

**GLOBAL OFFERING OF SHARE STAPLED UNITS
to be jointly issued by**

HKT Trust

(a trust constituted on 7 November 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



Joint Sponsors, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers
(in alphabetical order)



Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers
(in alphabetical order)



Joint Bookrunners and Joint Lead Managers
(in alphabetical order)



IMPORTANT

If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.

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Number of Offer Share Stapled Units under the Global Offering	: 2,053,354,000 Share Stapled Units (subject to the Over-Allotment Option)
Number of Offer Share Stapled Units under the Hong Kong Public Offering	: 205,336,000 Share Stapled Units (subject to reallocation)
Number of Offer Share Stapled Units under the International Offering	: 1,848,018,000 Share Stapled Units (subject to reallocation and the Over-Allotment Option)
Maximum Offer Price	: HK\$5.38 per Offer Share Stapled Unit plus brokerage of 1.0%, Stock Exchange trading fee of 0.005% and SFC transaction levy of 0.003% (payable in full on application in Hong Kong dollars and subject to refund)
Stock Code	: 6823

Joint Sponsors, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers (in alphabetical order)



Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers (in alphabetical order)



Joint Bookrunners and Joint Lead Managers (in alphabetical order)



Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, 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 prospectus.

A copy of this prospectus, having attached to it the documents specified in the section headed "Documents delivered to the Registrar of Companies in Hong Kong and available for inspection" in Appendix VI to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be determined by agreement between the Joint Sponsors (on behalf of the Underwriters), the Trustee-Manager and the Company on the Price Determination Date. The Price Determination Date is expected to be on or about Tuesday, 22 November 2011 and, in any event, not later than Friday, 25 November 2011. The Offer Price will not be more than HK\$5.38 per Offer Share Stapled Unit and is currently expected to be not less than HK\$4.53 per Offer Share Stapled Unit, unless otherwise announced. Applicants for Hong Kong Offer Share Stapled Units are required to pay, on application, the Maximum Offer Price of HK\$5.38 for each Offer Share Stapled Unit together with brokerage of 1.0%, Stock Exchange trading fee of 0.005% and SFC transaction levy of 0.003%, subject to refund if the Offer Price is less than HK\$ 5.38 per Offer Share Stapled Unit.

The Joint Sponsors (on behalf of the Underwriters) (with the consent of the Trustee-Manager and the Company) may reduce the number of Offer Share Stapled Units being offered under the Global Offering and/or the indicative Offer Price range below that stated in this prospectus (which is HK\$4.53 to HK\$5.38 per Offer Share Stapled Unit) at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, an announcement will be published in The Standard (in English) and the Hong Kong Economic Journal (in Chinese) not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Such notice will also be available on the Stock Exchange's website at www.hkexnews.hk and at the Company's website at www.hkt.com. Further details are set forth in the sections headed "Structure of the Global Offering" and "How to apply for Hong Kong Offer Share Stapled Units and Reserved Share Stapled Units" in this prospectus. If, for any reason, the Offer Price is not agreed between the Joint Sponsors (on behalf of the Underwriters), the Trustee-Manager and the Company on or before Friday, 25 November 2011, the Global Offering (including the Hong Kong Public Offering and the Preferential Offering) will not proceed and will lapse.

None of the Offer Share Stapled Units, the Units, the Ordinary Shares or the Preference Shares have been or will be registered under the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act") or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States except pursuant to an exemption from or in a transaction not subject to the registration requirements of the U.S. Securities Act. Accordingly, the Offer Share Stapled Units are being offered and sold outside the United States (including to institutional and other investors in Hong Kong) in reliance on Regulation S under the U.S. Securities Act and within the United States to qualified institutional buyers in reliance on Rule 144A ("Rule 144A") under the U.S. Securities Act or another exemption from, or transaction not subject to, registration under the U.S. Securities Act. Each purchaser is hereby notified that sellers of Offer Share Stapled Units may be relying on the exemption from the provisions of Section 5 of the U.S. Securities Act provided by Rule 144A.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including the risk factors set out in the section headed "Risk Factors" in this prospectus. The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Joint Sponsors (on behalf of the Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. Such grounds are set out in the section headed "Underwriting — Underwriting arrangements and expenses — Hong Kong Public Offering — Grounds for termination" in this prospectus.

16 November 2011

IMPORTANT

The HKT Trust and the Company will be relying on Section 9A of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong) and will be issuing the **WHITE** and **YELLOW** Application Forms without them being accompanied by a printed prospectus. The contents of the printed prospectus are identical to the electronic form of the prospectus which can be accessed and downloaded from the websites of the Company at www.hkt.com and the Stock Exchange at www.hkexnews.hk, under the “HKExnews > Listed Company Information > Latest Listed Company Information” section, respectively.

Members of the public who wish to obtain a copy of the printed prospectus may obtain a copy, free of charge, upon request during normal business hours from 9:00 a.m. on Wednesday, 16 November 2011 until 12:00 noon on Monday, 21 November 2011 at the following locations:

1. any of the following branches of the receiving banks for the Hong Kong Public Offering:

(a) **The Hongkong and Shanghai Banking Corporation Limited**

	<u>Branch name</u>	<u>Address</u>
Hong Kong Island	Hong Kong Office	Level 3, 1 Queen’s Road Central, Hong Kong
Kowloon	Mong Kok Branch	Basement & U/G, 673 Nathan Road, Mong Kok, Kowloon

(b) **Bank of China (Hong Kong) Limited**

	<u>Branch name</u>	<u>Address</u>
Hong Kong Island	Connaught Road Central Branch	13-14 Connaught Road Central
New Territories	Yuen Long (Hang Fat Mansion) Branch	8-18 Castle Peak Road, Yuen Long

(c) **Standard Chartered Bank (Hong Kong) Limited**

	<u>Branch name</u>	<u>Address</u>
Hong Kong Island	Hennessy Road Branch	399 Hennessy Road, Wanchai
Kowloon	Kwun Tong Hoi Yuen Road Branch	G/F, Fook Cheong Building, No. 63 Hoi Yuen Road, Kwun Tong, Kowloon

2. any of the following addresses of:
 - (a) **China International Capital Corporation Hong Kong Securities Limited**, 29th Floor, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong;
 - (b) **Deutsche Bank AG, Hong Kong Branch**, Level 52, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong; and
 - (c) **Goldman Sachs (Asia) L.L.C.**, 68th Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong; and
3. the Depository Counter of HKSCC at 2nd Floor, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong.

Details of where printed prospectuses may be obtained will be displayed prominently at every branch of The Hongkong and Shanghai Banking Corporation Limited, Bank of China (Hong Kong) Limited and Standard Chartered Bank (Hong Kong) Limited where WHITE Application Forms are distributed.

During normal business hours from 9:00 a.m. on Wednesday, 16 November 2011 until 12:00 noon on Monday, 21 November 2011, at least three copies of the printed prospectus will be available for inspection at every location where the **WHITE** and **YELLOW** Application Forms are distributed as set out in the section headed "How to apply for Hong Kong Offer Share Stapled Units and Reserved Share Stapled Units — How to apply for Hong Kong Offer Share Stapled Units — Applying by using an Application Form" in this prospectus.

EXPECTED TIMETABLE⁽¹⁾

Despatch of **BLUE** Application Forms
to Qualifying PCCW Shareholders on or before Wednesday, 16 November 2011

Hong Kong Public Offering and Preferential Offering
commence and **WHITE** and **YELLOW** Application
Forms available from 9:00 a.m. on Wednesday, 16 November 2011

Latest time to complete electronic applications
under the **White Form eIPO** service through
the designated website www.eipo.com.hk⁽²⁾ 11:30 a.m. on Monday, 21 November 2011

Application lists open⁽³⁾ 11:45 a.m. on Monday, 21 November 2011

Latest time to lodge **WHITE**, **YELLOW** and **BLUE**
Application Forms and to give **electronic**
application instructions to HKSCC⁽⁴⁾ 12:00 noon on Monday, 21 November 2011

Latest time to complete payment of **White Form eIPO**
applications by effecting internet banking transfer(s)
or PPS payment transfer(s) 12:00 noon on Monday, 21 November 2011

Application lists close⁽³⁾ 12:00 noon on Monday, 21 November 2011

Expected Price Determination Date⁽⁵⁾ Tuesday, 22 November 2011

(1) Announcement of the Offer Price, the level of indications
of interest in the International Offering, the level of
applications in the Hong Kong Public Offering and
the Preferential Offering, the basis of allocation of the
Hong Kong Offer Share Stapled Units and the Reserved
Share Stapled Units to be published in The Standard
(in English) and the Hong Kong Economic Journal
(in Chinese) on or before Monday, 28 November 2011

(2) Results of allocations in the Hong Kong Public Offering
and the Preferential Offering (with successful applicants'
identification document numbers, where appropriate) to be
available through a variety of channels as described in
the section headed "How to apply for Hong Kong Offer
Share Stapled Units and Reserved Share Stapled Units"
in this prospectus Monday, 28 November 2011

(3) A full announcement of the Hong Kong Public Offering
and the Preferential Offering containing (1) and (2) above
to be published on the Stock Exchange's website
at www.hkexnews.hk⁽⁶⁾ and the Company's website
at www.hkt.com⁽⁷⁾ Monday, 28 November 2011

Results of allocations in the Hong Kong Public Offering
and the Preferential Offering will be available at
www.iporesults.com.hk with a "search by ID" function from Monday, 28 November 2011

EXPECTED TIMETABLE⁽¹⁾

Despatch of Share Stapled Unit certificates in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering and the Preferential Offering on or before⁽⁸⁾Monday, 28 November 2011

Despatch of White Form e-Refund payment instructions/refund cheques in respect of wholly or partially successful applications (if applicable) and wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering and the Preferential Offering on or before⁽⁸⁾⁽⁹⁾ Monday, 28 November 2011

Dealings in the Share Stapled Units on the Stock Exchange expected to commence on Tuesday, 29 November 2011

First PCCW Distribution Record Date4:30 p.m. on Friday, 30 December 2011

Despatch of Share Stapled Unit certificates to First PCCW Distribution Qualifying Shareholders who are entitled to receive Share Stapled Units under the First PCCW Distribution on or beforeFriday, 2 March 2012

Payment to First PCCW Distribution Overseas Shareholders of the net proceeds of the sale of the Share Stapled Units which they would otherwise receive pursuant to the First PCCW Distribution on or before⁽¹⁰⁾Wednesday, 14 March 2012

Second PCCW Distribution Record Date4:30 p.m. on Tuesday, 20 March 2012

Despatch of Share Stapled Unit certificates to Second PCCW Distribution Qualifying Shareholders who are entitled to receive Share Stapled Units under the Second PCCW Distribution on or beforeTuesday, 22 May 2012

Payment to Second PCCW Distribution Overseas Shareholders of the net proceeds of the sale of the Share Stapled Units which they would otherwise receive pursuant to the Second PCCW Distribution on or before⁽¹¹⁾Friday, 1 June 2012

Notes:

- (1) All dates and times refer to Hong Kong dates and times. Details of the structure of the Global Offering, including the conditions of the Hong Kong Public Offering and the Preferential Offering, are set out in the sections headed “Structure of the Global Offering” and “How to apply for Hong Kong Offer Share Stapled Units and Reserved Share Stapled Units” in this prospectus.
- (2) You will not be permitted to submit your application to the White Form eIPO Service Provider through the designated website at www.eipo.com.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (3) If there is a ‘black’ rainstorm warning signal or a tropical cyclone warning signal no. 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, 21 November 2011, the application lists will not open and close on that day. See the sections headed “How to apply for Hong Kong Offer Share Stapled Units and Reserved Share Stapled Units — Applications for Hong Kong Offer Share Stapled Units — When may applications be made — Effect of bad weather on the opening and closing of the application lists” and “How to apply for Hong Kong Offer Share Stapled Units and Reserved Share Stapled Units — Applications for Reserved Share Stapled Units — When may applications be made — Effect of bad weather conditions on the opening and closing of the application lists” in this prospectus for further information.

EXPECTED TIMETABLE⁽¹⁾

- (4) Applicants who apply for Hong Kong Offer Share Stapled Units by giving electronic application instructions to HKSCC should refer to the section headed “How to apply for Hong Kong Offer Share Stapled Units and Reserved Share Stapled Units — How to apply for Hong Kong Offer Share Stapled Units — Applying by giving electronic application instructions to HKSCC” in this prospectus.
- (5) The Price Determination Date is expected to be on or about Tuesday, 22 November 2011 and, in any event, not later than Friday, 25 November 2011. Notwithstanding that the Offer Price may be fixed at below the Maximum Offer Price, applicants who apply for Hong Kong Offer Share Stapled Units and/or Reserved Share Stapled Units must pay on application the Maximum Offer Price of HK\$5.38 per Offer Share Stapled Unit together with brokerage of 1.0%, Stock Exchange trading fee of 0.005% and SFC transaction levy of 0.003%. Such applicants will be refunded the surplus application monies, if any, in accordance with the section headed “How to apply for Hong Kong Offer Share Stapled Units and Reserved Share Stapled Units — Refund of application monies” in this prospectus. If, for any reason, the Offer Price is not agreed between the Joint Sponsors (on behalf of the Underwriters), the Trustee-Manager and the Company on or before Friday, 25 November 2011, the Global Offering (including the Hong Kong Public Offering and the Preferential Offering) will not proceed and will lapse.
- (6) The announcement will be available for viewing on the “Main Board — Allotment Results” page on the website of the Stock Exchange at www.hkexnews.hk.
- (7) A copy of this prospectus will be available on the Company’s website at www.hkt.com. For the avoidance of doubt, apart from the information contained in this prospectus, none of the other information contained on the Company’s website forms part of this prospectus.
- (8) Applicants who apply for 1,000,000 or more Hong Kong Offer Share Stapled Units or Reserved Share Stapled Units by using Application Forms and who have indicated in their Application Forms that they wish to collect any refund cheques or, in the case of applicants using **WHITE** and **BLUE** Application Forms only, to collect Share Stapled Unit certificates in person may do so from the Share Stapled Units Registrar, from 9:00 a.m. to 1:00 p.m. on Monday, 28 November 2011 (or any other dates notified by the Trustee-Manager and the Company in The Standard (in English) and the Hong Kong Economic Journal (in Chinese) as the date of despatch/collection of Share Stapled Unit certificates/e-Refund payment instructions/refund cheques). Applicants being individuals who opt for personal collection cannot authorise any other person to make collection on their behalf. Applicants being corporations who opt for personal collection must attend by their authorised representatives bearing letters of authorisation from their corporation stamped with the corporation’s chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to the Share Stapled Units Registrar. Uncollected Share Stapled Unit certificates and refund cheques will be despatched by ordinary post to the addresses specified in the relevant Application Forms promptly thereafter at the applicants’ own risk. Details of the arrangements are set out in the section headed “How to apply for Hong Kong Offer Share Stapled Units and Reserved Share Stapled Units” in this prospectus.
- (9) White Form e-Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the Maximum Offer Price payable on application. Part of your Hong Kong identity card number/passport number or, if you are joint applicants, part of the Hong Kong identity number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third party to facilitate your refund. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of your refund cheque or may invalidate your refund cheque. Further information is set out in the section headed “How to apply for Hong Kong Offer Share Stapled Units and Reserved Share Stapled Units” in this prospectus.
- (10) Overseas PCCW Shareholders in respect of the First PCCW Distribution will be entitled to the First PCCW Distribution but will not receive the Share Stapled Units. Instead, the Share Stapled Units which they would otherwise receive pursuant to the First PCCW Distribution will be sold by PCCW on their behalf as soon as reasonably practicable after the First PCCW Distribution Record Date on the Stock Exchange and they will receive a cash amount equal to the net proceeds of such sale. Further information is set out in the section headed “Structure of the Global Offering — The PCCW Distributions” in this prospectus.
- (11) Overseas PCCW Shareholders in respect of the Second PCCW Distribution will be entitled to the Second PCCW Distribution but will not receive the Share Stapled Units. Instead the Share Stapled Units which they would otherwise receive pursuant to the Second PCCW Distribution will be sold by PCCW on their behalf as soon as reasonably practicable after the Second PCCW Distribution Record Date on the Stock Exchange and they will receive a cash amount equal to the net proceeds of such sale. Further information is set out in the section headed “Structure of the Global Offering — The PCCW Distributions” in this prospectus.

EXPECTED TIMETABLE⁽¹⁾

Share Stapled Unit certificates are expected to be issued by Monday, 28 November 2011 but will only become valid provided that the Global Offering has become unconditional in all respects (including the Underwriting Agreements not having been terminated in accordance with their terms) prior to 8:00 a.m. on the Listing Date, which is expected to be Tuesday, 29 November 2011. Investors who trade Share Stapled Units on the basis of publicly available allocation details or prior to receipt of the Share Stapled Unit certificates do so entirely at their own risk. If the Global Offering does not become unconditional or the Underwriting Agreements are terminated in accordance with their terms, the Global Offering will not proceed and the PCCW Distributions will not be made. In such a case, the Trustee-Manager and the Company will make an announcement as soon as possible thereafter.

This prospectus is being distributed in electronic format on CD-ROM to the Qualifying PCCW Shareholders. The contents of this prospectus in electronic format on the CD-ROM are identical in all respects with the contents of this prospectus in printed form. The CD-ROM may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, in whole or in part, for any purpose. Neither the CD-ROM nor any of its contents is, in this context, an offer of securities for sale in any jurisdiction outside Hong Kong where it would be illegal to make an offer. Distribution of the CD-ROM and/or the **BLUE** Application Forms into any jurisdiction other than Hong Kong may be restricted by law. Persons into whose possession the CD-ROM and/or the **BLUE** Application Forms come (including, without limitation, agents, custodians, nominees and trustees) should inform themselves of, and observe, any such restriction. Any failure to comply with such restrictions may constitute a violation of the securities laws of any such jurisdiction. In particular, the CD-ROM should not be distributed, forwarded or transmitted into or from any of the Specified Territories with or without the **BLUE** Application Forms, except to Qualifying PCCW Shareholders as specified in this prospectus. By accepting the CD-ROM, the Qualifying PCCW Shareholders are deemed to agree to be bound by the foregoing instructions. Qualifying PCCW Shareholders may obtain a printed copy of this prospectus from any of the following locations during normal business hours (unless otherwise indicated):

- (i) the office of the Share Stapled Units Registrar at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong;
- (ii) any of the designated branches of the receiving banks at the times set out in the section headed "How to apply for Hong Kong Offer Share Stapled Units and Reserved Share Stapled Units" in this prospectus; and
- (iii) the designated offices of each of the Joint Sponsors set out in the section headed "How to apply for Hong Kong Offer Share Stapled Units and Reserved Share Stapled Units" in this prospectus.

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IMPORTANT NOTICE TO INVESTORS

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. The Trustee-Manager and the Company have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by the Trustee-Manager, the Company, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Joint Sponsors, any of the Underwriters, any of their respective directors, officers or representatives or any other person involved in the Global Offering.

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SUMMARY

This summary is intended to give you an overview of the information contained in this prospectus. Since it is a summary, it does not contain all the information that may be important to you. You should read the prospectus in its entirety before you decide to invest in the Offer Share Stapled Units. There are risks associated with any investment. Some of the particular risks in investing in the Offer Share Stapled Units are set out in the section headed “Risk factors” in this prospectus. You should read that section carefully before you decide to invest in the Offer Share Stapled Units.

Statements in this summary that are not historical facts may be forward-looking statements based on certain assumptions, expectations and belief. You are cautioned that there are certain risks and uncertainties associated with the Group and the actual results may differ materially from those projected by such forward-looking statements.

OVERVIEW

The Share Stapled Units provide investors with an opportunity to invest in the leading integrated telecommunications service provider in Hong Kong. With origins from 1925, the Group’s telecommunications businesses have been the leading telecommunications service provider for over 85 years in Hong Kong, providing residents and businesses in Hong Kong with high quality and reliable telecommunications services. For the advantages and disadvantages of adopting the listing structure involving the listing of the HKT Trust and the Company and the issue of Share Stapled Units, please refer to the sections headed “Summary — Introduction to the listing structure involving the HKT Trust, the Company and the issue of Share Stapled Units — Advantages and disadvantages of adopting the listing structure involving the listing of the HKT Trust and the Company and the issue of Share Stapled Units” and “Structure and organisation of the HKT Trust and the Company — Description of the listing structure involving the HKT Trust, the Company and the issue of Share Stapled Units — Advantages and disadvantages of adopting the listing structure involving the listing of the HKT Trust and the Company and the issue of Share Stapled Units” in this prospectus.

The Group is a leading integrated provider of fixed line, mobile and broadband telecommunications services in Hong Kong, with approximately 61.2% market share by number of exchange lines, approximately 12.1% market share by number of mobile subscribers and approximately 65.4% market share by number of broadband access lines as at 30 June 2011, based on the number of exchange lines, mobile subscribers and broadband access lines in Hong Kong, respectively, provided by OFTA, thereby affirming the Group’s telecommunications network as the most extensive digital network in Hong Kong. As at 30 June 2011, the Group had in service approximately 2.63 million exchange lines, approximately 1.51 million mobile subscribers and approximately 1.44 million broadband access lines. The Group’s broadband service coverage reached approximately 98% of all households in Hong Kong as at 31 July 2011.

As the incumbent leading integrated telecommunications service provider in Hong Kong, the Group continues to stay at the forefront and has become synonymous with innovation and quality, having successfully built its unique “quadruple-play” delivery platform capability through partnership with PCCW’s Media Business and strengthened its leadership in a consumer market which is ready to embrace new technologies and content. The quadruple-play delivery platforms provide a one-stop shop that meets customers’ telecommunications needs and provides flexibility to customers to customise the package of services they receive according to their personal preferences and schedules. The Group is the only telecommunications operator in Hong Kong to offer this quadruple-play experience to customers.

SUMMARY

Hong Kong has one of the most sophisticated telecommunications markets in the world in terms of overall scope, service penetration and customer choice. The Group's extensive telecommunications network and associated infrastructure provide a robust platform to deliver its comprehensive portfolio of products and services to customers. Currently, all of the Group's network transmission links for exchange junctions are digital over fiber-optic cables and all exchange equipment incorporates digital switching and next generation NGN IP-based broadband routing technologies, allowing the broadband network to provide speeds of up to 1,000 Mbps. In addition, the Group has over 9,000 Wi-Fi hotspots spread across Hong Kong (including 100 Mbps fiber hotspots), which make auto-switching between 3G and Wi-Fi networks more seamless and effortless, enabling customers to have greater ease in accessing the Internet at any time and also to enjoy attractive content on their mobile devices made available through the quadruple-play delivery platforms. Going forward, the Group will continue to deploy the next generation 4G technology that will enable the Group to deliver higher-speed mobile data connectivity to its users and capture the strong growth in the mobile data market.

The Group is supported by a management team that has a track record in both the development and delivery of telecommunications services as well as in the execution of its business strategies. With most of the senior management having over 20 years of experience in the telecommunications industry and over 10 years of experience with operating companies within the Group (or predecessor operating companies, including for these purposes, companies acquired by PCCW through its acquisition of HKTL in 2000), the management team has successfully maintained the Group's leading market share position and expanded the Group's offering of products and services in one of Asia's most deregulated telecommunications markets. The synergies created by the management team's experience and technical expertise, coupled with the use of advanced technologies, allow the Group to move quickly to identify, adopt, acquire, develop and exploit emerging technologies, thereby making the Group a preferred partner for other telecommunications companies in Asia and globally.

The key objective of the HKT Trust and the Company is to provide Holders of Share Stapled Units with stable and regular distributions as well as long-term distribution growth. Detailed information regarding distributions and the distribution policy is set out in the sections headed "Summary — Distributions" and "Distributions" in this prospectus.

The Group has strong and stable cash flows and has demonstrated resilience during the global financial crisis in 2009, generating relatively stable EBITDA in each of the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011 of approximately HK\$2,804 million¹ (or, on an aggregated basis, HK\$7,357 million), HK\$7,263 million, HK\$7,249 million and HK\$3,623 million, respectively; while its EBITDA margins in each of the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011 were approximately 38.9%¹ (or, on an aggregated basis, 38.6%), 40.5%, 39.1% and 38.0%, respectively. For the year ended 31 December 2010 and the six months ended 30 June 2011, the Group had a turnover of approximately HK\$18,527 million and HK\$9,537 million and Adjusted Funds Flow for the year/period of approximately HK\$2,019 million and HK\$1,352 million, respectively.

With the Group's long and established track record, high quality customer service, extensive coverage and advanced technology offerings to customers in Hong Kong, the Group is well-positioned to continue to maintain its position as the leading integrated telecommunications service provider in Hong Kong, as demonstrated by its continuous leading position even after the opening up of the local telecommunications market by the Government in 1995 and the resulting intense competition among telecommunications service providers.

¹ The historical EBITDA of the Group for the year ended 31 December 2008 presents partial year results of the Telecommunications Business as described in the section headed "Selected financial information and operational data — Selected financial information" in this prospectus.

SUMMARY

INTRODUCTION TO THE TELECOMMUNICATIONS BUSINESS

The Telecommunications Business comprises three business segments: telecommunications services, mobile services and other businesses, as further described below.

Telecommunications services (TSS)

The telecommunications services segment provides four core areas of telecommunications products and services: local telephony services, local data and broadband services, international telecommunications services and other services.

- **Local telephony services:** The Group's local telephony services consist of fixed-line local telecommunications services, multimedia services and wholesale interconnection services provided to other telecommunications carriers and service providers. The Group has a leadership position in the fixed-line telecommunications market in Hong Kong. The Group's local telephony services had approximately 2.63 million exchange lines in service as at 30 June 2011, and the leading market share of approximately 61.2% based on the number of exchange lines in Hong Kong as at 30 June 2011, based on information provided by OFTA.
- **Local data and broadband services:** The Group's local data services consist primarily of data transmission services such as private or virtual private IP network services for private and public sector organisations, and business and residential local broadband services in Hong Kong through the "NETVIGATOR" brand. The Group offers commercial customers a broad portfolio of data connectivity services addressing the requirements of each enterprise's business applications. The broadband services provide broadband users with a choice of Internet access speeds, with additional value-added services. As at 31 July 2011, the NETVIGATOR ADSL 1.5M service reached approximately 98% of all households in Hong Kong. There were approximately 1.44 million broadband access lines as at 30 June 2011 while the total contracted bandwidth for local data services was 1,243 Gbps as at 30 June 2011. The Group's broadband service had the leading market share of approximately 65.4% based on the number of broadband access lines in Hong Kong as at 30 June 2011, based on information provided by OFTA. In the third quarter of 2011, the Group launched a new consumer cloud service known as "uHub". A user may keep photos, music, videos and documents in the uHub and retrieve them anytime using a variety of devices including computers, smartphones and tablets.
- **International telecommunications services:** The Group's international telecommunications services consist primarily of wholesale and retail international services to multinational enterprises and telecommunications service providers which include: IP solutions (IPv6-enabled), IP MPLS VPN services, fiber and satellite transmission solutions, voice, data and video services and managed network services and transmission solutions as well as CDNs for content delivery. With offices around the world and other business partnerships and network interconnection relationships, the Group's network currently provides connectivity in approximately 1,500 cities in 110 countries and serves enterprises and wholesale markets in Europe, the Americas, Africa, the Middle East and Asia. The Group also provides IDD calling services, operator assisted overseas calls and calling card services to both business and residential customers in Hong Kong. Retail IDD totalled 1,326 million minutes for the year ended 31 December 2010, and 618 million minutes for the six months ended 30 June 2011, and IPLC exit bandwidth based on the capacity in service totalled 149 Gbps as at 30 June 2011.
- **Other services:** Other services consist primarily of the sale of customer premises equipment (including the sale of telecommunications equipment and systems and other computers and related products to consumers and enterprises), outsourcing services, consulting services and contact centre services ("**Teleservices**"). In addition, the Group designs and provides individualised telecommunications systems that integrate voice and data-switching equipment from various suppliers and supplies and installs local and wide area data network equipment.

SUMMARY

Mobile services

The Group offers 2G, 3G and CDMA mobile services which are marketed under the “PCCW mobile” brand. The Group has invested significantly in expanding its 3G network since 2005. In addition, a jointly controlled company of the Group holds a licence from OFTA, which will enable the Group to provide next generation high speed 4G mobile data services in the future. As at 30 June 2011, the Group had approximately 1.51 million subscribers and according to the number of mobile subscribers in Hong Kong provided by OFTA, the Group’s mobile services had a market share of approximately 12.1% based on the number of subscribers. The Group also provides fixed-to-mobile integration technology for its commercial customers to serve their communications needs.

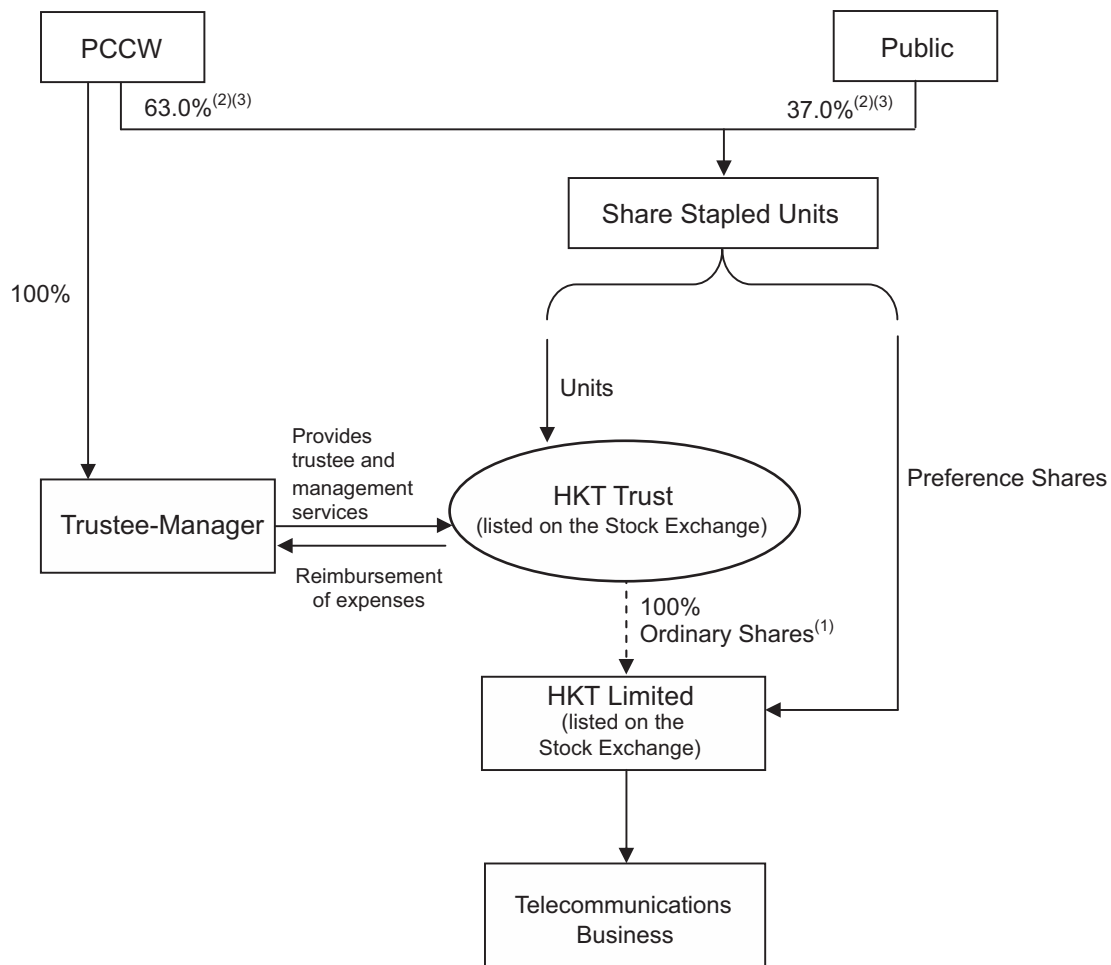
Other businesses

The other businesses of the Group primarily comprise the ZhongYing JV, which provides network integration and related services to telecommunications operators in the PRC.

INTRODUCTION TO THE LISTING STRUCTURE INVOLVING THE HKT TRUST, THE COMPANY AND THE ISSUE OF SHARE STAPLED UNITS

Structure

The chart below illustrates a simplified version of the listing structure following the completion of the Global Offering:



SUMMARY

Notes:

- (1) As the HKT Trust is not a separate legal entity, all of the Trust Property, being the assets of the HKT Trust, is held by the Trustee-Manager for the benefit of the Registered Holders of Units. Subject to the exercise of the Exchange Right, all of the issued Ordinary Shares must be registered in the Principal Register of Members in the name of the Trustee-Manager in its capacity as trustee-manager of the HKT Trust.
- (2) Following the completion of the Global Offering, PCCW would retain approximately 63.0% of the HKT Trust and the Company (assuming the Over-Allotment Option is not exercised but after taking into account the PCCW Distributions). If the Over-Allotment Option is exercised in full, following the completion of the Global Offering and after taking into account the PCCW Distributions, PCCW would retain approximately 59.9% of the HKT Trust and the Company.
- (3) The Over-Allotment Option can only be exercised to the extent that PCCW's holding of Share Stapled Units remains at not less than 51% of the Share Stapled Units in issue following the exercise of the Over-Allotment Option. This is because under the terms of the consent of 中國聯合網絡通信集團有限公司 (China United Network Communications Group Company Limited[#]) (which held approximately 18.48% of PCCW as at the Latest Practicable Date) for the listing of the Telecommunications Business, the PCCW Group is permitted to dispose of up to 49% of the PCCW Group's voting interest in the Company.

Share Stapled Units

Subscribers under the Global Offering would subscribe for Share Stapled Units jointly issued by the HKT Trust and the Company. Each Share Stapled Unit comprises three components:

- (a) a Unit in the HKT Trust;
- (b) a beneficial interest in a specifically identified Ordinary Share in the Company held by the Trustee-Manager, which is "Linked" to the Unit; and
- (c) a specifically identified Preference Share in the Company which is "Stapled" to the Unit.

Meaning of "Linked"

All of the issued Ordinary Shares of the Company must be held by the Trustee-Manager in its capacity as trustee and manager of the HKT Trust. Each Unit in the HKT Trust issued by the Trustee-Manager must correspond with a specifically identified Ordinary Share held by the Trustee-Manager and confer a beneficial interest in that specifically identified Ordinary Share such that a transfer of a Unit is effective to transfer the beneficial interest in the Ordinary Share. The Trust Deed characterises this relationship as each Unit being "Linked" to a specifically identified Ordinary Share of the Company held by the Trustee-Manager.

Meaning of "Stapled"

Each Unit in the HKT Trust issued by the Trustee-Manager must be attached or "Stapled" to a specifically identified Preference Share, with the Preference Share to be held by the Unitholder (along with the Unit) as full legal and beneficial owner, so that one cannot be traded without the other. The Trust Deed characterises this relationship as each Unit being "Stapled" to a specifically identified Preference Share.

