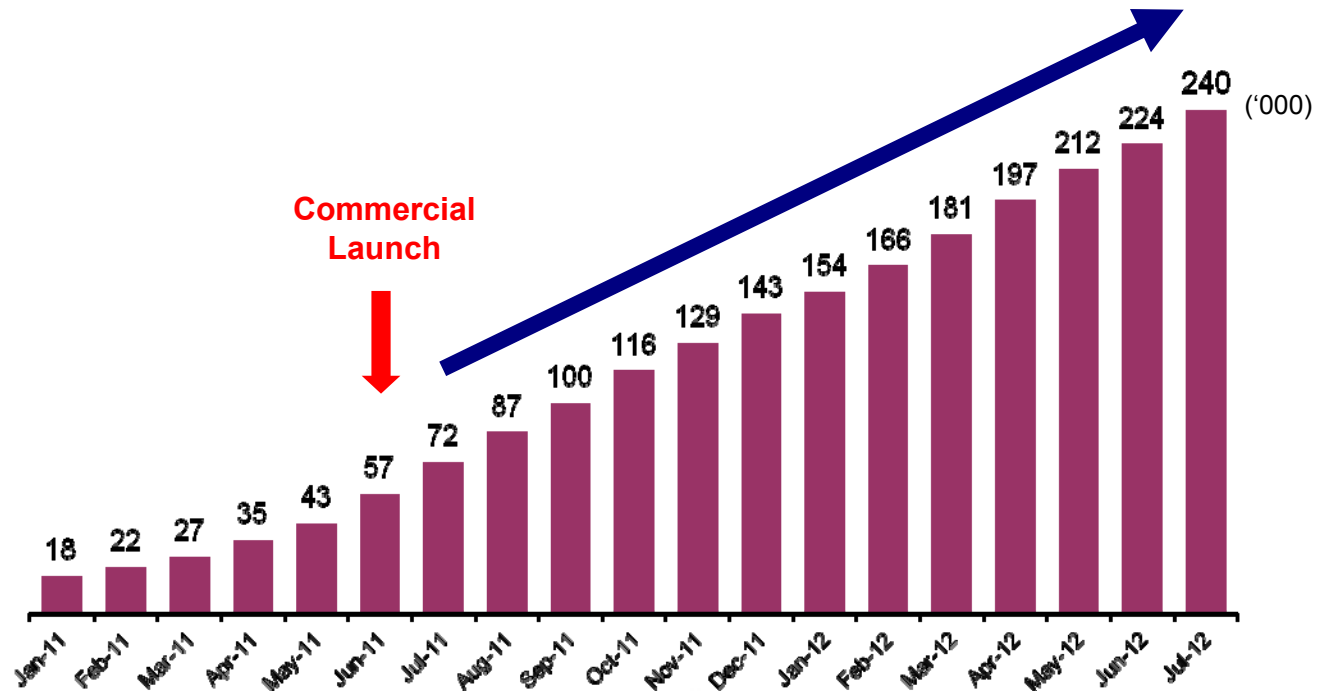
More choices: High-speed Internet connectivity in every corner of your home for multiple users.

Over 10,000 Mbit/s: Stay connected to the Internet in locations across Hong Kong anytime, while cloud storage, 1080p and download any file anytime at high speed using your Fiber-to-the-Home service.

2888 0008 www.netvigator.com

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- NETVIGATOR Fiber-To-The-Home Service continued to attract new customers and existing customers for service upgrade
- 240K NETVIGATOR customers enjoying FTTH service as of July 2012, grew 68% vs. Dec 2011
- Growing fiber customer base creates future upgrade opportunity to higher speed, higher price service plans



Rapid Growth 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's fiber optic submarine network enables seamless access to overseas websites.

