HKT Here To Serve

Investor Presentation

October 2015 – Hong Kong

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.

Corporate Structure

(US$ million)

PCCW

FY14 Revenue	4,266
FY14 EBITDA	1,326
Market Value *(as at October 12, 2015)*	4,065

(63.07%)

HKT

FY14 Revenue	**3,695**
FY14 EBITDA	**1,313**
FY14 AFF	**430**
Market Value *(as at October 12, 2015)*	**8,882**

Stable & Solid Cash Flow

(100%)

Media

FY14 Revenue	414
FY14 EBITDA	58

(100%)

Solutions

FY14 Revenue	432
FY14 EBITDA	80

Growth Businesses

Figures in brackets represent ownership by PCCW as at October 12, 2015.

Solid Growth in EBITDA and AFF

(US$ million)	2013	2014 *	H1'15	YoY % change
Adjusted Funds Flow	372	430	250	+ 23%
Revenue	2,927	3,695	2,048	+ 28%
EBITDA	1,013	1,313	740	+ 30%
EBITDA Margin	35%	36%	36%	
Profit Attributable to Holders of Share Stapled Units	315	383	228	+ 27%

** Consolidated the CSL results since May 2014*

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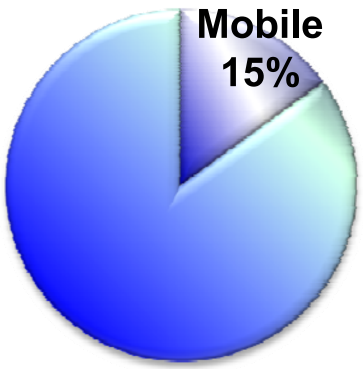
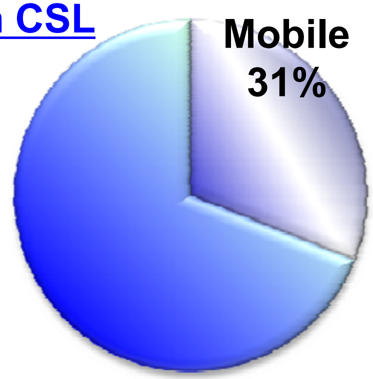
Mobile Business Rising to the Fore

HKT Revenue



2013

With CSL

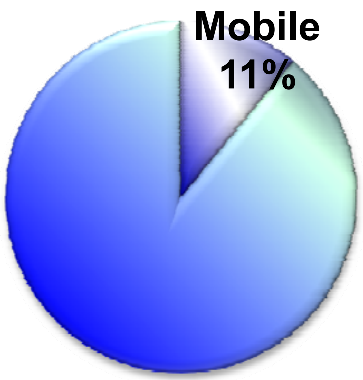


2014

With CSL

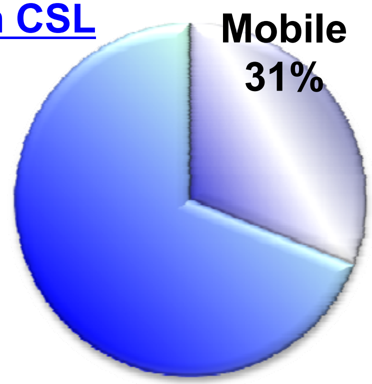
H1'15

HKT EBITDA



2013

With CSL



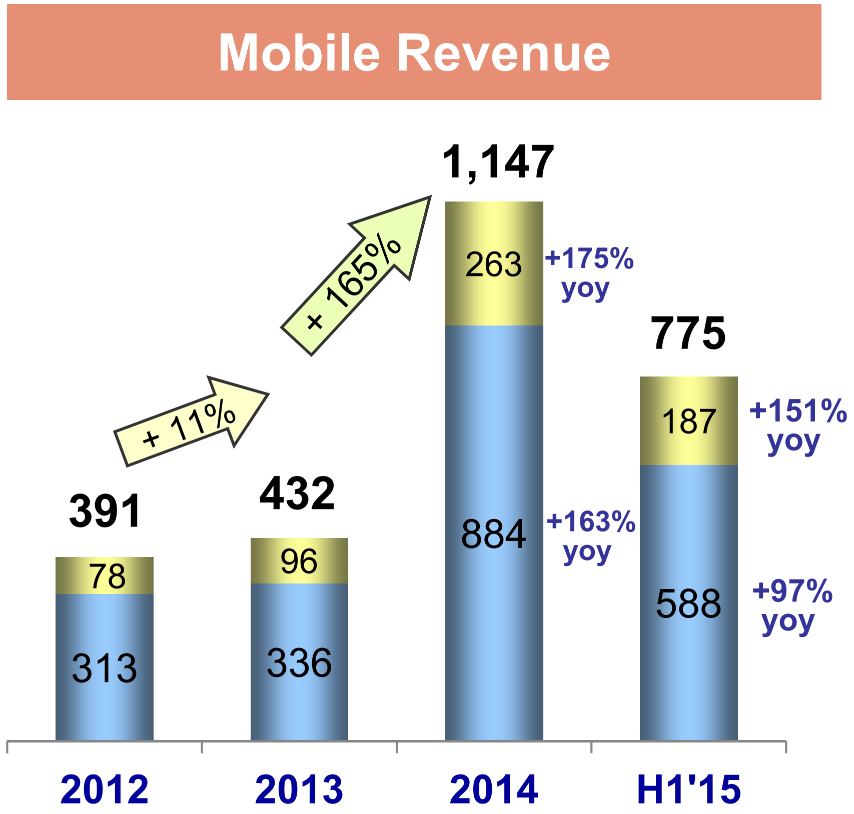
2014

With CSL

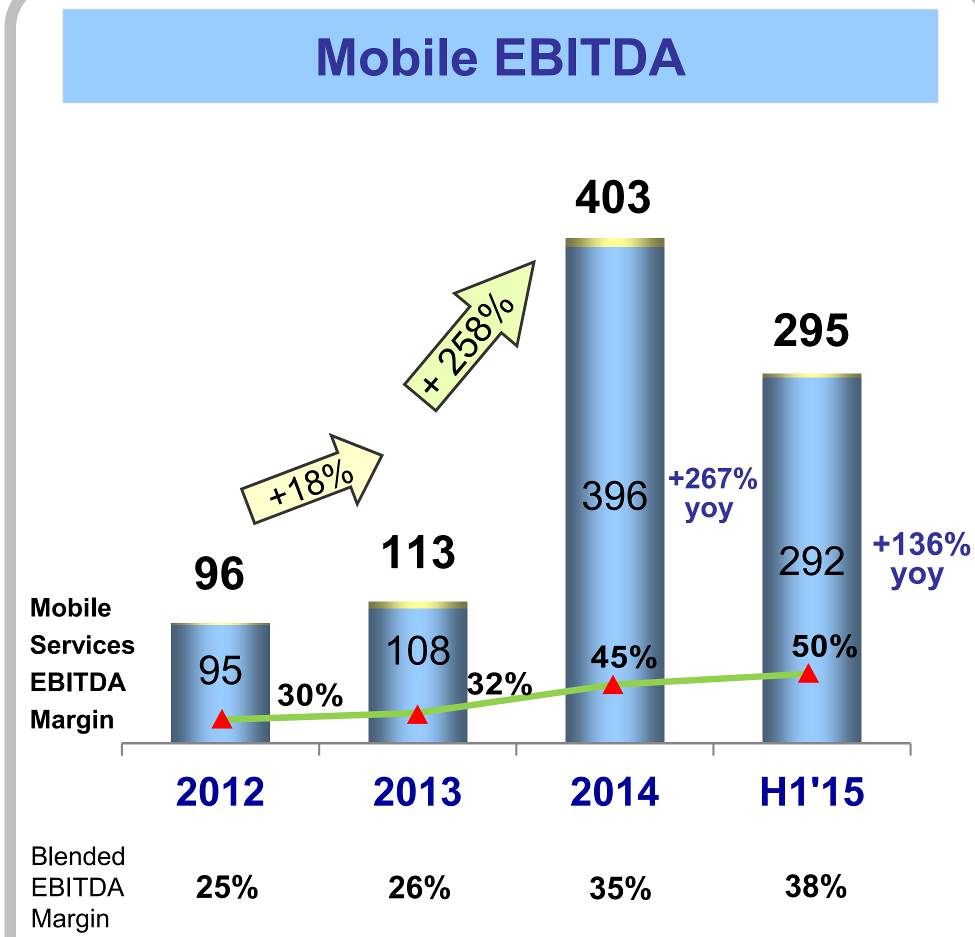
H1'15

Mobile Synergies Beginning to Materialize

(US$ million)



- Market leadership with customer base of 4.653M in H1'15
- Total mobile revenue up 108% in H1'15 driven by 97% increase in mobile services revenue
- Blended post-paid exit ARPU improved to HK$224 in H1'15 from HK$216 a year ago
- Strong handset sales as the launch of new popular handsets in H2'14 continued sales momentum in H1'15



- EBITDA grew by 138% in H1'15
- Margin of mobile services expanded to 50% in H1'15 benefiting from the synergies achieved from cell site integration and higher staff productivity

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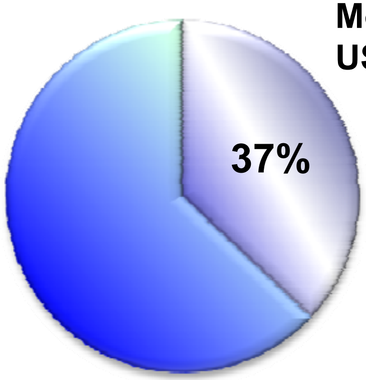
Pro-forma Comparison Shows Solid Mobile Growth