Numbers of Units, Ordinary Shares and Preference Shares must be the same

Under the Trust Deed and the Company's Articles, the number of Ordinary Shares and Preference Shares in issue must be the same at all times and must also, in each case, be equal to the number of Units of the HKT Trust in issue.

[#] For identification only

SUMMARY

Listing of the Share Stapled Units

The Share Stapled Units will be listed on the Stock Exchange. There will be a single price quotation on the Stock Exchange for a Share Stapled Unit. No price quotations will be given for the individual components (Unit, beneficial interest in an Ordinary Share and Preference Share) of a Share Stapled Unit. Under the Trust Deed, each Unit must remain Linked to a specifically identified Ordinary Share in the Company and Stapled to a Preference Share in the Company and, subject to the exercise of the Exchange Right described below, “unbundling” of the Share Stapled Units is prohibited. Accordingly, subject to the exercise of the Exchange Right, investors can only deal in the Share Stapled Units on the Stock Exchange and are not permitted to deal in the individual components of the Share Stapled Units.

Listing of the Units, the Ordinary Shares and the Preference Shares

As described above in this section of this prospectus headed “Summary — Listing of the Share Stapled Units”, the Share Stapled Units will be listed on the Stock Exchange. In addition, the Units, the Ordinary Shares and the Preference Shares will also be listed on the Stock Exchange from the outset. The HKT Trust and the Company will, from the outset, be listed issuers under the Listing Rules and, accordingly, the HKT Trust (including the Trustee-Manager) and the Company will be subject to the provisions of the Listing Rules. For so long as the Share Stapled Units are listed on the Stock Exchange, trading on the Stock Exchange shall only take place in the form of Share Stapled Units. The Units, the Ordinary Shares and the Preference Shares will not be separately traded on the Stock Exchange (and no price quotation for any of them will be available) prior to the exercise of the Exchange Right. Following the exercise of the Exchange Right and subject to the Stock Exchange’s prior approval, the Ordinary Shares will be separately traded on the Stock Exchange (and will have their own price quotation) and the Units and the Preference Shares would have been cancelled.

The HKT Trust and the Company both to be listed on the Stock Exchange

The HKT Trust and the Company will both be listed on the Stock Exchange and be “listed issuers” under the Listing Rules; and, therefore, the HKT Trust (including the Trustee-Manager) and the Company will be subject to the provisions of the Listing Rules. In addition, the Share Stapled Units, the HKT Trust, the Trustee-Manager and the Company will be subject to the provisions of the SFO and the Takeovers Code. Repurchases of Share Stapled Units (or their individual components) will not be permitted unless and until expressly permitted by relevant codes and guidelines which may be issued by the SFC from time to time.

Reasons for adopting the Share Stapled Units structure

The Share Stapled Units structure comprises: (a) a Unit in the HKT Trust, (b) a beneficial interest in a specifically identified Ordinary Share in the Company held by the Trustee-Manager on behalf of the Unitholder, which is “Linked” to the Unit and (c) a specifically identified Preference Share in the Company which is “Stapled” to the Unit.

SUMMARY

The HKT Trust and the Units

The HKT Trust and the proposal for the HKT Trust to issue Units to investors reflects the commercial objective to adopt a trust structure, within which a distribution policy based on Adjusted Funds Flow can be more clearly articulated and pursued; and within which the Group can more clearly signal its intention to focus principally on distributions and to differentiate itself from other listed issuers on that basis. Investors in a trust typically subscribe for units, which represent undivided interests in the trust property.

The beneficial interests in the specifically identified Ordinary Shares

The Ordinary Shares confer rights to dividends and other distributions from the Company. The Ordinary Shares are the means by which the HKT Trust owns the equity in the Company in trust for the Registered Holders of Units. The Ordinary Shares represent the entire economic interest derived from the Company, except in the case of a winding up of the Company or, if the HKT Trust is terminated, a redemption of the Preference Shares on termination at their par value.

The rationale for having each Ordinary Share specifically identified and Linked to a Unit is that the Linking provisions result in the SFO (including, but not limited to, provisions on protection of investors) being applicable to the Units as derivatives of the underlying listed Ordinary Shares.

The Exchange Right also assists in the application of key provisions of the SFO to the Units.

The Linking arrangement and the Exchange Right mean that, ultimately, investors in Units could, by passing an Extraordinary Resolution of Registered Holders of Units, terminate the HKT Trust and exchange their Units for the underlying Ordinary Shares in a listed company (being the Company) on a one for one basis.

The Preference Shares

The Preference Shares do not confer any rights to participate in any dividends, distributions or other payments being made by the Company, except in the case of the winding up of the Company or, if the HKT Trust is terminated, the redemption of the Preference Shares on termination at their par value.

The rationale for including the Preference Shares as components of the Share Stapled Units and adopting the Stapling structure is to ensure that the Share Stapled Units (and, thereby, the HKT Trust, including the Trustee-Manager, and the Company) are clearly subject to all the provisions of the SFO (including, but not limited to, provisions on protection of investors). The application of certain provisions of the SFO to the Units on an independent basis might otherwise be arguable.

Trustee-Manager's specific and limited role

With a view to seeking to ensure that investors in the Share Stapled Units have equivalent investor protections under the existing legal framework in Hong Kong to those available to shareholders in a company listed on the Stock Exchange, the Trustee-Manager has a specific and limited role, which is to administer the HKT Trust. The Trustee-Manager is not actively engaged in running the Telecommunications Business, which is managed by the Company and its operating subsidiaries.

Advantages and disadvantages of adopting the listing structure involving the listing of the HKT Trust and the Company and the issue of Share Stapled Units

A listing of the Telecommunications Business in the form of the listing structure described in this prospectus is expected to align its mature and stable cashflow generating characteristic with the appropriate investor base that favours stable distributions and pure-play investments. The Directors

SUMMARY

believe that a listing of the Telecommunications Business in this form with a clearly expressed distribution policy stated in the Trust Deed and in the Company's Articles (see the sections headed "Summary — Distributions" and "Distributions" in this prospectus) and an explicit focus on distributions will give greater assurance to investors that they will receive distributions from Adjusted Funds Flow after debt repayment, if required, that are higher than the dividends that could be distributed from accounting profit.

The Directors believe that the HKT Trust provides a structure within which a distribution policy based on Adjusted Funds Flow can be more clearly articulated and pursued, and within which the Group can more clearly signal its intention to focus principally on distributions and to differentiate itself from other listed issuers on that basis. The Directors also believe that the overall arrangements (including the Directors' dual roles as directors of the Trustee-Manager and the Company, the requirement for amounts to be held in segregated accounts pending distribution to investors and the requirement to announce and explain any future change to the distribution policy) will impose additional rigour and discipline regarding the implementation of the stated distribution policy.

The disadvantages of adopting a listing structure involving the listing of the HKT Trust and the Company and the issue of Share Stapled Units include that:

- It is a novel structure and has no precedent in the Hong Kong market. Despite considerable efforts having been made to ensure that investors would have the benefit of investor protections as Holders of Share Stapled Units equivalent to those enjoyed by shareholders of companies listed on the Stock Exchange, the application of the relevant investor protection legislation to the Share Stapled Units structure is subject to the interpretation of the Courts. To mitigate this risk, an opinion has been obtained from leading counsel that the Share Stapled Units (and, thereby, the HKT Trust, including the Trustee-Manager and the Company) would be subject to the SFO. The Share Stapled Units (and, thereby, the HKT Trust, including the Trustee-Manager, and the Company) are also subject to the Takeovers Code and the Listing Rules.
- There are administration costs associated with the HKT Trust, principally as a result of the requirement to prepare and publish additional financial statements for the HKT Trust and the Trustee-Manager. However, the additional administration costs are not significant, having regard to the specific and limited role of the Trustee-Manager, and the Directors believe that the additional administration costs are outweighed by the benefits that are expected to accrue to Holders of Share Stapled Units in terms of the expected higher distributions as generally compared to dividends that are distributed from accounting profit referred to above.
- The duration of the HKT Trust is a fixed period of 80 years less one day, upon the expiry of which the HKT Trust will terminate. The procedures which would apply on the termination of the HKT Trust are set out in the section headed "The Constitution of the HKT Trust — Termination of the HKT Trust" in this prospectus. In summary, upon such expiry, the Registered Holders of Share Stapled Units would be entitled to have the Ordinary Shares which are Linked to the Units held by them (as components of their Share Stapled Units) distributed to them in specie.

The Company

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 14 June 2011. Following the completion of the Pre-IPO Restructuring, the Company will become the holding company of the Telecommunications Business and will indirectly own and control the operating subsidiaries which conduct the Telecommunications Business.

SUMMARY

The Company has two classes of shares:

- (a) Ordinary Shares, which confer voting rights at general meetings of shareholders (one vote per Ordinary Share) and rights to dividends and distributions from the Company; and
- (b) Preference Shares, which also confer voting rights at general meetings of shareholders (one vote per Preference Share), but have no rights to dividends or other distributions from the Company except in the case of the winding up of the Company. Further information in relation to the rights conferred by the Preference Shares, and the reason for including the Preference Shares as components of the Share Stapled Units, are set out below in the paragraph headed “Rights conferred by the Preference Shares” in this section of the prospectus.

The intention of the Directors is that the Company and its subsidiaries will only engage in telecommunications and telecommunications related businesses. However, telecommunications is a dynamic business sector characterised by rapid changes to business models in response to, or in anticipation of, advances in communications technology. Having regard to the rapid pace of evolution of communications technology, the consequent requirement for businesses which wish to be successful to evolve with those changes and the practical difficulties of formulating a sufficiently flexible definition of a telecommunications business, the Directors do not consider it practicable, nor in the interests of Holders of Share Stapled Units, to expressly restrict the scope of the Company’s business activities in its memorandum and articles of association to telecommunications and telecommunications related businesses. Accordingly, the Company’s memorandum of association, as is customary for a Cayman Islands incorporated company having its securities listed on the Stock Exchange, provides that the Company’s scope of business activities is unlimited. Having regard to that, investors in the Share Stapled Units should note that the memorandum and articles of association of the Company do not restrict its business activities to telecommunications businesses only and that the Company has the legal capacity to engage in other types of businesses if such other businesses are in the interests of the Holders of Share Stapled Units as a whole.

The HKT Trust

General

The HKT Trust is a fixed single investment trust, meaning that the HKT Trust may only invest in securities and other interests in a single entity, being the Company, and that the HKT Trust will confer on Registered Holders of Units a beneficial interest in specifically identifiable property (in this case the Ordinary Shares) held by the HKT Trust.

The HKT Trust is constituted by a Hong Kong law governed trust deed entered into between the Trustee-Manager and the Company. Under the Trust Deed, the Trustee-Manager has been appointed as the trustee and manager of the HKT Trust. The Trustee-Manager has legal ownership of the assets of the HKT Trust and has declared, under the Trust Deed, that it will hold those assets on trust for the Registered Holders of Units. A detailed description of the provisions of the Trust Deed is set out in the section headed “The Constitution of the HKT Trust” in this prospectus.

Trust Property in segregated accounts

All Trust Property will be held in segregated accounts controlled jointly by the Trustee-Manager and the Company. Further information in relation to the segregated accounts is set out in the section headed “The Constitution of the HKT Trust — Segregated accounts” in this prospectus.

SUMMARY

Scope of activities

The scope of activities of the HKT Trust specified in the Trust Deed is essentially limited to investing in the Company, and the powers, authorities and rights of the Trustee-Manager conferred by the Trust Deed are commensurately limited. Further details of the scope of activities specified in the Trust Deed are set out in the section headed “The Constitution of the HKT Trust — Limited scope of activities” in this prospectus.

No debt

The HKT Trust is not permitted to incur debt.

The Trustee-Manager and its specific role

The Trustee-Manager, HKT Management Limited, was incorporated in Hong Kong under the Companies Ordinance on 14 June 2011. It has an issued and paid up share capital of HK\$1.00 and is a wholly-owned subsidiary of PCCW. The Trust Deed provides that for as long as the Trustee-Manager is a subsidiary of PCCW, it must be wholly-owned by PCCW.

The Trustee-Manager has a specific and limited role, which is to administer the HKT Trust. The Trustee-Manager is not actively engaged in running the Telecommunications Business, which is managed by the Company and its operating subsidiaries.

No fees payable to the Trustee-Manager

The costs and expenses of administering the HKT Trust may be deducted from the Trust Property but, commensurate with its specific and limited role, the Trustee-Manager will not receive a separate management fee.

Removal and replacement of the Trustee-Manager

The Trust Deed provides that the Trustee-Manager can be removed and replaced by an Ordinary Resolution of Registered Holders of Units. The Trust Deed contains detailed provisions relating to the resignation, removal and replacement of the Trustee-Manager. Those provisions are described in the section headed “The Constitution of the HKT Trust — Appointment, removal or resignation of the Trustee-Manager” in this prospectus.

Board of directors of the Trustee-Manager

The Trust Deed requires that the directors of the Trustee-Manager shall at all times be the same individuals who serve as directors of the Company; that no person shall serve as a director of the Trustee-Manager unless he also serves as a director of the Company at the same time; and that no person shall serve as a director of the Company unless he also serves as a director of the Trustee-Manager at the same time.

Entrenchment of critical features of the Share Stapled Units structure in the Trust Deed

The critical features of the Share Stapled Units structure are entrenched in the Trust Deed, as described in detail in the section headed “The Constitution of the HKT Trust — Modification of the Trust Deed” in this prospectus.

SUMMARY

Rights conferred by the Preference Shares

The Preference Shares do not confer any rights to participate in any dividends, distributions or other payments to be made by the Company, except in the case of the winding up of the Company. On a winding up of the Company, each registered holder of a Preference Share is entitled to be paid, from the assets available for distribution amongst the Shareholders of the Company, an amount equal to the Offer Price before any distribution of those assets is made in respect of the Ordinary Shares. Thereafter, the balance of the remaining assets available for distribution amongst the Shareholders of the Company shall be distributed amongst the registered holders of the Preference Shares and the Ordinary Shares (pari passu) as if the same constituted one class of shares (in proportion to the number of shares held by them, respectively).

On a termination of the HKT Trust, the Company is required to redeem each Preference Share at a redemption price equal to the par value of the Preference Share.

Distributions to be made in respect of the Units and distribution policy

While the HKT Trust remains in effect, all dividends, distributions and other payments from the Company, derived from the Group, will be paid in respect of the Ordinary Shares held by the Trustee-Manager and distributed to the Registered Holders of Share Stapled Units.

The distribution policy of the HKT Trust and the Company is summarised in the section headed “Summary — Distributions” in this prospectus and explained in more detail in the section headed “Distributions” in this prospectus.

Exchange Right

The Trust Deed includes an Exchange Right for the benefit of Registered Holders of Share Stapled Units. By passing an Extraordinary Resolution of Registered Holders of Units, Registered Holders of Share Stapled Units may require that all (but not part only) of the Share Stapled Units in issue be exchanged (on a one for one basis) for the underlying Ordinary Shares held by the Trustee-Manager that are Linked to the Units being exchanged. If the Exchange Right were to be exercised, the HKT Trust and the Trust Deed would terminate, the Units and Preference Shares would be exchanged with the Trustee-Manager and cancelled pursuant to the exercise of the Exchange Right and the former Registered Holders of Share Stapled Units would become the holders of an equal number of listed Ordinary Shares in the Company, which would, subject to the prior approval of the Stock Exchange, be tradeable on the Stock Exchange on an independent basis. Please refer to the section headed “The Constitution of the HKT Trust — Quorum and voting at meetings of Registered Holders of Units” in this prospectus for the manner in which a Registered Holder of Share Stapled Units can call for an extraordinary general meeting and move a resolution to exercise the Exchange Right.

Meetings of Holders of Share Stapled Units and notices of meetings and other documents

If a meeting of Registered Holders of Units is convened, a meeting of Shareholders must also be convened and vice versa. The Trust Deed provides that meetings of Unitholders and Shareholders shall be held on a combined basis as a single meeting and characterised as a meeting of Registered Holders of Share Stapled Units or, if that is not possible, the meetings shall be held separately but concurrently or, where necessary, consecutively. Holders of Share Stapled Units will receive notices of meetings, financial statements and other publications in respect of both the HKT Trust and the Company. The financial statements to be provided to Holders of Share Stapled Units are described in detail in the section headed “The Constitution of the HKT Trust — Financial statements and reports” in this prospectus.

SUMMARY

A Registered Holder of a Share Stapled Unit shall cast a single vote in respect of that Share Stapled Unit, which shall serve as a vote in respect of both the Unit and the Preference Share Stapled to the Unit. The Trustee-Manager may only exercise the votes conferred by the Ordinary Shares held by the Trustee-Manager in accordance with the directions of the holders of the Units which are Linked to those Ordinary Shares. Further information in relation to meetings of Holders of Units and Shareholders is set out in the sections headed “The Constitution of the HKT Trust — Quorum and voting at meetings of Registered Holders of Units” and “The Constitution of the HKT Trust — Co-ordinate meetings of Registered Holders of Units and Shareholders” in this prospectus.

Key differences between the HKT Trust and other common forms of trusts

There are many types of trusts established for a variety of different purposes. Trusts may be listed or unlisted. The key distinguishing features of the HKT Trust, as compared to other types of trusts are:

- The HKT Trust is a fixed single investment trust and may only invest in securities and other interests in the Company. The Trustee-Manager has a specific and limited role, which is to administer the HKT Trust. The Trustee-Manager is not actively engaged in running the Telecommunications Business, which is managed by the Company and its operating subsidiaries. The trustees or managers of other trusts typically have wider powers of investment and would typically invest in and manage a portfolio of securities issued by different entities and/or other assets, albeit consistent with a stated investment theme or mandate.
- The role of the Trustee-Manager is specific and limited to administering the HKT Trust in the context of its restricted scope of investment as described above.
- While the HKT Trust remains in effect, the Share Stapled Units cannot be repurchased or redeemed by the HKT Trust or the Company unless and until specific regulations which expressly permit that are introduced by the SFC. The Holders of Share Stapled Units have no right to request the Trustee-Manager to repurchase or redeem their Share Stapled Units.
- Any issue by the HKT Trust and the Company of new Share Stapled Units on a non pro rata basis requires prior approval by an Ordinary Resolution of Registered Holders of Units.
- The HKT Trust is not permitted to incur debt.

COMPETITIVE STRENGTHS

The Directors believe that the competitive strengths of the Group are as follows:

- The leading telecommunications service provider in Hong Kong;
- Attractive growth prospects for mobile and broadband services;
- Comprehensive delivery platforms;
- Strong brand recognition and reputation for quality and reliability;
- Extensive telecommunications network and infrastructure;
- Resilient and strong profitability with strong cash flow generation; and
- Experienced management team.

SUMMARY

KEY STRATEGIES

The Directors believe that the outlook of the telecommunications industry in Hong Kong is positive and therefore will provide the Group with the opportunity to increase the profitability of the Telecommunications Business through a combination of the following strategies:

- Increase demand for the Group's fixed-line, broadband and mobile telecommunications services;
- Broaden the range of products and services offered;
- Maintain its leading network infrastructure;
- Focus on cost control and efficiency measures;
- Optimise the overall capital structure of the Group; and
- Proactively manage overall financing costs.

PCCW

PCCW was incorporated in Hong Kong with limited liability. PCCW's shares are listed on the Stock Exchange (Stock Code: 0008) and traded in the form of ADRs on the OTC Markets Group Inc. in the U.S. (Ticker: PCCWY).

PCCW is one of the leading media, telecommunications and information and communications providers in Hong Kong. The principal activities of PCCW and its subsidiaries are the provision of local, mobile and international telecommunications services, Internet access services, interactive multimedia and pay-television services, the sale and rental of telecommunications equipment, and the provision of computer, engineering and other technical services primarily in Hong Kong, the PRC and elsewhere in the Asia Pacific region. PCCW also has investments in, and is engaged in the development of, systems integration, network engineering and technology-related businesses; and has investments in, and is engaged in the development of, infrastructure and properties businesses in Hong Kong, the PRC and elsewhere in the Asia Pacific and Middle East regions.

PROPOSED SPIN-OFF OF THE TELECOMMUNICATIONS BUSINESS FROM PCCW

The directors of PCCW have stated in their major transaction shareholders' circular dated 26 September 2011 relating to the proposed spin-off and separate listing of the Telecommunications Business (and have separately confirmed in writing to the Directors) that the directors of PCCW believe that the proposed spin-off and separate listing of the Telecommunications Business is in the interests of PCCW and its shareholders taken as a whole for the following reasons:

- ***Fair valuation for the Telecommunications Business:*** The directors of PCCW believe that a separate listing of the Telecommunications Business will unlock value for PCCW Shareholders and better identify and establish the fair value of the Telecommunications Business. The directors of PCCW anticipate that this value will represent a substantial enhancement to the Telecommunications Business' existing value within the confines of PCCW's listing. Listing the Telecommunications Business in the form of the Share Stapled Units structure described in this prospectus is expected to align its mature and stable cash flows generating characteristic with the appropriate investor base that favours stable distributions and pure-play investments.

SUMMARY

- **Focus, clarity of business and financial status:** The directors of PCCW believe that the separate listing will allow the Telecommunications Business to create a more defined business focus and efficient resource allocation. Also, the separate listing of the Telecommunications Business will provide investors, the market generally and the rating agencies with greater clarity regarding the businesses and financial status of the Telecommunications Business.

Furthermore, the separate listing of the Telecommunications Business by PCCW will also increase the visibility of the Remaining Group's businesses and further crystallise the value of those higher growth businesses by aligning them with the appropriate type of investors.

- **Increased financial resources for the Group:** HK\$7.8 billion of the net proceeds of the Global Offering will be made available to the Group to reduce its indebtedness, and hence will allow the Group to reduce its annual interest expenses. Such interest expense savings will allow the HKT Trust and the Company to have additional cash for distribution to Holders of Share Stapled Units (including PCCW). A higher amount of distributions to Holders of Share Stapled Units is therefore expected to increase the value of the Group, benefiting both the Group and PCCW. See the section headed "Use of proceeds" in this prospectus for further details of the estimated net proceeds of the Global Offering and the intended use of proceeds.
- **Proceeds of the spin-off:** PCCW would receive the net proceeds of the Global Offering in excess of HK\$7.8 billion pursuant to the terms of the Pre-IPO Restructuring, which would enable PCCW to make additional investments in, or to supplement its growth businesses such as the Media Business and the Solutions Business, thereby creating additional value for PCCW Shareholders. See the section headed "Use of proceeds" in this prospectus for further details of the estimated net proceeds of the Global Offering and the intended use of proceeds.
- **Continued control:** The directors of PCCW believe that as PCCW will continue to be the beneficial owner of a majority of the Share Stapled Units, the PCCW Shareholders will continue to enjoy the benefits from the future development and growth of the Telecommunications Business.
- **No direct dilution:** If PCCW were to raise capital by issuing new shares of PCCW, interests of the PCCW Shareholders may be immediately diluted. In contrast, listing the Telecommunications Business in the form of the Share Stapled Units structure described in this prospectus is expected to enable PCCW to unlock the value of the Telecommunications Business without causing direct dilution to interests of the PCCW Shareholders because PCCW will continue to be the majority owner of the HKT Trust and the Company.

The proposed spin-off by PCCW has complied with the requirements of Practice Note 15 of the Listing Rules.

SUMMARY OF SELECTED FINANCIAL INFORMATION AND OPERATIONAL DATA

The following is the audited combined financial information of the Trust Group for each of the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011 and the unaudited combined financial information of the Trust Group for the six months ended 30 June 2010. The 2008 Restructuring of the Group under HKTGH, a wholly-owned subsidiary of the Company, was not completed until the fourth quarter of 2008 and the combined financial information of the Trust Group for the year ended 31 December 2008 includes only the post-acquisition results of the Telecommunications Business. The acquisitions of the Telecommunications Business arising from the 2008 Restructuring were accounted for using the purchase method under HKFRS 3, "Business combinations" (2004) and,

SUMMARY

accordingly, the results of the acquired businesses were fully consolidated from the date on which the 2008 Restructuring was completed. As a result, the combined financial information of the Trust Group for the year ended 31 December 2008 presents partial year results of the Telecommunications Business and is not directly comparable to the full year results of the Telecommunications Business for the year ended 31 December 2009. In addition, the unaudited non-HKFRS financial information, such as EBITDA and Adjusted Funds Flow, is set forth below in the paragraph headed “Other historical financial and operational information” in this section of the prospectus.

See the section headed “Selected financial information and operational data” in this prospectus for further explanation of the aggregated financial information for the year ended 31 December 2008 and the reasons for including such information in this prospectus, together with the section headed “Management’s discussion and analysis of financial condition and results of operations — Comparison of the audited results for the year ended 31 December 2009 and the aggregated results for the year ended 31 December 2008” in this prospectus for more detail.

Combined income statements

	For the year ended 31 December			For the six months ended 30 June	
	2008 ⁽¹⁾	2009	2010	2010 (unaudited)	2011
	HK\$ million				
Turnover	7,201	17,947	18,527	9,206	9,537
Cost of sales	(2,306)	(6,642)	(7,451)	(3,635)	(3,758)
General and administrative expenses	(4,309)	(7,981)	(8,131)	(4,171)	(4,287)
Other gains/(losses), net	63	—	40	—	(28)
Losses on property, plant and equipment	—	(25)	—	—	—
Finance costs, net	(240)	(1,468)	(1,562)	(793)	(733)
Share of results of jointly controlled companies	—	—	(73)	(5)	(5)
Profit before income tax	409	1,831	1,350	602	726
Income tax	(132)	(480)	(378)	(180)	(168)
Profit for the year/period	<u>277</u>	<u>1,351</u>	<u>972</u>	<u>422</u>	<u>558</u>
Attributable to:					
Holders of Share Stapled Units	274	1,316	925	400	537
Non-controlling interests	3	35	47	22	21
	<u>277</u>	<u>1,351</u>	<u>972</u>	<u>422</u>	<u>558</u>

Note:

- (1) The combined financial information of the Trust Group for the year ended 31 December 2008 presents partial year results of the Telecommunications Business as described in the section headed “Summary — Summary of selected financial information and operational data” in this prospectus. Please see the section headed “Management’s discussion and analysis of financial condition and results of operations — Comparison of the audited results for the year ended 31 December 2009 and the aggregated results for the year ended 31 December 2008” in this prospectus for more detail.

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Combined balance sheets

	As at 31 December			As at 30 June
	2008	2009	2010	2011
	HK\$ million			
Non-current assets				
Property, plant and equipment	15,717	15,068	14,322	14,564
Investment properties	6	7	—	—
Interests in leasehold land	389	376	329	323
Goodwill	35,688	35,877	35,892	35,895
Intangible assets	6,789	6,045	5,545	5,158
Interests in jointly controlled companies	—	259	474	461
Available-for-sale financial asset	—	—	48	75
Derivative financial instruments	—	—	152	113
Deferred income tax assets	—	4	3	3
Other non-current assets	371	420	448	481
	<u>58,960</u>	<u>58,056</u>	<u>57,213</u>	<u>57,073</u>
Current assets				
Prepayments, deposits and other current assets	466	1,085	2,045	1,346
Inventories	938	849	832	986
Derivative financial instruments	230	108	17	3
Trade receivables, net	2,076	1,945	2,104	2,202
Tax recoverable	2	—	—	—
Cash and cash equivalents	1,507	2,227	5,456	5,229
	<u>5,219</u>	<u>6,214</u>	<u>10,454</u>	<u>9,766</u>
Current liabilities				
Short-term borrowings	—	46	7,800	7,823
Trade payables	1,369	1,433	1,568	1,433
Accruals and other payables	2,453	2,215	2,019	2,090
Carrier licence fee liabilities	78	87	146	146
Amounts due to related companies	35	38	58	99
Amounts due to fellow subsidiaries and the ultimate holding company	7,240	2,774	4,045	2,697
Advances from customers	1,605	1,521	1,583	1,325
Current income tax liabilities	28	20	14	194
	<u>12,808</u>	<u>8,134</u>	<u>17,233</u>	<u>15,807</u>
Net current liabilities	<u>(7,589)</u>	<u>(1,920)</u>	<u>(6,779)</u>	<u>(6,041)</u>
Total assets less current liabilities	<u>51,371</u>	<u>56,136</u>	<u>50,434</u>	<u>51,032</u>

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	As at 31 December			As at 30 June
	2008	2009	2010	2011
	HK\$ million			
Non-current liabilities				
Long-term borrowings	31,745	34,656	27,029	27,148
Derivative financial instruments	—	—	102	7
Deferred income tax liabilities	1,283	1,745	2,081	2,045
Deferred income	667	651	728	784
Carrier licence fee liabilities	551	515	924	908
Other long-term liabilities	37	66	57	56
	<u>34,283</u>	<u>37,633</u>	<u>30,921</u>	<u>30,948</u>
Net assets	<u>17,088</u>	<u>18,503</u>	<u>19,513</u>	<u>20,084</u>
Capital and reserves				
Retained profits	612	1,928	2,853	3,382
Other reserves	16,337	16,417	16,498	16,555
Equity attributable to Holders of Share				
Stapled Units	16,949	18,345	19,351	19,937
Non-controlling interests	139	158	162	147
Total equity	<u>17,088</u>	<u>18,503</u>	<u>19,513</u>	<u>20,084</u>

Combined statements of cash flows

	For the year ended 31 December			For the six months ended 30 June	
	2008 ⁽¹⁾	2009	2010	2010 (unaudited)	2011
	HK\$ million				
Net cash generated from operating activities	4,223	6,240	6,239	3,099	3,352
Net cash used in investing activities	(14,658)	(9,895)	(2,733)	(988)	(1,336)
Net cash generated from/(used in) financing activities	11,930	4,361	(264)	(2,997)	(2,185)
Net change in cash and cash equivalents	1,495	706	3,242	(886)	(169)
Exchange differences	12	14	(13)	(8)	(58)
Cash and cash equivalents at 1 January	—	1,507	2,227	2,227	5,456
Cash and cash equivalents at 31 December/30 June	<u>1,507</u>	<u>2,227</u>	<u>5,456</u>	<u>1,333</u>	<u>5,229</u>

Note:

- (1) The combined financial information of the Trust Group for the year ended 31 December 2008 presents partial year results of the Telecommunications Business as described in the section headed "Summary — Summary of selected financial information and operational data" in this prospectus. Please see the section headed "Management's discussion and analysis of financial condition and results of operations — Cashflow" in this prospectus for more detail.

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Other historical financial and operational information

A reconciliation of profit for the year/period to EBITDA is provided as follows:

	For the year ended 31 December			For the six months ended 30 June	
	2008 ⁽²⁾	2009	2010	2010	2011
	HK\$ million				
Profit for the year/period	277	1,351	972	422	558
<i>Add back:</i>					
Income tax	<u>132</u>	<u>480</u>	<u>378</u>	<u>180</u>	<u>168</u>
Profit before income tax	409	1,831	1,350	602	726
<i>Add back/(less):</i>					
Loss/(gain) on disposal of property, plant and equipment, net	17	3	(14)	1	(1)
Depreciation and amortisation	2,201	3,936	4,318	2,122	2,132
Other (gains)/losses, net	(63)	—	(40)	—	28
Losses on property, plant and equipment	—	25	—	—	—
Finance costs, net	240	1,468	1,562	793	733
Share of results of jointly controlled companies	<u>—</u>	<u>—</u>	<u>73</u>	<u>5</u>	<u>5</u>
EBITDA⁽¹⁾	<u>2,804⁽⁴⁾</u>	<u>7,263</u>	<u>7,249</u>	<u>3,523</u>	<u>3,623</u>

SUMMARY

A reconciliation of EBITDA to Adjusted Funds Flow is provided as follows:

	For the year ended 31 December			For the six months ended 30 June	
	2008 ⁽²⁾	2009	2010	2010	2011
	HK\$ million				
EBITDA⁽¹⁾	2,804⁽⁴⁾	7,263	7,249	3,523	3,623
Reconciliation of EBITDA to Adjusted Funds Flow					
<i>Less cash outflows in respect of:</i>					
Customer acquisition costs and licence fees	(179)	(907)	(1,058)	(365)	(613)
Capital expenditures	<u>(2,254)</u>	<u>(1,450)</u>	<u>(1,564)</u>	<u>(623)</u>	<u>(721)</u>
Adjusted Funds Flow before tax paid, finance costs, interest (expense)/income and changes in working capital	371	4,906	4,627	2,535	2,289
<i>Adjusted for:</i>					
Tax payment	—	(24)	(43)	(24)	(24)
Finance costs paid	(237)	—	(302)	(227)	—
Interest expense paid	(219)	(1,432)	(1,296)	(661)	(678)
Interest income received	2	7	9	2	18
Changes in working capital	<u>1,417</u>	<u>(1,006)</u>	<u>(976)</u>	<u>(402)</u>	<u>(253)</u>
Adjusted Funds Flow for the year/period⁽³⁾	<u>1,334⁽⁵⁾</u>	<u>2,451</u>	<u>2,019</u>	<u>1,223</u>	<u>1,352</u>

Notes:

(1) EBITDA represents consolidated earnings before interest income, finance costs, income tax, depreciation of property, plant and equipment, amortisation of land lease premium and intangible assets, gain/loss on disposal of property, plant and equipment, investment properties 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 associates and jointly controlled companies, and the Group's share of results of associates and jointly controlled companies. While EBITDA is commonly used in the telecommunications industry worldwide as an indicator of operating performance and liquidity, it is not presented as a measure of operating performance in accordance with HKFRS. Furthermore, EBITDA is not a measure of the financial performance leverage or liquidity under HKFRS and should not be considered as representing net cash flows from operating activities or any other performance measure derived in accordance with HKFRS or an alternative to cash flow from operations or a measure of liquidity. The computation of the Group's EBITDA may not be comparable to similarly titled measures of other companies.

The Group's financial performance is measured by the Group using EBITDA in addition to accounting profits or losses. The basis for this approach is that telecommunications assets tend to have lower accounting profits amounts compared to operating cash flows in a financial year or period, or even losses, due to relatively high amounts of non-cash depreciation and amortisation expenses associated with telecommunications assets.

(2) Information presented for 2008 is derived from the combined financial information of the Trust Group for the year ended 31 December 2008, which presents partial year results of the Telecommunications Business as described in the paragraph headed "Summary of selected financial information and operational data" in this section above.