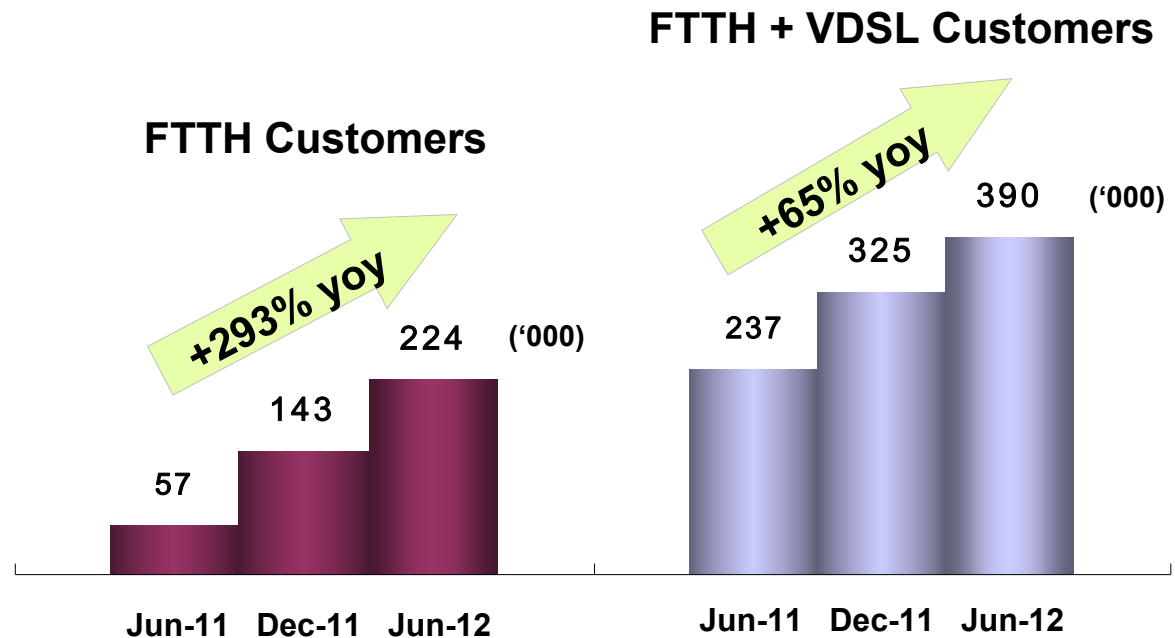
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2888 0008
www.netvigator.com

PCCW
HKT - a PCCW Group member

- Rapid growth of FTTH customers continued in 1H 2012, representing 293% growth in 12 months
- Leveraging multiple technologies in our network infrastructure, 390K customers enjoying high speed service as of Jun 2012



Launch of Home Network Consultancy Service



**NEED HELP BUILDING YOUR HOME NETWORK?
ASK THE EXPERT!**
The Home Broadband Network Consultancy Service



**A one-stop shop offering customized network solutions
from design to installation!**

- A site visit will be arranged to provide a network layout assessment
- Wi-Fi coverage in every corner
- High-speed cables for smooth connectivity
- A full installation service for Wi-Fi router*, digital products* and uHub cloud storage
- Hassle-free onsite after-sales service ensures peace of mind

Sales hotline **2888 0008** then press 1 www.netvigator.com
or visit any **PCCW shop**



- Our Home Network Consultancy Service was launched in June 2012 to meet increasing demand for wireless and high speed broadband access at every corner of the home
- Attracts customers of different segments from public estates, private high rises to multi-storey, deluxe housing
- Extends service offering and creates opportunity for future revenue opportunities



Public housing



Private high rise

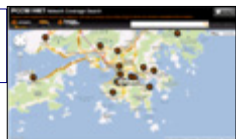


Private deluxe

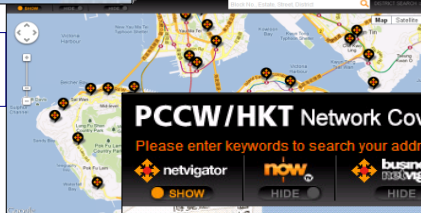
Enhancement of Customer Service and Communications

New service launched to enable online checking of network coverage to allow for low cost, efficient customer service