HKT Revenue

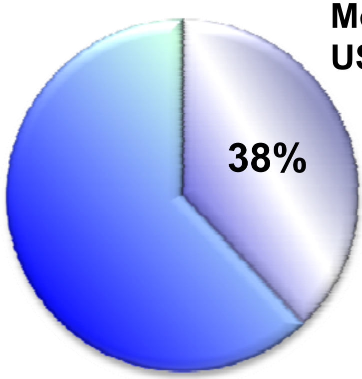
Mobile Revenue:
US$741M



H1'14 Pro-forma *

Mobile Revenue
+ 5%

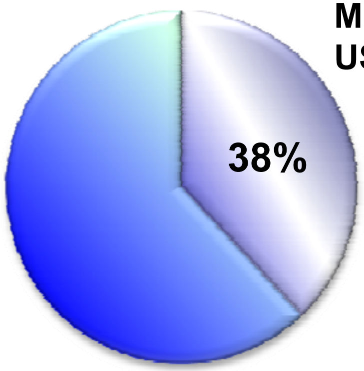
Mobile Revenue:
US$775M



H1'15

HKT EBITDA

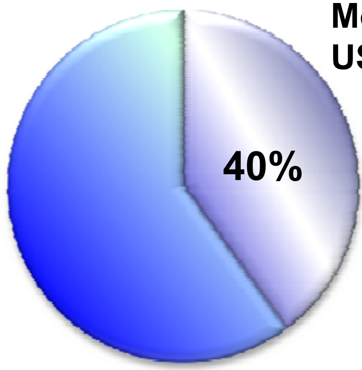
Mobile EBITDA:
US$272M



H1'14 Pro-forma *

Mobile EBITDA
+ 8%

Mobile EBITDA:
US$295M



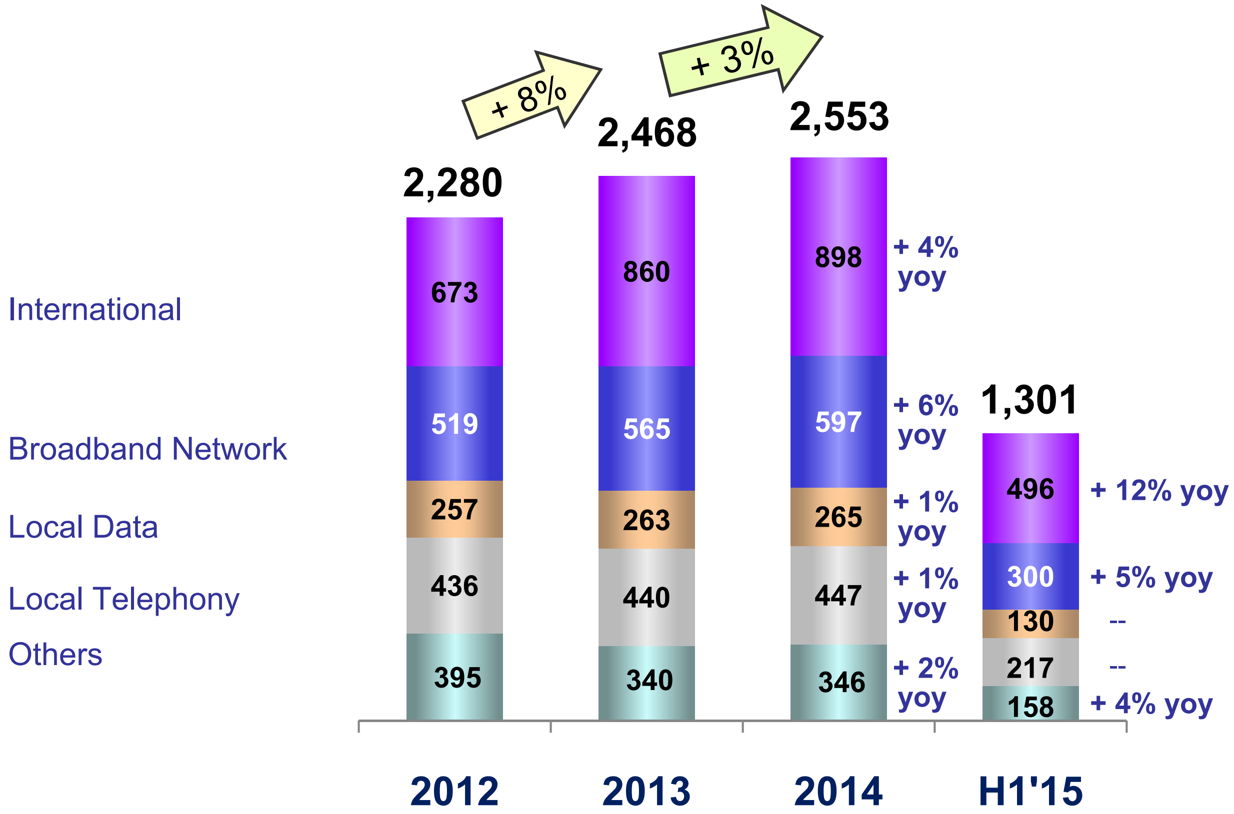
H1'15

** Pro-forma for full six months of CSL financial impact*

Sustained Growth within TSS

(US$ million)

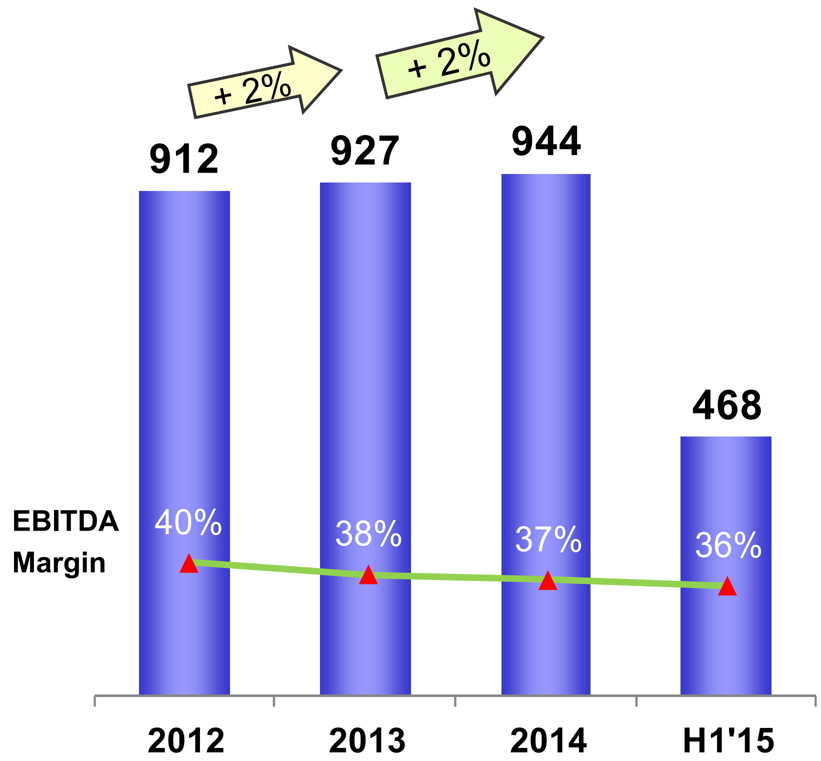
TSS Revenue



- **International** – continued to benefit from exponential growth in IP transit traffic requirements from global Internet content providers
- **Broadband** – continued revenue growth driven by customer upgrades to fiber service, take-up of higher speed plans and further pricing improvements

YoY Growth	FY08	FY09	FY10	FY11	FY12	FY13	FY14
Broadband Rev	+ 11%	+ 3%	+ 8%	+ 11%	+ 9%	+ 9%	+6%

TSS EBITDA



- Steady growth in EBITDA underpinned by balanced mix of businesses

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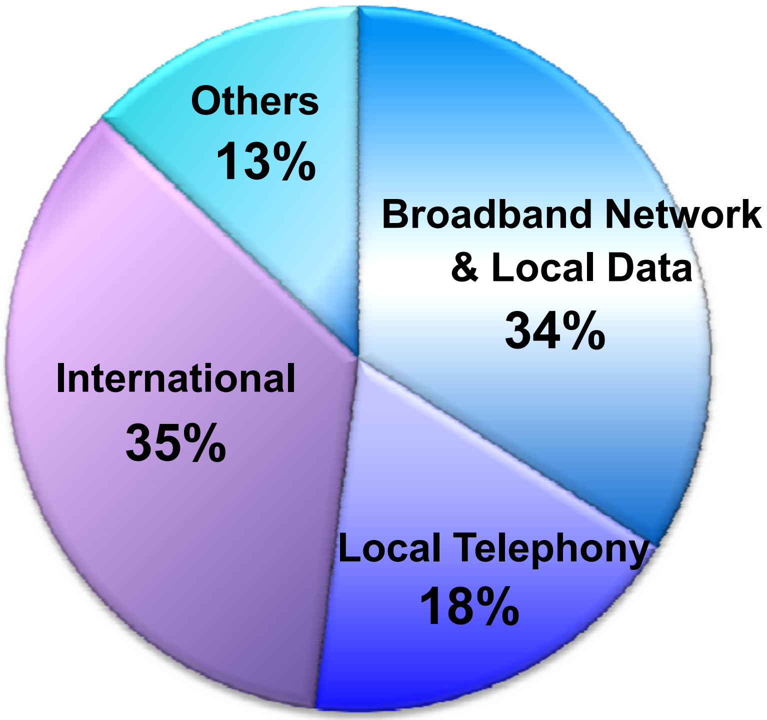
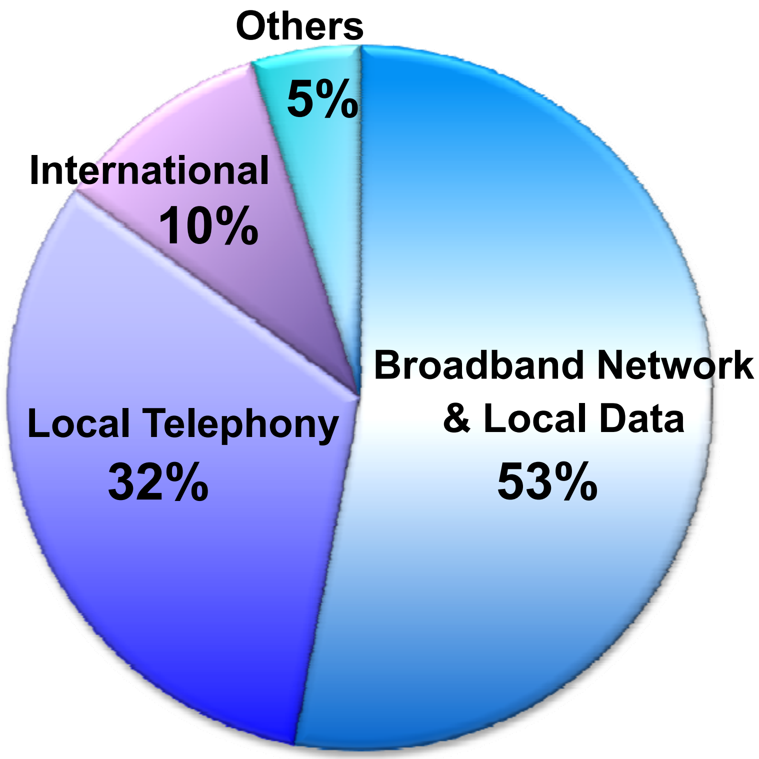
TSS – Balanced Mix of Businesses