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- (3) 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 computation of the Group's adjusted funds flow may not be comparable to similarly titled measures of other companies. The Adjusted Funds Flow may be used for debt repayment.
- (4) The aggregated EBITDA and Adjusted Funds Flow for the year ended 31 December 2008 is derived from the aggregated financial information of the Group for the year ended 31 December 2008, which aggregated the audited historical results for the year ended 31 December 2008, the pre-acquisition results of the accounting acquirees in the 2008 Restructuring and adjustments to annualise depreciation, amortisation and finance costs assuming the 2008 Restructuring had taken place as at 1 January 2008. Such information is shown for illustrative purposes only and is not necessarily indicative of the results of operations that would have been achieved had the 2008 Restructuring taken place as of such date.
- On an aggregated basis, the EBITDA for 2008 was HK\$7,357 million, derived from the profit for the year of HK\$1,455 million, adding back income tax of HK\$538 million, net loss on disposal of property, plant and equipment of HK\$16 million, depreciation and amortisation of HK\$3,926 million and net finance cost of HK\$1,485 million and less net other gains of HK\$63 million.
- (5) On an aggregated basis, Adjusted Funds Flow for 2008 was HK\$1,739 million, derived from an aggregated EBITDA of HK\$7,357 million as stated in note (4) above, less cash outflows in respect of customer acquisition costs and license fees of HK\$1,001 million, capital expenditures of HK\$2,886 million and further adjusted by subtracting finance costs paid of HK\$237 million, interest expense paid of HK\$1,463 million, tax paid of nil, changes in working capital of HK\$40 million and adding back interest income received of HK\$9 million.

SUMMARY

Other operating data⁽¹⁾

	As at / For the year ended 31 December			As at / For the six months ended 30 June	
	2008	2009	2010	2010	2011
Telecommunications services					
<i>Local telephony services</i>					
Exchange lines in service ('000)	2,603	2,588	2,590	2,587	2,625
Business lines ('000)	1,195	1,182	1,183	1,180	1,217
Residential lines ('000)	1,408	1,406	1,407	1,407	1,408
Blended ARPU (HK\$)	119 ^(*)	111	101	103	96
<i>Local data and broadband services</i>					
Total broadband access lines ('000)	1,302	1,297	1,367	1,298	1,437
(Consumer, business and wholesale customers)					
Retail consumer broadband subscribers ('000)	1,126	1,146	1,215	1,148	1,285
Retail business broadband subscribers ('000)	113	114	115	114	116
Retail broadband blended ARPU (HK\$)	245 ^(*)	249	266	272	260
<i>Traditional data capacity in service (Exit Gbps)</i>	927	837	1,045	953	1,243
<i>International telecommunications services</i>					
Retail IDD minutes (million minutes)	1,785 ^(*)	1,455	1,326	674	618
International private leased circuit bandwidth (Exit Mbps)	78,202	82,913	109,864	88,108	148,834

SUMMARY

	As at / For the year ended 31 December			As at / For the six months ended 30 June	
	2008	2009	2010	2010	2011
Mobile					
Mobile subscribers ('000)	1,313	1,422	1,484	1,469	1,506
3G post-paid ('000)	414	529	667	606	880
2G post-paid ('000)	440	376	250	319	43
2G prepaid ('000)	459	517	567	544	583
Blended post-paid ARPU (HK\$)	151 ^(*)	143	141	138	153
3G post-paid ARPU (HK\$)	206 ^(*)	189	175	175	163
2G post-paid ARPU (HK\$)	113 ^(*)	89	76	78	101

Notes:

(1) The figures stated are as at year/period end, except for the number of IDD minutes which is the total of the year/period and the blended ARPU figures for local telephony services, local data and broadband services and mobile services, which are annual/six month averages, calculated by dividing the revenue earned in the year/period by the average number of lines in service or subscribers, where appropriate, during the year/period.

(*) On an aggregated basis.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following illustrative statement of the Trust Group's unaudited pro forma adjusted combined net tangible assets is based on the combined net assets of the Trust Group as at 30 June 2011, as shown in the audited combined financial information, which is included in the Accountant's Report in Appendix I to this prospectus, and adjusted as described below:

	Unadjusted audited combined net tangible assets of the Trust Group attributable to the Holders of Share Stapled Units as at 30 June 2011 ⁽¹⁾	Adjustment for the Pre-IPO Restructuring ⁽²⁾	Estimated net proceeds to the HKT Trust and the Company from the Global Offering ⁽³⁾	Unaudited pro forma adjusted net tangible assets of the Trust Group attributable to the Holders of Share Stapled Units	Unaudited pro forma adjusted net tangible assets per Share Stapled Unit ⁽⁴⁾
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$
Based on an Offer Price of HK\$4.53 per Offer Share Stapled Unit	(21,116)	1,760	8,808	(10,548)	(1.64)
Based on an Offer Price of HK\$5.38 per Offer Share Stapled Unit	(21,116)	144	10,424	(10,548)	(1.64)

Notes:

(1) The unadjusted audited combined net tangible assets of the Trust Group as at 30 June 2011 is based on the audited combined net assets of the Trust Group attributable to the Holders of Share Stapled Units of HK\$19,937 million less goodwill of HK\$35,895 million and intangible assets of HK\$5,158 million as at 30 June 2011 extracted from the Accountant's Report set out in Appendix I to this prospectus.

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- (2) This adjustment is to reflect the issue of a promissory note by the Company to CAS Holding No. 1 Limited, the transfer of PCCW's 50% interest in Reach Ltd. to the Company and the capitalisation of inter-company balances the Group owed to the Remaining Group.
- (3) The estimated net proceeds from the Global Offering to be received by the HKT Trust and the Company are based on the Offer Prices of HK\$4.53 and HK\$5.38, after deduction of underwriting fees and commissions (including the estimated incentive fee) and other related expenses payable by the HKT Trust and the Company.
- (4) The unaudited pro forma adjusted net tangible asset value per Share Stapled Unit is arrived at after the adjustments referred to in notes (2) and (3) above and on the basis that 6,416,730,792 Share Stapled Units were in issue assuming the Pre-IPO Restructuring and the Global Offering had been completed on 30 June 2011 and assuming the Over-Allotment Option is not exercised.
- (5) No adjustment has been made to reflect any trading result or other transactions of the Trust Group entered into subsequent to 30 June 2011.

USE OF PROCEEDS

The net proceeds from the Global Offering which the HKT Trust and the Company will receive, assuming an Offer Price of HK\$4.96 (being the mid-point of the Offer Price Range), will be approximately HK\$9,641 million, after deducting the estimated underwriting commissions, incentive fee and expenses in relation to the Global Offering and assuming the Over-Allotment Option is not exercised.

The HKT Trust and the Company intend to use the net proceeds from the Global Offering as follows:

- HK\$7,800 million of the net proceeds will be applied towards repayment of the Group's debt, including the mandatory repayment required under its third party bank facilities described in the section headed "History, development and the restructuring exercise — Details of the Pre-IPO Restructuring" in this prospectus; and
- the remaining net proceeds will be paid to CAS Holding No. 1 Limited, a wholly-owned subsidiary of PCCW, for the full settlement and cancellation of the promissory note issued to it under the Pre-IPO Restructuring.

Assuming an Offer Price of HK\$5.38 per Offer Share Stapled Unit (being the Maximum Offer Price) and assuming the Over-Allotment Option is not exercised, the amount of additional net proceeds to be received by the HKT Trust and the Company will be approximately HK\$783 million. The HKT Trust and the Company intend to apply such additional net proceeds as additional payment to CAS Holding No. 1 Limited for the full settlement and cancellation of the promissory note issued to it under the Pre-IPO Restructuring.

Assuming an Offer Price of HK\$4.53 per Offer Share Stapled Unit (being the Minimum Offer Price) and assuming the Over-Allotment Option is not exercised, the net proceeds to be received by the HKT Trust and the Company will decrease by approximately HK\$833 million. The HKT Trust and the Company intend that the payment to CAS Holding No. 1 Limited for the full settlement and cancellation of the promissory note issued to it under the Pre-IPO Restructuring will be reduced accordingly.

In the event the Over-Allotment Option is exercised in full and assuming an Offer Price of HK\$4.96 (being the mid-point of the Offer Price Range), the HKT Trust and the Company will receive additional net proceeds of approximately HK\$1,478 million. The additional net proceeds from the exercise of the Over-Allotment Option will be applied as additional payment to CAS Holding No. 1 Limited for the full settlement and cancellation of the promissory note issued to it under the Pre-IPO Restructuring.

SUMMARY

Pending the deployment of the net proceeds from the Global Offering as described above, the Trustee-Manager and the Company currently intend to deposit such net proceeds into short-term interest bearing deposits and/or money market instruments.

PROFIT FORECAST AND PROFIT PROJECTION

Profit forecast for the financial year ending 31 December 2011

The Directors believe that, on the bases and assumptions set forth in the section headed “Profit forecast and profit projection” in this prospectus and in the absence of material adverse unforeseen circumstances, the forecast EBITDA for the year ending 31 December 2011 is expected to be not less than HK\$7,385 million and the forecast consolidated net profit attributable to the Holders of Share Stapled Units for the year ending 31 December 2011 is expected to be not less than HK\$934 million. The unaudited forecast pro forma basic earnings per Share Stapled Unit for the year ending 31 December 2011 is expected to be not less than 14.56 HK cents¹.

Profit projection for the financial year ending 31 December 2012

The Directors believe that, on the bases and assumptions set forth in the section headed “Profit forecast and profit projection” in this prospectus and in the absence of material adverse unforeseen circumstances, the EBITDA for the year ending 31 December 2012 is projected to be not less than HK\$7,621 million and the consolidated net profit attributable to the Holders of Share Stapled Units for the year ending 31 December 2012 is projected to be not less than HK\$1,364 million. The unaudited projected pro forma basic earnings per Share Stapled Unit for the year ending 31 December 2012 is expected to be not less than 21.26 HK cents¹.

DISTRIBUTIONS

The Trust Deed requires the HKT Trust to distribute 100% of its cash flows from dividends, other distributions and any other amounts received (in each case, net of applicable taxes and expenses) by the HKT Trust from the Group, after such cash flows have been applied to pay the operating expenses of the HKT Trust, including the Trustee-Manager’s expenses (the “**Distributable Income**”).

The distributions received by the HKT Trust from the Group will come from the Group’s Annual Adjusted Funds Flow, after adjusting for potential debt repayment, if required, for each financial year. Please note that the Group’s Annual Adjusted Funds Flow is an amount derived from the Company’s annual financial results only. The Trust Deed and the Company’s Articles state the current intention of the Company Directors to declare and distribute 100% of the Group’s Annual Adjusted Funds Flow, after adjusting for potential debt repayment, if required, for each financial year, to the HKT Trust to fund distributions in respect of the Share Stapled Units to be made by the HKT Trust.

¹ The unaudited pro forma forecast and projected basic earnings per Share Stapled Unit are calculated by dividing the forecast and projected consolidated net profit attributable to the Holders of Share Stapled Units for the year ending 31 December 2011 and 2012, assuming that the HKT Trust and the Company had been listed since 1 January 2011 and a total of 6,416,730,792 Share Stapled Units to be in issue immediately upon completion of the Global Offering (assuming the Over-Allotment Option is not exercised) were issued and outstanding during each of the years ending 31 December 2011 and 2012.

SUMMARY

It is the current intention of the Company Directors that the Group will declare and make distributions to the HKT Trust on a semi-annual basis, with the interim and final distributions in respect of a full financial year being equal, in aggregate, to 100% of the Group's Annual Adjusted Funds Flow in respect of the relevant financial year, after adjusting for potential debt repayment, if required, in respect of that financial year. This distribution policy is a statement of the current intention of the Company Directors only. It is not a legally binding obligation of the Company Directors, the Company, the Trustee-Manager or the HKT Trust and is subject to change (if the distribution policy were to be changed in the future, the Trustee-Manager and the Company would issue an announcement describing the relevant change).

The respective proportions of the aggregate annual distribution to be paid as an interim distribution and a final distribution shall be determined by the Company Board in its discretion; and the amount of the interim distribution need not be equal to the amount of the Group's Adjusted Funds Flow (after adjusting for potential debt repayment, if required) in respect of the first six months of the financial year (or other period in respect of which the distribution is made) or proportionate to the Annual Adjusted Funds Flow (after adjusting for potential debt repayment, if required) in respect of the relevant financial year. Please see the section headed "Distributions" in this prospectus for further details.

In the context of the Share Stapled Units structure, the Company may declare and make distributions to the HKT Trust out of the Company's available funds and not only out of accounting profits. Subsidiaries of the Company may upstream amounts to the Company, by a combination of distributions from distributable reserves and inter-company loans, to fund distributions by the Company.

The Company may make distributions out of its distributable reserves (including share premium) to the HKT Trust which in turn is required under the Trust Deed to make distributions to the Registered Holders of Share Stapled Units. The Trustee-Manager, in its capacity as trustee-manager of the HKT Trust, is not subject to restrictions relating to profits available for distribution in respect of the amounts that it can distribute to Holders of Share Stapled Units.

Immediately following the completion of the Global Offering and assuming the Over-Allotment Option is not exercised, the expected amount of reserves, representing share premium, available to the Company for distribution is approximately HK\$28 billion, based on the Minimum Offer Price for the Global Offering.

The subsidiaries of the Company, following the completion of the Pre-IPO Restructuring, have at least HK\$5.7 billion of distributable reserves based on the balance available as at 30 June 2011 that can be distributed to the Company.

The distributable reserves of the Company will be increased by any net profit earned, or decreased by any net losses incurred or any distributions made, in subsequent periods.

The HKT Trust will make distributions to Holders of Share Stapled Units on a semi-annual basis, from the interim and final distributions to be made by the Group to the HKT Trust, referred to above. The Trustee-Manager will pay the interim distribution within four months after 30 June and the final distribution within six months after 31 December of each year. The Trustee-Manager will distribute 100% of its Distributable Income in respect of each financial year, by way of the interim and final distributions described above in this paragraph.

Distributions will be declared in Hong Kong dollars. Each Registered Holder of Share Stapled Units will receive his pro rata share of the Hong Kong dollar distribution declared.

SUMMARY

The form, frequency and amount of future distributions (if any) will depend on the earnings, financial position and results of operations of the Group, as well as contractual restrictions (including existing limitations on borrowings under the Trust Deed and compliance with financial undertakings imposed under the Group's loan facilities agreements such as the ratio of EBITDA to interest and the ratio of net debt to EBITDA), provisions of applicable law and regulations and other factors including but not limited to funding requirements with reference to the prevailing business environment and operations, expansion plans, other capital management considerations, the overall stability of distributions and prevailing industry practice.

The Trust Deed contains provisions requiring the Trustee-Manager to inform the Stock Exchange immediately of (i) any decision to declare, recommend or pay any distribution and the rate and amount thereof; (ii) any decision not to declare, recommend or pay any distribution which would otherwise have been expected to be declared, recommended or paid in due course; and (iii) any preliminary announcement of profits or losses for any year, half year or other period. The Trust Deed also requires that any decision referred to in (i) or (ii) above be announced, as soon as possible after the decision.

The HKT Trust may not be able to make distributions to Holders of Share Stapled Units at all or the level of distributions may fall. If the Group's businesses do not generate sufficient income, the Group's cash flow and the Group's (and therefore the HKT Trust's) ability to make distributions will be adversely affected. See the risk factor headed "The HKT Trust may not be able to make distributions to Holders of Share Stapled Units at all or the level of distributions may fall" in the section headed "Risk factors — Risks relating to the investment in the Share Stapled Units" in this prospectus for further information.

Period from the Listing Date to 31 December 2011

The Directors expect that, in the absence of unforeseen circumstances, total distributions payable to Holders of Share Stapled Units will be not less than HK\$213 million, the pro-rata expected distributions for the year ending 31 December 2011. The pro-rata distributions to be paid to Holders of Share Stapled Units is calculated based on the expected Annual Adjusted Funds Flow of HK\$2,356 million for the year ending 31 December 2011, multiplied by the number of days from the Listing Date to 31 December 2011 (both dates inclusive) and divided by 365 (being the number of calendar days in the financial year ending 31 December 2011).

Financial year ending 31 December 2012

The Directors expect that, in the absence of unforeseen circumstances, total distributions to Holders of Share Stapled Units of not less than HK\$2,574 million will be declared and paid in respect of the financial year ending 31 December 2012.

Each financial year from 1 January 2013 onwards

The Trust Deed and the Company's Articles state the current intention of the Company Directors that, in respect of each financial year, the Group will declare and distribute 100% of the Group's Annual Adjusted Funds Flow (after adjusting for potential debt repayment, if required, for each financial year) to the HKT Trust to fund distributions to Holders of Share Stapled Units. The sustainability of distributions will depend on the availability of the expected Annual Adjusted Funds Flow. The level of distributions to Holders of Share Stapled Units going forward may be affected by a number of factors, including but not limited to general business environment, technological changes, changes in regulations, competition and whether substantial maintenance costs or capital expenditure may be incurred, many of which are factors that are beyond the control of the Company Directors. Please refer to the section headed "Risk factors — Risks relating to the business" in this prospectus for more details.

SUMMARY

The projected yields stated in the following table are calculated based on the Minimum Offer Price and the Maximum Offer Price. Such yields will vary accordingly in relation to investors who purchase Share Stapled Units in the secondary market at a market price that differs from the Minimum Offer Price and the Maximum Offer Price or to investors who do not hold the Share Stapled Units for the whole of the Forecast Year 2011 or Projection Year 2012.

	Based on the Minimum Offer Price of HK\$4.53		Based on the Maximum Offer Price of HK\$5.38	
	Forecast Year 2011	Projection Year 2012	Forecast Year 2011	Projection Year 2012
Issue Price (HK\$ per Share Stapled Unit)	4.53	4.53	5.38	5.38
Distribution to Holders of Share Stapled Units (HK\$ in million)	213 ⁽¹⁾	2,574 ⁽²⁾	213 ⁽¹⁾	2,574 ⁽²⁾
Share Stapled Units in issue at Listing ⁽³⁾	6,416,730,792	6,416,730,792	6,416,730,792	6,416,730,792
Annualised DPU ⁽³⁾ (HK cents)	36.72	40.11	36.72	40.11
Annualised DPU yield ⁽³⁾ (%)	8.11%	8.85%	6.83%	7.46%

Notes:

(1) Period from the Listing Date to 31 December 2011.

The Directors expect that, in the absence of unforeseen circumstances, the pro-rata expected distributions for the year ending 31 December 2011 payable to Holders of Share Stapled Units will be not less than HK\$213 million. The pro-rata distributions to be paid to Holders of Share Stapled Units is calculated based on the expected Annual Adjusted Funds Flow of HK\$2,356 million for the year ending 31 December 2011, multiplied by the number of days from the Listing Date to 31 December 2011 (both dates inclusive) and divided by 365 (being the number of calendar days in the financial year ending 31 December 2011).

(2) Distribution to Holders of Share Stapled Units for the Projection Year 2012 equals to Adjusted Funds Flow for the Projection Year 2012. See the sections headed “Distributions — Distribution policy” and “Profit forecast and profit projection” in this prospectus for further details.

(3) Assuming the Over-Allotment Option is not exercised.

SUMMARY OF RISK FACTORS

There are certain risks involved in investing in the HKT Trust and the Company. These risks can be categorised as (i) risks relating to the investment in the Share Stapled Units; (ii) risks relating to the business; and (iii) other risks relating to the investment in the Share Stapled Units. For further information regarding these risks, please see the section headed “Risk factors” in this prospectus.

Risks relating to the investment in the Share Stapled Units

- The structure involving the listing of the HKT Trust, the Company and the Share Stapled Units is novel and there is no precedent for it in the Hong Kong market. Despite considerable efforts having been made to ensure that investors would have the benefit of investor protections as Holders of Share Stapled Units equivalent to those enjoyed by shareholders of companies listed on the Stock Exchange, the application of the relevant investor protection legislation to the Share Stapled Units structure is subject to the interpretation of the Courts.
- The HKT Trust may not be able to make distributions to Holders of Share Stapled Units at all or the level of distributions may fall.

SUMMARY

- Given that the listing of the structure involving the HKT Trust, the Company and the Share Stapled Units is novel, the HKT Trust and/or the Company may be affected by the introduction of new legislation, regulations, guidelines or directives affecting it.
- The introduction of new legislation, or amendment of existing legislation, in the Cayman Islands restricting the funds from which the Company is permitted to make distributions may reduce the level of distributions to Holders of Share Stapled Units.
- Given that the listing of the Share Stapled Units structure is novel, there is uncertainty as to the Hong Kong profits tax treatment of the HKT Trust distributions to Holders of Share Stapled Units.

Risks relating to the business

- The Group operates in a highly competitive environment.
- The Group may be adversely affected by regulatory decisions.
- The Group is subject to extensive laws and regulations.
- The Group operates in an environment driven by technological changes.
- The Group faces operating risks.
- The Group's substantial debt and high level of net current liabilities could impair its ability to implement its business plan.
- The Group is exposed to interest rate risk.
- Credit ratings assigned to Hong Kong Telecommunications (HKT) Limited may be subject to change.
- The Group may not be able to obtain additional capital.
- The Group may not be able to successfully implement its strategies.
- The Group may be susceptible to risks associated with overseas expansion, which could harm its operating results.
- Licences, permits and commercial agreements with third parties required for operating a network may be difficult to obtain and, licences and permits, once obtained, may be amended or revoked or may not be renewed.
- Any asset impairment could adversely affect the Group's financial condition and results of operations.
- A recurrence of SARS, bird flu, swine flu or other similar outbreak in Hong Kong or certain other Asian countries may adversely affect the Group's businesses, results of operations and financial condition.
- Changes in domestic, regional and global economic conditions may have a material adverse effect on the financial performance and operations of the Group.
- Currency fluctuations could adversely affect the Group's results of operations.
- The Group has existing contractual arrangements with the Remaining Group.

SUMMARY

- The Group is exposed to counterparty risk.
- The Group may be liable for information disseminated through its networks.
- The Group is exposed to perceived risks associated with electromagnetic energy.
- The loss of key management and other qualified personnel could weaken the Group's businesses.
- Labour activism and unrest may materially and adversely affect the Group's business.
- The Group may be exposed to various types of taxes in the jurisdictions in which it operates or has a presence.
- You should only rely on the information included in this prospectus to make your investment decision and should not rely on any particular statements in published news reports or research analyst reports.
- The PCCW Group may be unable to extend or renew the leases of the PTG Telephone Exchanges which are leased by private treaty grants from the Government, thereby affecting the Group's ability to conduct operational activities at the telephone exchanges under the PTG Licensing Arrangements.
- The Company's memorandum and articles of association do not restrict its business activities to telecommunications businesses.

Other risks relating to the investment in the Share Stapled Units

- The sale of a substantial number of the Share Stapled Units by PCCW (following the lapse of the lock-up arrangements) in the public market could adversely affect the price of the Share Stapled Units.
- PCCW, whose interest in the Group's business may be different from the other Holders of Share Stapled Units, will be able to exercise significant influence over certain activities of the Group.
- The proceeds from a winding up of the HKT Trust and/or the Company may be less than the amount invested by investors under the Global Offering.
- Market and economic conditions may affect the market price and demand for the Share Stapled Units.
- The actual performance of the Group could differ materially from the forward-looking statements, forecasts and projections in this prospectus.
- The Trustee-Manager is not obliged, or permitted, to redeem the Share Stapled Units.
- The Trustee-Manager can only be removed and replaced by an Ordinary Resolution of Registered Holders of Units.
- If the Trustee-Manager resigns or is removed by the Registered Holders of Units, the HKT Trust may not be able to appoint a new trustee-manager in the future in a timely manner or on similar terms.
- If the Trustee-Manager is removed and no new trustee-manager is willing to take its place, the HKT Trust could be terminated by court order.

SUMMARY

- The Share Stapled Units have never been publicly traded and the listing of the Share Stapled Units on the Main Board of the Stock Exchange may not result in an active or liquid market for the Share Stapled Units.
- There is no assurance that the Share Stapled Units will remain listed on the Stock Exchange.
- The price of the Share Stapled Units may decline after the Global Offering.
- It may be difficult to establish a liability for breach of trust by the Trustee-Manager and the rights of the HKT Trust and the Holders of Share Stapled Units to recover claims against the Trustee-Manager are limited.
- Third parties may be unable to recover for claims brought against the Trustee-Manager as the Trustee-Manager is not an entity with significant assets other than the Trust Property. The HKT Trust can only act through the Trustee-Manager.
- The Trustee-Manager, being a newly established entity, does not have an established operating history for investors to rely on in making an investment decision and may be put in receivership or liquidation.

OVERVIEW OF THE GLOBAL OFFERING

HKT Trust	The HKT Trust, a trust constituted by the Trust Deed under the laws of Hong Kong, which has been established as a fixed single investment trust, with its activities being limited to investing in the Company and anything necessary or desirable for or in connection with investing in the Company.
Company	HKT Limited, a company incorporated in the Cayman Islands as an exempted company with limited liability on 14 June 2011.
Trustee-Manager	HKT Management Limited, a wholly-owned subsidiary of PCCW.
Global Offering	2,053,354,000 Offer Share Stapled Units jointly offered by the HKT Trust and the Company under the International Offering, the Hong Kong Public Offering and the Preferential Offering, subject to the Over-Allotment Option; and 2,361,357,000 Offer Share Stapled Units if the Over-Allotment Option is exercised in full.
Hong Kong Public Offering	205,336,000 Offer Share Stapled Units jointly offered by the HKT Trust and the Company by way of a public offer in Hong Kong (subject to reallocation).
International Offering	<p>1,848,018,000 Offer Share Stapled Units jointly offered by the HKT Trust and the Company by way of an international placement to investors, including institutional and other investors in Hong Kong (subject to reallocation).</p> <p>None of the Share Stapled Units, the Units, the Ordinary Shares or the Preference Shares have been or will be registered under the U.S. Securities Act and, subject to certain exceptions, may not be offered or sold within the United States. The Share Stapled Units are being offered and sold outside of the United States in reliance on Regulation S and other applicable laws and within the United States only to persons who are QIBs in reliance on Rule 144A or under exemptions from, or transactions not subject to, the regulation requirements of the U.S. Securities Act. See the section headed “Structure of the Global Offering” in this prospectus.</p>
Public offering without listing in Japan	The International Offering will include a public offering without listing in Japan.
Preferential Offering to Qualifying PCCW Shareholders	Of the 2,053,354,000 Offer Share Stapled Units to be offered under the Global Offering, 207,780,000 Offer Share Stapled Units will be offered by way of a preferential offering in Hong Kong to the Qualifying PCCW Shareholders as Assured Entitlement. In the event of excess applications under the Preferential Offering, up to an additional 408,227,000 Offer Share Stapled Units would be made available to satisfy such excess applications.

OVERVIEW OF THE GLOBAL OFFERING

Special interim dividend in the form of distribution in specie to Qualifying PCCW Shareholders

320,836,540 Share Stapled Units will be distributed by way of a special interim dividend to the Qualifying PCCW Shareholders in the form of two distributions in specie by PCCW if the Over-Allotment Option is not exercised; and 336,236,690 Share Stapled Units if the Over-Allotment Option is exercised in full.

Clawback and re-allocation

The Offer Share Stapled Units may, in certain circumstances, be re-allocated between the International Offering and the Hong Kong Public Offering. See the section headed “Structure of the Global Offering” in this prospectus.

Consideration Share Stapled Units

On or prior to the Listing Date, separate from the Global Offering, PCCW (or its wholly-owned subsidiary) will receive an aggregate of 4,363,376,792 Share Stapled Units (constituting approximately 68.0% of the total issued Share Stapled Units as at the Listing Date), assuming the Over-Allotment Option is not exercised and before the PCCW Distributions, as partial settlement of the consideration for the transfer by PCCW (or its wholly-owned subsidiary) of the Ordinary Shares in the Company held by PCCW (or its wholly-owned subsidiary) to the HKT Trust.

Offer Price Range

Between HK\$4.53 (the Minimum Offer Price) and HK\$5.38 (the Maximum Offer Price).

Price determination

The Offer Price will be determined following a book-building process by agreement between the Joint Sponsors (on behalf of the Underwriters), the Trustee-Manager and the Company on the Price Determination Date, which is expected to be on or about Tuesday, 22 November 2011 and, in any event, not later than Friday, 25 November 2011. Announcement of the Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the Preferential Offering and basis of allocation of the Hong Kong Offer Share Stapled Units and the Reserved Share Stapled Units will be published in The Standard (in English) and the Hong Kong Economic Journal (in Chinese) and on the Company’s website at www.hkt.com and the website of the Stock Exchange at www.hkexnews.hk on or before Monday, 28 November 2011.

Subscription for Offer Share Stapled Units in the Hong Kong Public Offering

Applicants for the Hong Kong Offer Share Stapled Units under the Hong Kong Public Offering and for the Reserved Share Stapled Units under the Preferential Offering should pay, on application, the Maximum Offer Price of HK\$5.38 per Offer Share Stapled Unit together with brokerage of 1.0%, the SFC transaction levy of 0.003% and the Stock Exchange trading fee of 0.005%, amounting to a total of HK\$5,434.23 for one board lot of 1,000 Share Stapled Units.

OVERVIEW OF THE GLOBAL OFFERING

If the Offer Price, as finally determined in the manner described above, is lower than HK\$5.38, being the Maximum Offer Price, the Trustee-Manager and the Company will refund the respective difference (including brokerage, the SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) to successful applicants, without interest. Further details are set out in the section headed “How to apply for Hong Kong Offer Share Stapled Units and Reserved Share Stapled Units” in this prospectus.

The minimum initial subscription is for a board lot of 1,000 Share Stapled Units. An applicant may subscribe for a larger number of Share Stapled Units in integral multiples of 1,000.

Investors in Hong Kong must follow the application procedures set out in the section headed “How to apply for Hong Kong Offer Share Stapled Units and Reserved Share Stapled Units” in this prospectus.

Over-Allotment Option

The HKT Trust and the Company expect to grant to the International Underwriters, exercisable by the Joint Sponsors (on behalf of the International Underwriters), the Over-Allotment Option, which will be exercisable in whole or in part at one or more times from the Listing Date until 30 days after the last day for the lodging of applications under the Hong Kong Public Offering and the Preferential Offering, to require the HKT Trust and the Company to issue up to an aggregate of 308,003,000 additional Share Stapled Units, representing approximately 15% of the number of Offer Share Stapled Units initially being offered under the Global Offering, at the Offer Price, to cover, among other things, over-allocations in the International Offering, if any. The Joint Sponsors may also cover such over-allocations by purchasing Share Stapled Units in the secondary market or by a combination of purchases in the secondary market and a partial exercise of the Over-Allotment Option. Any such secondary market purchases will be made in compliance with all applicable laws, rules and regulations. If the Over-Allotment Option is exercised in full, the number of Share Stapled Units being offered in the Global Offering will increase to 2,361,357,000 Share Stapled Units, representing approximately 35.1% of the total Share Stapled Units in issue immediately following the completion of the Global Offering. The Over-Allotment Option can only be exercised to the extent that PCCW’s holding of Share Stapled Units remains at not less than 51% of the Share Stapled Units in issue following the exercise of the Over-Allotment Option. This is because under the terms of the consent of 中國聯合網絡通信集團有限公司 (China United Network Communications Group Company Limited[#]) (which held an approximately

[#] For identification only

OVERVIEW OF THE GLOBAL OFFERING

18.48% shareholding interest in PCCW as at the Latest Practicable Date) for the listing of the Telecommunications Business, the PCCW Group is permitted to dispose up to 49% of the PCCW Group's voting interest in the Company. Based on the current offering structure, PCCW's holding of Share Stapled Units would be approximately 59.9% of the Share Stapled Units in issue following the exercise of the Over-Allotment Option in full and after taking into account the PCCW Distributions. In the event that the Over-Allotment Option is exercised, a public announcement will be made.

Lock-ups

PCCW, as the Controlling Holder of Share Stapled Units, has undertaken to the Stock Exchange, the Trustee-Manager and the Company that except pursuant to any lending of Share Stapled Units by CAS Holding No. 1 Limited pursuant to the Share Stapled Units Borrowing Agreement, it will not and will procure that the relevant registered holder(s) will not, among other things, during the period commencing from the date by reference to which disclosure of its holding of the Share Stapled Units is made in this prospectus and ending on the date which is six months from the date on which dealings in the Share Stapled Units on the Stock Exchange commences, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Share Stapled Units in respect of which it is the beneficial owner as at the Listing Date; and in the period of six months commencing on the date on which the period referred to above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Share Stapled Units, if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it would cease to be the Controlling Holder of Share Stapled Units. PCCW has also given a similar lock-up undertaking to the Trustee-Manager, the Company, the Joint Sponsors, the Joint Global Coordinators and the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement.

OVERVIEW OF THE GLOBAL OFFERING

The Trustee-Manager and the Company have also undertaken to the Stock Exchange not to issue any further Share Stapled Units or securities convertible into Share Stapled Units (whether or not of a class already listed) or enter into any agreement to such an issue within six months from the Listing Date (whether or not such issue of Share Stapled Units or securities will be completed within six months from the Listing Date), except pursuant to the Global Offering or any of the circumstances provided under Rule 10.08 of the Listing Rules. The Trustee-Manager and the Company have also given a similar lock-up undertaking to the Joint Global Coordinators, the Joint Sponsors and the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement.

(See the sections headed “Underwriting — Undertakings to the Stock Exchange pursuant to the Listing Rules” and “Underwriting — Undertakings pursuant to the Hong Kong Underwriting Agreement” in this prospectus.)

Market capitalisation

The market capitalisation of all the Share Stapled Units in issue immediately following the completion of the Global Offering and assuming the Over-Allotment Option is not exercised will be between HK\$29,068 million (based on the Minimum Offer Price) and HK\$34,522 million (based on the Maximum Offer Price).

Use of proceeds

See the section headed “Use of proceeds” in this prospectus for details of how the proceeds from the Global Offering will be applied.

Listing and trading

Prior to the Global Offering, there has been no market for the Share Stapled Units. An application has been made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Share Stapled Units in issue and to be issued as mentioned in this prospectus on the Main Board of the Stock Exchange. Dealings in Share Stapled Units on the Main Board of the Stock Exchange are expected to commence on Tuesday, 29 November 2011. If the Stock Exchange grants formal approval for the listing of, and permission to deal in, the Share Stapled Units on the Main Board of the Stock Exchange and the HKT Trust and the Company comply with the stock admission requirements of HKSCC, the Share Stapled Units will be accepted as eligible securities by HKCSS for deposit, clearance and settlement in CCASS, with effect from the date of commencement of dealings in the Share Stapled Units on the Stock Exchange or any date that HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

OVERVIEW OF THE GLOBAL OFFERING

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for the Share Stapled Units to be admitted into CCASS.

Stabilisation

In connection with the Global Offering, the Stabilising Manager, its affiliates or any person acting for it or them, on behalf of the Underwriters, may over-allocate or effect transactions which stabilise or support the market price of the Share Stapled Units at levels which might not otherwise prevail in the open market for a period of 30 days after the last date for lodging applications under the Hong Kong Public Offering. However, there is no assurance that the Stabilising Manager, its affiliates or any person acting for it or them will undertake stabilisation action.

(See the section headed “Structure of the Global Offering — Stabilising action” in this prospectus.)