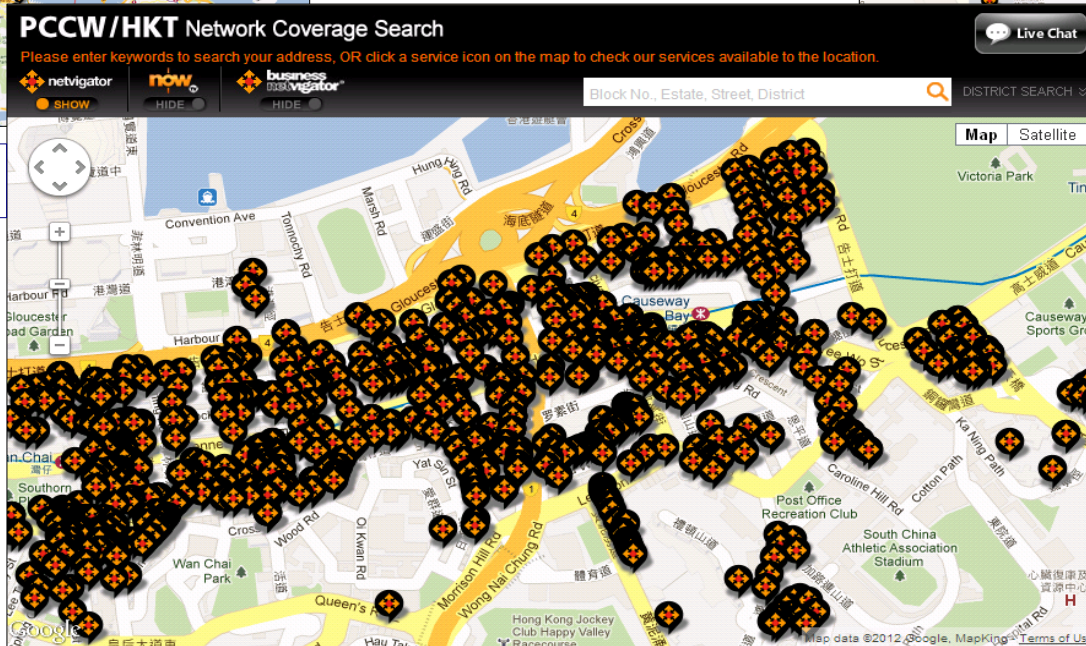
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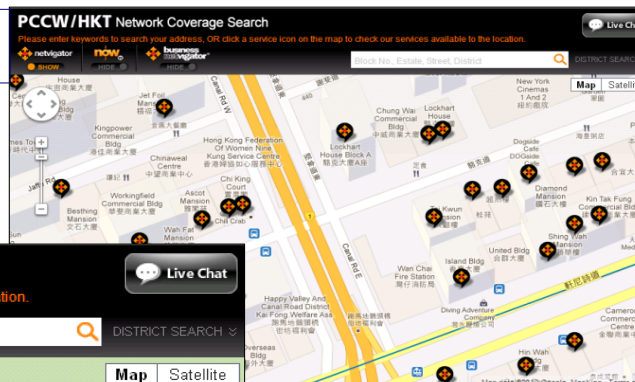
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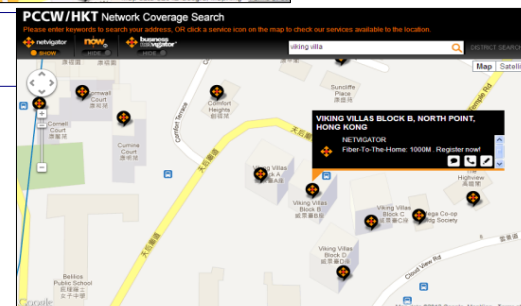
3



4



5



Enhancing the Customer Experience

- New Customer Service portal launched in June
- Integrated online platform for customers to manage multiple accounts through a single log-in
- Check bills, details of service plans & appointments, technical support, useful forms, Live Chat, etc



Improving customer service and reducing cost to serve

More Versatile uHub Service

網上行®

uHub雲端儲存 登陸SAMSUNG SMART TV 視覺享受急速提升!



突破科技界限 uHub匣子雲端儲存服務
由手機、平板電腦、電腦擴大伸延至
SAMSUNG SMART TV 隨時隨地同步分享!