TSS Revenue



2014

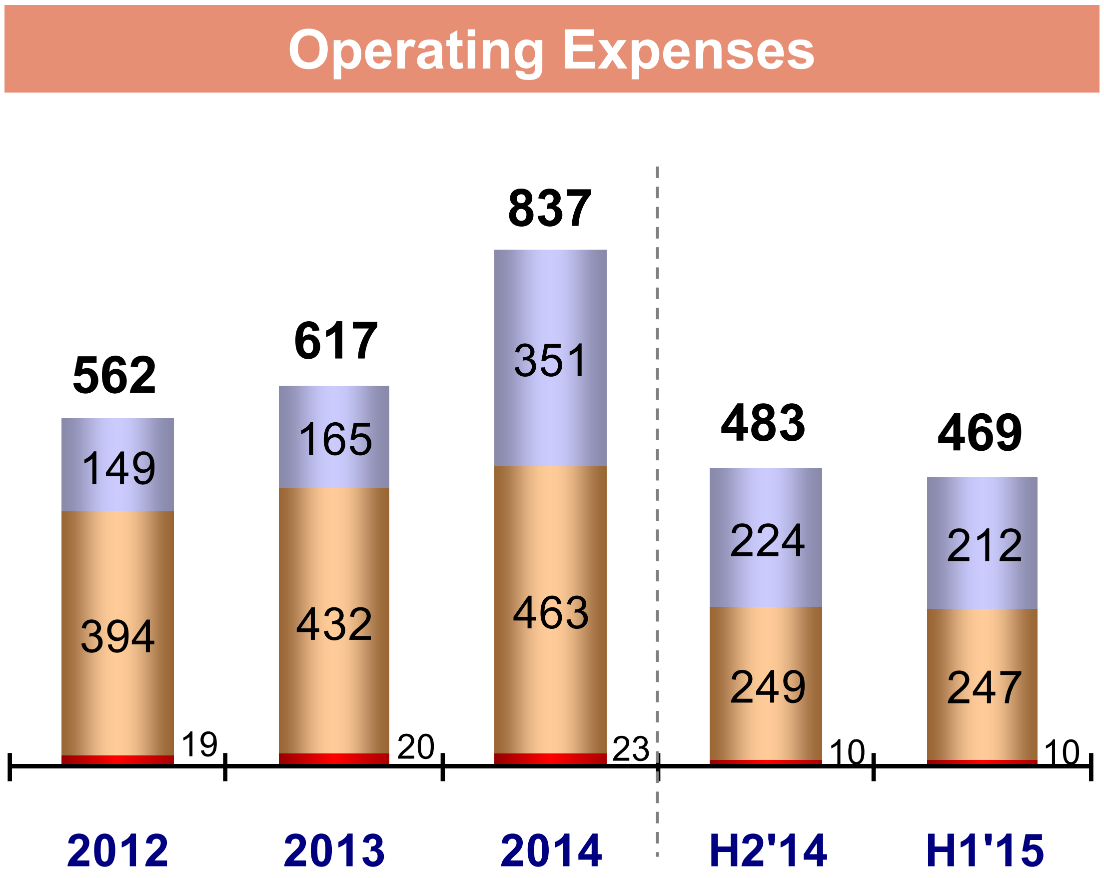
TSS EBITDA



2014

Unlocking of Synergies On Track

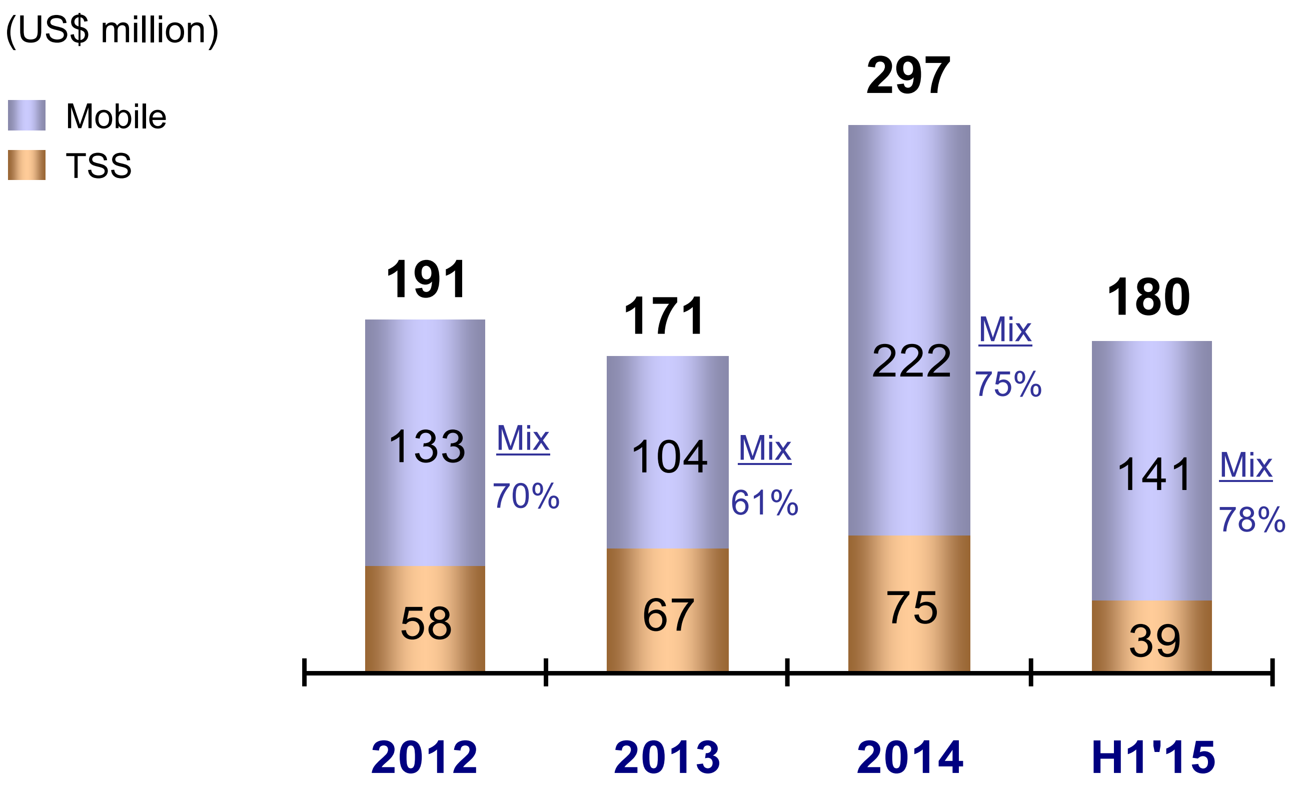
(US$ million)



Opex to Revenue Ratio:	2012	2013	2014	H2'14	H1'15
	20.8%	21.1%	22.6%	23.1%	22.9%

- Opex trended down in H1'15, largely due to the unlocking of synergies from the CSL acquisition
- Material scope for improvement upon further realization of integration synergies from Mobile business
- Opex to revenue ratio improved slightly to 22.9% in H1'15, compared to 23.1% in H2'14

Customer Acquisition Costs



- Mobile CAC in H1'15 driven by enlarged business scale as well as continued take-up of several popular handsets launched in H2'14
- Benefits of these investments will accrue in coming periods

CAC to Revenue Ratio:	7.1%	5.8%	8.0%	8.8%

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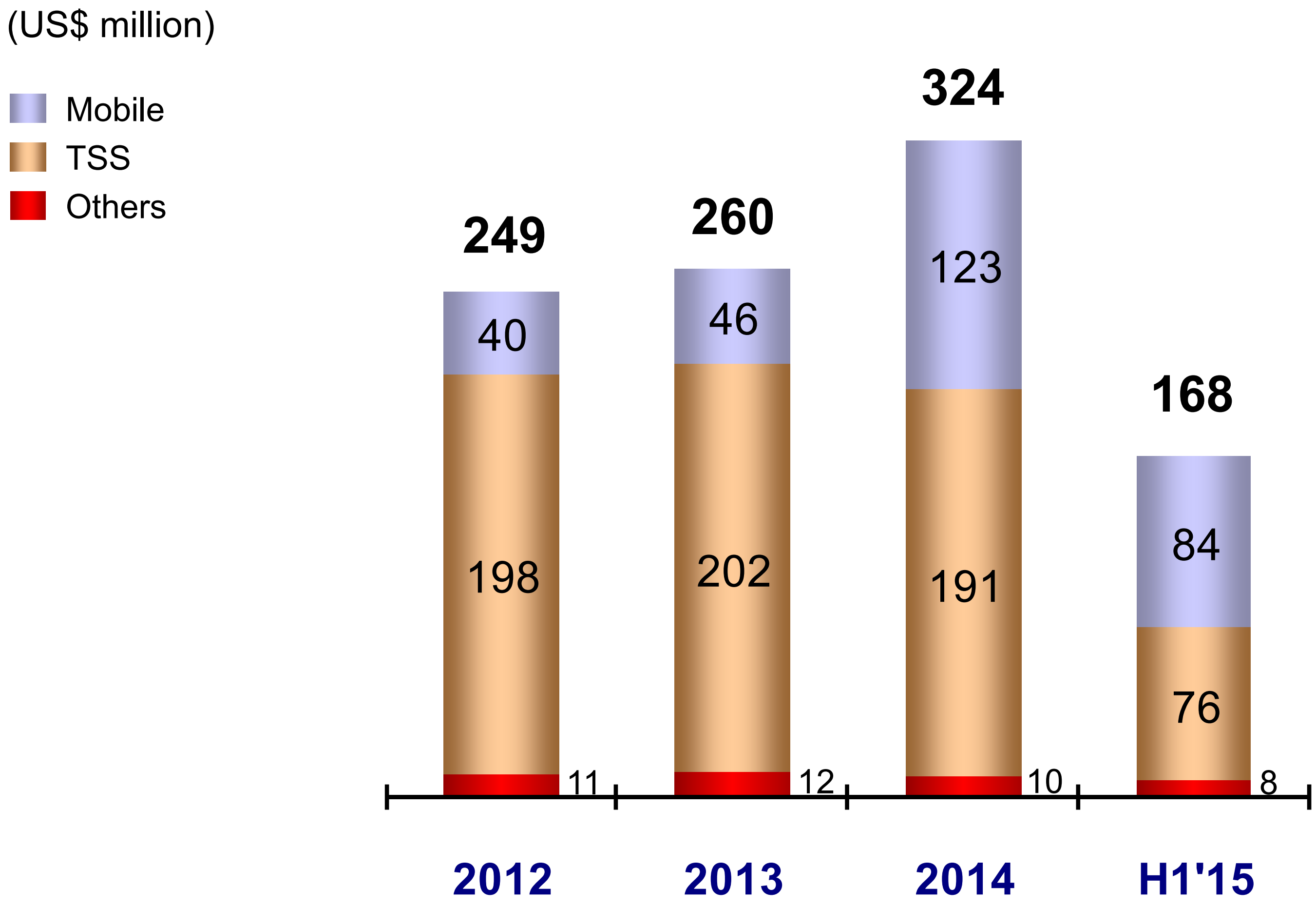
Capex Efficiency Continues to Improve from Enhanced Scale and Fixed-Mobile Network Integration



Capex to Revenue Ratio: 9.2% 8.9% 8.8% 8.2%

- Maintain 10% capex to revenue ratio guidance
- Capex efficiency continues to improve from enhanced scale and fixed-mobile network integration

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Adjusted Funds Flow

(US$ million)	FY 2012	FY 2013	FY 2014	H1'15	YoY
EBITDA	**983**	**1,013**	**1,313**	**740**	+ 30%
Less cash outflows in respect of:					
Customer acquisition costs and licence fees	(220)	(205)	(359)	(195)	
Capital expenditures	(244)	(254)	(322)	(167)	
Adjusted Funds Flow before tax paid, net finance costs paid and changes in working capital	**519**	**554**	**632**	**378**	+ 17%
Adjusted for:					
Tax payment	(26)	(42)	(51)	(10)	
Net finance costs paid	(93)	(88)	(102)	(56)	
Changes in working capital	(57)	(52)	(49)	(62)	
Adjusted Funds Flow for the year / period	**343**	**372**	**430**	**250**	+ 23%
Adjusted Funds Flow per Share Stapled Unit (HK cents)	41.64	45.21	44.30	25.79	
Total Distribution for the year per Share Stapled Unit (HK cents)	**41.64**	**45.21**	**44.30**	**25.79** *	
Adjusted Funds Flow per Share Stapled Unit (HK cents) based on the weighted average number of Share Stapled Units during the year	**39.99**	**43.43**	**47.32**	**NA**	

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** Interim Distribution per Share Stapled Unit (HK cents)*