No redemption by Holders of Share Stapled Units

Holders of Share Stapled Units have no right to request the Trustee-Manager to repurchase or redeem their Share Stapled Units. It is intended that Holders of Share Stapled Units may only deal in their listed Share Stapled Units through trading on the Stock Exchange. Listing of the Share Stapled Units on the Stock Exchange does not guarantee a liquid market for the Share Stapled Units.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following terms and expressions shall have the following meanings:

- 2008 Restructuring** : the reorganisation of the telecommunications services, media and IT solutions businesses under HKTGH, through its wholly-owned subsidiaries, the final step of which was completed in the fourth quarter of 2008
- 2011-2021 Option Scheme** : the Share Stapled Units option scheme conditionally adopted by the HKT Trust and the Company pursuant to a resolution passed by the Registered Holders of Share Stapled Units on 7 November 2011, the principal terms of which are summarised in the section headed “Statutory and general information — 2011-2021 Option Scheme” in Appendix V to this prospectus
- Acquisition** : the transfer of the Telecommunications Business to the Company pursuant to the Pre-IPO Restructuring, as more particularly described in the section headed “History, development and the restructuring exercise — Overview of the Pre-IPO Restructuring” in this prospectus
- Additional Reserved Share Stapled Units** : has the meaning ascribed to it in the section headed “Structure of the Global Offering — The Preferential Offering — Basis of allocation for applications for Reserved Share Stapled Units” in this prospectus
- Adjusted Funds Flow** : the Group’s 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 measure derived in accordance with HKFRS, or an alternative to cash flow from operations or a measure of liquidity. The computation of the Group’s Adjusted Funds Flow may not be comparable to similarly titled measures of other companies
- ADRs** : American Depositary Receipts
- Annual Adjusted Funds Flow** : the Group’s Adjusted Funds Flow for a financial year as derived from the Company’s annual audited consolidated financial statements

DEFINITIONS

Application Form(s)	:	the WHITE Application Form(s), YELLOW Application Form(s), GREEN Application Form(s) and BLUE Application Form(s) or, where the context so requires, any of them
associate	:	has the meaning ascribed to it in the Listing Rules
Assured Entitlement	:	the entitlement of the Qualifying PCCW Shareholders to apply for the Reserved Share Stapled Units on an assured basis under the Preferential Offering determined on the basis of their respective shareholdings in PCCW at 4:30 p.m. on the Record Date
Authorised Business	:	the authorised business of the HKT Trust as prescribed in the Trust Deed, being: <ul style="list-style-type: none">(a) investing in the Company (including without limitation investment in securities and other interests in the Company);(b) the exercise of the Trustee-Manager's powers, authorities and rights, and the performance of its duties and obligations, under the Trust Deed; and(c) any thing or activity which is necessary or desirable for or in accordance with the activities referred to in paragraphs (a) and/or (b) above
Available Reserved Share Stapled Units	:	has the meaning ascribed to it in the section headed "Structure of the Global Offering — The Preferential Offering — Basis of allocation for applications for Reserved Share Stapled Units" in this prospectus
Beneficial PCCW Shareholder	:	any beneficial owner of PCCW Shares whose PCCW Shares are registered, as shown in the register of members of PCCW, in the name of a registered PCCW Shareholder on the Record Date
BLUE Application Form(s)	:	the application form(s) to be sent to Qualifying PCCW Shareholders to subscribe for Reserved Shares Stapled Units pursuant to the Preferential Offering
Board	:	the board of Directors
business day	:	a day (excluding Saturdays, Sundays, public holidays and days on which a tropical cyclone warning no. 8 or above or a "black" rainstorm warning signal is hoisted in Hong Kong at any time between the hours of 9:00 a.m. and 5:00 p.m.) on which licensed banks are open for general business in Hong Kong

DEFINITIONS

BVI	:	the British Virgin Islands
CAGR	:	compound annual growth rate
Cayman Companies Law	:	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
CCASS	:	the Central Clearing and Settlement System established and operated by HKSCC
CCASS Account	:	a securities account maintained by a CCASS Participant with CCASS
CCASS Clearing Participant	:	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
CCASS Custodian Participant	:	a person admitted to participate in CCASS as a custodian participant
CCASS Investor Participant	:	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
CCASS Participant	:	a CCASS Clearing Participant or a CCASS Custodian Participant or a CCASS Investor Participant
Companies Ordinance	:	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified for the time being
Company	:	HKT Limited, a company incorporated in the Cayman Islands with limited liability under the Cayman Companies Law on 14 June 2011
Company Audit Committee	:	the audit committee of the Company
Company Board	:	the board of directors of the Company
Company Director	:	a director of the Company
Company's Articles	:	the amended and restated articles of association of the Company adopted on 7 November 2011
connected person	:	has the meaning ascribed to it in the Listing Rules
connected transaction	:	has the meaning ascribed to it in the Listing Rules

DEFINITIONS

Consideration Share Stapled Units	:	the 4,363,376,792 Share Stapled Units to be jointly issued by the HKT Trust and the Company to CAS Holding No. 1 Limited, a wholly-owned subsidiary of PCCW (or to such person or entity as CAS Holding No. 1 Limited may direct) as partial settlement of the consideration for the Acquisition
Controlling Holder of Share Stapled Units	:	the holder of not less than 30% of the issued Share Stapled Units, namely, PCCW
Convertible Instruments	:	any options, warrants or similar rights for the subscription or issue of Share Stapled Units issued by the HKT Trust and the Company and any securities issued by the Company or any subsidiaries of the Company which are convertible into or exchangeable for Share Stapled Units and references to an issue of Share Stapled Units “ pursuant to ” any Convertible Instruments means an issue of Share Stapled Units pursuant to exercise of any subscription (or similar), conversion or exchange rights under the terms and conditions of such Convertible Instruments
CRM	:	customer relationship management
Directors	:	collectively, the Trustee-Manager Directors and the Company Directors and “ Director ” shall be construed accordingly as a director of the Trustee-Manager and a director of the Company
Distributable Income	:	has the meaning ascribed to it in the section headed “Distributions” of this prospectus
DPU	:	distribution(s) per Share Stapled Unit
EBITDA	:	represents consolidated earnings before interest income, finance costs, income tax, depreciation of property, plant and equipment, amortisation of land lease premium and intangible assets, gain/loss on disposal of property, plant and equipment, investment properties 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 associates and jointly controlled companies, and the Group’s share of results of associates and jointly controlled companies

DEFINITIONS

Exchange Right	:	the right of the Registered Holders of Share Stapled Units under the Trust Deed, exercisable by passing an Extraordinary Resolution of Registered Holders of Units, to require all of the Share Stapled Units in issue to be exchanged for the Ordinary Shares held by the Trustee-Manager which are Linked to the Units which are components of the Share Stapled Units. If the Exchange Right is exercised, the Trust Deed would terminate, the Units and the Preference Shares would be exchanged and cancelled and the former Registered Holders of Share Stapled Units would hold listed and, subject to the prior approval of the Stock Exchange, tradeable Ordinary Shares in the Company
Extraordinary Resolution of Registered Holders of Units	:	a resolution proposed and passed as such by a majority consisting of 75% or more of the total number of votes cast for and against such resolution at a meeting of Registered Holders of Units duly convened and held in accordance with the provisions of the Trust Deed
First PCCW Distribution	:	has the meaning ascribed to it in the section headed "Structure of the Global Offering — The PCCW Distributions"
First PCCW Distribution Qualifying Shareholders	:	PCCW Shareholders whose names appear in the register of members of PCCW at 4:30 p.m. on the First PCCW Distribution Record Date
First PCCW Distribution Record Date	:	Friday, 30 December 2011
FMIC	:	fixed-mobile interconnection charge
Forecast Year 2011	:	1 January 2011 to 31 December 2011
GDP	:	gross domestic product
Global Offering	:	the global offering of 2,053,354,000 Share Stapled Units jointly by the HKT Trust and the Company for subscription at the Offer Price under the International Offering, the Hong Kong Public Offering and the Preferential Offering
Government	:	the Government of Hong Kong
GREEN Application Form(s)	:	the application form(s) to be completed by the White Form eIPO Service Provider, Computershare Hong Kong Investor Services Limited

DEFINITIONS

Group	:	the Company and its subsidiaries, as if the Pre-IPO Restructuring had been completed
HIBOR	:	Hong Kong Inter-bank Offer Rate
HK\$ or Hong Kong dollars and cents	:	Hong Kong dollars, the lawful currency of Hong Kong
HKFRS	:	Hong Kong Financial Reporting Standards issued by the HKICPA
HKICPA	:	Hong Kong Institute of Certified Public Accountants
HKSCC	:	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
HKSCC Nominees	:	HKSCC Nominees Limited in its capacity as nominee for HKSCC as operator of CCASS and any successor, replacement or assign of HKSCC Nominees Limited as nominee for HKSCC as operator of CCASS
HKT Share Stapled Units Purchase Scheme	:	the Share Stapled Units award scheme (involving purchases of Share Stapled Units already in issue) conditionally adopted by the Company, the principal terms of which are summarised in the section headed “Statutory and general information — Share Stapled Units Award Schemes” in Appendix V to this prospectus
HKT Share Stapled Units Subscription Scheme	:	the Share Stapled Units award scheme (involving subscriptions for new Share Stapled Units) conditionally adopted by the Company, the principal terms of which are summarised in the section headed “Statutory and general information — Share Stapled Units Award Schemes” in Appendix V to this prospectus
HKT Trust	:	the HKT Trust, as constituted pursuant to the Trust Deed and as if the Pre-IPO Restructuring had been completed
HKTC	:	PCCW-HKT Telephone Limited, a company incorporated in Hong Kong with limited liability on 24 June 1925 and an indirect wholly-owned subsidiary of PCCW
HKTGH	:	HKT Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability under the Cayman Companies Law on 18 January 2008 and an indirect wholly-owned subsidiary of the Company following the completion of the Pre-IPO Restructuring

DEFINITIONS

HKTL	:	PCCW-HKT Limited (formerly known as Cable & Wireless HKT Limited and Hong Kong Telecommunications Limited), a company incorporated in Hong Kong with limited liability on 17 June 1987 and an indirect wholly-owned subsidiary of PCCW
Holders of Share Stapled Units	:	persons registered in the Share Stapled Units Register as holders of Share Stapled Units and, where the registered holder of Share Stapled Units is HKSCC Nominees, shall also include, where the context so admits, the CCASS Participants whose CCASS Accounts are deposited with the Share Stapled Units
Hong Kong	:	the Hong Kong Special Administrative Region of the PRC
Hong Kong Offer Share Stapled Units	:	the 205,336,000 Share Stapled Units initially being jointly offered by the HKT Trust and the Company pursuant to the Hong Kong Public Offering (subject to reallocation as described in the section headed “Structure of the Global Offering” in this prospectus)
Hong Kong Public Offering	:	the offer of the Hong Kong Offer Share Stapled Units for subscription by the public in Hong Kong for cash jointly by the HKT Trust and the Company at the Offer Price on and subject to and in accordance with the terms and conditions described in this prospectus and the Application Forms
Hong Kong Register of Members	:	the branch register of members of the Company established and maintained by the Company in Hong Kong in accordance with the Company’s Articles and the Trust Deed
Hong Kong Underwriters	:	the underwriters of the Hong Kong Public Offering whose names are set out in the section headed “Underwriting — Hong Kong Underwriters” in this prospectus
Hong Kong Underwriting Agreement	:	the underwriting agreement dated 14 November 2011 relating to the Hong Kong Public Offering entered into between the Trustee-Manager, the Company, PCCW, the Joint Global Coordinators and the Hong Kong Underwriters, as further described in the section headed “Underwriting” in this prospectus
INEDs	:	independent non-executive Directors
Inland Revenue Ordinance	:	the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) as amended, supplemented or otherwise modified for the time being

DEFINITIONS

Intellectual Property Rights	:	trademarks, patents, domain names and designs (if any)
International Offer Share Stapled Units	:	1,848,018,000 Share Stapled Units initially being jointly offered by the HKT Trust and the Company pursuant to the International Offering (subject to reallocation as described in the section headed “Structure of the Global Offering” in this prospectus) together with, where relevant, up to an additional 308,003,000 Share Stapled Units that may be jointly issued by the HKT Trust and the Company pursuant to any exercise of the Over-Allotment Option
International Offering	:	the offer of the International Offer Share Stapled Units jointly by the HKT Trust and the Company at the Offer Price outside the United States in offshore transactions in accordance with Regulation S and in the United States to QIBs only in reliance on Rule 144A or any other available exemption from registration under the U.S. Securities Act, as further described in the section headed “Structure of the Global Offering” in this prospectus
International Underwriters	:	the group of underwriters of the International Offering led by the Joint Global Coordinators
International Underwriting Agreement	:	the underwriting agreement relating to the International Offering which is expected to be entered into between the Trustee-Manager, the Company, PCCW, the Joint Global Coordinators and the International Underwriters on or about the Price Determination Date, as further described in the section headed “Underwriting” in this prospectus
IRD	:	Inland Revenue Department of Hong Kong
Joint Bookrunners	:	see the section headed “Parties involved in the Global Offering” in this prospectus for details
Joint Global Coordinators (in alphabetical order)	:	China International Capital Corporation Hong Kong Securities Limited, Deutsche Bank AG, Hong Kong Branch, Goldman Sachs (Asia) L.L.C., The Hongkong and Shanghai Banking Corporation Limited and Standard Chartered Securities (Hong Kong) Limited
Joint Lead Managers	:	see the section headed “Parties involved in the Global Offering” in this prospectus for details
Joint Registered Holders of Share Stapled Units	:	such persons for the time being entered in the Share Stapled Units Register as joint holders of a Share Stapled Unit

DEFINITIONS

Joint Registered Holders of Units	:	such persons for the time being entered in the Units Register as joint holders in respect of a Unit
Joint Sponsors (in alphabetical order)	:	China International Capital Corporation Hong Kong Securities Limited, Deutsche Bank AG, Hong Kong Branch and Goldman Sachs (Asia) L.L.C.
Latest Practicable Date	:	9 November 2011, being the latest practicable date for the purposes of ascertaining certain information contained in this prospectus
Linked	:	the matching and linking of each Unit in the HKT Trust with and to a specifically identified Ordinary Share held by the Trustee-Manager in its capacity as trustee-manager of the HKT Trust, so that the Registered Holder of the Unit has a beneficial interest in the specifically identified Ordinary Share and any transfer of the Unit also transfers the beneficial interest in the Ordinary Share, in accordance with the Trust Deed; and “ Linking ” shall be construed accordingly
Listing	:	the listing of the Share Stapled Units on the Main Board of the Stock Exchange
Listing Date	:	the date, expected to be 29 November 2011, on which the Share Stapled Units are first listed and from which dealings in the Share Stapled Units are permitted to take place on the Main Board of the Stock Exchange
Listing Rules	:	the Rules Governing the Listing of Securities on the Stock Exchange
Macau	:	the Macau Special Administrative Region of the PRC
Main Board	:	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
Maximum Offer Price	:	HK\$5.38 per Share Stapled Unit, being the maximum subscription price of the Offer Price Range
Media Business	:	the television and “new media” businesses carried on by the Media Group
Media Group	:	Media Holdings and its subsidiaries
Media Holdings	:	HKT Media Holdings Limited, a company incorporated in the Cayman Islands with limited liability under the Cayman Companies Law on 2 May 2008 and an indirect wholly-owned subsidiary of PCCW

DEFINITIONS

Minimum Offer Price	:	HK\$4.53 per Share Stapled Unit, being the minimum subscription price of the Offer Price Range
MTR	:	Mass Transit Railway, the rapid transit railway system in Hong Kong
Non-Compete Agreement for Media Restricted Business	:	the non-compete agreement dated 8 November 2011 entered into between the Company and PCCW in respect of the Media Restricted Business (as defined in the section headed “Relationship with PCCW — Potential conflicts of interest — Non-Compete Agreements — Non-Compete Agreement for Media Restricted Business” in this prospectus)
Non-Compete Agreement for Solutions Restricted Business	:	the non-compete agreement dated 8 November 2011 entered into between the Company and PCCW in respect of the Solutions Restricted Business (as defined in the section headed “Relationship with PCCW — Potential conflicts of interest — Non-Compete Agreements — Non-Compete Agreement for Solutions Restricted Business” in this prospectus)
Non-Compete Agreement for Telecommunications Restricted Business	:	the non-compete agreement dated 8 November 2011 entered into between the Company and PCCW in respect of the Telecommunications Restricted Business (as defined in the section headed “Relationship with PCCW — Potential conflicts of interest — Non-Compete Agreements — Non-Compete Agreement for Telecommunications Restricted Business” in this prospectus)
Non-Compete Agreements	:	the Non-Compete Agreement for Telecommunications Restricted Business, the Non-Compete Agreement for Media Restricted Business and the Non-Compete Agreement for Solutions Restricted Business
Non-Qualifying PCCW Shareholder(s)	:	PCCW Shareholders whose names appeared in the register of members of PCCW at 4:30 p.m. on the Record Date and whose addresses as shown in such register are in any of the Specified Territories, except for those PCCW Shareholders who satisfy the conditions to participate in the Preferential Offering set out in this prospectus and any PCCW Shareholders or Beneficial PCCW Shareholders at that time who are otherwise known by PCCW to be resident in any of the Specified Territories, except for those PCCW Shareholders or Beneficial PCCW Shareholders who satisfy the conditions to participate in the Preferential Offering set out in this prospectus

DEFINITIONS

Offer Price	:	the subscription price of each Share Stapled Unit under the Global Offering, currently expected to be between HK\$4.53 and HK\$5.38 (exclusive of brokerage of 1.0%, Stock Exchange trading fee of 0.005% and SFC transaction levy of 0.003%), to be determined as further described in the section headed “Structure of the Global Offering” in this prospectus
Offer Price Range	:	HK\$4.53 to HK\$5.38 per Share Stapled Unit
Offer Share Stapled Units	:	the International Offer Share Stapled Units and Hong Kong Offer Share Stapled Units together, where relevant, with any additional Share Stapled Units which may be jointly issued by the HKT Trust and the Company pursuant to the exercise of the Over-Allotment Option
OFTA	:	Office of the Telecommunications Authority of Hong Kong
Ordinary Resolution of Registered Holders of Units	:	a resolution proposed and passed as such by a majority, being more than 50%, of the total number of votes cast for and against such resolution at a meeting of Registered Holders of Units duly convened and held in accordance with the provisions of the Trust Deed
Ordinary Shares	:	ordinary shares with a nominal value of HK\$0.0005 each in the share capital of the Company conferring the rights set out in the Company’s Articles
Other PCCW Businesses	:	businesses of the PCCW Group excluding the Telecommunications Business, the Media Business, the Solutions Business and the Property Business, which primarily consist of the UK Broadband business and other remaining businesses
Over-Allotment Option	:	the option expected to be granted by the HKT Trust and the Company to the International Underwriters (exercisable by the Joint Sponsors on behalf of the International Underwriters in whole or in part at one or more times from the Listing Date until 30 days after the last day for the lodging of applications under the Hong Kong Public Offering and the Preferential Offering), pursuant to which the HKT Trust and the Company may be required to jointly issue up to an aggregate of 308,003,000 new Share Stapled Units (representing approximately 15% of the number of Offer Share Stapled Units initially being offered under the Global Offering) at the Offer Price, to, among other things, cover over-allocations in the International Offering, if any

DEFINITIONS

Overseas PCCW Shareholders	:	PCCW Shareholders whose names appear in the register of members of PCCW at 4:30 p.m. on the First PCCW Distribution Record Date or the Second PCCW Distribution Record Date (as the case may be) and whose addresses as shown in such register are in jurisdictions outside Hong Kong and in relation to whom the PCCW Board, having made relevant enquiries, consider their exclusion from the entitlement to the First PCCW Distribution or the Second PCCW Distribution (as the case may be) to be necessary or expedient on account either of the legal restrictions under the laws of the relevant jurisdictions or the requirements of the relevant regulatory bodies or stock exchanges in those jurisdictions, and any PCCW Shareholder(s) or Beneficial PCCW Shareholder(s) at the relevant time who is/are otherwise known to be resident in any such jurisdiction, except for any such PCCW Shareholder(s) or Beneficial PCCW Shareholder(s) who satisfy such conditions as may be prescribed by the PCCW Board to receive Share Stapled Units (rather than cash in lieu of Share Stapled Units) pursuant to the First PCCW Distribution or the Second PCCW Distribution (as the case may be)
PCCW	:	PCCW Limited, a company incorporated in Hong Kong with limited liability on 24 April 1979, the shares of which are listed on the Stock Exchange (Stock Code: 0008) and traded in the form of ADRs on the OTC Markets Group Inc. in the U.S. (Ticker: PCCWY)
PCCW Board	:	the board of directors of PCCW
PCCW Distribution Qualifying Shareholders	:	the First PCCW Distribution Qualifying Shareholders and the Second PCCW Distribution Qualifying Shareholders
PCCW Distributions	:	a conditional special dividend to be declared by a board committee of PCCW to be satisfied by way of two distributions in specie of an aggregate of 320,836,540 Share Stapled Units (assuming the Over-Allotment Option is not exercised) and 336,236,690 Share Stapled Units (assuming the Over-Allotment Option is exercised in full), to PCCW Distribution Qualifying Shareholders, subject to the satisfaction of certain conditions as described in the section headed “Structure of the Global Offering — The PCCW Distributions” in this prospectus
PCCW Group	:	PCCW and its subsidiaries
PCCW Shareholder(s)	:	holders of PCCW Shares

DEFINITIONS

PCCW Shares	:	ordinary shares of nominal value of HK\$0.25 each in the share capital of PCCW
PCPD	:	Pacific Century Premium Developments Limited, a company incorporated in Bermuda on 19 June 1998 and the shares of which are listed on the Stock Exchange (Stock Code: 0432) and which is indirectly owned as to approximately 61.53% by PCCW as at the Latest Practicable Date
PCRD	:	Pacific Century Regional Developments Limited, a company incorporated in Singapore on 25 October 1963 and the shares of which are listed on the SGX-ST (SES: P15) and which owned approximately 21.29% of the shares in PCCW as at the Latest Practicable Date
PHP	:	Peso, the lawful currency of the Philippines
PRC or China	:	the People's Republic of China, but for the purposes of this prospectus only, except where the context requires, references in this prospectus to the PRC or China exclude Hong Kong, Macau and the Republic of China
Pre-IPO Restructuring	:	the restructuring implemented by PCCW to establish the HKT Trust, the Company and the ownership structure of the Telecommunications Business
Preference Shareholder	:	a person registered at the relevant time in the Principal Register of Members or the Hong Kong Register of Members as the holder of a Preference Share
Preference Shares	:	preference shares with a nominal value of HK\$0.0005 each in the share capital of the Company conferring the rights set out in the Company's Articles
Preferential Offering	:	the preferential offering to the Qualifying PCCW Shareholders of 207,780,000 Share Stapled Units (representing approximately 10% of the Share Stapled Units initially being offered under the Global Offering) as Assured Entitlement (assuming the Over-Allotment Option is not exercised) and up to an additional 408,227,000 Offer Share Stapled Units (representing approximately 20% of Share Stapled Units initially being offered under the Global Offering) (assuming the Over-Allotment Option is not exercised) to satisfy applications for excess Share Stapled Units, out of the Share Stapled Units being offered under the International Offering at the Offer Price on and subject to the terms and conditions stated herein and in the BLUE Application Form, as further described in the section headed "Structure of the Global Offering — The Preferential Offering" in this prospectus

DEFINITIONS

Price Determination Date	:	the date, expected to be on or about Tuesday, 22 November 2011, on which the Offer Price is determined for the purpose of the Global Offering and, in any event, not later than Friday, 25 November 2011
Principal Register of Members	:	the principal register of members of the Company maintained in the Cayman Islands
Projection	:	the profit projection of the Group for the Projection Year
Projection Year 2012	:	1 January 2012 to 31 December 2012
Property Business	:	the property businesses carried on by the Property Group
Property Group	:	PCPD and its subsidiaries
PTG Licensing Arrangements	:	two agreements each dated 28 November 2008, entered into between HKTC and HKTL (being members of the Remaining Group) on the one hand, and Hong Kong Telecommunications (HKT) Limited (being a member of the Group) on the other hand (as supplemented and amended subsequently, if applicable), each relating to a licence in respect of operational activities carried on at certain properties which are the subject of private treaty grants from the Government, in each case as may be amended or supplemented from time to time
PTG Telephone Exchanges	:	telephone exchanges and other premises under private treaty grants granted by the Government
QIBs	:	qualified institutional buyers as defined in Rule 144A
Qualifying PCCW Shareholder(s)	:	PCCW Shareholders, other than Non-Qualifying PCCW Shareholders, whose names appeared in the register of members of PCCW at 4:30 p.m. on the Record Date
Recognised Stock Exchange	:	any reputable stock exchange in any part of the world
Record Date	:	Friday, 11 November 2011, being the record date for determining the Assured Entitlement of the Qualifying PCCW Shareholders to the Reserved Share Stapled Units
Register of Beneficial Interests	:	the register of beneficial interests in the Ordinary Shares which are registered in the Principal Register of Members in the name of the Trustee-Manager in its capacity as trustee-manager of the HKT Trust, required to be established and maintained by the Trustee-Manager under the Trust Deed, or by a Registrar appointed by the Trustee-Manager

DEFINITIONS

Register of Members	:	the Principal Register of Members, the Hong Kong Register of Members and any other branch register of members of the Company
Registered Holders of Share Stapled Units	:	persons registered at the relevant time in the Share Stapled Units Register as holders of Share Stapled Units, including persons so registered as Joint Registered Holders of Share Stapled Units; and the expression “ Registered Holder of a Share Stapled Unit ” and similar expressions shall be construed accordingly. For the avoidance of doubt, references to “ Registered Holders of Share Stapled Units ” and “ Joint Registered Holders of Share Stapled Units ” shall not include CCASS Participants
Registered Holders of Units	:	persons registered at the relevant time in the Units Register as holders of Units, including persons so registered as Joint Registered Holders of Units; and the expression “ Registered Holder of a Unit ” and similar expressions shall be construed accordingly
Registrar	:	such person as may from time to time be appointed by the Trustee-Manager and/or the Company to, inter alia, keep and maintain the Share Stapled Units Register, the Units Register, the Register of Beneficial Interests and the Hong Kong Register of Members
Regulation S	:	Regulation S under the U.S. Securities Act
related corporation	:	has the meaning ascribed to it in the SFO
Remaining Group	:	the Media Business, the Solutions Business, the Property Business and the Other PCCW Businesses, collectively
Reporting Accountant	:	PricewaterhouseCoopers
Reserved Share Stapled Units	:	the 207,780,000 Share Stapled Units being jointly offered by the HKT Trust and the Company to Qualifying PCCW Shareholders pursuant to the Preferential Offering as Assured Entitlement and up to an additional 408,227,000 Share Stapled Units which would be made available by the HKT Trust and the Company to satisfy excess applications by Qualifying PCCW Shareholders under the Preferential Offering, which are to be allocated out of the Share Stapled Units being offered under the International Offering
RMB	:	Renminbi, the lawful currency of the PRC
Rule 144A	:	Rule 144A under the U.S. Securities Act

DEFINITIONS

SAFE	:	State Administration of Foreign Exchange of the PRC
Second PCCW Distribution	:	has the meaning ascribed to it in the section headed “Structure of the Global Offering — The PCCW Distributions”
Second PCCW Distribution Qualifying Shareholders	:	PCCW Shareholders whose names appear in the register of members of PCCW at 4:30 p.m. on the Second PCCW Distribution Record Date
Second PCCW Distribution Record Date	:	Tuesday, 20 March 2012
SFC	:	the Securities and Futures Commission of Hong Kong
SFO	:	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified for the time being
SGD	:	Singapore dollars, the lawful currency of Singapore
SGX-ST	:	Singapore Exchange Securities Trading Limited
Share(s)	:	the Ordinary Share(s) and the Preference Share(s) and a “ Share ” means any of them
Share Stapled Unit(s)	:	the combination of the following securities or interests in securities which, subject to the provisions in the Trust Deed, can only be dealt with together and may not be dealt with individually or one without the others: (a) a Unit in the HKT Trust; (b) the beneficial interest in a specifically identified Ordinary Share Linked to the Unit and held by the Trustee-Manager as legal owner in its capacity as trustee-manager of the HKT Trust; and (c) a specifically identified Preference Share Stapled to the Unit
Share Stapled Units Award Schemes	:	the HKT Share Stapled Units Purchase Scheme and the HKT Share Stapled Units Subscription Scheme
Share Stapled Units Borrowing Agreement	:	the Share Stapled Units borrowing agreement expected to be entered into on or about the Price Determination Date between the Stabilising Manager (or its affiliate) and CAS Holding No. 1 Limited

DEFINITIONS

Share Stapled Units Register	:	the register of Registered Holders of Share Stapled Units
Share Stapled Units Registrar	:	Computershare Hong Kong Investor Services Limited
Shareholder(s)	:	person(s) registered at the relevant time in the Principal Register of Members or the Hong Kong Register of Members as the holder(s) of an Ordinary Share and/or a Preference Share
Solutions Business	:	the businesses carried on by the Solutions Group
Solutions Group	:	Solutions Holdings and its subsidiaries
Solutions Holdings	:	HKT Solutions Holdings Limited, a company incorporated in the Cayman Islands with limited liability under the Cayman Companies Law on 18 June 2008 and an indirect wholly-owned subsidiary of PCCW
Specified Territories	:	means: (a) in respect of the Preferential Offering, Australia, Bahamas, Guernsey, India, Isle of Man, Italy, Jamaica, Japan, Malaysia, Nepal, New Zealand, Pakistan, the Philippines, Seychelles, Thailand and the U.S.; and (b) in respect of the PCCW Distributions, Bahamas, Guernsey, India, Italy, Jamaica, Japan, Nepal, New Zealand, Pakistan, the Philippines, Seychelles, Thailand and the U.S.
Stabilising Manager	:	Goldman Sachs (Asia) L.L.C.
Stapled	:	the means by which each Unit in the HKT Trust is attached to a specifically identified Preference Share so that one may not be dealt with without the other, in accordance with the Trust Deed; and “ Stapling ” shall be construed accordingly
Stock Exchange	:	The Stock Exchange of Hong Kong Limited
subsidiary	:	has the meaning ascribed to it in the Companies Ordinance
Substantial Holder of Share Stapled Units	:	any Holder of Share Stapled Units with an interest in Share Stapled Units constituting not less than 5% of all Share Stapled Units in issue
Takeovers Code	:	the Hong Kong Code on Takeovers and Mergers

DEFINITIONS

Telecommunications Authority	:	the public officer appointed by the Chief Executive of the Government under the Telecommunications Ordinance
Telecommunications Business	:	the business carried on by the Group as if the Pre-IPO Restructuring had been completed
Telecommunications Ordinance	:	the Telecommunications Ordinance (Chapter 106 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
Trust Deed	:	the trust deed dated 7 November 2011 constituting the HKT Trust, entered into between the Trustee-Manager and the Company
Trust Group	:	the HKT Trust, the Company and its subsidiaries
Trust Property	:	all property and rights of any kind whatsoever that are held on trust for the Registered Holders of Units, in accordance with the terms of the Trust Deed, including: <ul style="list-style-type: none">(a) securities and other rights and interests in the Company acquired by the HKT Trust;(b) contributions of money to the HKT Trust and subscription monies for the issuance of Units;(c) the rights in respect of any contract, agreement or arrangement relating to the Authorised Business entered into by and on behalf of the Trustee-Manager in its capacity as trustee-manager of the HKT Trust; and(d) profits, interest, income and property derived from the securities, money and other rights and interests referred to in paragraphs (a) to (c) above.
Trustee-Manager	:	HKT Management Limited (a company incorporated in Hong Kong with limited liability under the Companies Ordinance on 14 June 2011 and an indirect wholly-owned subsidiary of PCCW), in its capacity as trustee-manager of the HKT Trust
Trustee-Manager's Articles	:	the articles of association of the Trustee-Manager, as amended from time to time
Trustee-Manager Audit Committee	:	the audit committee of the Trustee-Manager
Trustee-Manager Board	:	the board of directors of the Trustee-Manager
Trustee-Manager Director	:	a director of the Trustee-Manager

DEFINITIONS

Trustee Ordinance	:	Trustee Ordinance (Chapter 29 of the Laws of Hong Kong) as amended, supplemented or otherwise modified for the time being
UK Broadband	:	UK Broadband Limited, an indirect wholly-owned subsidiary of PCCW
Unclaimed Monies Account	:	a special account where any monies payable to the Registered Holders of Share Stapled Units that remain unclaimed will be accumulated, and from which the Trustee-Manager may, from time to time, make payments to the Registered Holder of Share Stapled Units claiming any such monies
Underlying Overseas PCCW Shareholder	:	a person (i) who holds PCCW Share(s) directly through a CCASS Participant (other than a CCASS Investor Participant) on the First PCCW Distribution Record Date or the Second PCCW Distribution Record Date (as the case may be) and whose address is shown on the records of such CCASS Participant on the First PCCW Distribution Record Date or the Second PCCW Distribution Record Date (as the case may be) as being in a Specified Territory, or (ii) who, to the knowledge of a CCASS Participant (other than a CCASS Investor Participant), holds PCCW Share(s) directly through such CCASS Participant on the First PCCW Distribution Record Date or the Second PCCW Distribution Record Date (as the case may be) on behalf of a person located in a Specified Territory
Underwriters	:	collectively, the Hong Kong Underwriters and the International Underwriters
Underwriting Agreements	:	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
Unit	:	an undivided interest in the HKT Trust, which confers the rights stated in the Trust Deed as being conferred by a Unit (whether in its own right or as a component of a Share Stapled Unit)
United States or U.S.	:	the United States of America, its territories and possessions, any state of the United States and the District of Columbia

DEFINITIONS

Unitholder(s)	:	(a) persons registered in the Units Register as holders of Units and includes, for the avoidance of doubt, persons holding Units as components of Share Stapled Units and registered in the Share Stapled Units Register as holders of the Share Stapled Units which include the Units; and (b) where the registered holder of Share Stapled Units is HKSCC Nominees, shall also include, where the context so admits, the CCASS Participants whose CCASS Accounts are deposited with the Units registered in the name of HKSCC Nominees. For the avoidance of doubt, references to “ Registered Holders of Units ” and “ Joint Registered Holders of Units ” shall not include CCASS Participants
Units Register	:	the register of Registered Holders of Units required to be established and maintained by the Trustee-Manager under the Trust Deed, or by a Registrar appointed by the Trustee-Manager
U.S. person	:	has the meaning ascribed to it in Regulation S
U.S. Securities Act	:	U.S. Securities Act of 1933, as amended
US\$ or US dollars	:	United States dollars, the lawful currency of the United States
VAT	:	value-added tax
WHITE Application Form(s)	:	the form of application for the Hong Kong Offer Share Stapled Units for use by the public who require such Hong Kong Offer Share Stapled Units to be issued in the applicants’ own names
White Form eIPO	:	the application for the Hong Kong Public Offering Share Stapled Units to be issued in the applicant’s own name by submitting applications online through the designated website of White Form eIPO at www.eipo.com.hk
White Form eIPO Service Provider	:	Computershare Hong Kong Investor Services Limited
YELLOW Application Form(s)	:	the form of application for the Hong Kong Offer Share Stapled Units for use by the public who require such Hong Kong Offer Share Stapled Units to be deposited directly into CCASS

DEFINITIONS

ZhongYing JV : 中盈優創資訊科技有限公司 (Unihub China Information Technology Company Limited), a company established in the PRC on 17 June 2003 and an indirect non wholly-owned subsidiary of the Company

Words importing the singular include, where applicable, the plural and vice versa. Words importing the masculine gender include, where applicable, the feminine and neuter genders. References to persons include corporations.