更全面、更實用的視聽體驗:

- 電視優化功能, 使上載影片於電視播放時獲最佳效果*
- 相片及音樂可同步播放, 邊睇邊聽*
- 自動轉換影片格式, 一按即播

網上行客戶
免費為3個親朋好友
升級至10GB uHub
兼送無限電郵容量*

Samsung SMART TV | uHub

*技術規格詳情請參閱本廣告背面。本廣告Samsung Smart TV及2012年推出之Smart Hub功能的電視, 包括2011年推出的5500, 6100, 6400, 6800, 7000, 8000系; 2012年推出的4500, 5300, 5500, 6100, 6800, 7000, 8000系。
*電郵容量以客戶可選擇之uHub容量而定。10GB之容量可容納最多10000封電郵。而選擇之客戶亦可選擇將電郵容量增加至20GB。詳情請參閱本廣告背面。網上行客戶可選擇將電郵容量增加至20GB。詳情請參閱本廣告背面。
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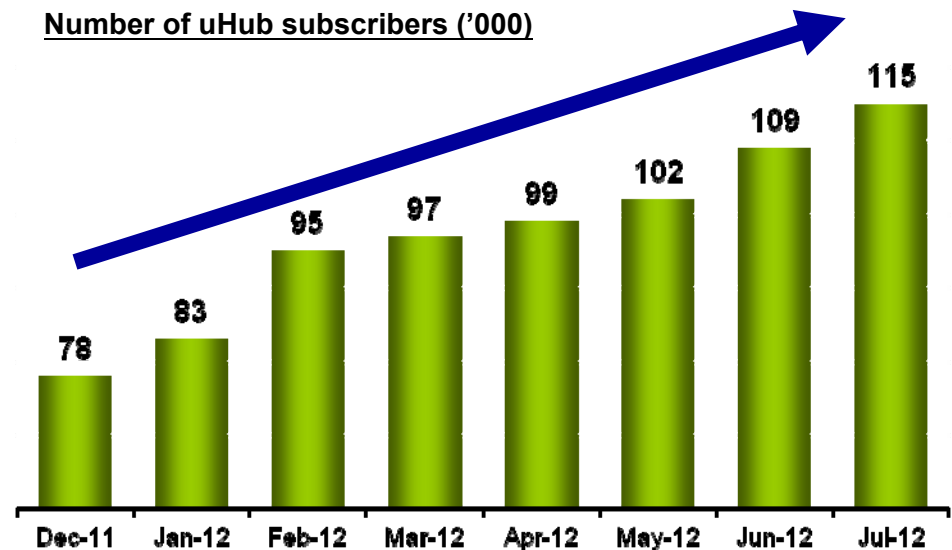
申請專線: **2888 1888** 後按1 www.netvigator.com
或親臨電訊盈科專門店查詢

PCCW®
電訊盈科

香港電訊 - 電訊盈科集團成員

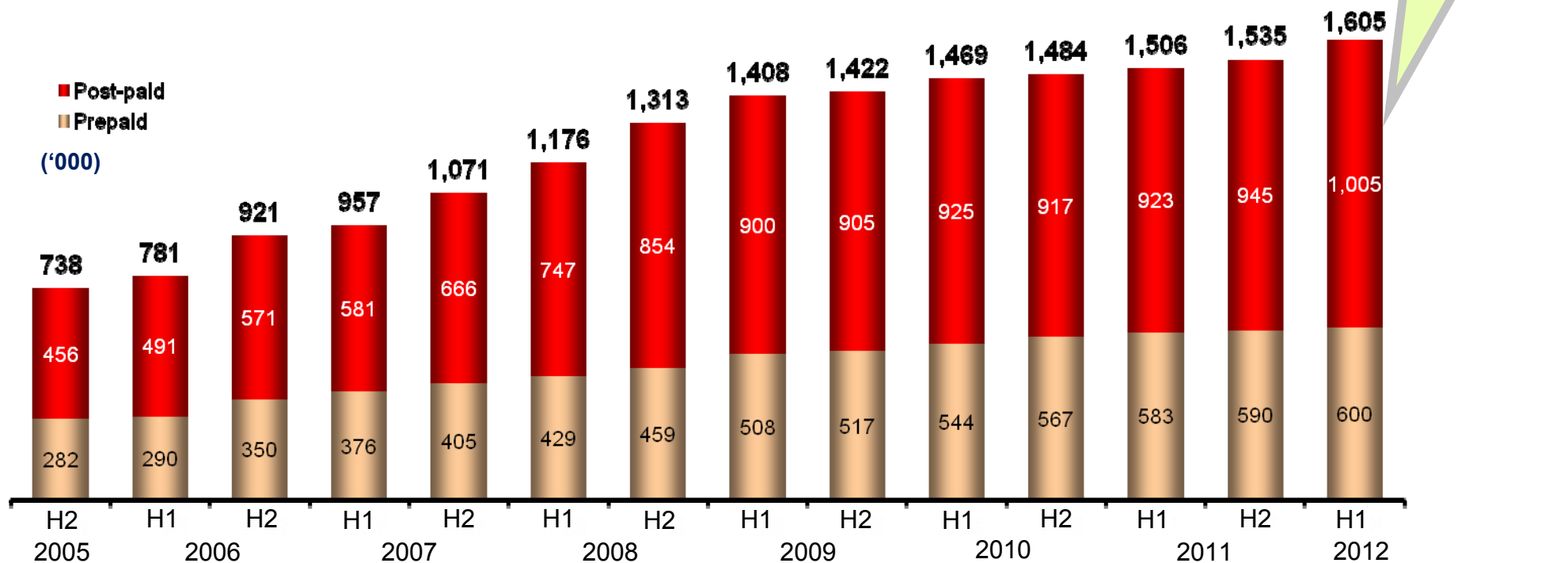
- uHub service now extended to Internet-enabled smart TVs. Enables users to enjoy stored content with the utmost ease and new video transcoding facilitates high-quality video playback on large TV screens
- Subscriber base grew 47% vs. Dec 2011, while storage size grew 101%. Service appeals to internet savvy customers, and is an effective loyalty service for NETVIGATOR