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Income Statement

(US$ million)	FY 2012	FY 2013	FY 2014	H1'15	
Revenue	**2,703**	**2,927**	**3,695**	**2,048**	+ 28%
Cost of sales	(1,158)	(1,297)	(1,545)	(839)	
Opex	(562)	(617)	(837)	(469)	
EBITDA	**983**	**1,013**	**1,313**	**740**	+ 30%
Depreciation & Amortization expenses	**(601)**	**(603)**	**(755)**	**(409)**	
Gain on disposal of fixed assets	–	2	–	–	
Net other gains	2	11	13	4	
Net finance costs	**(103)**	**(107)**	**(144)**	**(81)**	
Share of results of an associate & JVs	(10)	6	(4)	(2)	
Profit before income tax	271	322	423	252	+ 18%
Income tax	**(58)**	**(2)**	**(31)**	**(22)**	
Effective tax rate	*22%*	*1%*	*7%*	*9%*	
Profit for the year / period	213	320	392	230	
Attributable to:					
Holders of Share Stapled Units	**206**	**315**	**383**	**228**	+ 27%
Non-controlling interests	7	5	9	2	

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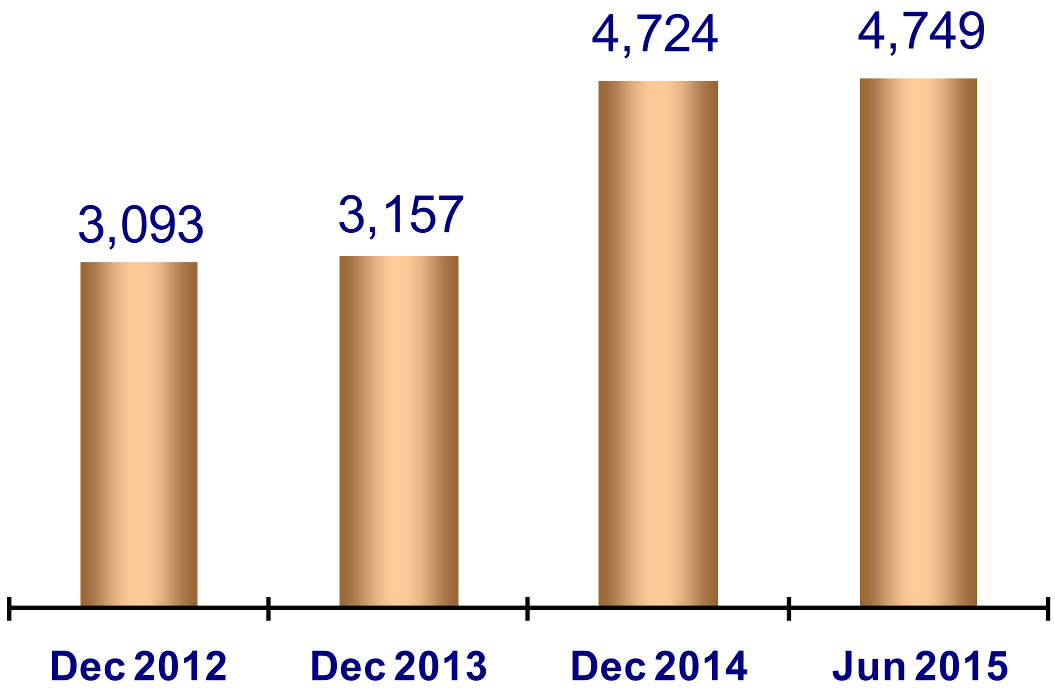
Maintaining a Solid Financial Position

HKT Gross Debt [1],[2]

BBB/Baa2 Investment Grade Rating

(US$ million)

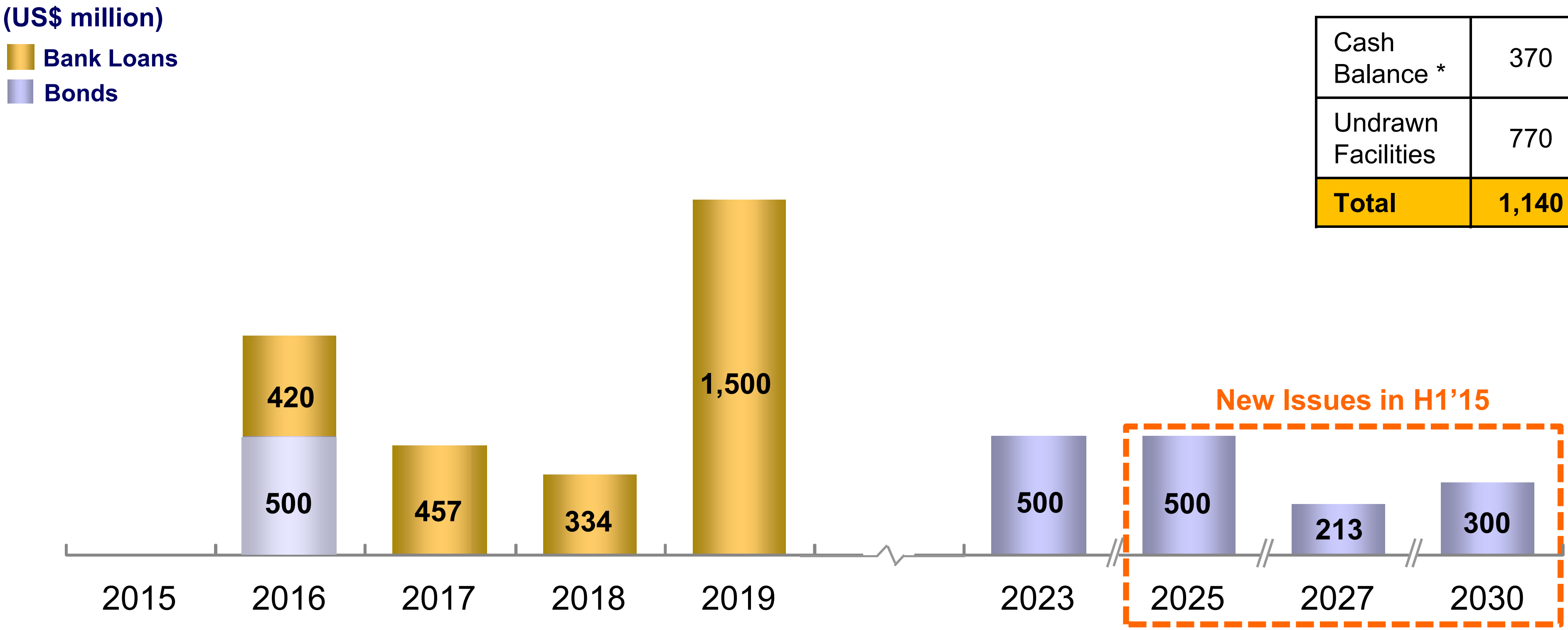


	Dec 2012	Dec 2013	Dec 2014	Jun 2015
HKT Gross Debt / EBITDA[3]	**3.1x**	**3.1x**	**3.2x [4]**	**3.2x**

(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
(4) Based on gross debt as at period end divided by HKT FY13 EBITDA and CSL FY13 EBITDA

Debt Maturity Profile

As of July 2015



Cash Balance *	370
Undrawn Facilities	770
Total	**1,140**

- Refinanced maturing debt and locked in long-term funding through issuance of 15-year, zero-coupon US$300 million bonds, 10-year, 3.625% US$500 million bonds and 12-year, 1.65% €200 million bonds
- Average maturity extended to 5 years
- Current liquidity exceeding US$700 million in undrawn banking facilities
- Effective interest rate was 2.9% in H1'15

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** Cash balance as at June 30, 2015*

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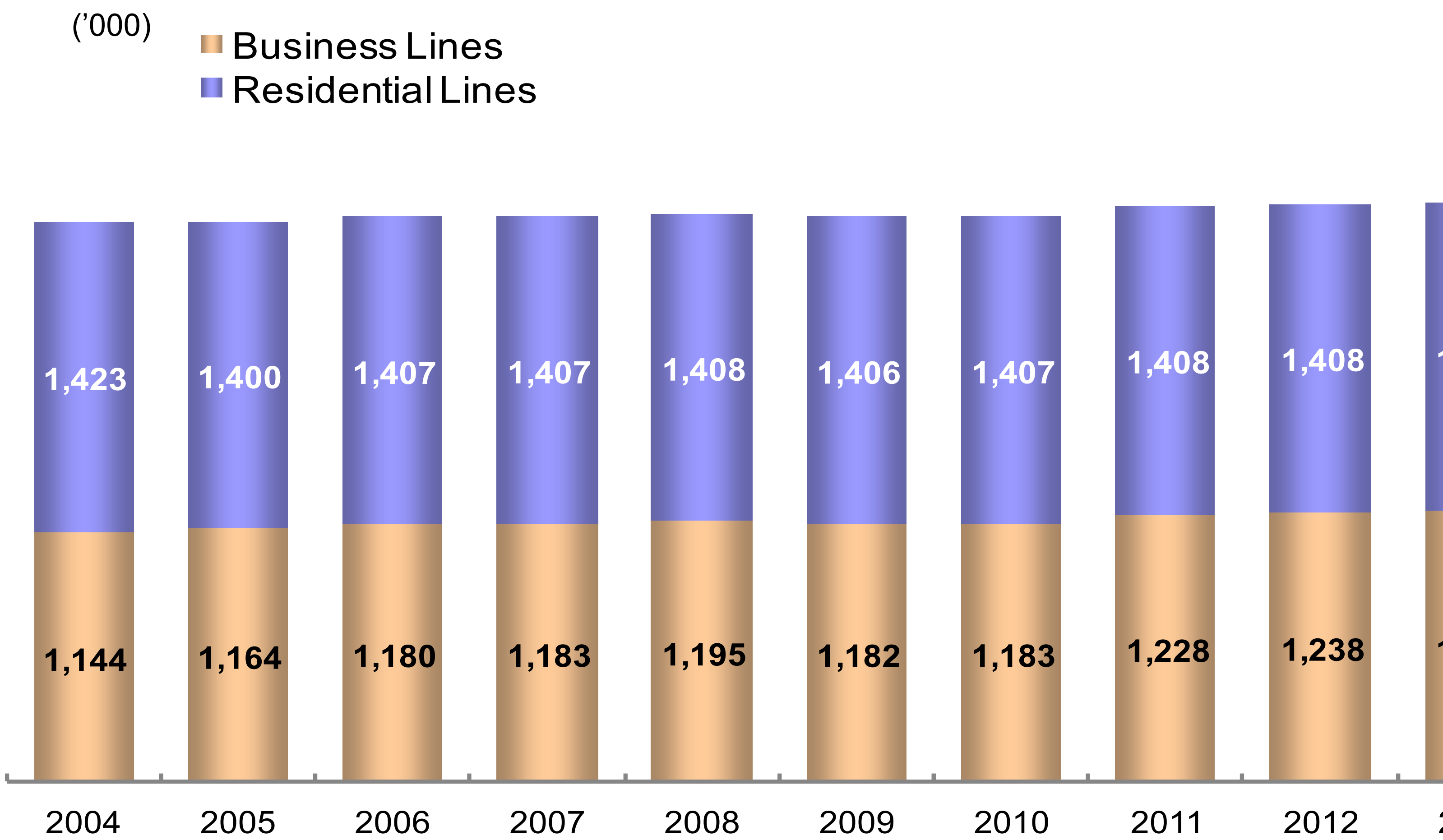
Business Review