Any reference in this prospectus to any enactment is a reference to that enactment for the time being amended or re-acted.

Any reference to a time of day in this prospectus is made by reference to Hong Kong time unless otherwise stated.

Unless otherwise specified in this prospectus, amounts denominated in US dollars have been translated, for the purpose of illustration only, into Hong Kong dollars as follows:

$$US\$1.00 = HK\$7.80$$

No representation is made that any amounts in US dollars could have been or could be converted at the above rate or any other rate or at all.

Any discrepancies in the tables, graphs and charts between the listed amounts and totals thereof are due to rounding.

A copy of this prospectus will be available on the Company's website. Apart from the information contained in this prospectus, none of the other information on the Company's website constitutes part of this prospectus.

GLOSSARY OF TECHNICAL TERMS

This glossary contains explanations of certain terms used in this prospectus in connection with the Group and the Telecommunications Business. The terminologies and their meanings may not correspond to standard industry meanings or usage of those terms.

2G, 3G and 4G	:	second, third and fourth generation mobile wireless telecommunications technology
3D	:	three-dimensional
ADSL	:	asymmetric digital subscriber line technology used for data transmission over fixed-line telephone lines
ARPU	:	average revenue per user per month
ATM	:	asynchronous transfer mode
BTS	:	base stations
BWA	:	broadband wireless access
CDMA 2000	:	a 3G technology standard used to send voice, data and signalling data between mobile phones and cell sites. The other major 3G standard being W-CDMA
CDMA IS-95	:	a 2G technology standard used to send voice, data and signalling data between mobile phones and cell sites. The other major 2G standard being GSM
CDN	:	content delivery network or content distribution network is a system of computers containing copies of data placed at various nodes of a network
data-switching	:	digital networking communication method that groups transmitted data into blocks for transmission and routing over a network
demo	:	demonstration
DSL	:	digital subscriber line, a family of technologies that provides digital data transmission over the wires of a local telephone network
ETS	:	external telecommunications services
Fiber-optic	:	optical fibers which carry information using light pulses
FTNS	:	fixed telecommunications networks services
FTTB	:	fiber-to-the-building
FTTH	:	fiber-to-the-home

GLOSSARY OF TECHNICAL TERMS

FTTx	:	fiber-to-the-x, a generic term for any broadband network architecture that uses optical fiber to replace all or part of the usual metal local loop used for last mile telecommunications
Gbps	:	gigabit(s) per second
GHz	:	gigahertz
GSM	:	global system for mobile communications, a 2G cellular mobile phone standard. The other major 2G cellular mobile phone standard being CDMA
HSDPA	:	high speed downlink packet access
HSPA	:	high speed packet access
IDD	:	international direct dialling
Internet	:	the global system of interconnected computer networks that use the standard IP suite
IP	:	Internet protocol, the protocol used for communicating data across a network
IP Backbone	:	Internet backbone, the principal data routes between large, strategically interconnected networks and core routers in the Internet
IPLC	:	international private leased circuit, a point-to-point private line used by an organisation to communicate between offices that are geographically dispersed throughout the world
IPTV	:	Internet protocol television, a system through which television services are delivered using the architecture and networking methods of the IP suite over a packet-switched network infrastructure, e.g. the Internet or managed broadband IP networks
IPv6	:	Internet Protocol Version 6
ISDN	:	integrated services digital network, a set of communications standards for simultaneous digital transmission of voice, video, data, and other network services over the traditional circuits of the public switched telephone network
IT	:	information technology
LAC	:	local access charge

GLOSSARY OF TECHNICAL TERMS

LTE	:	long term evolution technology, considered a fourth generation technology for cellular mobile
Mbps or Mbit/s	:	megabit(s) per second
MHz	:	megahertz or million hertz
MMS	:	multimedia messaging service, a standard way to send messages that include multimedia content to and from mobile phones
MPLS	:	multi-protocol label switching network, a mechanism in high-performance telecommunications networks which directs and carries data from one network node to the next with the help of labels and helps to preserve quality of service on IP networks
MPLS VPN	:	a family of methods for harnessing the power of MPLS to create VPNs
NGN	:	next generation network, a broad term to describe key architectural evolutions in telecommunication core and access networks, also referred to as the migration from circuit switched networks to packet switched IP networks
PON	:	passive optical network
PSTN	:	public switched telephone network, the network of the world's public circuit-switched telephone networks
SDH	:	synchronous digital hierarchy
Smartphone	:	mobile phone offering advanced capabilities
SMS	:	short message service, the text communication service component of phone, web, or mobile communication systems, using standardised communications protocols that allow the exchange of short text messages between fixed-line or mobile phone devices
SONET	:	synchronous optical networking
UCL	:	unified carrier licence
VAS	:	value-added services

GLOSSARY OF TECHNICAL TERMS

VDSL	:	very-high-bitrate digital subscriber line, a digital subscriber line technology providing faster data transmission over a single flat untwisted or twisted pair of copper wires (up to 52 Mbit/s downstream and 16 Mbit/s upstream), utilising the frequency band from 25 kHz to 12 MHz. An enhanced variant known as VDSL-2 can offer even higher data rates
VoIP	:	voice-over-Internet-Protocol, one of a family of internet technologies, communication protocols, and transmission technologies for delivery of voice communications and multimedia sessions over IP networks, such as the Internet
VPN	:	virtual private network, a secure way of connecting to a private local area network at a remote location, using the Internet or any insecure public network to transport the network data packets privately, using encryption
W-CDMA	:	wideband code division multiple access, a 3G cellular standard, the other major standard being CDMA 2000
Wi-Fi	:	the trademark used to brand a variety of products that belong to a class of wireless local area network devices
WiMAX	:	worldwide interoperability for microwave access, a broadband wireless telecommunications standard that provides fixed and mobile broadband access
xDSL	:	generic term for digital subscriber loop and includes, among others, ADSL and VDSL

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

Directors' responsibility for the contents of this prospectus

This prospectus, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information to the public with regard to the HKT Trust, the Company and the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief:

1. the information contained in this prospectus is accurate and complete in all material aspects and is not misleading or deceptive;
2. there are no other matters the omission of which would make any statement herein or this prospectus misleading; and
3. all opinions expressed in this prospectus have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

Underwriting

This prospectus is published solely in connection with the Hong Kong Public Offering and the Preferential Offering, which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this prospectus and the **WHITE, YELLOW** and **GREEN** Application Forms contain the terms and conditions of the Hong Kong Public Offering. For applicants under the Preferential Offering, this prospectus and the **BLUE** Application Form set out the terms and conditions of the Preferential Offering. The Global Offering is managed by the Joint Global Coordinators. Pursuant to the Hong Kong Underwriting Agreement, the Hong Kong Public Offering is underwritten by the Hong Kong Underwriters. Pursuant to the International Underwriting Agreement, the International Offering is expected to be underwritten by the International Underwriters. Further details about the Underwriters and the underwriting arrangements are contained in the section headed "Underwriting" in this prospectus.

Distribution and selling restrictions

The Hong Kong Offer Share Stapled Units and the Reserved Share Stapled Units are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorised to give any information in connection with the Hong Kong Public Offering and the Preferential Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by the Trustee-Manager, the Company, any of their respective directors, agents, employees or advisers or any other parties involved in the Global Offering.

No action has been or will be taken in any jurisdiction that would permit a public offering of the Share Stapled Units or the possession, circulation or distribution of this prospectus or any other offering or publicity material relating to the HKT Trust, the Company or the Share Stapled Units in any country or jurisdiction other than Hong Kong and Japan. The Share Stapled Units may not be offered or sold, directly or indirectly, and neither this prospectus nor any other offering material, circular, form of application or advertisement in connection with the Global Offering of the Share Stapled Units may be distributed or published in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

Each person acquiring the Share Stapled Units will be required to confirm, or by the acquisition of the Share Stapled Units will be deemed to have confirmed, that he is aware of the restrictions on offers of the Share Stapled Units described in this prospectus and that he is not acquiring, and has not been offered, any Share Stapled Units in circumstances that contravene such restrictions.

Applicants for the Share Stapled Units are recommended to consult their professional advisers if they are in any doubt as to the regulatory implications of subscribing for, purchasing, holding, disposing of or otherwise dealing in the Share Stapled Units.

Application for Listing on the Stock Exchange

Prior to the Global Offering, there has been no market for the Share Stapled Units. An application has been made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Share Stapled Units in issue and to be issued as mentioned in this prospectus on the Main Board of the Stock Exchange. An application has also been made for the listing of the Units, the Ordinary Shares and the Preference Shares (as components of the Share Stapled Units). However, prior to any exercise of the Exchange Right or the winding up of the HKT Trust, investors can only deal in the Share Stapled Units and no separate dealings in any of the individual components (Unit, beneficial interest in an Ordinary Share and Preference Share) of a Share Stapled Unit are permitted. Dealings in the Share Stapled Units on the Main Board of the Stock Exchange are expected to commence on Tuesday, 29 November 2011.

No part of (i) the Units; (ii) the Shares or loan capital of the Company; and (iii) the Share Stapled Units is listed or dealt in on any other stock exchange and, at present, no such listing or permission to deal is being or is proposed to be sought on any other stock exchange in the near future.

Eligibility for admission into CCASS

Subject to the granting of formal approval for the listing of, and permission to deal in, the Share Stapled Units on the Stock Exchange and compliance with the stock admission requirements of HKSCC, the Share Stapled Units will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Share Stapled Units on the Stock Exchange or any other date that HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for the Share Stapled Units to be admitted into CCASS. Investors should seek the advice of their stockbroker or other professional adviser for details of those settlement arrangements and how such arrangements will affect their rights and interests.

Stamp duty

No Hong Kong stamp duty is payable in connection with the initial issue of the Share Stapled Units to successful applicants under the Hong Kong Public Offering or the Preferential Offering. Subsequent dealings in the Share Stapled Units will be subject to Hong Kong stamp duty.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

Professional tax advice recommended

Persons who are unsure about the taxation implications of the subscription, purchase, holding, disposal of, dealing in, or the exercise of any rights in relation to the Share Stapled Units should consult a professional adviser.

None of the HKT Trust, the Company, the Trustee-Manager, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Joint Sponsors, any of the Underwriters, any of their respective directors, officers or representatives nor any other person involved in the Global Offering accepts any responsibility for any tax effects on or liabilities resulting from the subscription for, purchase, holding, disposal of, dealing in or the exercise of any rights in relation to the Share Stapled Units.

Procedures for application for Hong Kong Offer Share Stapled Units and Reserved Share Stapled Units

The procedures for applying for the Hong Kong Offer Share Stapled Units and Reserved Share Stapled Units are set out in the section headed “How to apply for Hong Kong Offer Share Stapled Units and Reserved Share Stapled Units” in this prospectus and in the relevant Application Forms.

Conditions of the Hong Kong Public Offering and the Preferential Offering

Details of the conditions of the Hong Kong Public Offering and the Preferential Offering are set out in the section headed “Structure of the Global Offering” in this prospectus.

Structure of the Global Offering

Details of the structure of the Global Offering, including its conditions, are set out in the section headed “Structure of the Global Offering” in this prospectus.

Practice Note 15 of the Listing Rules

The Global Offering has been approved by the PCCW Shareholders at an extraordinary general meeting of the PCCW Shareholders held on 12 October 2011. PCCW is required to comply with the requirements of Practice Note 15 of the Listing Rules which, among other things, require the HKT Trust and the Company to offer the Assured Entitlement and the PCCW Distributions to Qualifying PCCW Shareholders and PCCW Distribution Qualifying Shareholders, respectively. For further details of the Assured Entitlement and the PCCW Distributions, please refer to the sections headed “Structure of the Global Offering — The Preferential Offering” and “Structure of the Global Offering — The PCCW Distributions” in this prospectus.

Rounding

For the purpose of consistency, where applicable and not otherwise stated, percentage figures in this prospectus have been rounded up to one or two decimal place(s) (as applicable) and certain financial figures have been rounded to the nearest thousand or million, or up to one decimal place, as applicable. Such figures and calculations derived from such figures are therefore subject to rounding adjustments.

Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding adjustments.

PARTIES INVOLVED IN THE GLOBAL OFFERING

HKT Trust	the HKT Trust, as constituted by the Trust Deed in Hong Kong
Company	HKT Limited
Trustee-Manager	HKT Management Limited, in its capacity as trustee and manager of the HKT Trust

Trustee-Manager Directors and Company Directors

The Trust Deed requires that:

- (a) the board of directors of the Trustee-Manager shall at all times be the same individuals who serve as directors of the Company;
- (b) no person shall serve as a director of the Trustee-Manager unless he also serves as a director of the Company at the same time; and
- (c) no person shall serve as a director of the Company unless he also serves as a director of the Trustee-Manager at the same time.

Accordingly, the compositions of the Trustee-Manager Board and the Company Board are the same. The Trust Deed also requires that the memberships of the Company Audit Committee and the Trustee-Manager Audit Committee must be the same.

The members of each Board are as follows:

Name	Address	Nationality
<i>Executive Directors</i>		
Mr. LI Tzar Kai, Richard	39th Floor, PCCW Tower TaiKoo Place 979 King's Road Quarry Bay Hong Kong (Note)	Canadian
Mr. Alexander Anthony ARENA	39th Floor, PCCW Tower TaiKoo Place 979 King's Road Quarry Bay Hong Kong (Note)	Australian

Note: Being the business address of the Executive Directors. The Trustee-Manager and the Company have applied for, and the SFC has granted, an exemption in relation to the disclosure of the residential addresses of Mr. LI Tzar Kai, Richard, Mr. Alexander Anthony ARENA and Ms. HUI Hon Hing, Susanna. See the section headed "Waivers from compliance with the Listing Rules and exemptions from the Companies Ordinance" in this prospectus.

PARTIES INVOLVED IN THE GLOBAL OFFERING

Name	Address	Nationality
Ms. HUI Hon Hing, Susanna	39th Floor, PCCW Tower TaiKoo Place 979 King's Road Quarry Bay Hong Kong <i>(Note)</i>	British
<i>Non-executive Directors</i>		
Mr. Peter Anthony ALLEN	40 Nassim Hill Nassim Mansion #05-42 Singapore 258474	Singaporean
Mr. CHUNG Cho Yee, Mico	House 8B, Chateau de Peak 8 Mt. Kellett Road, The Peak Hong Kong	British
Mr. LU Yimin	R. 1008, Building 10A Zhen Wu Miao Er Li Xicheng District, Beijing, PRC	Chinese
Mr. LI Fushen	No. 156A Fuxingmennei Avenue Xicheng District Beijing, PRC	Chinese
<i>Independent Non-executive Directors</i>		
Professor CHANG Hsin Kang, FREng, GBS, JP	3A, Block 11, Tak Chee Yuen 88 Tat Chee Avenue Kowloon, Hong Kong	American
Sir Rogerio (Roger) Hyndman LOBO, CBE, LLD, JP	Woodland Heights, E1 2 Wong Nai Chung Gap Road Hong Kong	British
The Hon Raymond George Hardenbergh SEITZ	159 Norris Road, Orford NH03777, U.S.	American
Mr. Sunil VARMA	104, Aradhana Apts R.K. Puram Sec-13 New Delhi 110 066, India	Indian

PARTIES INVOLVED IN THE GLOBAL OFFERING

**Joint Sponsors
(in alphabetical order)**

China International Capital Corporation
Hong Kong Securities Limited
29th Floor, One International Finance Centre
1 Harbour View Street
Central
Hong Kong

Deutsche Bank AG, Hong Kong Branch
Level 52, International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

Goldman Sachs (Asia) L.L.C.
68th Floor, Cheung Kong Center
2 Queen's Road Central
Hong Kong

**Joint Global Coordinators
(in alphabetical order)**

China International Capital Corporation
Hong Kong Securities Limited
29th Floor, One International Finance Centre
1 Harbour View Street
Central
Hong Kong

Deutsche Bank AG, Hong Kong Branch
Level 52, International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

Goldman Sachs (Asia) L.L.C.
68th Floor, Cheung Kong Center
2 Queen's Road Central
Hong Kong

The Hongkong and Shanghai Banking Corporation Limited
1 Queen's Road Central
Hong Kong

Standard Chartered Securities (Hong Kong) Limited
15/F, Two International Finance Centre
8 Finance Street
Central
Hong Kong

PARTIES INVOLVED IN THE GLOBAL OFFERING

**Joint Bookrunners and
Joint Lead Managers**

Hong Kong Public Offering:

China International Capital Corporation
Hong Kong Securities Limited
29th Floor, One International Finance Centre
1 Harbour View Street
Central
Hong Kong

Deutsche Bank AG, Hong Kong Branch
Level 52, International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

Goldman Sachs (Asia) L.L.C.
68th Floor, Cheung Kong Center
2 Queen's Road Central
Hong Kong

The Hongkong and Shanghai Banking Corporation Limited
1 Queen's Road Central
Hong Kong

Standard Chartered Securities (Hong Kong) Limited
15/F, Two International Finance Centre
8 Finance Street
Central
Hong Kong

DBS Asia Capital Limited
17th Floor, The Center
99 Queen's Road Central
Hong Kong

J.P. Morgan Securities (Asia Pacific) Limited
28th Floor, Chater House
8 Connaught Road
Central
Hong Kong

Mizuho Securities Asia Limited
12th Floor, Chater House
8 Connaught Road
Central
Hong Kong

PARTIES INVOLVED IN THE GLOBAL OFFERING

International Offering:

China International Capital Corporation
Hong Kong Securities Limited
29th Floor, One International Finance Centre
1 Harbour View Street
Central
Hong Kong

Deutsche Bank AG, Hong Kong Branch
Level 52, International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

Goldman Sachs (Asia) L.L.C.
68th Floor, Cheung Kong Center
2 Queen's Road Central
Hong Kong

The Hongkong and Shanghai Banking Corporation Limited
1 Queen's Road Central
Hong Kong

Standard Chartered Securities (Hong Kong) Limited
15/F, Two International Finance Centre
8 Finance Street
Central
Hong Kong

DBS Asia Capital Limited
17th Floor, The Center
99 Queen's Road Central
Hong Kong

J.P. Morgan Securities Ltd.
125 London Wall
London EC2Y 5AJ
United Kingdom

Mizuho Securities Asia Limited
12th Floor, Chater House
8 Connaught Road
Central
Hong Kong

PARTIES INVOLVED IN THE GLOBAL OFFERING

Auditor and Reporting Accountant	PricewaterhouseCoopers Certified Public Accountants 22/F, Prince's Building Central Hong Kong
Legal advisers to the Trustee-Manager and the Company	<i>As to Hong Kong law and U.S. Federal Securities and New York Law</i> Reed Smith Richards Butler 20th Floor, Alexandra House 18 Chater Road Central Hong Kong <i>As to Cayman Islands Law</i> Conyers Dill & Pearman Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands <i>As to the PRC Law</i> King & Wood 40th Floor, Office Tower A Beijing Fortune Plaza 7 Dongsanhuan Zhonglu Chaoyang District Beijing 100020 PRC
Legal advisers to the Joint Sponsors and Underwriters	<i>As to Hong Kong law and U.S. Federal Securities and New York Law</i> Freshfields Bruckhaus Deringer 11th Floor, Two Exchange Square 8 Connaught Place Central Hong Kong <i>As to the PRC Law</i> Haiwen & Partners Unit 2605, Shanghai Kerry Center 1515 Nanjing West Road Jing'an District Shanghai 200040 PRC

PARTIES INVOLVED IN THE GLOBAL OFFERING

Receiving Banks

The Hongkong and Shanghai Banking Corporation Limited
1 Queen's Road Central
Hong Kong

Bank of China (Hong Kong) Limited
1 Garden Road
Hong Kong

Standard Chartered Bank (Hong Kong) Limited
15/F Standard Chartered Tower
388 Kwun Tong Road
Kowloon
Hong Kong

CORPORATE INFORMATION

A. Corporate information of Trustee-Manager

Registered office	39th Floor, PCCW Tower TaiKoo Place, 979 King's Road Quarry Bay, Hong Kong
Company secretary	Ms. Philana Wai Yin POON, B. Comm., J.D.
Authorised representatives	Mr. Alexander Anthony ARENA 39th Floor, PCCW Tower TaiKoo Place, 979 King's Road Quarry Bay, Hong Kong Ms. Philana Wai Yin POON, B. Comm., J.D. 39th Floor, PCCW Tower TaiKoo Place, 979 King's Road Quarry Bay, Hong Kong
Trustee-Manager Audit Committee	Mr. Sunil VARMA (<i>Chairman</i>) Professor CHANG Hsin Kang, FREng, GBS, JP Sir Rogerio (Roger) Hyndman LOBO, CBE, LLD, JP The Hon Raymond George Hardenbergh SEITZ
Share Stapled Units Registrar	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor, Hopewell Centre 183 Queen's Road East Wanchai Hong Kong

B. Corporate information of the Company

Registered office	PO Box 309, Ugland House Grand Cayman, KY1-1104 Cayman Islands
Head office and principal place of business in Hong Kong	39th Floor, PCCW Tower TaiKoo Place, 979 King's Road Quarry Bay, Hong Kong
Company secretary	Ms. Philana Wai Yin POON, B. Comm., J.D.
Authorised representatives	Mr. Alexander Anthony ARENA 39th Floor, PCCW Tower TaiKoo Place, 979 King's Road Quarry Bay, Hong Kong Ms. Philana Wai Yin POON, B. Comm., J.D. 39th Floor, PCCW Tower TaiKoo Place, 979 King's Road Quarry Bay, Hong Kong

CORPORATE INFORMATION

Compliance adviser	Anglo Chinese Corporate Finance Limited 40th Floor, Two Exchange Square 8 Connaught Place Central Hong Kong
Company Audit Committee	Mr. Sunil VARMA (<i>Chairman</i>) Professor CHANG Hsin Kang, FREng, GBS, JP Sir Rogerio (Roger) Hyndman LOBO, CBE, LLD, JP The Hon Raymond George Hardenbergh SEITZ
Remuneration committee	The Hon Raymond George Hardenbergh SEITZ (<i>Chairman</i>) Professor CHANG Hsin Kang, FREng, GBS, JP Sir Rogerio (Roger) Hyndman LOBO, CBE, LLD, JP Mr. LU Yimin
Nomination committee	Sir Rogerio (Roger) Hyndman LOBO, CBE, LLD, JP (<i>Chairman</i>) Professor CHANG Hsin Kang, FREng, GBS, JP Mr. LI Tzar Kai, Richard Mr. LU Yimin Mr. Sunil VARMA
PRC business development committee	Ms. HUI Hon Hing, Susanna Mr. LI Fushen Mr. LI Tzar Kai, Richard Mr. LU Yimin
Regulatory compliance committee	Sir Rogerio (Roger) Hyndman LOBO, CBE, LLD, JP (<i>Chairman</i>) Professor CHANG Hsin Kang, FREng, GBS, JP Mr. LU Yimin
Executive committee	Mr. LI Tzar Kai, Richard Mr. Alexander Anthony ARENA Ms. HUI Hon Hing, Susanna Mr. LU Yimin
Finance and management committee	Mr. Alexander Anthony ARENA (<i>Chairman</i>) Ms. HUI Hon Hing, Susanna Mr. LI Fushen
Principal bankers (in alphabetical order)	Bank of China (Hong Kong) Limited 1 Garden Road Hong Kong DBS Bank Ltd., Hong Kong Branch 18th Floor, The Center 99 Queen's Road Central Hong Kong

CORPORATE INFORMATION

	Industrial and Commercial Bank of China (Asia) Limited 29/F ICBC Tower 3 Garden Road Central Hong Kong
	Standard Chartered Bank (Hong Kong) Limited 13th Floor, Standard Chartered Bank Building 4-4A Des Voeux Road Central Hong Kong
	The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central Hong Kong
Address where the Principal Register of Members is kept	Boundary Hall, Cricket Square Grand Cayman KY1-1102 Cayman Islands
Address where the Hong Kong Register of Members is kept	Shops 1712-1716, 17th Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
The Company's website address	www.hkt.com <i>(A copy of this prospectus is available on the Company's website. Except for the information contained in this prospectus, none of the other information contained on the Company's website forms part of this prospectus)</i>

RISK FACTORS

An investment in the Share Stapled Units involves certain risks. Prospective investors should consider the following risk factors carefully, together with all other information contained in this prospectus, before deciding to invest in the Share Stapled Units. If any of the possible events described below occurs, the business, financial condition or results of operations of the Group could be materially and adversely affected. The market price of the Share Stapled Units could fall significantly due to any of these risks, and you may lose all or any part of your investment.

RISKS RELATING TO THE INVESTMENT IN THE SHARE STAPLED UNITS

The structure involving the listing of the HKT Trust, the Company and the Share Stapled Units is novel and there is no precedent for it in the Hong Kong market. Despite considerable efforts having been made to ensure that investors would have the benefit of investor protections as Holders of Share Stapled Units equivalent to those enjoyed by shareholders of companies listed on the Stock Exchange, the application of the relevant investor protection legislation to the Share Stapled Units structure is subject to the interpretation of the Courts.

While considerable efforts have been made to afford Holders of Share Stapled Units levels of investor protection equivalent to those applicable to shareholders of companies listed on the Stock Exchange, the application of the relevant investor protection legislation to the Share Stapled Units structure is subject to the interpretation of the Courts. To mitigate this risk, an opinion has been obtained from leading counsel that the Share Stapled Units (and, thereby, the HKT Trust, including the Trustee-Manager, and the Company) would be subject to the SFO.

The HKT Trust may not be able to make distributions to Holders of Share Stapled Units at all or the level of distributions may fall.

If the Group's businesses do not generate sufficient profits, the Group's cash flow and the Group's (and therefore the HKT Trust's) ability to make distributions will be adversely affected.

The HKT Trust will rely on the receipt of dividends, distributions and other amounts from the Company in order to make distributions to Holders of Share Stapled Units. There can be no assurance that the initial distribution will be as forecast and there can be no assurance that the Company or other members of the Group will have sufficient distributable profits or other distributable reserves in any future period to make dividends, distributions or other payments to the HKT Trust to enable the HKT Trust to make distributions to the Holders of Share Stapled Units. The ability of the Group to pay dividends and/or make other distributions to the HKT Trust may be affected by a number of factors including, among other things:

- the Group's businesses and their respective financial positions;
- insufficient cash flows received from the assets held by the Group;
- applicable laws and regulations, which may restrict the payment of dividends by the Group companies;
- operating losses incurred by the Group companies in any financial year;
- changes in accounting standards, tax laws and regulations, laws and regulations in respect of foreign exchange repatriation of funds, corporate laws and regulations relating thereto in Hong Kong and/or the Cayman Islands;

RISK FACTORS

- trapped cash in the Group companies (as a result of depreciation being a mandatory accounting expense under the applicable accounting standards), which cannot be effectively utilised when the existing shareholder's loans at the Hong Kong companies have been fully repaid;
- the terms of agreements to which Group companies are, or may become, party;
- compliance with financial undertakings imposed under the Group's loan facilities such as the ratio of EBITDA to interest and the ratio of net debt to EBITDA; and
- funding requirements with reference to the prevailing business environment and operations, expansion plans, other capital management considerations, the overall stability of distributions and prevailing industry practice.

Further, any change in the applicable laws in Hong Kong and/or the Cayman Islands may limit the Group's ability to pay dividends and/or make other distributions to the HKT Trust and, therefore, the HKT Trust's ability to pay or maintain distributions to Holders of Share Stapled Units.

No assurance can be given as to the HKT Trust's ability to pay or maintain distributions in respect of the Share Stapled Units or that the level of distributions will increase over time.

Given that the listing of the structure involving the HKT Trust, the Company and the Share Stapled Units is novel, the HKT Trust and/or the Company may be affected by the introduction of new legislation, regulations, guidelines or directives affecting it.

As the listing of the structure involving the HKT Trust, the Company and the Share Stapled Units is novel, no assurance can be given that the introduction of new legislation, regulations, guidelines or directives affecting the HKT Trust and/or the Company will not adversely affect the financial condition and results of operations of the HKT Trust and/or the Company and/or the Group and/or an investment by a Holder of Share Stapled Units.

The introduction of new legislation, or amendment of existing legislation, in the Cayman Islands restricting the funds from which the Company is permitted to make distributions may reduce the level of distributions to Holders of Share Stapled Units.

The HKT Trust will rely on distributions from the Company in order to make distributions to Holders of Share Stapled Units. No assurance can be given that new legislation in the Cayman Islands will not be introduced, or that existing legislation in the Cayman Islands will not be amended or repealed, which would restrict the funds from which the Company is permitted to make distributions; and thereby reduce the level of distributions to Holders of Share Stapled Units.

Given that the listing of the Share Stapled Units structure is novel, there is uncertainty as to the Hong Kong profits tax treatment of the HKT Trust distributions to Holders of Share Stapled Units.

Pursuant to a legal opinion obtained by the Company from its tax counsel, it is understood that under the IRD's current practice, Hong Kong profits tax is generally not payable by unitholders on distributions from other Hong Kong-listed unit trusts. However, there is no assurance that the IRD will apply this practice to distributions made by the HKT Trust to Holders of Share Stapled Units. If the IRD does not apply its current practice and/or if there is any change in the current practice, this would affect the after-tax distributions to Holders of Share Stapled Units. Prospective investors should seek advice from their own professional advisors as to their particular tax position.

RISK FACTORS

RISKS RELATING TO THE BUSINESS

The Group operates in a highly competitive environment.

The Government implemented a policy to liberalise the telecommunications industry in 1995, which led to increased competition in the markets for local and international telecommunications. New licences were granted to other service providers and the industry has had to adapt to significantly more competitors in the market. The Group has operated in this competitive landscape for over fifteen years and has had to adapt its business strategies in light of the changed marketplace.

Such increased competition has resulted in pricing pressure, loss of market share, additional promotional, marketing and customer acquisition expenses and reduced gross margins for the Group, and such effects may be repeated in the future. The prices of the Group's products and services may fall and there may be a decrease in the rate at which the Group attracts new customers, or a decrease in the size of the Group's ARPU and customer base in the event that existing or potential customers choose telecommunications services from other providers. This may require the Group to incur increased spending in acquiring, expanding and retaining its customer base.

In order for the Group to increase its customer base, it may be necessary to lower its rates, which may result in a decrease in ARPU. The Group is also reliant on increases in the number of customers in all of its businesses as it seeks to gain market share generally. Any new services launched to increase the customer base may not be commercially successful or launched according to expected schedules. Any such failure to increase its customer base or ARPU may have a material adverse effect on the Group's revenue and profitability, which would reduce the amount of the funds from which the Company is able to make distributions; and thereby reduce the level of distributions to Holders of Share Stapled Units.

The operations of the Group's international businesses are also subject to highly competitive market conditions. There is a regional and global market for many of the services the Group provides, particularly international voice and data communications offered to commercial customers. The quality of, and rates for, these services can affect a potential commercial customer's decision to subscribe to the Group's services. As a result of general price competitiveness, prices for some of these services may decline and any material decrease may have a material adverse effect on the Group's revenue and profitability. (See the section headed "The Business of the Group — Competition" in this prospectus.)

The Hong Kong telecommunications industry operates under licences granted by OFTA. The Group's operations could be adversely affected if any of its existing licences are amended, not renewed or revoked. The viability or competitiveness of the Group's businesses could also be affected by any future regulatory changes. These factors may continue to adversely affect the Group's results of operations, cash flows and financial position.

The Group may be adversely affected by regulatory decisions.

OFTA, the regulator of the telecommunications industry in Hong Kong, has implemented its policies to liberalise the telecommunications markets by way of regulatory decisions which have or could have significant adverse effects on the businesses of the Group.

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Under the Telecommunications Ordinance, the Telecommunications Authority has certain discretionary powers to direct the Group and its other licensees to undertake and provide certain interconnection services and facilities and to impose the terms and conditions of interconnection. The Telecommunications Authority may also direct its licensees to co-operate and share any facilities owned by them in the public interest. In the event the Telecommunications Authority exercises such powers and the Group is required to undertake and provide interconnection services and facilities or co-operate and share facilities with other operators, the Group may be required to do so on terms which force it to incur costs that may not be fully recoverable. There may also be interruption to operations and services and a diversion of telecommunications resources for other purposes as directed.

Since 1995, most interconnection and facility sharing issues have been resolved either by industry agreement or OFTA intervention. Fixed to fixed interconnection arrangements have not been the subject of significant regulatory dispute or OFTA intervention for several years. Mobile to mobile interconnection has always been carried out pursuant to carrier agreements. Unbundled local loop requirements have been phased out and arrangements are now governed by carrier-to-carrier contracts. In April 2007, subject to a two-year transition period, the Telecommunications Authority withdrew its guidance for interconnection terms between fixed network and mobile telecommunications operators, leaving carriers to negotiate their own terms of interconnection. The Group has agreed fixed-mobile interconnection terms with some Hong Kong carriers, but in relation to those with which it has not agreed terms, traffic is exchanged under the Telecommunications Authority's "any-to-any" requirements (i.e. any customer in any network can have access to (and is able to call) any other customer in the same or other network and where directed by the Telecommunications Authority, have access to any service offered in any other network) without any payments being made in either direction. Should the Group be unable to agree interconnection terms with other mobile licensees, the Telecommunications Authority could intervene and invoke its power to determine these terms. The Group (with both fixed and mobile businesses) can give no assurance that the results of any regulatory intervention will be favourable to the Group.

OFTA is currently reviewing its LAC regime, and has proposed to extend the regime to the mobile network operators as well. Under the existing LAC framework, the local fixed network operators may charge ETS providers for origination and termination of ETS traffic (i.e. IDD) on local fixed networks. Under the current LAC regime, OFTA fixes these interconnection charges. In December 2009, OFTA issued a consultation paper which reviewed the current LAC framework. After considering submissions from the industry, OFTA released a second consultation paper in March 2011 proposing that the existing regulatory obligation to pay LAC be maintained for fixed-line operators and extended to mobile operators, but the rate level was to be commercially agreed between operators within an 18-month transitional period. With a view to facilitating the agreement of interconnection terms, OFTA has published guiding principles which would apply if it were required to make a determination regarding the LAC payable between operators under the new market-based regime. The consultation is still in progress. The Group can give no assurance that the results of such consultation will be favourable to the Group, and an unfavourable outcome may result in decreased LAC rates and revenues for the Group.