Number of uHub subscribers ('000)



PCCW mobile Acquires More High-end Customers

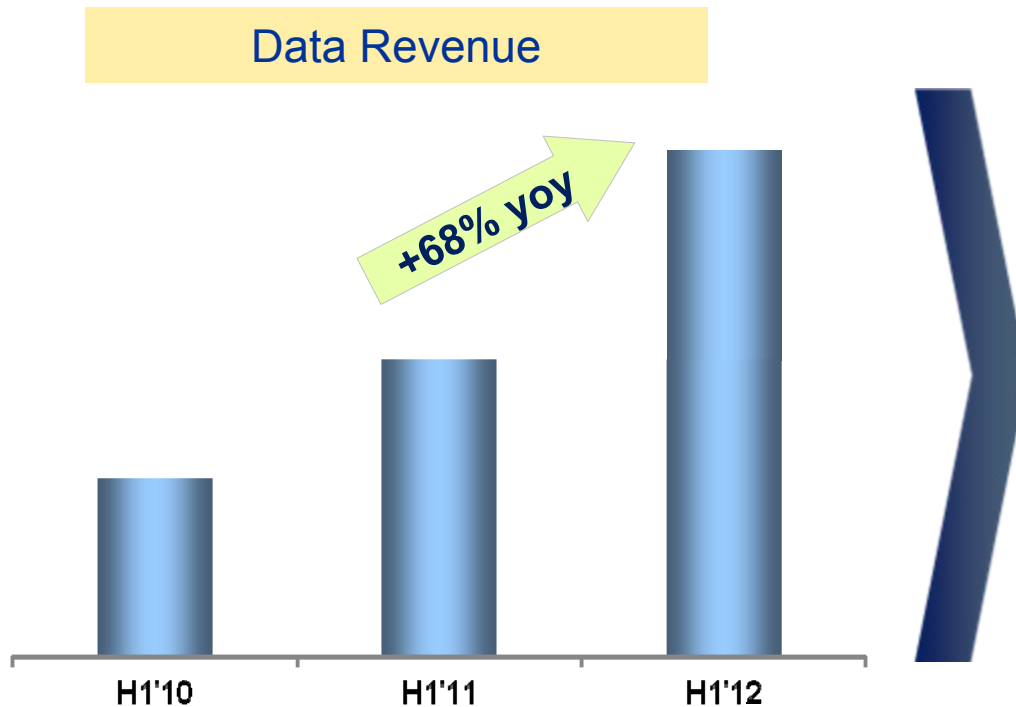
- Total subscriber base reached 1.6M, up 7% yoy
- Post-paid subscriber base over 1M, up 9% yoy
- Post-paid exit ARPU increased 16% yoy to HK\$185 from HK\$160
- Approx. 70% of new customers had ARPU of over HK\$200
- Almost half of the pre-paid subscriber base are now data-focused customers