Alex Arena

Group Managing Director

Stable Fixed-line Business

Solid Customer Base Maintained Since 2004



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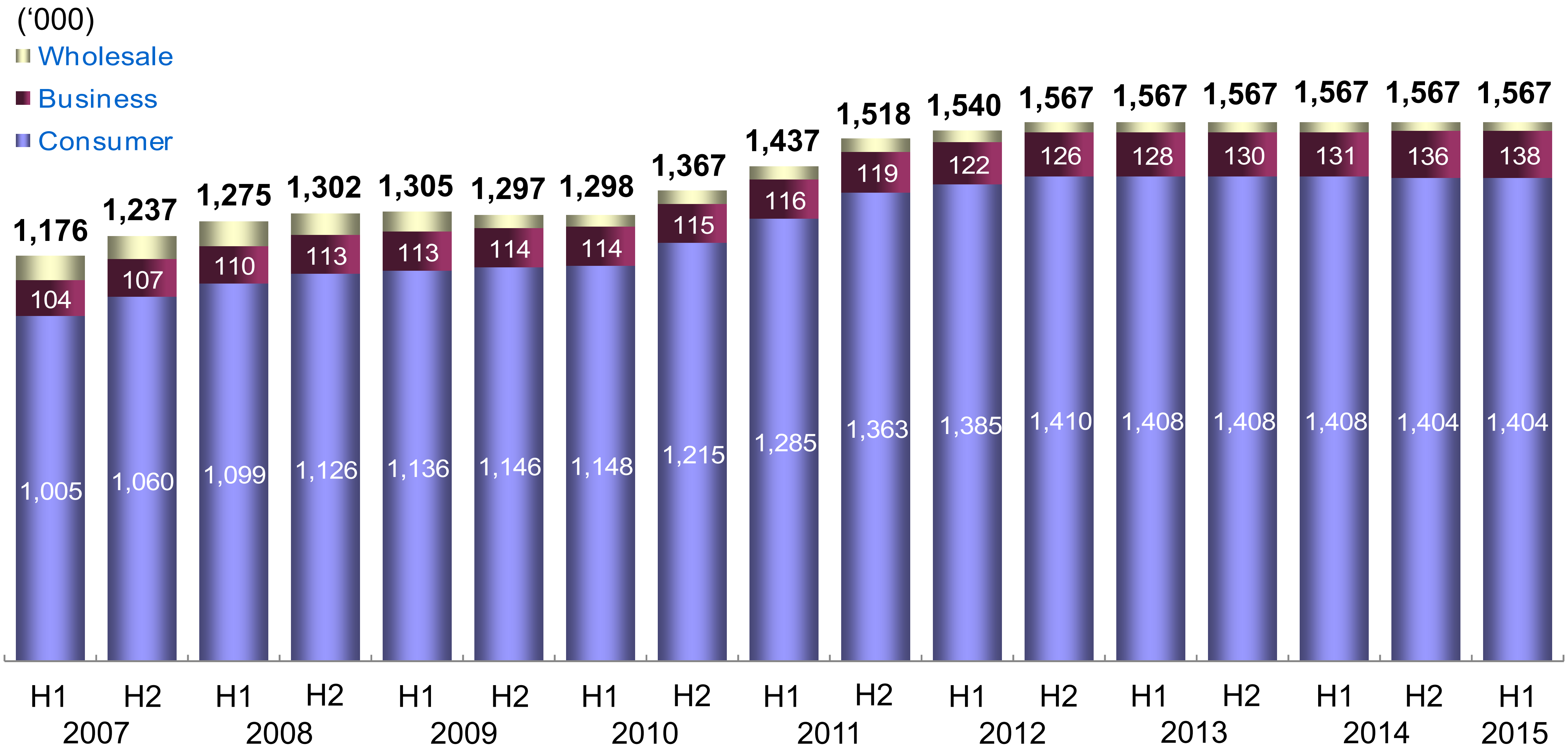
Consolidated Position in Broadband

- Consolidated broadband market position with churn rate of around 1%
- Market conditions became more challenging since H2’14 because of economic slowdown, reduced spending in the market and competitors’ price discounting



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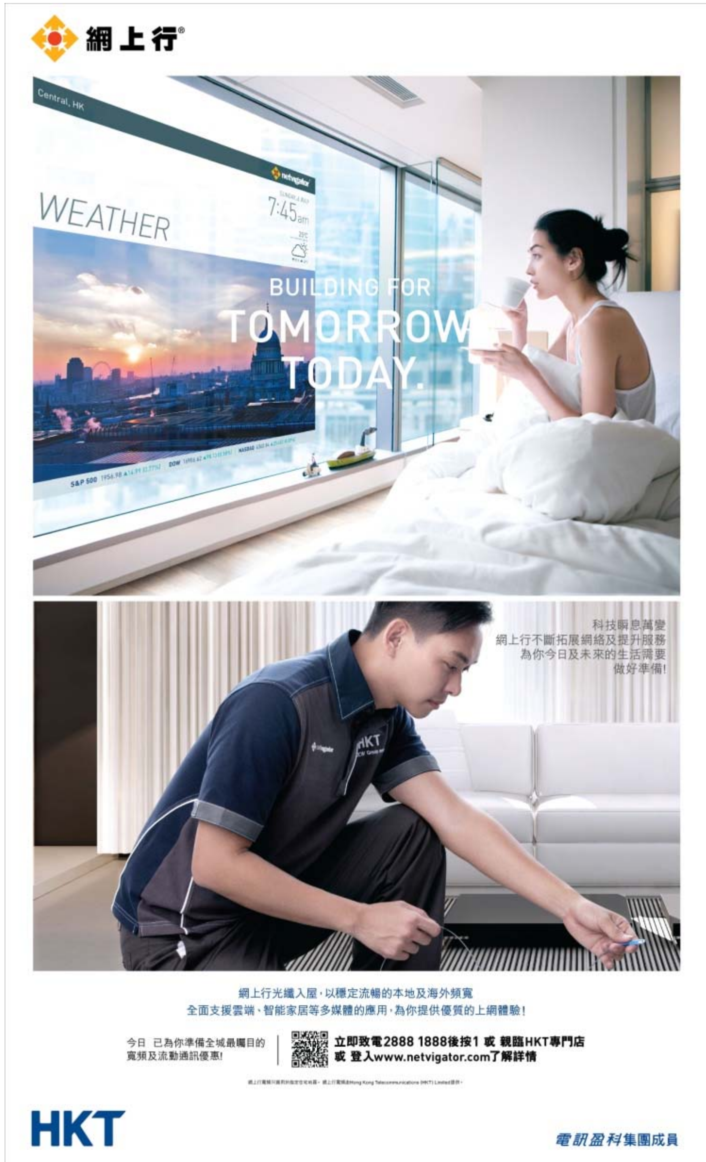
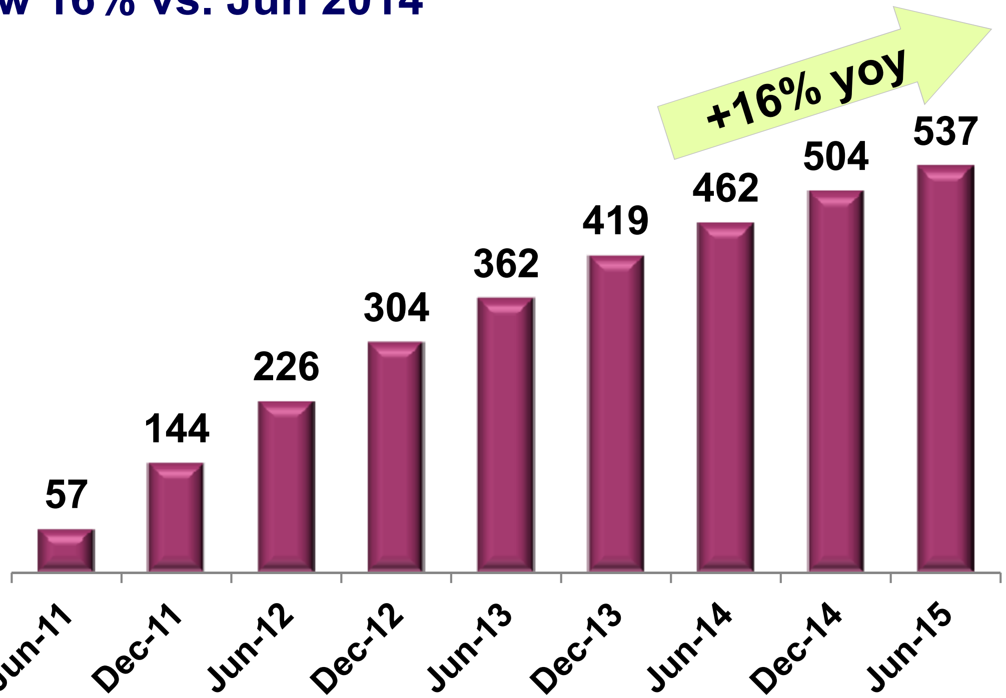
Continued Growth of Fiber Customers



- Fiber-To-The-Home (FTTH) service continued to attract new customers and existing customers for service upgrade
- 537K customers enjoying FTTH service as of Jun 2015, grew 16% vs. Jun 2014



- Growing fiber customer base creates future upgrade opportunity to higher speed, higher price service plans
- 650K customer enjoying high speed service (FTTH and VDSL) as of June 2015

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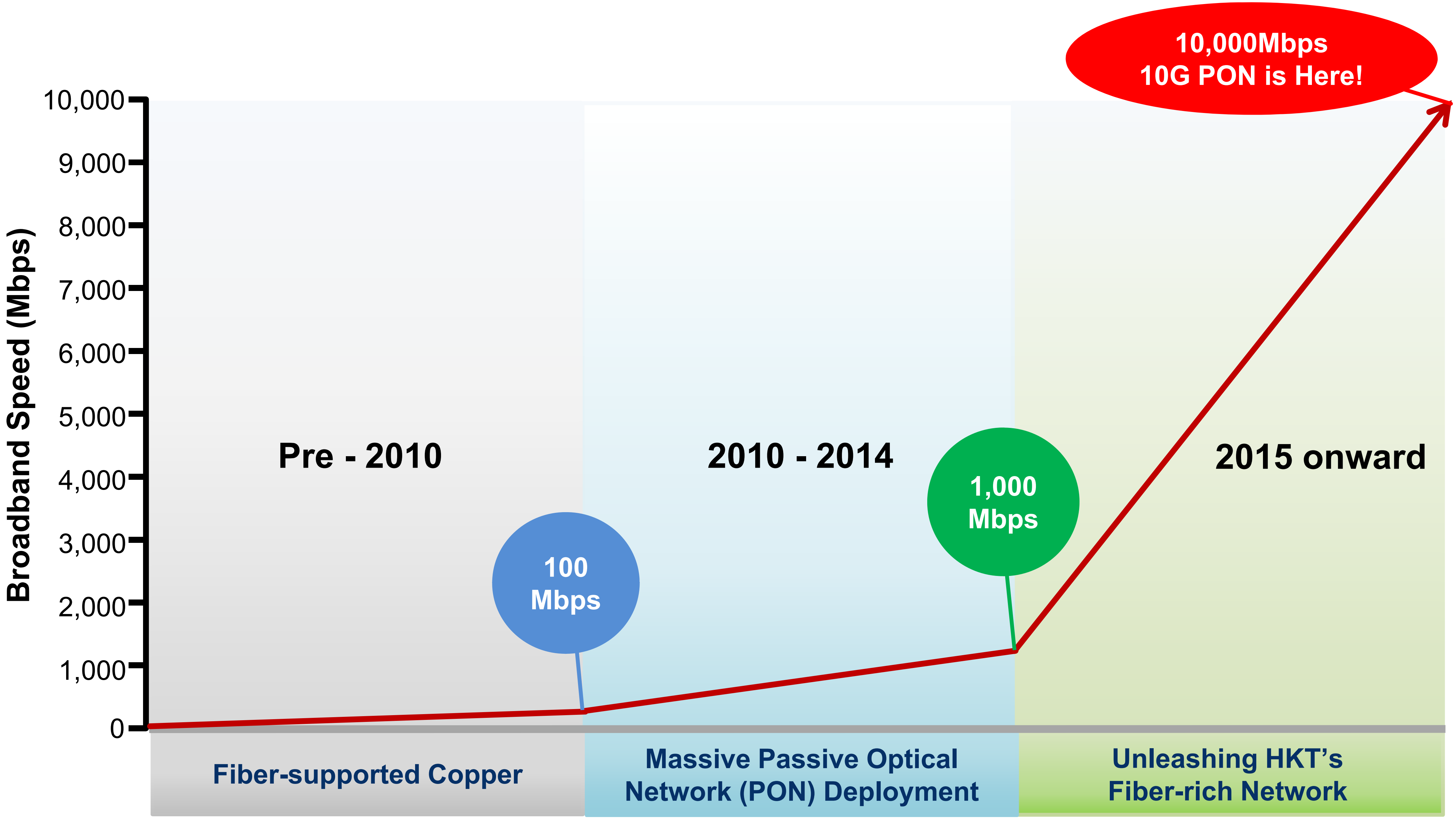
HKT's Fiber Broadband Roadmap



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10G PON is Here!