The Group is subject to extensive laws and regulations.

The Group's operations in Hong Kong and its international operations and investments are, along with other businesses operating in the telecommunications sector, subject to extensive government regulations which may impact or limit flexibility to respond to market conditions, competition, new

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technologies or changes in cost structures. Governments may alter their policies relating to the telecommunications industries and the regulatory environment (including taxation) in which the Group operates. Such changes could have a material adverse effect on the Group's financial performance and operations.

The business and results of operations of the Group could be materially and adversely affected by changes in law, regulation or government and regulatory policies. In particular, decisions by regulators concerning economic or business interests or goals which are inconsistent with the interests or actions of the Group could materially and adversely affect its financial condition, results of operations and investments.

The businesses of the Group depend upon statutory licences issued by governmental authorities. Failure to meet regulatory requirements could result in fines or other sanctions including, ultimately, revocation of the licences. There is no assurance that the Group will be able to renew existing licences on terms that are the same or equivalent to those that currently apply, or at all. The Group may be required to obtain licences where it wishes to expand into new areas of business or, in the case of mobile services in particular, to upgrade existing services and service infrastructure through the acquisition of additional licensed spectrum. There can be no assurance that it will be able to obtain these licences. Under the Government's Spectrum Policy Framework, OFTA is obliged to pursue a market-based approach to mobile service spectrum assignments, with private uptake of new spectrum ordinarily administered through auctions which will generally be open to incumbents and new market participants alike and which will involve the payment of spectrum utilisation fees ("**SUFs**") as a condition of the grant of the licence. The SUFs payable for additional spectrum in a competitive auction environment may be prohibitive and the Group may not be successful in its bids for licences which are essential to its business plans.

The Group's Hong Kong mobile and fixed carrier licences entitle the Government to acquire (at an agreed price based on fair market value) the relevant business assets upon expiry, cancellation or withdrawal of the licence or upon insolvency or cessation of the business during the currency of the licence if the business either holds a "dominant position" in the relevant market or (in the case of its 4G mobile service licence and its fixed service licences) is subject to a universal service obligation, in each case, within the meaning of the Telecommunications Ordinance.

The Government may cancel, withdraw or suspend any licence granted under the Telecommunications Ordinance if it is in the public interest to do so. In the event that any of the licences of the Group granted under the Telecommunications Ordinance is cancelled, withdrawn or suspended, the Group will not be able to conduct the relevant Telecommunications Business authorised by the relevant licence, which may have a material adverse effect on the businesses and financial performance of the Group.

The Group operates in an environment driven by technological changes.

The telecommunications industry is characterised by rapid and significant changes in technology. Technological changes continue to reduce the costs, and expand the capacities and functions, of new infrastructure capable of delivering competing products and services, resulting in lower prices and more competitive and innovative products and services. The Group's operations depend on the successful deployment of continuously evolving technologies and its response to technological changes and industry developments.

The Group's implementation of any new technologies depends on a number of factors, including developing the Group's network and the launch of new and commercially viable products and services involving these technologies. The Group may not be successful in modifying its network infrastructure in a timely and cost-effective manner to facilitate such implementation, which could adversely affect its

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quality of service, financial condition and results of operations. Further, the Group may face the risk of unforeseen complications in the deployment of new technologies. Any newly adopted technology may not perform as expected, and the Group may not be able to successfully or on a timely basis develop the new technology to effectively and/or economically deliver services based on such technology.

With the rapid advancement in technology, the Group may have to invest to upgrade its existing technologies to prevent them from becoming obsolete. In such events, the value of these investments may be impaired. These changes may require the Group to replace and/or upgrade its network infrastructure and as a result, incur additional capital expenditure (which may be significant) in order to maintain the latest technological standards and remain competitive against newer products and services.

The telecommunications industry is also characterised by the constant development of new communications technologies, including wireless technologies, satellite-based communications systems and alternative technology networks. The Group's competitors may be more effective at developing or marketing new technologies, products and services and new competitors may emerge as a result of new technologies. The Group cannot accurately predict how emerging and future technological changes will affect its operations or the competitiveness of its services.

For the year ended 31 December 2010 and the six months ended 30 June 2011, the Group's capital expenditure was less than 10% of its turnover. However, there is no assurance that the Group's future capital expenditure as a percentage may not increase or be maintained at less than 10% of annual turnover, and the Group may make significant capital investments in the future. Future capital expenditure costs may be beyond the control of the Group.

The Group currently expects that its significant future capital expenditure spending will be in relation to the expansion of its network capacity as well as the roll-out and expansion of its wireless broadband and 4G markets. However, because future network expansion will be dependent in part on the future demand for its services, it is difficult for the Group to predict with certainty its future capital expenditure costs. In the event that the Group underestimates its future capital expenditure costs, the Group may require additional financing in order to meet its projected capital and other expenditure requirements. There is also a risk that the Group may not have invested sufficiently in its network infrastructure and may in future require further capital expenditure to maintain or expand its network.

In addition, the Group may need to acquire or renew its spectrum rights to support both generic growth and the development of new services, and to meet changing market demands that may be driven by new and developing communications technologies. There is no guarantee that the Group will be able to acquire or renew its spectrum rights on favourable terms, or at all. Failure to acquire or renew its spectrum rights could hinder or prevent the Group from deploying new products and services and may have a material adverse effect on the businesses, financial performance and growth plans of the Group.

The Group faces operating risks.

The Group faces operating risks including the following:

- **Infrastructure risk.** The Group's telecommunications services are currently carried through its own networks and the networks of other operators, international submarine cable lines, its own switching systems and the switching systems of international long distance operators, satellites, and other network-related infrastructure. The provision of the Group's services depends on the quality, stability, resilience and robustness of this integrated network. The Group faces risks of malfunction of, loss of, or damage to, its own or others' network infrastructure from catastrophic events, whether natural or of man-made causes, such as typhoons, droughts, earthquakes, fires, floods, power losses, acts of terrorism, communications failures, software flaws, transmission cable

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cuts or other events beyond the Group's control. For instance, a submarine transmission cable was damaged during the Japan earthquake in March 2011, leading to temporary disruptions and/or loss in quality in certain services provided by the Group. Even though the Group did not suffer any material financial impact resulting from the Japan earthquake in March 2011, there can be no assurance that losses and damage arising from risks of this nature in the future may not significantly disrupt the Group's operations, and such losses and damage may materially and adversely affect the Group's ability to deliver services to customers, notwithstanding that the Group would have put in place disaster recovery plans and/or may have taken out insurance policies with respect to some or all of these risks. Any such failure of the Group's network infrastructure or any link in the delivery chain that results in an interruption in the Group's business, operations or its ability to provide any service, may damage the Group's brand and have a material and adverse effect on its revenue and profitability.

- **Risks relating to billing, credit control and customer management.** Sophisticated billing, credit control and customer management systems are critical to support the Group's ability to increase revenue streams, avoid revenue loss, monitor potential credit problems and bill customers accurately and in a timely manner. The HKT Trust expects new technologies and applications to create increasing demands on its billing, credit control and customer management systems. The Group will need to expand and adapt its billing and credit control systems to capture new revenue streams as the Group introduces new services and as its business continues to grow. The development of new businesses may impose a greater burden on the Group's systems and may strain its administrative, operational and financial resources. If adequate billing, credit control and customer management systems are unavailable or if upgrades or new systems are delayed or not introduced or integrated in a timely manner, this could materially and adversely affect the Group's operations.
- **Risks relating to security breaches, piracy and hacking.** The Group's networks may be vulnerable to computer viruses, piracy, hacking or similar disruptive problems. Computer viruses or problems caused by third parties could lead to disruptions in the Group's services to its customers. Fixing such problems may require interruptions, delays or temporary suspension of the Group's services, which could result in lost revenue and dissatisfaction among customers. Breaches of the Group's networks, including breaches through piracy or hacking may result in unauthorised access to content carried on the Group's networks or a breach of privacy of voice and information transmissions over its networks. The Group employs security mechanisms including the use of firewalls and the GSM encryption algorithm, designed to minimise the risk of privacy breaches. Significant failure of encryption and security measures may undermine consumer confidence and may result in the imposition of regulatory measures to ensure the security of services. Such events may have a material adverse effect on the Group's business, financial condition and results of operations and may also require the Group to incur further expenditure to put in place more advanced security systems to protect its networks.
- **Risks relating to reliance on key third party vendors.** The Group relies on third party vendors for certain of the hardware, software and services it sells and utilises in its business. The Group relies on certain key vendors for certain services and equipment and the failure of any key vendor to provide such services or equipment, or any consolidation of the industry, may adversely affect the Group's business and operations. The Group is also dependent upon its suppliers developing commercially successful technology and software so that such new technologies can achieve

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broad commercial acceptance in the relevant markets. Increases in the amounts the Group pays its key suppliers for their services and products, or any failure by the Group's key suppliers to provide those services and products could have a material adverse effect on the Group's ability to deliver its services to its customers and on its revenue and profitability.

The Group's substantial debt and high level of net current liabilities could impair its ability to implement its business plan.

The Group has significant indebtedness and it had net current liabilities of approximately HK\$7.6 billion, HK\$1.9 billion, HK\$6.8 billion and HK\$6.0 billion as at 31 December 2008, 2009 and 2010 and 30 June 2011, respectively. Subject to limitations imposed by lenders, the Group may incur additional debt in the future. As at 31 December 2010 and 30 June 2011, the Group had long-term indebtedness of approximately HK\$27.0 billion and HK\$27.1 billion, respectively. Certain of the Group's debt contains financial covenants and conditions. The key financial covenants and conditions include the ratio of EBITDA to interest and the ratio of net debt to EBITDA. Certain loans also have a mandatory repayment provision in the event of (a) a disposal of core business assets; (b) PCCW ceasing to remain the single largest shareholder of HKTGH; or (c) Hong Kong Telecommunications (HKT) Limited not remaining a wholly-owned subsidiary of HKTGH. Immediately following the Global Offering, PCCW will remain the single largest shareholder of HKTGH and Hong Kong Telecommunications (HKT) Limited will remain a wholly-owned subsidiary of HKTGH.

It is possible that any substantial indebtedness of the Group and the Group's high level of net current liabilities could:

- require the Group to dedicate a substantial portion of its cash flow from operations to servicing of its existing debt, reducing the availability of its cash flow to fund working capital, capital expenditure, acquisitions, research, development and other general corporate requirements;
- make it more difficult for the Group to satisfy its payment obligations, particularly in the event that market or operational conditions deteriorate;
- increase the Group's vulnerability to general adverse economic and industry conditions;
- limit the Group's flexibility in planning for, or reacting to, changes in the business in which the Group operates;
- limit the Group's ability to obtain refinancing where necessary;
- limit the Group's ability to take advantage of significant new business opportunities; and
- place the Group at a competitive disadvantage compared to its competitors that have less debt.

The Group is exposed to interest rate risk.

The Group seeks to achieve a balance between fixed and floating interest rates for its borrowings by managing the proportion of its borrowings in fixed interest rates and floating interest rates. However, its interest rate management policy may not adequately cover the Group's exposure to interest rate fluctuations and this may result in a large interest expense and an adverse effect on the Group's financial condition and results of operations.

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Credit ratings assigned to Hong Kong Telecommunications (HKT) Limited may be subject to change.

Hong Kong Telecommunications (HKT) Limited, a company incorporated in Hong Kong and a subsidiary of the Company, has been assigned a corporate credit rating of “Baa2” by Moody’s and “BBB” by Standard & Poor’s. A credit rating is not a recommendation to buy, sell or hold securities including the Share Stapled Units. A downgrade in Hong Kong Telecommunications (HKT) Limited’s credit rating may have an adverse effect on the cost of future financing. Credit ratings are subject to revision, suspension or withdrawal at any time by the assigning rating agency. Rating agencies may also revise or replace entirely the methodology applied to assign credit ratings. No assurances can be given that a credit rating will remain for any given period of time or that a credit rating will not be lowered or withdrawn entirely by the relevant rating agency if in its judgement circumstances in the future so warrant or if a different methodology is applied to assign such credit ratings. Both rating agencies had announced that they were reviewing the ratings on Hong Kong Telecommunications (HKT) Limited for a possible downgrade in view of the Group’s significant leverage. As at the Latest Practicable Date, that review is on-going and the rating agencies will need to consider the final capital structure and other information contained in this prospectus as part of their review. Notwithstanding the application of the majority of the net proceeds from the Global Offering to repay the Group’s indebtedness, it is possible that Moody’s and/or Standard & Poor’s might, in any event, decide to lower or withdraw its credit rating for Hong Kong Telecommunications (HKT) Limited.

Unless required to be disclosed by law, the Stock Exchange, the Listing Rules and/or any applicable regulatory or supervisory body or agency, the Group does not have any obligation to inform the Holders of Share Stapled Units of any such revision, downgrade or withdrawal. This may have an adverse effect on the Group’s financing costs. A suspension, reduction or withdrawal at any time of the credit rating assigned to Hong Kong Telecommunications (HKT) Limited may adversely affect the market price of the Share Stapled Units.

The Group may not be able to obtain additional capital.

The Group expects to continue to make investments to maintain and upgrade its telecommunications networks to meet demand for its new and existing services.

The Group may have to obtain additional financing if its business plans are accelerated or are affected by changes in the telecommunications industry, or if its turnover and cash flow are significantly reduced.

Financing may not be available to the Group when needed, or may only be available on terms that are unfavourable to the Group. Any debt financing, if available, may involve restrictive covenants. If the Group is unable to raise the amounts required on favourable terms, it may be unable to pursue its planned strategy, and there can be no assurance that future conditions in the financial markets will not adversely affect its ability to finance its operations. If the Group cannot raise sufficient funds on commercially acceptable terms, it may need to delay or abandon some of its developments and expansion plans or otherwise forgo market opportunities. In addition, if the Group cannot raise new debt or refinance its debt, its ability to pay distributions may be affected.

The Group may not be able to successfully implement its strategies.

The Group’s business strategy may require it to enter into new business combinations, strategic investments, acquisitions and disposals. In the event that the Group is unable to enter, or is restricted from entering, into such new business combinations, strategic investments, acquisitions or disposals due to regulatory or other constraints, there could be a material adverse effect on the Group’s implementation of its investment or expansion strategies.

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Acquisitions typically involve a number of risks, including:

- the difficulty of integrating the operations and personnel of the acquired companies;
- the potential disruption to the Group's ongoing business and the distraction of its management;
- the difficulty of incorporating acquired technology and rights into the Group's products and services;
- unanticipated expenses related to acquired technologies and their integration into existing technologies;
- the difficulty of maintaining uniform standards, controls, procedures and policies;
- the impairment of relationships with employees and customers as a result of integration of new management and personnel;
- potential unknown liabilities associated with acquired businesses;
- higher than planned requirements to preserve and grow the value of acquired companies or, if the Group is unable to obtain access to such funds, possible loss of value of the acquired companies; and
- adverse effects on the Group's reported operating results due to the amortisation of and potential impairment provision for goodwill and other intangible assets associated with acquisitions and losses sustained by acquired companies after the date of acquisitions.

There is no assurance that the Group will be able to implement its investment strategies successfully or that it will be able to expand the Group's portfolio at any specified rate or to any specified size. The Group may not be able to make acquisitions or investments on favourable terms or within a desired time frame.

Even if the Group were able to successfully make acquisitions or investments as desired, there is no assurance that the Group will achieve its intended return on such acquisitions or investments. In addition, the Group may require additional debt and/or equity financing in order to make such acquisitions and investments. If obtained, any such additional debt financing may decrease distributable income whereas equity financing may result in dilution to the holdings of existing Holders of Share Stapled Units.

Disposals typically involve a number of risks, including:

- difficulty of and unanticipated expenses relating to separating the operations and personnel of the businesses to be disposed from the Group;
- unanticipated transactional expenses;
- the potential disruption to the Group's ongoing business and distraction of its management;
- proprietary and confidential information about the Group's operations may be disclosed in the due diligence process which may have an adverse effect on the Group's competitive position;
- the planned disposals may not meet with the requisite shareholder or regulatory consent or approval;
- the impairment of relationships with employees and customers as a result of separation of businesses, management and product and/or service offerings; and
- adverse effects on the Group's reported operating results due to loss of profit drivers from the businesses to be disposed.

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The Group may be susceptible to risks associated with overseas expansion, which could harm its operating results.

The Group continually seeks to explore new overseas business and expansion opportunities for its Telecommunications Business. The Group's ability to expand into these overseas markets may be constrained by the pace of deregulation in individual markets, including the timing of the removal of restrictions on foreign participation. In addition, operations outside of Hong Kong will be subject to certain risks, including:

- lack of familiarity with the overseas market, such as customer preferences and competitors' practices;
- multiple and conflicting regulations relating to communications, use of data and control of Internet access;
- changes in regulatory requirements, tariffs and import and export restrictions;
- increased costs associated with complying with the laws of numerous jurisdictions;
- fluctuations in currency exchange rates;
- lack of clarity in the interpretation of laws and regulations;
- insufficient protection of the Intellectual Property Rights;
- changes in political and economic stability; and
- potentially adverse tax consequences.

Any of these factors could have a material and adverse effect on the Group's business, results of operations and financial condition.

Licences, permits and commercial agreements with third parties required for operating a network may be difficult to obtain and, licences and permits, once obtained, may be amended or revoked or may not be renewed.

The Group's operation of telecommunications networks and the provision of related services are regulated to varying degrees by governmental and/or regulatory authorities. The Group's operating licences specify the services the Group can offer and the frequency spectrum that the Group can utilise for mobile operations. These licences are subject to review, interpretation, modification or termination by the relevant authorities. No assurance can be given that the relevant authorities will not take actions that could materially and adversely affect the Group nor can the Group assure that the existing operating licences will be renewed or that any renewal on new terms will be commercially acceptable to the Group. If the Group fails to renew any of its licences, it may lose the ability to continue to operate the affected business, and the realisable value of the relevant network infrastructure and related assets may be materially and adversely affected.

The rules of government and/or regulatory authorities in Hong Kong may require the Group to meet specified network build-out requirements and schedules and satisfy various obligations, including minimum specified quality, service, coverage criteria and capital investment. Failure to comply with these obligations could result in the imposition of fines or the revocation or forfeiture of the licence for that area. Furthermore, the need to meet scheduled deadlines may cause the Group to expend more resources than otherwise budgeted for a particular network build-out.

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The deployment of the Group's networks requires various approvals or permits from governmental and/or regulatory authorities and/or commercial agreements with private parties. For its fixed-line business, the Group has to apply for government permits to conduct work on its network lines that lay beneath roadways. To gain access to buildings outside its fixed-line network coverage, the Group has to obtain either (i) the approval from the building manager to install its block-wiring within the building; or (ii) an acceptable commercial arrangement with the block-wiring provider of the building. If the Group cannot make such arrangements on favourable terms or at all, it may not be able to provide its fixed-line services on a commercially viable basis. For its mobile business, the approvals and permits for establishing cell sites may include building, construction and environmental permits, antenna and mast deployment approvals, other various planning permissions and commercial agreements with land owners. The process of obtaining the required approvals and permits may be lengthy, and the Group has experienced, and may continue to experience, difficulties in obtaining some of these approvals and permits. Failure to obtain approvals or permits could have an adverse effect on the extent, quality and capacity of the Group's network coverage and on its ability to continue to market its products and services effectively.

Any asset impairment could adversely affect the Group's financial condition and results of operations.

The Group has non-current assets such as property, plant and equipment, interests in leasehold land, intangible assets, goodwill and investments in jointly controlled entities, and it is required to review these assets for impairment at each balance sheet date. This review is made with reference to the recoverable amounts in respect of those assets. Impairment of any of these assets could adversely affect the Group's financial condition and results of operations. The recoverable amount of an asset is the greater of its fair value less costs to sell and its value-in-use. If the carrying value of an asset as reflected in the Group's balance sheet is higher than its recoverable amount, it must make an asset impairment charge to its income statement.

The recoverable amount of an asset depends on the prevailing market conditions at the time of the review, the nature of the asset, its fair value and estimated future cash flows that are expected to be derived from the asset. The discount rate used in this review reflects the Group's current market assessment of the time value of money and the risks specific to the asset. Any reduction in the recoverable amount of an asset below its carrying value, whether due to a weak economic environment, challenging market conditions, asset or portfolio sale decisions by management or any other condition or occurrence, could be charged to the income statement and could thus materially and adversely affect the Group's results of operations and shareholders' equity in the period in which the impairment occurs.

A recurrence of SARS, bird flu, swine flu or other similar outbreak in Hong Kong or certain other Asian countries may adversely affect the Group's businesses, results of operations and financial condition.

There were media reports in 2009 regarding an outbreak of the influenza A/H1N1 virus or "swine flu" in the U.S., Mexico and other countries. On 11 June 2009, the World Health Organisation raised its global pandemic alert to phase 6 after considering data confirming the outbreak. The occurrence or recurrence of a swine flu or other outbreak, such as an outbreak of Severe Acute Respiratory Syndrome ("SARS"), in the PRC, Hong Kong or certain other Asian countries may adversely affect the Group's customers and its ability to conduct business development. The occurrence of such an outbreak may also cause a general slowdown of the economy and hence, the demand for the Group's products and services. The prolonged effects of such an outbreak may have a material adverse impact on the Group's business, results of operations and financial condition.

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Changes in domestic, regional and global economic conditions may have a material adverse effect on the financial performance and operations of the Group.

Changes in domestic, regional and global economic conditions may have a material adverse effect on the demand for telecommunications services in Hong Kong as well as in the Group's overseas markets and hence, on the financial performance and operations of the Group.

Changes in the global credit and financial markets may affect the availability of credit and lead to an increase in the cost of financing. This may make it more difficult or expensive for the Group to obtain funding through the financial markets. There can be no assurance that there will not be any increase in the rates incurred by the Group in obtaining such funding.

Currency fluctuations could adversely affect the Group's results of operations.

Although a significant part of the Group's outstanding debt and guarantee obligations are denominated in US dollars, the Group has entered into a series of cross-currency swap contracts with reputable financial institutions to swap all of these liabilities back into the Hong Kong dollar. The Hong Kong dollar has been pegged to the US dollar since 1983. However, there is no assurance that such a peg will be maintained in the future. Therefore, the Group's results of operations and ability to discharge its obligations could be adversely affected by the discontinuation or revaluation of the peg between the Hong Kong dollar and US dollar. In addition, even if the peg continues, the Group's operating costs could be adversely affected by substantial fluctuations in the US dollar.

The Group has existing contractual arrangements with the Remaining Group.

Prior to the listing of the HKT Trust and the Company and the separation of the Group from the Remaining Group, the Group has entered into contractual arrangements with the Remaining Group on an intra-group basis. These contractual arrangements facilitate existing arrangements with third parties. For example, the land on which exchange buildings are located is under private treaty grants from the Government and historically these were granted to entities within the Remaining Group as described in the section headed "Connected transactions — D. Exempt continuing connected transactions — (21) Private treaty grants" in this prospectus. The Group has licensing arrangements with these Remaining Group entities. In addition, there are certain existing financial and other arrangements between the Group and the Remaining Group as described in the section headed "Connected transactions — F. Financial assistance" in this prospectus.

The Group is subject to these existing contractual arrangements with the Remaining Group and the corresponding contractual arrangements with third parties. In the event that the Remaining Group does not continue to support these arrangements, the Group may be adversely affected. There is also no assurance that any changes to the existing contractual arrangements would be favourable to the Group.

The Group is exposed to counterparty risk.

The Group may enter into various transactions which will expose it to the credit of its counterparties and their ability to satisfy the terms of such contracts. For example, the Group has entered into cross-currency swap contracts and may enter into further swap arrangements, which exposes it to the risk that the counterparty may default on its obligations to perform under the relevant contract and the Group's surplus funds are invested in interest-bearing deposits with financial institutions. In the event a counterparty, including a financial institution, is declared bankrupt or becomes insolvent, the Group may face delays in obtaining funds or have to liquidate certain positions, which could have a material adverse effect on the Group's business, financial condition or results of operations.

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The Group may be liable for information disseminated through its networks.

The Group may be subjected to claims for defamation, negligence, copyright or trademark infringement, personal injury, privacy rights violations or other legal claims relating to the information the Group publishes on its websites or disseminates through its networks, including through the Group's mobile and broadband services. These could include claims under the censorship laws of Hong Kong. Any material liability arising from such claims may have an adverse effect on the Group's business.

The Group is exposed to perceived risks associated with electromagnetic energy.

Concerns have been expressed relating to possible adverse health consequences associated with the operation of communications or transmission devices due to potential exposure to electromagnetic energy.

While the Group is not aware of any substantiated evidence of public health effects from exposure to the levels of electromagnetic energy typically emitted from communicating or transmitting devices, there is a risk that an actual or perceived health risk associated with communications or transmission devices could result in:

- litigation against the Group;
- reduced demand for communications or transmission services; and
- restrictions on the ability of the Group to deploy its communications or transmission networks as a result of government environmental controls which exist or may be introduced to address these perceived risks,

which in turn could have a material adverse effect on the Group's financial performance and results of operations.

The loss of key management and other qualified personnel could weaken the Group's businesses.

The loss of services of one or more key executives could affect the Group's ability to make successful strategic decisions. In addition, as a group focused on the development of telecommunications products and services, the Group's future success depends in large part on its ability to hire and retain appropriately qualified executive management.

The service contracts with the executive management are terminable with notice periods ranging from three to twelve months. The Group cannot guarantee that these contracts will allow it to retain key employees. Additionally, the Group does not presently maintain any "key person" insurance.

Skilled personnel in these areas have on occasion been in short supply, and any shortages in the future may increase competition for such personnel and hence the staff turnover and/or employment costs incurred by the Group. The loss of key personnel, or the inability to find additional qualified personnel, could materially and adversely affect the Group's business, financial condition, prospects and results of operations.

Labour activism and unrest may materially and adversely affect the Group's business.

Labour activism and unrest could disrupt operations and adversely affect the Group's business. While the Group had not experienced any industrial or labour actions which had any material financial impact

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on the Group's operations, profits and financial position during the three years ended 31 December 2010 and six months ended 30 June 2011, there can be no assurance that future strikes and other labour activism will not have a material adverse effect on the Group's operations, profits and financial position.

The Group may be exposed to various types of taxes in the jurisdictions in which it operates or has a presence.

As the Group's operations are primarily based in Hong Kong, the income and gains derived by the Group will be primarily exposed to profit tax in Hong Kong. In addition, the income and gains derived by the Group may be exposed to various types of taxes in various countries including but not limited to Singapore, the PRC, Saudi Arabia and the United States. These include income tax, capital gains tax, indirect taxes such as VAT and other taxes specifically imposed for the ownership of such assets, and business in these countries (see the section headed "Taxation" in this prospectus). While the Trustee-Manager intends to manage its tax situation in each of these countries efficiently, there can be no assurance that the desired tax outcome will necessarily be achieved. In addition, the level of taxation in each of these countries is subject to changes in laws and regulations and such changes, if any, may lead to an increase in tax rates or the introduction of new taxes. All these factors may adversely affect the level of distributions paid to the Holders of Share Stapled Units.

You should only rely on the information included in this prospectus to make your investment decision and should not rely on any particular statements in published news reports or research analyst reports.

Prior to the publication of this prospectus, there have been press and media coverage and research analyst reports regarding the HKT Trust, the Group and the Global Offering, which may also have included certain financial projections and other forward-looking statements and information about the HKT Trust and/or the Company and the Group which do not appear in this prospectus. Published news reports and research analyst reports should not, in any way, be interpreted as profit projections of the Group. The Trustee-Manager and the Company have not authorised the disclosure of any such information. The HKT Trust and the Company do not accept any responsibility for any such press and media coverage or research analyst coverage or the accuracy or completeness of any such information. The Trustee-Manager and the Company make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. If any such information appearing in publications other than this prospectus is inconsistent or conflicts with the information contained in this prospectus, the Trustee-Manager and the Company disclaim it.

Accordingly, you should only rely on the information included in this prospectus to make your investment decision and should not rely on any other information.

The PCCW Group may be unable to extend or renew the leases of the PTG Telephone Exchanges which are leased by private treaty grants from the Government, thereby affecting the Group's ability to conduct operational activities at the telephone exchanges under the PTG Licensing Arrangements.

As at 30 June 2011, the Group owned two telephone exchanges and had been granted licences by (i) HKTC in respect of 69 PTG Telephone Exchanges in 2008 and (ii) by HKTL in respect of one PTG Telephone Exchange in 2008. The PTG Telephone Exchanges are mostly leased by HKTC and HKTL by private treaty grants from the Government and a majority of these leases expire in 2025. There can be no assurance that the leases will be renewed on favourable terms to HKTC and HKTL or to the Group or in a timely manner, or at all, once the leases expire. If any of these leases expires and is not renewed, the Group may need to seek alternative locations for these PTG Telephone Exchanges and incur

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additional costs relating to such relocations. This could result in disruptions to the Group's business operations and may have a material adverse effect on the Group's business, financial condition or results of operations. See the section headed "The Business of the Group — Property, plant and equipment — (a) Telephone exchanges and hilltop exchanges in Hong Kong" in this prospectus for further details.

The Company's memorandum and articles of association do not restrict its business activities to telecommunications businesses.

The memorandum and articles of association of the Company do not restrict the business activities of the Company to telecommunications businesses. The Company has the legal capacity to engage in other types of businesses if such other businesses are in the interests of the Holders of Share Stapled Units as a whole. Accordingly, the Company could engage in new business opportunities that are not within the telecommunications sector. Such endeavours could potentially lead to additional capital expenditure and could affect the financial positions of the HKT Trust and the Group. The intention of the Directors is that the Company and its subsidiaries would only engage in telecommunications, and telecommunications related, businesses and the Company would, in any event, only engage in any business if the Directors believe it to be in the interest of the Holders of Share Stapled Units as a whole.

OTHER RISKS RELATING TO THE INVESTMENT IN THE SHARE STAPLED UNITS

The sale of a substantial number of the Share Stapled Units by PCCW (following the lapse of the lock-up arrangements) in the public market could adversely affect the price of the Share Stapled Units.

Immediately following the completion of the Global Offering (assuming the Over-Allotment Option is not exercised and before the PCCW Distributions), the HKT Trust and the Company will have 6,416,730,792 Share Stapled Units in issue, of which 4,363,376,792 Share Stapled Units will be held by PCCW (through its wholly-owned subsidiary CAS Holding No. 1 Limited). If PCCW and/or any of its transferees of the Share Stapled Units (following the lapse of the relevant respective lock-up arrangement, or pursuant to any applicable waivers) sells or is perceived as intending to sell a substantial amount of its Share Stapled Units, or if a follow-on offering of the Share Stapled Units is undertaken in connection with an additional listing on another securities exchange, the market price for the Share Stapled Units could be adversely affected. (See the section headed "Underwriting — Undertakings to the Stock Exchange pursuant to the Listing Rules" in this prospectus for further details.)

PCCW, whose interest in the Group's business may be different from the other Holders of Share Stapled Units, will be able to exercise significant influence over certain activities of the Group.

PCCW, its respective subsidiaries, related corporations and/or associates conduct business in, among others, the telecommunications, media and solutions industry. Immediately following the Global Offering (before the Over-Allotment Option being exercised and the PCCW Distributions), it is intended that PCCW (through its wholly-owned subsidiary CAS Holding No. 1 Limited) will hold 4,363,376,792 Share Stapled Units (assuming that the Over-Allotment Option is not exercised and before the PCCW Distributions). This is equivalent to approximately 68.0% of the total number of Share Stapled Units expected to be in issue at the Listing Date. (See the section headed "Substantial Holders of Share Stapled Units" in this prospectus for further details.)

PCCW and its ultimate controlling shareholders will therefore be in a position to exercise significant influence in matters which require the approval of Holders of Share Stapled Units. (See the paragraph headed "The Trustee-Manager can only be removed and replaced by an Ordinary Resolution of Registered Holders of Units" in this section of the prospectus.) As a Controlling Holder of Share Stapled

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Units, the interest of PCCW may not necessarily be in line with the best interests of the other Holders of Share Stapled Units. The actions of PCCW could favour its own interests over the interests of the other Holders of Share Stapled Units, which could materially and adversely affect the business, financial condition, results of operations and prospects of the Group.

The proceeds from a winding up of the HKT Trust and/or the Company may be less than the amount invested by investors under the Global Offering.

The issue of Share Stapled Units under the Global Offering at the Offering Price may be at a premium to the net asset value of the HKT Trust and the Company. Should the HKT Trust and/or the Company be wound up, there is no assurance that an investor under the Global Offering will recover all or any part of his investment.

Market and economic conditions may affect the market price and demand for the Share Stapled Units.

Movements in domestic and international securities markets, economic conditions, foreign exchange rates and interest rates may affect the market price of, and demand for, the Share Stapled Units. An increase in market interest rates may have an adverse impact on the market price of the Share Stapled Units if the annual yield on the price paid for the Share Stapled Units gives investors a lower return as compared to other investments.

The actual performance of the Group could differ materially from the forward-looking statements, forecasts and projections in this prospectus.

This prospectus contains forward-looking statements regarding, among other things, forecast and projected distribution levels for the Forecast Year 2011 and the Projection Year 2012 and the profit forecast and profit projection. These forward-looking statements are based on a number of assumptions that are subject to significant uncertainties and contingencies, many of which are beyond the Company's and the Trustee-Manager's control. (See the section headed "Profit forecast and profit projection — Bases and assumptions" in this prospectus.)

The Group's revenue is dependent on a number of factors, including the receipt of payments from its customers, which may decrease for a number of reasons including the lowering of rates, insolvency of customers and delay in payment by customers. These may adversely affect the Group's ability to achieve the forecast and projected distributions, profit forecast and profit projection contained elsewhere in this prospectus, as some or all events and circumstances assumed may not occur as expected, or events and circumstances may arise that are not currently anticipated.

No assurance is given that the assumptions will be realised and the actual distributions will be as forecast. In addition, the selected financial information and operational data contained in this prospectus are not necessarily indicative of the future performance of the Group.

The Trustee-Manager is not obliged, or permitted, to redeem the Share Stapled Units.

Holders of Share Stapled Units have no right to request the Trustee-Manager to redeem their Share Stapled Units and the Trustee-Manager is not permitted to do so. It is intended that Holders of Share Stapled Units may only deal in their listed Share Stapled Units through trading on the Stock Exchange.

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The Trustee-Manager can only be removed and replaced by an Ordinary Resolution of Registered Holders of Units.