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



- Data revenue grew by 68% yoy
- Continuous growth in data revenue due to increased acquisition of quality smartphone and tablet customers
- Over 80% of post-paid customer base are smart device users

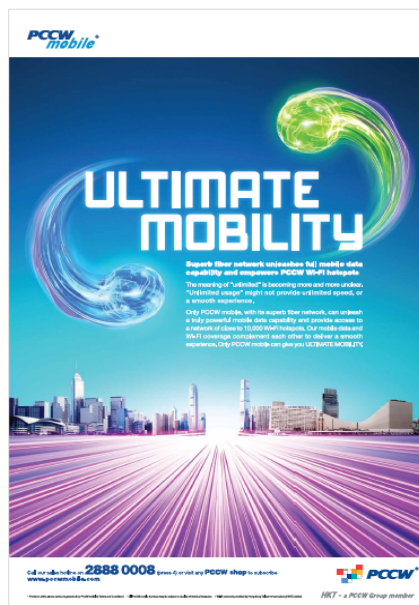
PCCW mobile's 4G LTE Network Launched



- Launch of 4G LTE network in May 2012 to complement existing 3G network (DC-HSPA+ 42Mbps)
- Priced 4G SIM plans in line with 3G tariff pricing to encourage migration to higher speed 4G service
- Re-farming the 1800 MHz spectrum and currently deploying the 1800 MHz bandwidth to enhance indoor 4G LTE coverage
- Target 4G LTE network coverage to be close to par with 3G network by the end of 2012

Superior mobile experience through our solid and robust 3G network and our recently launched 4G LTE network to provide data speeds of up to 100Mbps

Ultimate Mobility – Unparalleled Wireless Network



- Unique combination of HKT's mobile and Wi-Fi networks supported by fiber backhaul provides the best wireless data experience
- Aim to provide the highest quality mobile network supported by the most extensive Wi-Fi network :
 - Over 10,000 hotspots; incl. exclusive MTR coverage
 - Fiber-based Wi-Fi network supporting speeds up to 100M
 - Auto-connection between HSPA+ and Wi-Fi networks provides seamless data experience
 - Free Wi-Fi campaign enabled subscribers to experience the advantages of Wi-Fi, especially for bandwidth demanding data applications and allowed us to identify the high data usage areas

Superb fiber network unleashes full mobile data capability and empowers PCCW Wi-Fi hotspots

Most Comprehensive Quadcore Handset Choices

Leading the smartphone market by offering the widest choice of quad-core handsets

- Attract the highest quality, highest data users
- Make smartphone accessible and affordable to everyone

QUAD-CORE FOR EVERYONE

6.26
PCCW mobile 帶領四核潮代
全城唯我 選擇最多

2888 1888

PCCW mobile

四核無極

全城唯我 選擇最多

HTC ONE S500w3c MEIZU S100

2888 1888

PCCW mobile

HTC ONE S500w3c

全港首創 10GB 雲端方案
不耗流量 真正雲端生活

2888 1888

PCCW mobile

MEIZU FOR

EASE SPEED IMAGE MUSIC

2888 1888

PCCW mobile

Samsung GALAXY S III

唯有 PCCW mobile 四核無極
絕配 Samsung GALAXY S III
令你佔盡先機 成為真正強者

2888 1888

PCCW mobile

LG Optimus 4X HD

PCCW mobile 四核無極
全城唯我 選擇最多
全新 LG Optimus 4X HD 獨家上市

2888 1888

PCCW mobile

PCCW Global H1 2012 Highlights

- **Key customer wins:**

- Successfully entered into an international voice and data connectivity outsourcing arrangement with Vodacom and, as part of this arrangement, acquired certain assets from Vodacom
- Customized a flexible worldwide communications solution for SSAB, a global leader in high strength steel, to support SSAB in optimizing its network management and upgrading its telecommunications infrastructure

- **Key network development:**

- One of Asia's first adopters of 100G coherent technology using Ciena's industry-leading WaveLogic™ coherent optical 100G networking solutions. This will significantly enhance the capacity of Global's network allowing it to better serve customers and support the delivery of high-performance data networking services and traffic growth

Solid Financial Performance

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