1) HK's first 10Gbps service is now available to all of the residential premises within HKT's FTTH-Ready coverage for subscription

2) Ideal to fulfill high bandwidth, high reliability application needs at home such as home office, online gaming, high resolution video streaming

3) Commercial package complemented with HKT cloud storage service uHub plus uHubplus™ and anti-virus protection service F-Secure Safe Anywhere F-Secure Safe | Anywhere at a monthly rate of HK$2,888 plus one-off installation fee

10G fiber me

netvigator®

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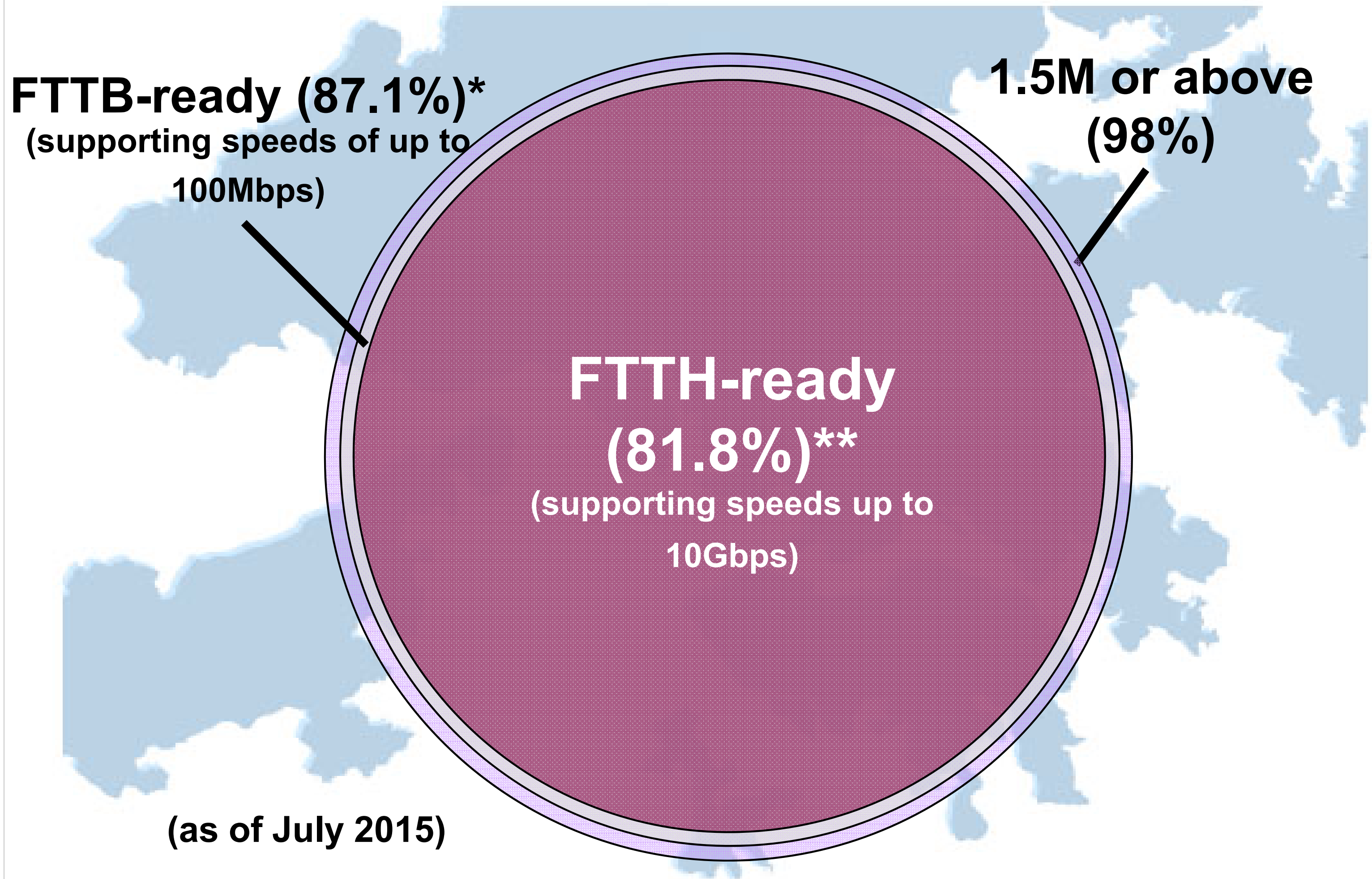
Wide Availability of our Fiber Network



* 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

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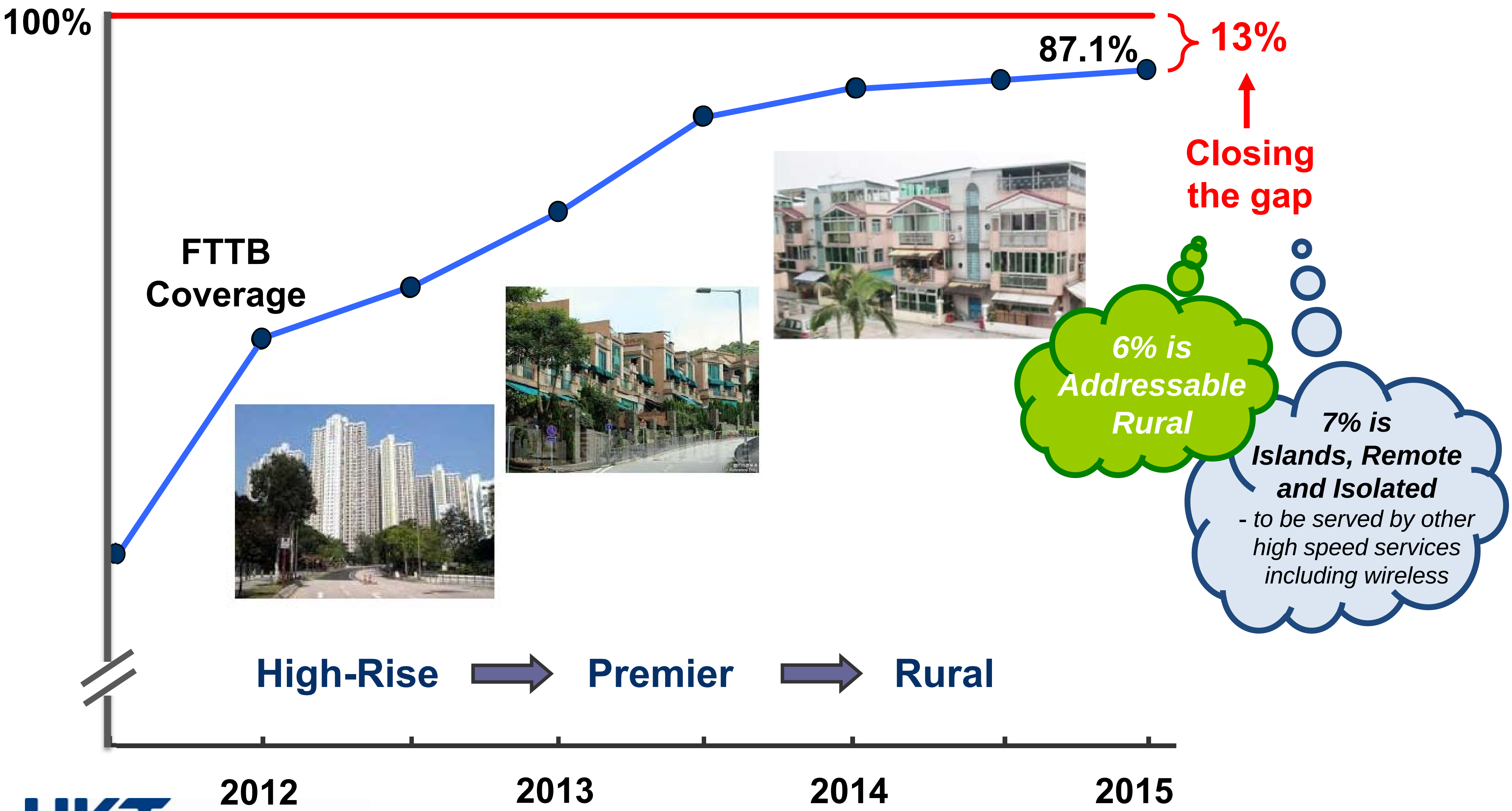
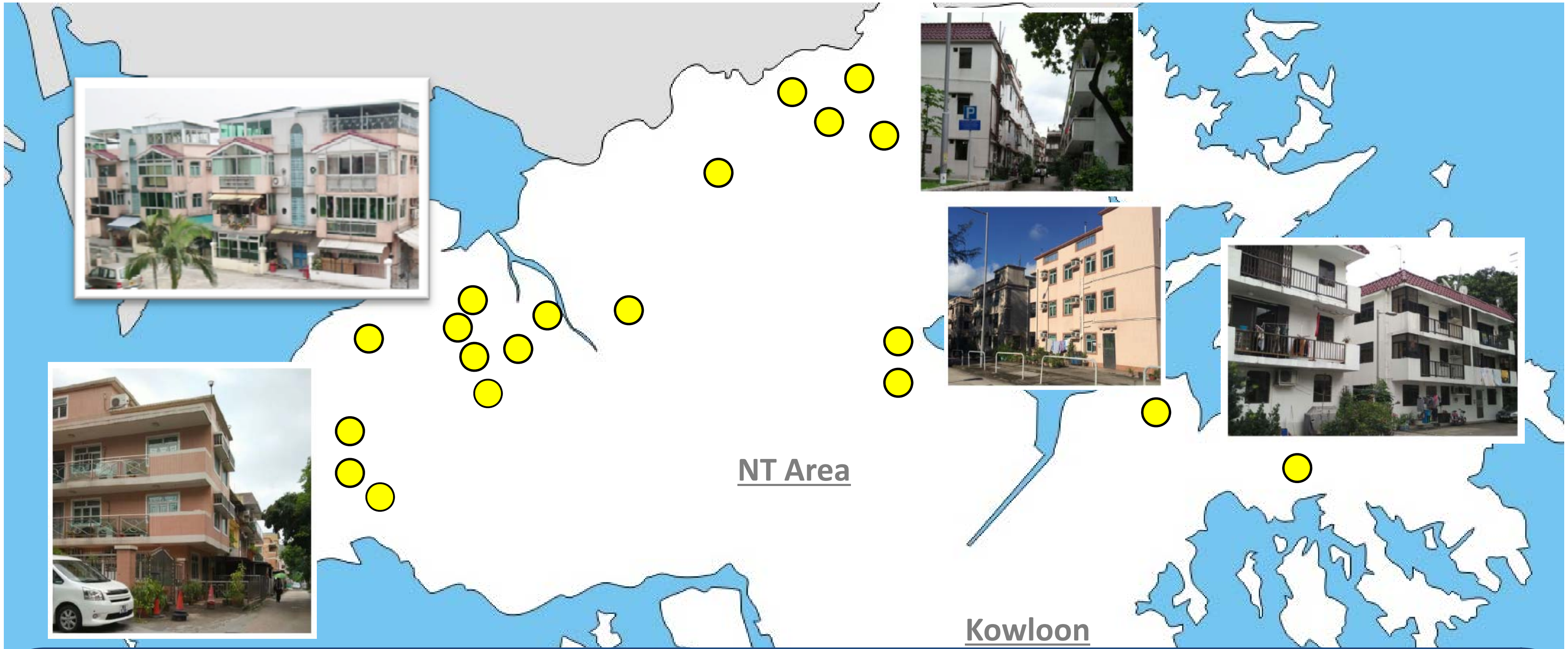
Our Path to Territory-Wide Fiber Broadband