The Trust Deed requires the removal of a trustee-manager of the HKT Trust by way of an Ordinary Resolution of Registered Holders of Units, which is a resolution approved by Registered Holders of Units holding more than 50% of the voting rights of all the Registered Holders of Units present and voting. As PCCW will have an interest in approximately 59.9% of the Share Stapled Units upon Listing (assuming the Over-Allotment Option is fully exercised and after the PCCW Distributions), it will have the ability to block any Registered Holders of Units' resolution to remove the Trustee-Manager.

If the Trustee-Manager resigns or is removed by the Registered Holders of Units, the HKT Trust may not be able to appoint a new trustee-manager in the future in a timely manner or on similar terms.

Under the Trust Deed, the Trustee-Manager may be removed as trustee-manager of the HKT Trust by an Ordinary Resolution of Registered Holders of Units, or it may resign as trustee-manager. Any removal or resignation of the Trustee-Manager must be made in accordance with the procedures set out in the Trust Deed and shall only become effective upon the incumbent trustee-manager which is being removed or is resigning (as the case may be) having taken all necessary steps to transfer legal title to all Trust Property to the incoming trustee-manager, including but not limited to the Ordinary Shares. The responsibilities and obligations of the Trustee-Manager which is being removed or is resigning will only cease, and the responsibilities and obligations of the incoming trustee-manager will only commence, on all those necessary steps having been completed. Any purported change of the Trustee-Manager of the HKT Trust is ineffective unless it is made in accordance with the Trust Deed. Therefore, upon resignation of the Trustee-Manager or the removal of the Trustee-Manager by way of an Ordinary Resolution of Registered Holders of Units, the HKT Trust may not be able to substitute for the Trustee-Manager in a timely manner, or on terms similar to those under the Trust Deed. The Trust Deed includes provisions whereby application can be made to the Hong Kong Court under its inherent jurisdiction, or under the Trustee Ordinance, for the appointment of a replacement Trustee-Manager. However, there can be no assurance that any new trustee-manager to be appointed to substitute for the Trustee-Manager has the relevant experience in performing its duties under the Trust Deed.

If the Trustee-Manager is removed and no new trustee-manager is willing to take its place, the HKT Trust could be terminated by court order.

Under the Trust Deed, in the event that the Trustee-Manager is removed by way of an Ordinary Resolution of Registered Holders of Units and no new trustee-manager is willing to take the place of the Trustee-Manager within 60 days of such removal, any Registered Holder of Share Stapled Units may apply to the Hong Kong Court under its inherent jurisdiction, or under the Trustee Ordinance, for an order to appoint any company to act as trustee-manager or to terminate the HKT Trust.

The Share Stapled Units have never been publicly traded and the listing of the Share Stapled Units on the Main Board of the Stock Exchange may not result in an active or liquid market for the Share Stapled Units.

There is no public market for the Share Stapled Units prior to the Global Offering and an active public market for the Share Stapled Units may not develop or be sustained after the Global Offering. An application has been made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Share Stapled Units in issue and to be issued as mentioned in this prospectus on the Main Board of the Stock Exchange. However, listing and quotation does not guarantee that a trading market for the Share Stapled Units will develop or, if a market does develop, the liquidity of that market for the Share Stapled Units. Prospective Holders of Share Stapled Units should view the Share Stapled Units as illiquid and must be prepared to hold their Share Stapled Units for an indefinite length of time.

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There is no assurance that the Share Stapled Units will remain listed on the Stock Exchange.

Although it is currently intended that the Share Stapled Units will remain listed on the Stock Exchange, there is no guarantee of the continued listing of the Share Stapled Units. Among other factors, the HKT Trust and/or the Company may not continue to satisfy the listing requirements of the Stock Exchange. Holders of Share Stapled Units would not be able to sell their Share Stapled Units through trading on the Stock Exchange if the Share Stapled Units were no longer listed on the Stock Exchange.

The price of the Share Stapled Units may decline after the Global Offering.

The Offer Price of the Share Stapled Units is determined by agreement between the Trustee-Manager, the Company and the Joint Sponsors (on behalf of the Underwriters). The Offer Price may not be indicative of the market price for the Share Stapled Units upon completion of the Global Offering. The trading price of the Share Stapled Units will depend on many factors, including, but not limited to:

- the perceived prospects of the Group's business and investments and the market for telecommunications services;
- differences between the Group's actual financial and operating results and those expected by investors and analysts;
- changes in research analysts' recommendations or projections;
- changes in general economic or market conditions;
- the market value of the Group's assets;
- the perceived attractiveness of the Share Stapled Units against those of other trusts, equity or debt securities;
- the balance of buyers and sellers of the Share Stapled Units;
- the size and liquidity of the Hong Kong market for securities of this nature;
- any changes to the regulatory system, including the tax system, both generally and specifically in relation to the HKT Trust and/or the Company;
- the ability on the Group's part to implement successfully its investment and growth strategies;
- foreign exchange rates; and
- broad market fluctuations, including increases in interest rates and weakness of the equity and debt markets.

To the extent the Group retains operating cash flow for investment purposes, working capital reserves or other purposes, these retained funds, while increasing the value of its underlying assets, may not correspondingly increase the market price of the Share Stapled Units. Any failure on the Group's part to meet market expectations with regard to future earnings and cash distributions may adversely affect the market price for the Share Stapled Units.

Where new Share Stapled Units are issued at less than the market price of Share Stapled Units, the value of an investment in Share Stapled Units may be affected. In addition, Holders of Share Stapled Units who do not, or are not able to, participate in the new issuance of Share Stapled Units may experience a dilution of their interest in the HKT Trust and the Company.

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In addition, the Share Stapled Units are not capital-safe products and there is no guarantee that Holders of Share Stapled Units can regain the amount invested. If the HKT Trust is terminated or liquidated or if the Company is liquidated, it is possible that investors may lose a part or all of their investment in the Share Stapled Units.

It may be difficult to establish liability for breach of trust by the Trustee-Manager and the rights of the HKT Trust and the Holders of Share Stapled Units to recover claims against the Trustee-Manager are limited.

A trustee-manager who does not carry out its duties and obligations contained in the trust deed or as imposed by law will be in breach of trust and will be liable to the Holders of Share Stapled Units. Generally, under the common law, when there is a breach of trust, the trustee-manager can be compelled to do something required by the trust or prevented from doing something prohibited by the trust. The trustee-manager can also be required to restore the trust property that has been passed away in the breach, to provide value equivalent to value of property passed away or to pay equitable compensation to the trust to compensate the beneficiaries' loss. The trustee-manager may also be obliged to put the trust estate back to the same position it would have been in had the breach not occurred. However, under the common law, it may be difficult to establish a liability for breach of trust, as the Holders of Share Stapled Units must prove that the Trust Property has incurred a loss and that the loss would not have occurred but for the breach. The trustee-manager will also be entitled to certain defences to breach of trust under the common law. It is also unclear under common law whether the directors of a corporate trustee have personal liability to the beneficiaries of the trust.

The Trust Deed limits the liability of the Trustee-Manager (including its directors, employees, agents or delegates) in the absence of fraud, wilful default, negligence or breach of the Trust Deed. In addition, the Trust Deed provides that the Trustee-Manager and any of its directors, employees, servants and agents are entitled to be indemnified against any actions, costs, claims, damages, expenses, penalty or demands to which it or he/she may be subject as the trustee-manager of the HKT Trust (or as such a director, employee, agent or delegate) so long as such action, cost, claim, damage, expense, penalty or demand is not occasioned by fraud, wilful default or negligence. As a result, the rights of the HKT Trust and the Holders of Share Stapled Units to recover claims against the Trustee-Manager are limited.

Third parties may be unable to recover for claims brought against the Trustee-Manager as the Trustee-Manager is not an entity with significant assets other than the Trust Property. The HKT Trust can only act through the Trustee-Manager.

Third parties may in the future have claims against the Trustee-Manager in connection with the carrying on of its duties as trustee-manager of the HKT Trust (including in relation to the Global Offering and this prospectus).

Under the terms of the Trust Deed, the Trustee-Manager is indemnified from the Trust Property against any actions, costs, claims, damages, expenses, penalties or demands to which it may be put as the trustee-manager of the HKT Trust unless occasioned by fraud, wilful default or negligence. In the event of any such fraud, wilful default or negligence, only the assets of the Trustee-Manager itself and not the Trust Property would be available to satisfy a claim. This is explained in more detail immediately below.

The HKT Trust can only act through the Trustee-Manager. If the Trustee-Manager enters into a contract with a third party, the Trustee-Manager is liable under the contract to a potentially unlimited degree. Similarly, the Trustee-Manager can also be personally liable in tort for its or its agents' acts or omissions in connection with the administration of the HKT Trust.

As a general principle, creditors and contractual counterparties of the HKT Trust and other third parties have no direct access to the Trust Property, because the HKT Trust has no separate legal existence. The Trustee-Manager is entitled under the Trust Deed to an indemnity out of the Trust Property in respect of the Trustee-Manager's personal liability where a contract has been properly entered into during the administration of the HKT Trust and within the powers conferred by the Trust Deed and in the absence

RISK FACTORS

of fraud, wilful default or negligence by the Trustee-Manager. Similarly, where the Trustee-Manager has acted within its powers under the Trust Deed, it will be entitled to an indemnity in respect of claims in tort by third parties, in the absence of fraud, wilful default or negligence on the part of the Trustee-Manager.

Creditors', other contractual counterparties' and other third parties' only means of access to the Trust Property is by subrogation to the Trustee-Manager's right to be indemnified out of the Trust Property in the circumstances described above.

The Trustee-Manager, being a newly established entity, does not have an established operating history for investors to rely on in making an investment decision and may be put in receivership or liquidation.

The Trustee-Manager was incorporated on 14 June 2011. Accordingly, the Trustee-Manager does not have an operating history by which its past performance may be judged and potential investors may find it difficult to evaluate its business and prospects. Under the Trust Deed, the Trustee-Manager will be reimbursed for costs it incurs in rendering its services under the Trust Deed. Save for such cost reimbursement, the Trustee-Manager may not have other significant sources of cash flow. This may adversely affect the amount of working capital available to the Trustee-Manager to ensure that it has sufficient working capital to manage the HKT Trust effectively. There can be no assurance that the Trustee-Manager will not be put in receivership or liquidation if its financial position deteriorates in the future.

FORWARD-LOOKING STATEMENTS

Certain statements in this prospectus constitute “forward-looking statements”. All statements other than statements of historical facts included in this prospectus, including those regarding future financial position and results, business strategy, plans and objectives of management for future operations (including development plans and distributions) and statements on future industry growth are forward-looking statements. These forward-looking statements and financial information involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the HKT Trust and the Group, or industry results, to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements and financial information. These forward-looking statements and financial information are based on numerous assumptions regarding the Group’s present and future business strategies and the environment in which the Group will operate in the future. While the Directors consider such assumptions to be reasonable, because these forward-looking statements and financial information reflect the Directors’ current views concerning future events, these forward-looking statements and financial information necessarily involve risks, uncertainties and assumptions. Actual future performance could differ materially from these forward-looking statements and financial information. You should not place any undue reliance on these forward-looking statements.

The important factors that could cause the HKT Trust’s, or the Group’s actual results, performance or achievements to differ materially from those in the forward-looking statements and financial information include, but are not limited to:

- general global, regional and local economic conditions;
- regulatory developments and changes in the telecommunications business;
- changes in government regulations, including tax or licensing laws, in the jurisdictions where the Group operates;
- the ability of the Group to successfully execute its business strategies;
- changes in the need for capital and the availability of financing and capital to fund these needs;
- changes in interest or rates of inflation;
- increasing competition in the telecommunications industry in Asia;
- breaches of laws or regulations in the operation and management of the HKT Trust or the Group and other future businesses and assets;
- the ability to anticipate and respond to changes in the telecommunications industry and in customer demand, trends and preferences;
- man-made or natural disasters, including war, acts of international or domestic terrorism, civil disturbances, occurrences of catastrophic events and acts of God such as floods, earthquakes, typhoons and other adverse weather and natural conditions that affect the business or assets of the HKT Trust and/or the Group;
- the loss of key personnel of the Trustee-Manager or the Company or its operating subsidiaries and the inability to replace such personnel on a timely basis or on terms acceptable to the Trustee-Manager or the Company;
- dependence on PCCW and its continued provision of services to the HKT Trust;

FORWARD-LOOKING STATEMENTS

- foreign currency exchange rate fluctuations, including fluctuations in the exchange rates of currencies that are used in the business of the Group such as the Hong Kong dollar;
- legal, regulatory and other proceedings arising out of the operations of the HKT Trust or the Group;
- general global, regional and local political and social conditions and the implementation of or changes to existing government policies in the jurisdictions where the Group operates now or may operate in the future;
- other factors beyond the control of the HKT Trust or the Group; and
- other matters not yet known to the HKT Trust or the Group.

These forward-looking statements and financial information speak only as at the date of this prospectus. The Trustee-Manager, the Company and the Joint Global Coordinators expressly disclaim any obligation or undertaking to release publicly any updates of or revisions to any forward-looking statement or financial information contained herein to reflect any change in the Trustee-Manager's or the Company's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement or information is based, subject to compliance with all applicable laws and regulations and/or the rules of the Stock Exchange and/or any other relevant regulatory or supervisory body or agency.

USE OF PROCEEDS

The net proceeds from the Global Offering which the HKT Trust and the Company will receive, assuming an Offer Price of HK\$4.96 (being the mid-point of the Offer Price Range), will be approximately HK\$9,641 million, after deducting the estimated underwriting commissions, incentive fee and expenses in relation to the Global Offering and assuming the Over-Allotment Option is not exercised.

The HKT Trust and the Company intend to use the net proceeds from the Global Offering as follows:

- HK\$7,800 million of the net proceeds will be applied towards repayment of the Group's debt, including the mandatory repayment required under its third party bank facilities described in the section headed "History, development and restructuring exercise — Details of the Pre-IPO Restructuring" in this prospectus; and
- the remaining net proceeds will be paid to CAS Holding No. 1 Limited, a wholly-owned subsidiary of PCCW, for the full settlement and cancellation of the promissory note issued to it under the Pre-IPO Restructuring.

Assuming an Offer Price of HK\$5.38 per Offer Share Stapled Unit (being the Maximum Offer Price) and assuming the Over-Allotment Option is not exercised, the amount of additional net proceeds to be received by the HKT Trust and the Company will be approximately HK\$783 million. The HKT Trust and the Company intend to apply such additional net proceeds as additional payment to CAS Holding No. 1 Limited for the full settlement and cancellation of the promissory note issued to it under the Pre-IPO Restructuring.

Assuming an Offer Price of HK\$4.53 per Offer Share Stapled Unit (being the Minimum Offer Price) and assuming the Over-Allotment Option is not exercised, the net proceeds to be received by the HKT Trust and the Company will decrease by approximately HK\$833 million. The HKT Trust and the Company intend that the payment to CAS Holding No. 1 Limited for the full settlement and cancellation of the promissory note issued to it under the Pre-IPO Restructuring will be reduced accordingly.

In the event the Over-Allotment Option is exercised in full and assuming an Offer Price of HK\$4.96 (being the mid-point of the Offer Price Range), the HKT Trust and the Company will receive additional net proceeds of approximately HK\$1,478 million. The additional net proceeds from the exercise of the Over-Allotment Option will be applied as additional payment to CAS Holding No. 1 Limited for the full settlement and cancellation of the promissory note issued to it under the Pre-IPO Restructuring.

Pending the deployment of the net proceeds from the Global Offering as described above, the Trustee-Manager and the Company currently intend to deposit such net proceeds into short-term interest bearing deposits and/or money market instruments.

INFORMATION CONCERNING THE SHARE STAPLED UNITS

CONSIDERATION SHARE STAPLED UNITS

On or prior to the Listing Date, separate from the Global Offering, CAS Holding No. 1 Limited will receive, as partial settlement of the consideration for the Acquisition, an aggregate of 4,363,376,792 Consideration Share Stapled Units (which are fully paid) constituting approximately 68.0% of the Share Stapled Units in issue on the Listing Date.

SHARE STAPLED UNITS TO BE ISSUED

If the Global Offering becomes unconditional, a total of 6,416,730,792 Share Stapled Units will be in issue (assuming the Over-Allotment Option is not exercised).

SHARE CAPITAL OF THE COMPANY

The following table is prepared on the basis that the Global Offering has become unconditional.

<i>Authorised share capital</i>	<i>HK\$</i>
20,000,000,000 Ordinary Shares	10,000,000
20,000,000,000 Preference Shares	10,000,000
<i>Subtotal:</i>	20,000,000
 <i>Shares in issue or to be issued, fully paid or credited as fully paid:</i>	
15,600 Ordinary Shares in issue	7.80
15,600 Preference Shares in issue	7.80
4,363,361,192 Ordinary Shares to be issued on completion of the Pre-IPO Restructuring	2,181,680.60
4,363,361,192 Preference Shares to be issued on completion of the Pre-IPO Restructuring	2,181,680.60
2,053,354,000 Ordinary Shares to be issued (to be Linked to the Units to be issued under the Global Offering (assuming the Over-Allotment Option is not exercised))	1,026,677.00
2,053,354,000 Preference Shares to be issued (to be Stapled to the Units to be issued under the Global Offering (assuming the Over-Allotment Option is not exercised))	1,026,677.00
<i>Subtotal:</i>	
6,416,730,792 Ordinary Shares	3,208,365.40
6,416,730,792 Preference Shares	3,208,365.40
<i>Total:</i>	6,416,730.80

INFORMATION CONCERNING THE SHARE STAPLED UNITS

RANKING

The Ordinary Shares to be issued will be held by the Trustee-Manager and Linked to the Units which are components of the Share Stapled Units to be issued under the Global Offering. The Ordinary Shares will confer voting rights (one vote per Ordinary Share) and right to dividends and other distributions paid or made by the Company. All the Ordinary Shares in issue will rank pari passu with all other Ordinary Shares in issue and will qualify for all dividends or other distributions declared, made or paid by the Company after the date of this prospectus.

The Preference Shares to be issued and Stapled to the Units which are components of the Share Stapled Units to be issued under the Global Offering will also confer voting rights (one vote per Preference Share) and will be entitled to a preferential return of capital (in an amount equal to the Offer Price) on a winding up of the Company, but will not be entitled to any other dividends or distributions paid or made by the Company. All the Preference Shares in issue will rank pari passu with all the other Preference Shares in issue.

2011-2021 OPTION SCHEME

The HKT Trust and the Company have conditionally adopted the 2011-2021 Option Scheme whereby certain selected classes of participants (including, without limitation, the directors and employees of the Group) may be granted options to subscribe for Share Stapled Units. The principal terms of the 2011-2021 Option Scheme are summarised in the section headed “Statutory and general information — 2011-2021 Option Scheme” in Appendix V to this prospectus.

SHARE STAPLED UNITS AWARD SCHEMES

The Company has conditionally adopted two award schemes pursuant to which awards of Share Stapled Units may be made, namely the HKT Share Stapled Units Purchase Scheme and the HKT Share Stapled Units Subscription Scheme. The principal terms of the Share Stapled Units Award Schemes are summarised in the section headed “Statutory and general information — Share Stapled Units Award Schemes” in Appendix V to this prospectus.

GENERAL MANDATE TO ISSUE SHARE STAPLED UNITS

Subject to the Global Offering becoming unconditional, a general mandate has been granted to the Directors, subject to the “lock-up” provisions under Rule 10.08 of the Listing Rules and any other applicable provisions of the Listing Rules and the provisions of the Trust Deed requiring that the Units be Linked to Ordinary Shares and Stapled to Preference Shares, to issue or agree (conditionally or unconditionally) to issue Share Stapled Units, after the Listing Date and on or prior to the date of the first annual general meeting of Holders of Share Stapled Units held after the Listing Date (whether directly or pursuant to any subscription or conversion rights), otherwise than pursuant to a rights issue and without the approval of an Ordinary Resolution of Registered Holders of Units or an ordinary resolution of Shareholders if the total number of new Share Stapled Units issued, or agreed (conditionally or unconditionally) to be issued, under the general mandate does not increase the number of Share Stapled Units outstanding immediately following the Listing Date by more than 20%.

Any issue of, or any agreement (whether conditional or unconditional) to issue, new Share Stapled Units exceeding the percentage threshold specified above shall require specific prior approval by an Ordinary Resolution of Registered Holders of Units and an ordinary resolution of Shareholders, except that agreements to issue new Share Stapled Units exceeding such percentage threshold which are conditional upon specific prior approval by such ordinary resolutions may be entered into without first obtaining such prior approval.

INFORMATION CONCERNING THE SHARE STAPLED UNITS

The authority granted under the general mandate described above:

- (i) shall only be exercisable if and to the extent that following the issue of any new Share Stapled Units under the general mandate, PCCW shall continue to hold not less than 51% of the Share Stapled Units (on a fully diluted basis, taking into account and assuming full exercise of all rights, options (including but not limited to any options granted under any Share Stapled Units option scheme and the Over-Allotment Option) and other entitlements (in whatever nature or form)) that may be exchanged or converted into or otherwise may result in further issuance or disposal of Share Stapled Units; and
- (ii) shall only remain in effect until the conclusion of the first annual general meeting of the Holders of Share Stapled Units following the Listing Date, or the expiration of the period within which such annual general meeting is required to be held, or until revoked, renewed or varied by an Ordinary Resolution of Registered Holders of Units, whichever occurs first.

For further details of the general mandate, see the section headed “Statutory and general information — Written resolutions of the Shareholder passed on 7 November 2011” in Appendix V to this prospectus.

SUBSTANTIAL HOLDERS OF SHARE STAPLED UNITS

SUBSTANTIAL HOLDERS OF SHARE STAPLED UNITS

So far as the Directors are aware as at the Latest Practicable Date, immediately following completion of the Global Offering (and before the Over-Allotment Option being exercised and the PCCW Distributions), the following persons (other than the Directors, the chief executives of the Trustee-Manager and the chief executives of the Company) will have an interest and/or short position in the Share Stapled Units, the Preference Shares and the Ordinary Shares that would fall to be disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO (including interests and/or short positions which they are taken or deemed to have under such provisions of the SFO), or who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group, once the Share Stapled Units are listed on the Stock Exchange:

Interests and long positions in Share Stapled Units

Name	Capacity	Number of Share Stapled Units held	Approximate percentage (%)	Note
PCCW	Interest in controlled entity	4,363,376,792	68.0	1
CAS Holding No. 1 Limited	Beneficial interest	4,363,376,792	68.0	—

Notes:

The Trustee-Manager holds all of the issued Ordinary Shares in its capacity as trustee and manager of the HKT Trust, upon and subject to the terms and conditions of the Trust Deed.

(1) PCCW indirectly holds these interests through its direct wholly-owned subsidiary, CAS Holding No. 1 Limited.

Interests in shares of other members of the Group

Name of non wholly-owned subsidiaries	Name of shareholder(s)	Approximate percentage of issued share capital (%)
PCCW (Macau), Limitada	Mappa - Macau Projects and Promotions Agency Limited	25
PCCW Teleservices (Philippines) Inc.	IPVG Corp.	30
PCCW Teleservices (US), Inc.	Mr. Andrew C. Jacobs and Ms. Catherine M. Jacobs <i>(Note)</i>	15 ^{<i>(Note)</i>}

SUBSTANTIAL HOLDERS OF SHARE STAPLED UNITS

Name of non wholly-owned subsidiaries	Name of shareholder(s)	Approximate percentage of issued share capital (%)
中盈優創資訊科技有限公司 (Unihub China Information Technology Company Limited)	中國華信郵電經濟開發中心 (China Huaxin Post and Telecommunications Economy Development Centre#)	50
Unihub Global Network Technology (China) Limited	I-Strength Developments Limited	23.57

Note: Mr. Andrew C. Jacobs and Ms. Catherine M. Jacobs respectively hold approximately 9.80% and 5.20% of the total issued share capital of PCCW Teleservices (US), Inc.

Save as disclosed above, the Directors are not aware of any other person who will, immediately following completion of the Global Offering, have an interest or short position in the Share Stapled Units, the Preference Shares and the Ordinary Shares which would fall to be disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

For identification only

SELECTED FINANCIAL INFORMATION AND OPERATIONAL DATA

You should read the following selected combined financial information for the periods and as at the dates indicated in conjunction with the section headed “Management’s discussion and analysis of financial condition and results of operations” and the combined financial information of the Trust Group, including the accompanying notes set out in the Accountant’s Report included in Appendix I to this prospectus. The combined financial information is reported in Hong Kong dollars and was prepared and presented in accordance with HKFRS.

The combined financial position, results and cash flows of the Trust Group, under the ownership, management and control of HKTGH, as at and for each of the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2010 and 2011 are presented in the combined financial information of the Trust Group, which have been prepared by the management of the Group. Following the completion of the Pre-IPO Restructuring, the HKT Trust will hold the Telecommunications Business as a result of its acquisition of the entire share capital of the Company. See the section headed “History, development and the restructuring exercise — Overview of the Pre-IPO Restructuring” in this prospectus for further details of the Pre-IPO Restructuring.

*The Company holds the entire share capital of HKTGH, which was incorporated on 18 January 2008. In the fourth quarter of 2008, HKTGH, through its indirect wholly-owned subsidiaries, completed the acquisition of the Telecommunications Business (the “**2008 Restructuring**”) and the combined financial information of the Trust Group for the year ended 31 December 2008 includes the post-acquisition results of the Telecommunications Business. The acquisitions of the Telecommunications Business arising from the 2008 Restructuring were accounted for using the purchase method under HKFRS 3, “Business combinations” (2004) and, accordingly, the results of the acquired businesses were fully consolidated from the date on which the 2008 Restructuring was completed. See the section headed “Management’s discussion and analysis of financial condition and results of operations — Critical accounting policies, estimates and judgments — Critical accounting policies — Business combinations” and the section headed “Accountant’s Report — Note 36(a) — Business combinations — The 2008 Restructuring” in Appendix I to this prospectus for further details. As a result, the combined financial information of the Trust Group for the year ended 31 December 2008 presents partial year results of the Telecommunications Business and is not directly comparable to the full year results of the Telecommunications Business for the years ended 31 December 2009 and 2010. In addition to the combined financial information of the Trust Group, management of the Group has also prepared the aggregated financial information of the Trust Group for the year ended 31 December 2008, which aggregated the audited historical results for the year ended 31 December 2008, the pre-acquisition results of the accounting acquirees in the 2008 Restructuring and adjustments to annualise depreciation, amortisation and finance costs assuming the 2008 Restructuring had taken place as at 1 January 2008 (the “**2008 Aggregated Financial Information**”). The 2008 Aggregated Financial Information is reported in Hong Kong dollars and is extracted from Note 36(a) of the Accountant’s Report in Appendix I to this prospectus. Management of the Group uses the 2008 Aggregated Financial Information as a comparison to the 2009 and 2010 historical combined financial information of the Trust Group. The 2008 Aggregated Financial Information is presented for illustrative purposes only and is not necessarily indicative of results of operations that would have been achieved had the 2008 Restructuring taken place as at 1 January 2008. Such 2008 Aggregated Financial Information is referred to in certain footnotes to the paragraph headed “Selected financial information” below and in certain paragraphs of the discussion in the section headed “Management’s discussion and analysis of financial condition and results of operations” in this prospectus. In addition, the combined financial information of the Trust Group for the six months ended 30 June 2010 has not been audited.*

During the track record period, the HKT Trust did not exist and, therefore, the financial results of the Trust Group are the same as the financial results of the Group. Following the formation of the HKT Trust in connection with the Listing, the financial results of the Trust Group will be the same as the financial results of the Group, after taking into consideration the costs and expenses of the Trustee-Manager in carrying out its duties under the Trust Deed.

SELECTED FINANCIAL INFORMATION AND OPERATIONAL DATA

Selected financial information

The following is the audited combined financial information of the Trust Group for each of the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011 and the unaudited combined financial information of the Trust Group for the six months ended 30 June 2010. The 2008 Restructuring of the Group under HKTGH, a wholly-owned subsidiary of the Company, was not completed until the fourth quarter of 2008 and the combined financial information of the Trust Group for the year ended 31 December 2008 includes only the post-acquisition results of the Telecommunications Business. The acquisitions of the Telecommunications Business arising from the 2008 Restructuring were accounted for using the purchase method under HKFRS 3, “Business combinations” (2004) and, accordingly, the results of the acquired businesses were fully consolidated from the date on which the 2008 Restructuring was completed. As a result, the combined financial information of the Trust Group for the year ended 31 December 2008 presents partial year results of the Telecommunications Business and is not directly comparable to the full year results of the Telecommunications Business for the year ended 31 December 2009. In addition, the unaudited non-HKFRS financial information, such as EBITDA and Adjusted Funds Flow, is set forth below in the paragraph headed “Other historical financial and operational information” in this section of the prospectus.

Combined income statements

	For the year ended 31 December			For the six months ended 30 June	
	2008 ⁽¹⁾	2009	2010	2010 (unaudited)	2011
	HK\$ million				
Turnover	7,201	17,947	18,527	9,206	9,537
Cost of sales	(2,306)	(6,642)	(7,451)	(3,635)	(3,758)
General and administrative expenses	(4,309)	(7,981)	(8,131)	(4,171)	(4,287)
Other gains/(losses), net	63	—	40	—	(28)
Losses on property, plant and equipment	—	(25)	—	—	—
Finance costs, net	(240)	(1,468)	(1,562)	(793)	(733)
Share of results of jointly controlled companies	—	—	(73)	(5)	(5)
Profit before income tax	409	1,831	1,350	602	726
Income tax	(132)	(480)	(378)	(180)	(168)
Profit for the year/period	<u>277</u>	<u>1,351</u>	<u>972</u>	<u>422</u>	<u>558</u>
Attributable to:					
Holders of Share Stapled Units	274	1,316	925	400	537
Non-controlling interests	3	35	47	22	21
	<u>277</u>	<u>1,351</u>	<u>972</u>	<u>422</u>	<u>558</u>

Note:

- (1) The combined financial information of the Trust Group for the year ended 31 December 2008 presents partial year results of the Telecommunications Business as described in the paragraph headed “Selected financial information” in this section above. Please see the section headed “Management’s discussion and analysis of financial condition and results of operations — Comparison of the audited results for the year ended 31 December 2009 and the aggregated results for the year ended 31 December 2008” in this prospectus for more detail.

SELECTED FINANCIAL INFORMATION AND OPERATIONAL DATA

Combined balance sheets

	As at 31 December			As at 30 June
	2008	2009	2010	2011
	HK\$ million			
Non-current assets				
Property, plant and equipment	15,717	15,068	14,322	14,564
Investment properties	6	7	—	—
Interests in leasehold land	389	376	329	323
Goodwill	35,688	35,877	35,892	35,895
Intangible assets	6,789	6,045	5,545	5,158
Interests in jointly controlled companies	—	259	474	461
Available-for-sale financial asset	—	—	48	75
Derivative financial instruments	—	—	152	113
Deferred income tax assets	—	4	3	3
Other non-current assets	371	420	448	481
	<u>58,960</u>	<u>58,056</u>	<u>57,213</u>	<u>57,073</u>
Current assets				
Prepayments, deposits and other current assets	466	1,085	2,045	1,346
Inventories	938	849	832	986
Derivative financial instruments	230	108	17	3
Trade receivables, net	2,076	1,945	2,104	2,202
Tax recoverable	2	—	—	—
Cash and cash equivalents	1,507	2,227	5,456	5,229
	<u>5,219</u>	<u>6,214</u>	<u>10,454</u>	<u>9,766</u>
Current liabilities				
Short-term borrowings	—	46	7,800	7,823
Trade payables	1,369	1,433	1,568	1,433
Accruals and other payables	2,453	2,215	2,019	2,090
Carrier licence fee liabilities	78	87	146	146
Amounts due to related companies	35	38	58	99
Amounts due to fellow subsidiaries and the ultimate holding company	7,240	2,774	4,045	2,697
Advances from customers	1,605	1,521	1,583	1,325
Current income tax liabilities	28	20	14	194
	<u>12,808</u>	<u>8,134</u>	<u>17,233</u>	<u>15,807</u>
Net current liabilities	<u>(7,589)</u>	<u>(1,920)</u>	<u>(6,779)</u>	<u>(6,041)</u>
Total assets less current liabilities	<u>51,371</u>	<u>56,136</u>	<u>50,434</u>	<u>51,032</u>

SELECTED FINANCIAL INFORMATION AND OPERATIONAL DATA

	As at 31 December			As at 30 June
	2008	2009	2010	2011
	HK\$ million			
Non-current liabilities				
Long-term borrowings	31,745	34,656	27,029	27,148
Derivative financial instruments	—	—	102	7
Deferred income tax liabilities	1,283	1,745	2,081	2,045
Deferred income	667	651	728	784
Carrier licence fee liabilities	551	515	924	908
Other long-term liabilities	37	66	57	56
	34,283	37,633	30,921	30,948
Net assets	17,088	18,503	19,513	20,084
Capital and reserves				
Retained profits	612	1,928	2,853	3,382
Other reserves	16,337	16,417	16,498	16,555
Equity attributable to Holders of Share Stapled Units	16,949	18,345	19,351	19,937
Non-controlling interests	139	158	162	147
Total equity	17,088	18,503	19,513	20,084

SELECTED FINANCIAL INFORMATION AND OPERATIONAL DATA

Combined statements of cash flows

	For the year ended 31 December			For the six months ended 30 June	
	2008 ⁽¹⁾	2009	2010	2010 (unaudited)	2011
	HK\$ million				
Net cash generated from operating activities	4,223	6,240	6,239	3,099	3,352
Net cash used in investing activities	(14,658)	(9,895)	(2,733)	(988)	(1,336)
Net cash generated from/(used in) financing activities	<u>11,930</u>	<u>4,361</u>	<u>(264)</u>	<u>(2,997)</u>	<u>(2,185)</u>
Net change in cash and cash equivalents	1,495	706	3,242	(886)	(169)
Exchange differences	12	14	(13)	(8)	(58)
Cash and cash equivalents at 1 January	<u>—</u>	<u>1,507</u>	<u>2,227</u>	<u>2,227</u>	<u>5,456</u>
Cash and cash equivalents at 31 December/30 June	<u><u>1,507</u></u>	<u><u>2,227</u></u>	<u><u>5,456</u></u>	<u><u>1,333</u></u>	<u><u>5,229</u></u>

Note:

- (1) The combined financial information of the Trust Group for the year ended 31 December 2008 presents partial year results of the Telecommunications Business as described in the paragraph headed "Selected financial information" in this section above. Please see the section headed "Management's discussion and analysis of financial condition and results of operations — Cashflow" in this prospectus for more detail.