Expand our Fiber Network to Rural Area



- **Most rural housing is in clusters and already covered by HKT's existing infrastructure**
- **We can leverage this existing infrastructure to extend our fiber network**
  - Up to 10G service will be available
- **High retention rates in rural areas when we roll out our high speed services**
- **Aim to complete next phase of expansion by end of 2016**

Sustained Strong Performance in Mobile Business

- Total customer base of 4.653M
  - Post-paid customer base of 3.147M
- Post-paid exit ARPU of HK$224
- Mobile data represents 69% of total services revenue
- IDD and roaming represent 18% of total services revenue
- 80% of post-paid customers are smart device users
- Post-paid churn rate was 1.4%

* *Figures stated as at June 30, 2015 or for the six months ended June 30, 2015*

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Delivering on CSL Integration

- ✓ Branding
- ✓ Rationalized Retail Channels
- ✓ Revamped Pricing Plans
- ✓ Network Enhancement
- ✓ Network Integration

Branding

Three-brand strategy allows full coverage of the market according to customers' affordability and service requirements

Rationalized Retail Channels

Strengthening sales proposition
by consolidating retail channels and extending shop reach

HKT

28 Shops

1010®

10 Shops

csl.

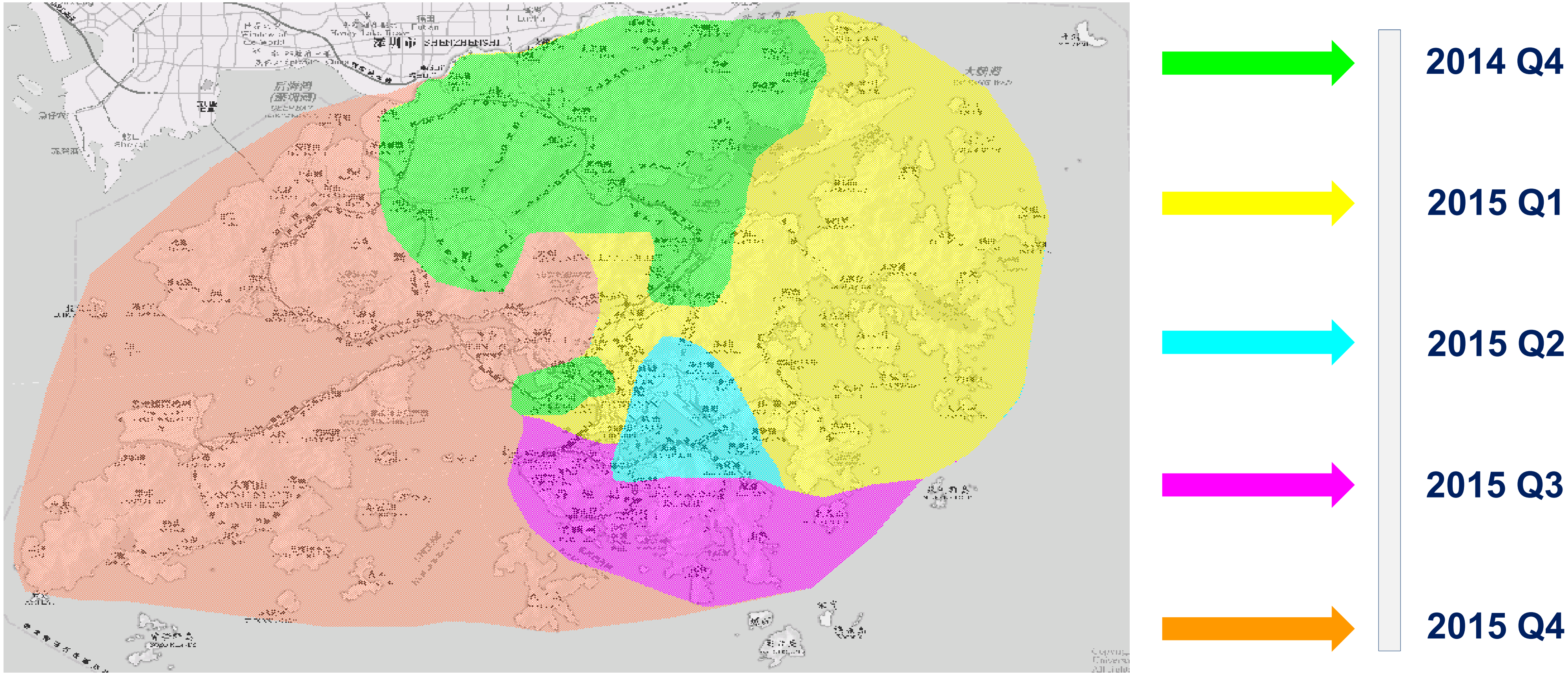
43 Shops

SUN MOBILE

55 Shops

** Shop numbers as at June 30, 2015*

Network Integration Upgrade Plan



- **Cell site integration making good progress and according to plan**
- **High traffic CSL cell sites upgraded with HKT's 1000Mbps fiber backhaul**
- **Expect to complete integration into one unified radio network by the end of 2015**

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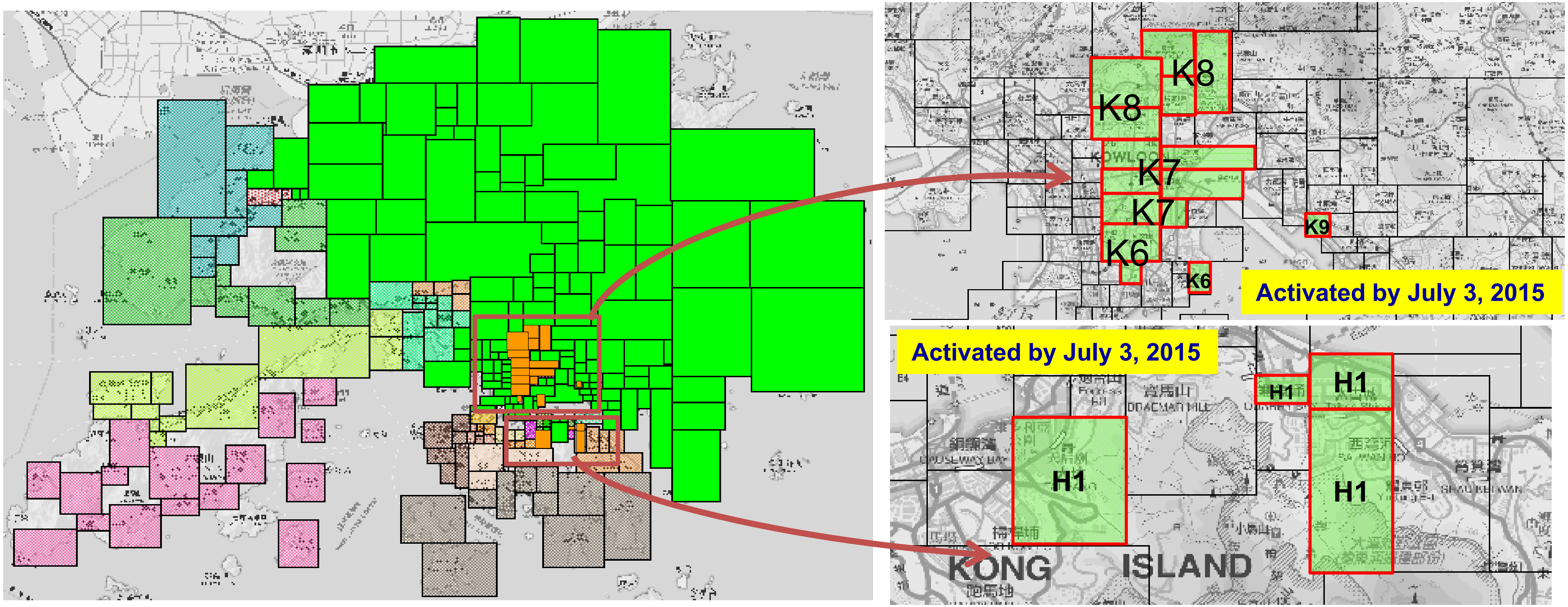
Significant Progress on Cell Site Integration



Site Integration Progress (H1'15)	No. of Sites	Total Before Integration	Sites Integrated (1H'15)		Sites Yet To Integrate	Site Count (1H'15)	Change after Integration
			Before	After			
	Serving HKT Customers	2,482	1,272	1,518	1,210	2,728	+ 246 *(10%)*
	Serving CSL Customers	2,191	1,051		1,140	2,658	+ 467 *(21%)*
	Total :	**4,673**	**2,323**	**1,518**	**2,350**	**3,868**	**- 805**

- A total of **1,518 integrated sites**, representing **51% completion** (vs. target of 3,000)
- No. of sites serving HKT & CSL customers increased by **246 (+10%)** & **467 (+21%)** respectively
- A total of **805 sites** removed, representing **48% of target reduction**
- The 805 sites removed represent **approx. 35% saving in cell sites**

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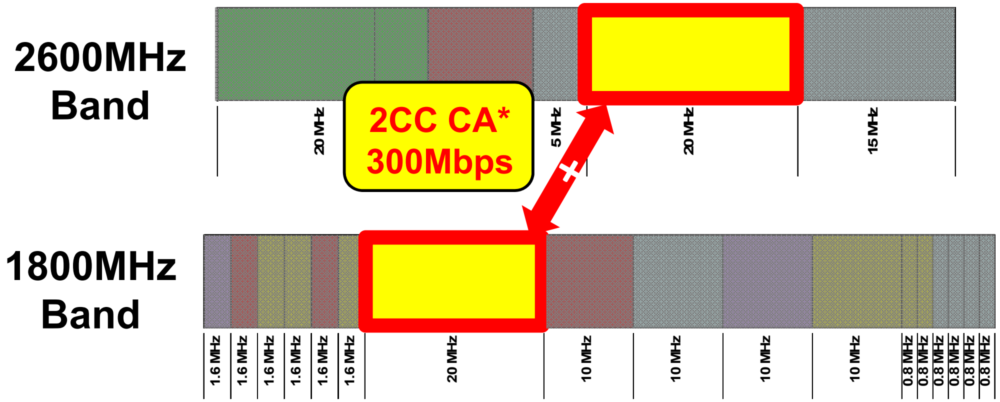
Superior Mobile Network

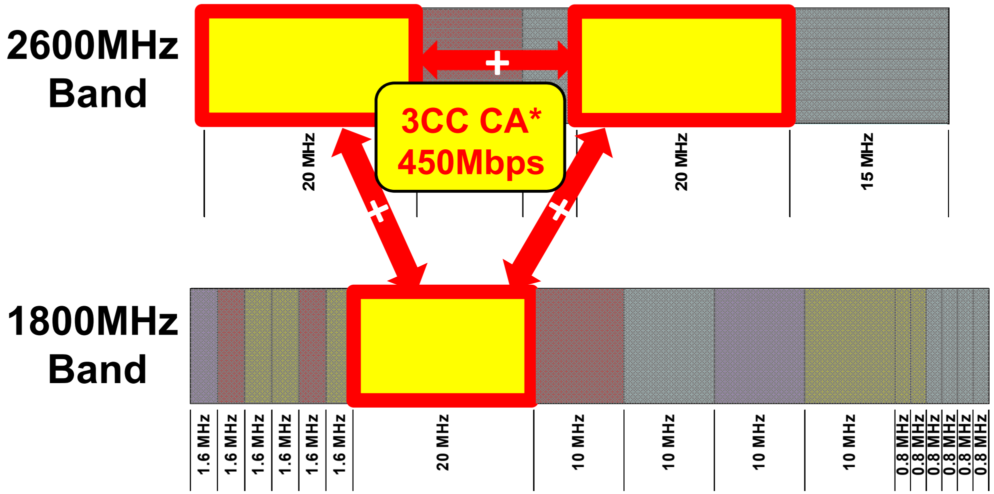
First in Hong Kong

LTE-A 300Mbps Network Launched in December 2014



First in Hong Kong

Plan to Launch LTE-A 450Mbps In Early 2016



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2CC CA stands for two-component-carrier Carrier Aggregation, while 3CC CA stands for three-component-carrier Carrier Aggregation

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Continued Innovation and Enhanced Customer Service

HKT continues to lead:

1) The Club

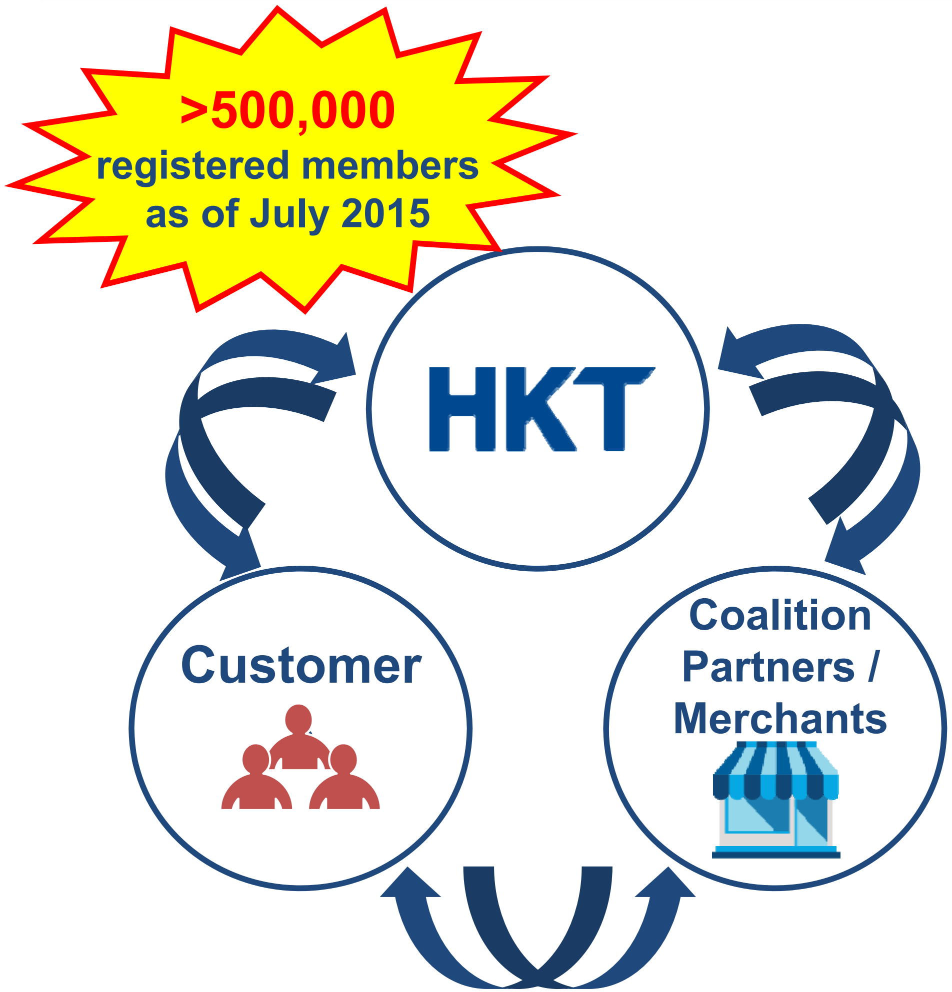
- A major initiative in loyalty, rewards, customer retention and an enhanced customer experience
- Launched in December 2014

2) Unleashing Mobile Payments

- A major innovation and new service for HKT customers
- Launched in July 2015

THE CLUB Loyalty and Rewards Program

A Unified Customer Reward Program across HKT's Different Line of Businesses that Drives Value to HKT, Customers and Partners



- **A strategic program to combine loyalty, payments and partners to become the best loyalty coalition in Hong Kong**
- **Offers free membership and tier benefits to club members, while the program also creates up-sell / cross-sell opportunities to HKT and partners / merchants**
- **Create different services and benefits to cater for different needs of specific segments**
  - ***Membership Benefits:*** Invitation to exclusive events, privileges to HKT & partners' services/products, access to concierge services
  - ***Membership Tiers:***
    - Black *(by invitation only)*
    - Platinum / Gold / Silver
    - Blue *(non-HKT customers)*

Tap&Go 拍住賞™ New Mobile Payment Service

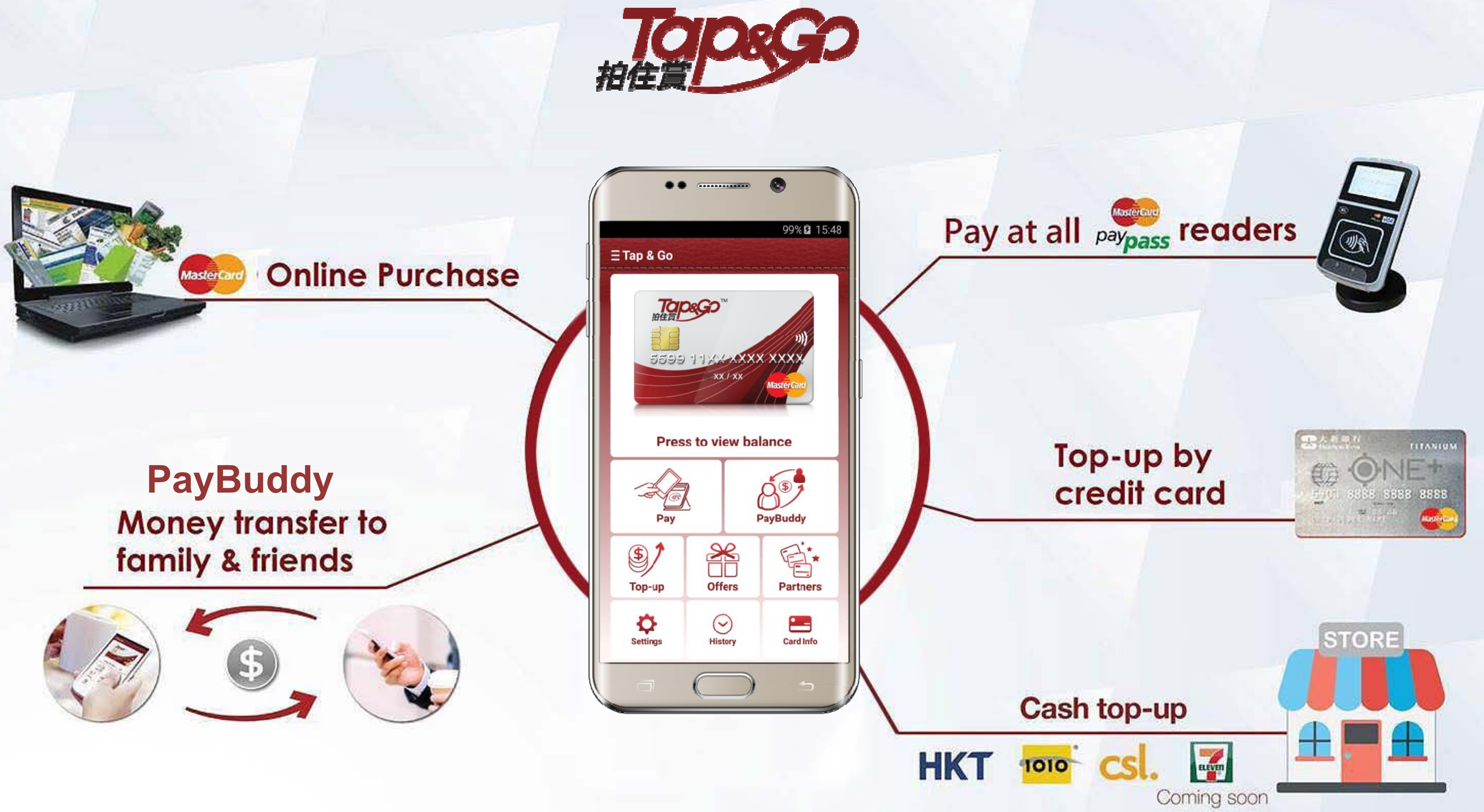
New Mobile Payment Service

Unleash the capabilities of NFC and all-in-one SIM to bring a new convenient and secure payment experience for customers

- A new payment service which enables customers to use their mobile phones to make payments at more than three million retail terminals in Hong Kong and overseas, for online purchase and transfer money to family and friends
- Customers will receive rewards through THE CLUB encouraging faster adoption and higher usage
- Reinforces HKT's service innovation leading to enhanced customer experience and greater customer loyalty

Tap&Go™ 拍住賞

New Mobile Payment Service



Highlights

- Core Business performing well, resilient in the face of soft economy and competition
- Broadband benefiting from the significant investment in our fiber-rich network and customers migrating to higher speeds (500Mbps or above)
- Mobile network integration on track, ARPU is strengthening and churn is reducing
- The Club and Tap&Go poised to strengthen our business going forward