SELECTED FINANCIAL INFORMATION AND OPERATIONAL DATA

Other historical financial and operational information

A reconciliation of profit for the year/period to EBITDA is provided as follows:

	For the year ended 31 December			For the six months ended 30 June	
	2008 ⁽²⁾	2009	2010	2010	2011
	HK\$ million				
Profit for the year/period	277	1,351	972	422	558
<i>Add back:</i>					
Income tax	132	480	378	180	168
Profit before income tax	409	1,831	1,350	602	726
<i>Add back/(less):</i>					
Loss/(gain) on disposal of property, plant and equipment, net	17	3	(14)	1	(1)
Depreciation and amortisation	2,201	3,936	4,318	2,122	2,132
Other (gains)/losses, net	(63)	—	(40)	—	28
Losses on property, plant and equipment	—	25	—	—	—
Finance costs, net	240	1,468	1,562	793	733
Share of results of jointly controlled companies	—	—	73	5	5
EBITDA⁽¹⁾	2,804⁽⁴⁾	7,263	7,249	3,523	3,623

SELECTED FINANCIAL INFORMATION AND OPERATIONAL DATA

A reconciliation of EBITDA to Adjusted Funds Flow is provided as follows:

	For the year ended 31 December			For the six months ended 30 June	
	2008 ⁽²⁾	2009	2010	2010	2011
	HK\$ million				
EBITDA⁽¹⁾	2,804⁽⁴⁾	7,263	7,249	3,523	3,623
Reconciliation of EBITDA to Adjusted Funds Flow					
<i>Less cash outflows in respect of:</i>					
Customer acquisition costs and licence fees	(179)	(907)	(1,058)	(365)	(613)
Capital expenditures	<u>(2,254)</u>	<u>(1,450)</u>	<u>(1,564)</u>	<u>(623)</u>	<u>(721)</u>
Adjusted Funds Flow before tax paid, finance costs, interest (expense)/income and changes in working capital	371	4,906	4,627	2,535	2,289
<i>Adjusted for:</i>					
Tax payment	—	(24)	(43)	(24)	(24)
Finance costs paid	(237)	—	(302)	(227)	—
Interest expense paid	(219)	(1,432)	(1,296)	(661)	(678)
Interest income received	2	7	9	2	18
Changes in working capital	<u>1,417</u>	<u>(1,006)</u>	<u>(976)</u>	<u>(402)</u>	<u>(253)</u>
Adjusted Funds Flow for the year/period⁽³⁾	<u>1,334⁽⁵⁾</u>	<u>2,451</u>	<u>2,019</u>	<u>1,223</u>	<u>1,352</u>

Notes:

- (1) EBITDA represents consolidated earnings before interest income, finance costs, income tax, depreciation of property, plant and equipment, amortisation of land lease premium and intangible assets, gain/loss on disposal of property, plant and equipment, investment properties 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 associates and jointly controlled companies, and the Group's share of results of associates and jointly controlled companies. While EBITDA is commonly used in the telecommunications industry worldwide as an indicator of operating performance and liquidity, it is not presented as a measure of operating performance in accordance with HKFRS. Furthermore, EBITDA is not a measure of the financial performance leverage or liquidity under HKFRS and should not be considered as representing net cash flows from operating activities or any other performance measures derived in accordance with HKFRS or an alternative to cash flow from operations or a measure of liquidity. The computation of the Group's EBITDA may not be comparable to similarly titled measures of other companies.

SELECTED FINANCIAL INFORMATION AND OPERATIONAL DATA

The Group's financial performance is measured by the Group using EBITDA in addition to accounting profits or losses. The basis for this approach is that telecommunications assets tend to have lower accounting profits amounts compared to operating cash flows in a financial year or period, or even losses, due to relatively high amounts of non-cash depreciation and amortisation expenses associated with telecommunications assets.

- (2) Information presented for 2008 is derived from the combined financial information of the Trust Group for the year ended 31 December 2008, which presents partial year results of the Telecommunications Business as described in the paragraph headed "Selected financial information" in this section above.
- (3) 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 computation of the Group's Adjusted Funds Flow may not be comparable to similarly titled measures of other companies. The Adjusted Funds Flow may be used for debt repayment.
- (4) The aggregated EBITDA and Adjusted Funds Flow for the year ended 31 December 2008 is derived from the aggregated financial information of the Group for the year ended 31 December 2008, which aggregated the audited historical results for the year ended 31 December 2008, the pre-acquisition results of the accounting acquirees in the 2008 Restructuring and adjustments to annualise depreciation, amortisation and finance costs assuming the 2008 Restructuring had taken place as at 1 January 2008. Such information is shown for illustrative purposes only and is not necessarily indicative of the results of operations that would have been achieved had the 2008 Restructuring taken place as of such date.

On an aggregated basis, the EBITDA for 2008 was HK\$7,357 million, derived from the profit for the year of HK\$1,455 million, adding back income tax of HK\$538 million, net loss on disposal of property, plant and equipment of HK\$16 million, depreciation and amortisation of HK\$3,926 million and net finance cost of HK\$1,485 million and less net other gains of HK\$63 million.

- (5) On an aggregated basis, Adjusted Funds Flow for 2008 was HK\$1,739 million, derived from an aggregated EBITDA of HK\$7,357 million as stated in note (4) above, less cash outflows in respect of customer acquisition costs and license fees of HK\$1,001 million, capital expenditures of HK\$2,886 million and further adjusted by subtracting finance costs paid of HK\$237 million, interest expense paid of HK\$1,463 million, tax paid of nil, changes in working capital of HK\$40 million and adding back interest income received of HK\$9 million.

Other operating data⁽¹⁾

	As at / For the year ended 31 December			As at / For the six months ended 30 June	
	2008	2009	2010	2010	2011
Telecommunications services					
<i>Local telephony services</i>					
Exchange lines in service ('000)	2,603	2,588	2,590	2,587	2,625
Business lines ('000)	1,195	1,182	1,183	1,180	1,217
Residential lines ('000)	1,408	1,406	1,407	1,407	1,408
Blended ARPU (HK\$)	119 ^(*)	111	101	103	96
<i>Local data and broadband services</i>					
Total broadband access lines ('000)	1,302	1,297	1,367	1,298	1,437
(Consumer, business and wholesale customers)					

SELECTED FINANCIAL INFORMATION AND OPERATIONAL DATA

	As at / For the year ended 31 December			As at / For the six months ended 30 June	
	2008	2009	2010	2010	2011
Telecommunications services					
Retail consumer broadband subscribers ('000)	1,126	1,146	1,215	1,148	1,285
Retail business broadband subscribers ('000)	113	114	115	114	116
Retail broadband blended ARPU (HK\$)	245 ^(*)	249	266	272	260
<i>Traditional data capacity in service (Exit Gbps)</i>					
	927	837	1,045	953	1,243
<i>International telecommunications services</i>					
Retail IDD minutes (million minutes)	1,785 ^(*)	1,455	1,326	674	618
International private leased circuit bandwidth (Exit Mbps)	78,202	82,913	109,864	88,108	148,834
Mobile					
Mobile subscribers ('000)	1,313	1,422	1,484	1,469	1,506
3G post-paid ('000)	414	529	667	606	880
2G post-paid ('000)	440	376	250	319	43
2G prepaid ('000)	459	517	567	544	583
Blended post-paid ARPU (HK\$)	151 ^(*)	143	141	138	153
3G post-paid ARPU (HK\$)	206 ^(*)	189	175	175	163
2G post-paid ARPU (HK\$)	113 ^(*)	89	76	78	101

Notes:

(1) The figures stated are as at year/period end, except for the number of IDD minutes which is the total of the year/period and the blended ARPU figures for local telephony services, local data and broadband services and mobile services, which are annual/six month averages, calculated by dividing the revenue earned in the year/period by the average number of lines in service or subscribers, where appropriate, during the year/period.

(*) On an aggregated basis.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read together with the information in the section headed "Selected financial information and operational data" in this prospectus and the combined financial information of the Trust Group presenting the combined financial condition, results of operations and cash flows of the Trust Group as at and for each of the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2010 and 2011, with related notes thereto, included elsewhere in this prospectus. Certain paragraphs of the discussion below also refer to the 2008 Aggregated Financial Information of the Trust Group for the year ended 31 December 2008 which has been prepared assuming the 2008 Restructuring had taken place as at 1 January 2008. In addition, the combined financial information of the Trust Group for the six months ended 30 June 2010 has not been audited.

Statements contained in this section headed "Management's discussion and analysis of financial condition and results of operations" that are not historical facts may be forward-looking statements. Such statements are subject to certain risks, uncertainties and assumptions that could cause actual results to differ materially from such forward-looking statements. Under no circumstances should the inclusion of such information herein be regarded as a representation, warranty or prediction with respect to the accuracy of the underlying assumptions by the Directors or any other person, or that these results will be achieved or are likely to be achieved. Please see the sections headed "Forward-looking statements" and "Risk factors" in this prospectus for further details. Recipients of this prospectus and all prospective investors in the Share Stapled Units are cautioned not to place undue reliance on these forward-looking statements. Except as otherwise required, the HKT Trust, the Company and the Trustee-Manager undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, changed circumstances or any other reason.

OVERVIEW

The Telecommunications Business comprises three business segments: telecommunications services, mobile services and other businesses, as further described below.

Telecommunications services (TSS)

The telecommunications services segment provides four core areas of telecommunications products and services: local telephony services, local data and broadband services, international telecommunications services and other services.

- **Local telephony services:** The Group's local telephony services consist of fixed-line local telecommunications services, multimedia services and wholesale interconnection services provided to other telecommunications carriers and service providers. The Group has a leadership position in the fixed-line telecommunications market in Hong Kong. The Group's local telephony services had approximately 2.63 million exchange lines in service as at 30 June 2011, and the leading market share of approximately 61.2% based on the number of exchange lines in Hong Kong as at 30 June 2011, based on information provided by OFTA.
- **Local data and broadband services:** The Group's local data services consist primarily of data transmission services such as private or virtual private IP network services for private and public sector organisations, and business and residential local broadband services in Hong Kong through the "NETVIGATOR" brand. The Group offers commercial customers a broad portfolio of data connectivity services addressing the requirements of each enterprise's business applications. The broadband services provide broadband users with a choice of Internet access speeds, with additional value-added services. As at 31 July 2011, the NETVIGATOR ADSL 1.5M service reached

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

approximately 98% of all households in Hong Kong. There were approximately 1.44 million broadband access lines as at 30 June 2011 while the total contracted bandwidth for local data services was 1,243 Gbps as at 30 June 2011. The Group's broadband service had the leading market share of approximately 65.4% based on the number of broadband access lines in Hong Kong as at 30 June 2011, based on information provided by OFTA. In the third quarter of 2011, the Group launched a new consumer cloud service known as "uHub". A user may keep photos, music, videos and documents in the uHub and retrieve them anytime using a variety of devices including computers, smartphones and tablets.

- **International telecommunications services:** The Group's international telecommunications services consist primarily of wholesale and retail international services to multinational enterprises and telecommunications service providers which include: IP solutions (IPv6-enabled), IP MPLS VPN services, fiber and satellite transmission solutions, voice, data and video services and managed network services and transmission solutions as well as CDNs for content delivery. With offices around the world and other business partnerships and network interconnection relationships, the Group's network currently provides connectivity in approximately 1,500 cities in 110 countries and serves enterprises and wholesale markets in Europe, the Americas, Africa, the Middle East and Asia. The Group also provides IDD calling services, operator assisted overseas calls and calling card services to both business and residential customers in Hong Kong. Retail IDD totalled 1,326 million minutes for the year ended 31 December 2010, and 618 million minutes for the six months ended 30 June 2011 and IPLC exit bandwidth based on the capacity in service totalled 149 Gbps as at 30 June 2011.
- **Other services:** Other services consist primarily of the sale of customer premises equipment (including the sale of telecommunications equipment and systems and other computers and related products to consumers and enterprises), outsourcing services, consulting services and contact center services ("**Teleservices**"). In addition, the Group designs and provides individualised telecommunications systems that integrate voice and data-switching equipment from various suppliers and supplies and installs local and wide area data network equipment.

Mobile services

The Group offers 2G, 3G and CDMA mobile services which are marketed under the "PCCW mobile" brand. The Group has invested significantly in expanding its 3G network since 2005. In addition, a jointly controlled company of the Group holds a licence from OFTA, which will enable the Group to provide next generation high speed 4G mobile data services in the future. As at 30 June 2011, the Group had approximately 1.51 million subscribers and according to the number of mobile subscribers in Hong Kong provided by OFTA, the Group's mobile services had a market share of approximately 12.1% based on the number of subscribers. The Group also provides fixed-to-mobile integration technology for its commercial customers to serve their communications needs.

Other businesses

The other businesses of the Group primarily comprise the ZhongYing JV, which provides network integration and related services to telecommunications operators in the PRC.

BASIS OF PRESENTATION OF THE AUDITED COMBINED FINANCIAL INFORMATION

The combined financial information of the Trust Group has been prepared by applying the principles of the Auditing Guideline 3.340 "Prospectuses and the reporting accountant" issued by the HKICPA. The combined income statements, statements of comprehensive income, combined statements of cash flows

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

and combined statements of changes in equity of the Trust Group for each of the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2010 and 2011 have been prepared using the financial information of the companies engaged in the Telecommunications Business, under the common control of HKTGH and comprising the Group as if the Trust Group structure had been in existence throughout each of the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2010 and 2011, or since the respective dates of incorporation/establishment of the combining companies, or since the date when the combining companies first came under the control of HKTGH, whichever is a shorter period. The combined balance sheets of the Trust Group as at 31 December 2008, 2009 and 2010 and 30 June 2011 have been prepared to present the assets and liabilities of the companies comprising the Group at these dates, as if the Trust Group structure had been in existence as at these dates. The net assets and results of the Trust Group were combined using the existing book values from HKTGH's perspective. The combined financial information of the Trust Group may not be indicative of its future performance and does not necessarily reflect what its financial condition and results of operations would have been had it operated as a separate, stand-alone entity during the periods presented, including many changes that will occur in the operations and capitalisation of the HKT Trust as a result of the Pre-IPO Restructuring and this Global Offering.

Companies acquired or disposed of during each of the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2010 and 2011 are included in or excluded from the financial information of the Trust Group from the date of the acquisition or disposal, as the case may be. Inter-company transactions, balances and unrealised gains/losses on transactions between group companies are eliminated on combination.

CRITICAL ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

The preparation of the combined financial information often requires the use of judgements to select specific accounting methods and policies from several acceptable alternatives. Furthermore, significant estimates and assumptions concerning the future may be required in selecting and applying those methods and policies in the combined financial information. The Directors base their estimates and judgements on historical experience and various other assumptions that they believe are reasonable under the circumstances. Actual results may differ from these estimates and judgements under different assumptions or conditions.

The following significant accounting policies, which are important to the financial position and results of operations of the Trust Group, require significant judgements and estimates on the part of management. For a summary of all of the accounting policies of the Trust Group, including the accounting policies discussed below, please see Note 4 to the Trust Group's combined financial information as set out in the Accountant's Report in Appendix I to this prospectus.

Critical accounting policies

Basis of combination

The combined financial information includes the financial information of the Trust Group for the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011, which includes the HKT Trust, the Company, and all of the Company's direct and indirect subsidiaries comprising the Trust Group and also incorporates the interests in jointly controlled companies under the equity method as if the Trust Group structure had been in existence throughout each of the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011. Results of subsidiary companies and jointly

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controlled companies acquired or disposed of during the periods are included from their effective dates of acquisition up to the dates of disposal. The Trust Group has adopted purchase accounting to account for the 2008 Restructuring as a reverse acquisition. See Note 4(b) of the Accountant's Report in Appendix I to this prospectus.

Business combinations

Prior to 31 December 2009, acquisitions were accounted for using the purchase method under HKFRS 3, "Business combinations" (2004). Accordingly:

- (i) the assets and liabilities of the accounting acquirer are recognised and measured at the acquisition date at their historical carrying amounts; the identifiable assets, liabilities and contingent liabilities of the acquiree that meet the conditions for recognition under HKFRS 3 "Business combinations" (2004) are recognised at their fair values at the acquisition date; and
- (ii) the results of the accounting acquiree are fully consolidated from the date on which control is transferred to the Trust Group.

The cost of an acquisition is measured as the aggregate fair value of the assets transferred, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interests. The excess of the cost of acquisition over the fair value of the Trust Group's share of identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the Trust Group's share of identifiable net assets of the subsidiaries acquired, the difference (i.e. negative goodwill) is recognised directly in the combined income statements.

From 1 January 2010, the Trust Group adopted HKFRS 3 (revised), "Business combinations". The acquisition method of accounting has been used since 1 January 2010 and is currently used to account for the acquisition of subsidiaries by the Trust Group. The cost of an acquisition is measured as the aggregate fair value of the assets transferred, equity instruments issued and liabilities incurred or assumed at the date of exchange. The consideration transferred includes the fair value of any asset, liability or equity resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Trust Group recognises any non-controlling interest (formerly known as minority interests prior to the adoption of HKFRS 3 (revised), "Business combinations") in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiaries acquired in the case of a bargain purchase, the difference is recognised directly in the combined income statements.

Goodwill

Goodwill represents the excess of the cost of a business combination or an investment in a jointly controlled company over the Trust Group's interest in the aggregate net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities at the date of acquisition.

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Goodwill is stated in the combined balance sheets at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units (“CGUs”) and is tested annually for impairment. In respect of jointly controlled companies, the carrying amount of goodwill is included in the carrying amount of the interests in jointly controlled companies.

On disposal of a CGU, part of a CGU, or a jointly controlled company during the year, any attributable amount of purchased goodwill is included in the calculation of the gain or loss on disposal.

Intangible assets

Customer acquisition costs

Costs incurred to acquire contractual relationships with customers are capitalised if it is probable that future economic benefits will flow from the customers to the Trust Group and such costs can be measured reliably. Capitalised customer acquisition costs are amortised on a straight-line basis over the minimum enforceable contractual periods. By the end of the minimum enforceable contractual period, fully amortised customer acquisition costs will be written off. In the event that a customer terminates the contract prior to the end of the minimum enforceable contractual period, the unamortised customer acquisition cost will be written off immediately in the combined income statements.

Trademarks and customer base

Trademarks and customer base that are acquired by the Trust Group are stated in the combined balance sheets at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses. Expenditures on internally generated goodwill and brands are recognised as expenses in the period in which they are incurred.

Amortisation of intangible assets with finite useful lives is charged to the combined income statements on a straight-line basis over their estimated useful lives. The following intangible assets with finite useful lives are amortised from the dates they are available for use and their estimated useful lives are as follows:

Trademarks	20 years
Customer base	1 to 10 years

The assets' useful lives and their amortisation method are reviewed annually.

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

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- interests in leasehold land;
- goodwill;
- intangible assets; and
- interests in jointly controlled companies.

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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.

Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less cost to sell and value in use. Fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows primarily independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a CGU).

Recognition of impairment losses

An impairment loss is recognised in the combined income statements whenever the carrying amount of an asset, or the CGU to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then, to reduce the carrying amount of the other assets in the CGU on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not allowed to be reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the combined income statements in the period in which the reversals are recognised.

Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value at each balance sheet date. The gain or loss on re-measurement to fair value is recognised immediately in the combined income statements, except where the derivatives are designated and qualify for hedge accounting, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item has a maturity of more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as current assets or liabilities.

Hedging

Fair value hedge

Where a derivative financial instrument is designated as a hedge of the fair value of a recognised asset or liability or an unrecognised firm commitment (or an identified portion of such asset, liability or firm commitment), changes in the fair value of the derivative are recorded in the combined income statements

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within "Finance costs, net", together with any changes in fair value of the hedged asset or liability that are attributable to the hedged risk. When a hedging instrument expires or is sold, terminated or exercised, or no longer meets the criteria for hedge accounting; or the Trust Group revokes designation of the hedge relationship, the cumulative adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to the combined income statements over the residual period to maturity.

Cash flow hedge

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction or the foreign currency risk of a committed future transaction, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and accumulated separately in the hedging reserve under equity. The ineffective portion of any gain or loss is recognised immediately in the combined income statements.

If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the associated cumulative gain or loss is removed from equity and included in the initial cost or other carrying amount of the non-financial asset or liability. If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated cumulative gain or loss is removed from equity and recognised in the combined income statements in the same period or periods during which the asset acquired or liability assumed affects the combined income statements (such as when the interest income or expense is recognised).

For cash flow hedges, other than those covered by the preceding two policy statements, the associated cumulative gain or loss is removed from equity and recognised in the combined income statements in the same period or periods during which the hedged forecast transaction affects the combined income statements. When a hedging instrument expires or is sold, terminated or exercised, or no longer meets the criteria for hedge accounting; or the Trust Group revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the associated cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to occur, the cumulative unrealised gain or loss recognised in equity is recognised immediately in the combined income statements.

Revenue recognition

Telecommunications and other services

Telecommunications services revenue based on usage of the Trust Group's network and facilities is recognised when the services are rendered. Telecommunications revenue for services provided for fixed periods is recognised on a straight-line basis over the applicable fixed period. In addition, up-front fees received for installation of equipment and activation of customer service are deferred and recognised over the estimated customer relationship period.

Other service income is recognised when services are rendered to customers.

Sales of goods

Revenue from the sales of goods is recognised when goods are delivered to customers which generally coincides with the time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue is recorded after deduction of any trade discounts.

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Rental income from operating leases

Rental income receivable under operating leases is recognised in the combined income statements in equal instalments over the periods covered by the lease term. Lease incentives granted are recognised in the combined income statements as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

Interest income

Interest income is recognised on a time-apportioned basis using the effective interest method.

Commission income

Commission income is recognised when entitlement to the income is ascertained.

Dividend income

Dividend income is recognised when the equity holder's right to receive payment is established.

Borrowing costs

Borrowing costs are expensed in the combined income statements in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceased when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed. Discounts or premiums relating to borrowings, and ancillary costs incurred in connection with arranging borrowings, to the extent that they are regarded as adjustments to interest costs, are recognised as expenses over the period of the borrowing using the effective interest method.

Critical accounting estimates and judgements

Recognition and fair value of identifiable intangible assets through business combination

The acquisition method of accounting is applied to account for acquisitions of businesses. Business combinations of multiple companies or businesses require one of the businesses that existed before the combination to be identified as the accounting acquirer on the basis of the evidence available. Identification of the accounting acquirer requires significant judgement and involves the consideration 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

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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. The Trust Group 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 recognised). The fair values of these intangible assets are dependent on estimates of attributable future revenue, margin, cash flow, useful lives and discount rate used.

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

At each balance sheet date, the Trust Group reviews 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 recognised no longer exists or may have decreased:

- property, plant and equipment;
- interests in leasehold land;
- goodwill;
- intangible assets; and
- interests in jointly controlled companies.

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 recognised in the combined income statements whenever the carrying amount of an asset exceeds its recoverable amount. The sources utilised to identify indications of impairment are often subjective in nature and the Trust Group is required to use judgement in applying such information to the business.

If an indication of impairment is identified, such information is further subject to an exercise that requires the Trust Group 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 Trust Group's assessment of the overall materiality of the asset under review and complexity of deriving reasonable estimates of the recoverable value, the Trust Group may perform such assessment utilising internal resources or may engage external advisors to counsel the Trust Group in making this assessment. Regardless of the resources utilised, the Trust Group is required to make many assumptions to make this assessment, including the utilisation 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.

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Revenue recognition - Telecommunications and other services

Telecommunications service revenue based on usage of the Trust Group's network and facilities is recognised when the services are rendered. Telecommunications revenue for services provided for fixed periods is recognised 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 recognised over the expected customer relationship period.

The Trust Group is 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.

During the year ended 31 December 2009, the Trust Group re-assessed the Trust Group's expected customer relationship period. As a result of this re-assessment, the expected customer relationship period, over which the upfront fees received for installation of equipment and activation of customer service are deferred and recognised, has been shortened. This change in accounting estimate has been accounted for prospectively from 30 June 2009. As a result, the Trust Group's profit for the year ended 31 December 2009 and its net assets as at 31 December 2009 each increased by HK\$57 million from what the profit and net assets would have been if such re-assessment had not occurred.

The Trust Group offers 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 recognised 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 recognised 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 Trust Group is unable to determine the fair value of each of the elements in an arrangement, it uses the residual value method. Under this method, the Trust Group determines 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.

Current and deferred income tax

The Trust Group makes a provision for current income tax of the Trust Group 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 Trust Group. 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 Trust Group considers 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.

Deferred income tax liabilities are provided in full on all taxable temporary differences and deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. In assessing the amount of deferred income tax assets that need to be recognised, the Trust Group considers future taxable income and ongoing prudent and feasible tax planning strategies. In the event that the estimates of projected future

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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 Trust Group's ability to utilise the tax benefits of net operating loss carry-forwards in the future, adjustments to the recorded amount of deferred income tax assets and income tax expense would be made.

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

The Trust Group has significant property, plant and equipment and intangible assets (other than goodwill). The Trust Group is 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 amortisation charges for each reporting period. The useful lives of such property, plant and equipment and intangible assets (other than goodwill) are estimated at the time of purchase of assets after considering future technology changes, business developments and the Trust Group's strategies. The Trust Group performs 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 Trust Group extends or shortens the useful lives and/or makes impairment provisions according to the results of the review.

Recognition of intangible asset - Carrier licences

In order to measure intangible assets, Hong Kong Accounting Standards 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 Trust Group. Had a different discount rate been used to determine the fair value, the Trust Group's results of operations and financial position could be materially different.

Estimated property holding cost recoverable from the Government

The Group and the Government recently engaged in ongoing discussions in order to determine the amount of rates and Government rent payable by the Group. Based on these ongoing discussions, management revised its estimate of the rates and the Government rent expenses and recorded a corresponding reduction in operating costs of property, plant and equipment, net. The discussion was finalised in January 2011 whereby the Government revised its assessment for the relevant years and refunded the prior years' excess payments made by the Trust Group.

Recognition of fixed-mobile interconnection charge

OFTA withdrew its regulatory guidance on FMIC on 27 April 2009 as FMIC should be settled by commercial agreements between fixed and mobile operators without regulatory intervention. The Group continued providing to and receiving from other operators interconnection services and has stopped recognising FMIC revenue from 27 April 2009 but has continued to provide for potential FMIC costs. The Group's FMIC revenue for the years ended 31 December 2008, on an aggregated basis, and 2009 was approximately HK\$375 million and HK\$153 million, respectively. In 2010, the Group reached agreements with certain operators on the FMIC and stopped providing for FMIC costs.

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FACTORS AFFECTING RESULTS OF OPERATIONS AND FINANCIAL CONDITION

The Group's results of operations are dependent principally on the following factors: the number of lines in service or subscribers, as applicable, for the Group's fixed-line telephony services, broadband data services, mobile telephone and data services, ARPU for each of the Group's services, the cost of acquiring new subscribers, the amount of capital expenditure, regulatory changes in fixed-mobile interconnection framework, and mobile and wireless technologies. The Group's results of operations are also affected by various external factors, including the prevailing economic and financial conditions in Hong Kong and the amount of tax payable.

Factors other than those discussed below could also have a significant impact on the Group's financial condition and results of operations in the future. See the section headed "Risk factors" in this prospectus.

The 2008 Aggregated Financial Information of the Trust Group aggregated the audited historical results for the year ended 31 December 2008, the pre-acquisition results of the accounting acquirees in the 2008 Restructuring and adjustments to annualise depreciation, amortisation and finance costs assuming the 2008 Restructuring had taken place as at 1 January 2008 and is shown for illustrative purposes only and is not necessarily indicative of the results of operations that would have been achieved had the 2008 Restructuring taken place as of such date.

Number of lines in service and mobile subscribers

The number of lines in service and mobile subscribers of the Group is a key factor affecting its revenues. During each of the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011, the number of mobile subscribers increased and the number of broadband access lines reduced slightly in 2009 but grew in 2010, while the number of exchange lines in service remained relatively stable. The numbers of exchange lines in service, broadband access lines and mobile subscribers, for the Group's fixed-line telephony, broadband and mobile services for the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2010 and 2011 are set forth in the table below.

	As at 31 December			As at 30 June	
	2008	2009	2010	2010	2011
	(in thousands)				
Exchange lines in service	2,603	2,588	2,590	2,587	2,625
Broadband access lines	1,302	1,297	1,367	1,298	1,437
Mobile subscribers	1,313	1,422	1,484	1,469	1,506
3G post-paid	414	529	667	606	880
2G post-paid	440	376	250	319	43
2G prepaid	459	517	567	544	583

ARPU

With respect to the Group's local telephony services, fixed-line ARPU is under pressure from competition. This pressure is expected to be partially alleviated as a result of more subscriptions for advanced services, such as the PCCW "eye" Multimedia Service (currently in its second generation). With respect to broadband services, ARPU increased during 2010, primarily as a result of increased sales of higher bandwidth products to customers, which generally are available at higher prices, partially

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offset by reduced prices for lower bandwidth products. The decrease in the second half of 2010 and the first half of 2011 was primarily due to the dilution effect from tiered pricing to gain subscribers in certain segments. With respect to mobile services, compared to the respective prior six month period, the blended post-paid ARPU increased in the second half of 2010 and in the first half of 2011 as a result of increased usage of data services and a larger 3G subscriber base, which has a relatively higher ARPU. In addition, in the six months ended 30 June 2011 as compared to the six months ended 30 June 2010, 2G post-paid ARPU increased primarily as a result of the upgrading and/or exiting of certain low ARPU customers upon the migration of 2G subscribers to 3G services, with the remaining 2G post-paid subscribers being those generating a higher ARPU. In this period, 3G post-paid ARPU decreased primarily due to the newly migrated 3G subscribers generating a lower ARPU as compared to existing 3G subscriber base.

For each of the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2010 and 2011, ARPUs for fixed-line, broadband and mobile services are set forth in the table below:

	For the year ended 31 December			For the six months ended 30 June	
	2008 ⁽²⁾	2009	2010	2010	2011
	(HK\$)				
Fixed-line ⁽¹⁾	119	111	101	103	96
Retail broadband ⁽¹⁾	245	249	266	272	260
Mobile ⁽¹⁾					
Blended post-paid ⁽¹⁾	151	143	141	138	153
3G post-paid ⁽¹⁾	206	189	175	175	163
2G post-paid ⁽¹⁾	113	89	76	78	101

Notes:

- (1) The figures stated are annual/six month averages, calculated by dividing the revenue earned in the year/period by the average number of lines in service or subscribers, where appropriate, during the year/period.
- (2) On an aggregated basis.

Customer acquisition costs and license fees

Costs incurred to acquire contractual relationships with customers are capitalised if it is probable that future economic benefits will flow from the customers to the Group and such costs can be measured reliably. Capitalised customer acquisition costs are amortised on a straight-line basis over the minimum enforceable contractual periods. By the end of the minimum enforceable contractual period, fully amortised customer acquisition costs will be written off. In the event that a customer terminates the

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contract prior to the end of the minimum enforceable contractual period, the unamortised customer acquisition cost will be written off immediately in the combined income statements. For each of the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2010 and 2011, the expenditure on customer acquisition is set forth in the table below.

	For the year ended 31 December			For the six months ended 30 June	
	2008	2009	2010	2010 (unaudited)	2011
Expenditure on customer acquisition (HK\$ million)	179	806	916	365	561
As a % of revenue	2.5%	4.5%	4.9%	4.0%	5.9%

On an aggregated basis, for the year ended 31 December 2008, expenditure on customer acquisition was approximately HK\$927 million, representing 4.9% of revenue. Expenditure on customer acquisition decreased from 2008 (on an aggregated basis) to 2009 primarily as a result of reducing mobile handset subsidies. Expenditure on customer acquisition increased in the six months ended 30 June 2011 as compared to the six months ended 30 June 2010 as more incentives were offered to customers as part of the promotional campaigns to grow the Group's broadband and mobile customer base. The Group projects the expenditure on customer acquisition to be approximately HK\$1,005 million and HK\$982 million for 2011 and 2012, respectively. The Group expects the projected increase to be mainly due to more incentives offered to customers, in particular Smartphone customers and tablet subscribers.

The Group also paid carrier licence fees for fixed and mobile carrier licences in order to establish and maintain the telecommunications network and to provide telecommunications services. For each of the years ended 31 December 2008 (on an aggregated basis), 2009 and 2010 and the six months ended 30 June 2010 and 2011, the license fees paid were HK\$74 million, HK\$101 million, HK\$142 million, nil and HK\$52 million, respectively. The Group projects the licence fee payment to be approximately HK\$154 million and HK\$196 million for 2011 and 2012, respectively.

Capital expenditures

The Group has incurred significant capital expenditures in its network infrastructure and information technology systems to provide the services it offers. The capital expenditures on the acquisition of property, plant and equipment incurred were HK\$2,940 million, HK\$1,514 million, HK\$1,613 million, HK\$649 million and HK\$734 million for the years ended 31 December 2008 (on an aggregated basis), 2009 and 2010 and the six months ended 30 June 2010 and 2011, respectively. The capital expenditures incurred in 2009, 2010 and the first six months of 2010 and 2011 primarily comprised expenditures on the network infrastructure to meet customer demand, and the costs in 2008 (on an aggregated basis) comprised investments and enhancement in upgrading the Group's networks in addition to the expenditures resulting from meeting customer demand. Please see the section headed "Selected financial information and operational data — Other historical financial and operational information" in this prospectus for details of capital expenditures paid for each of the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2010 and 2011.

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For each of the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2010 and 2011, the capital expenditures for the Group are set forth in the table below. On an aggregated basis, for the year ended 31 December 2008, capital expenditure incurred was approximately HK\$2,940 million, representing 15.4% of revenue.

	For the year ended 31 December			For the six months ended 30 June	
	2008	2009	2010	2010 (unaudited)	2011
Capital expenditures incurred (HK\$ million)	2,263	1,514	1,613	649	734
As a % of revenue	31.4%	8.4%	8.7%	7.0%	7.7%

The Group projects the capital expenditures to be approximately HK\$1,597 million and HK\$1,805 million for 2011 and 2012, respectively.

Regulatory change in fixed-mobile interconnection framework

The Group's ability to provide commercially viable mobile and fixed-line telecommunications services depends, in part, upon the Group's interconnection arrangements with other telecommunications operators. The regulatory guidance by which the FMIC charging mechanism was set in Hong Kong was withdrawn after 27 April 2009. As a result, the Group experienced a significant reduction in revenue from FMIC after 27 April 2009 and unless the current FMIC regime moves in a more positive direction, the Group does not expect to generate significant revenue from FMIC in the future.

Mobile and wireless technologies

The technologies and services of the telecommunications industry have become increasingly diversified and sophisticated. The Group's core mobile network is an IP-based network supported by extensive fiber backhaul providing 2G and 3G capacities. Such network, along with the Group's more than 9,000 Wi-Fi hotspots throughout Hong Kong enables certain mobile customers to switch between 3G and Wi-Fi connections seamlessly. Customers' increasing usage of Smartphones and tablets has led to increased mobile data usage which has resulted in an increase in the Group's mobile revenue.

Economic and financial conditions in Hong Kong

As most of the Group's revenue and expenses are substantially derived from and related to its operations in Hong Kong, the Group's financial condition and results of operations have been, and are expected to continue to be, affected by fluctuations in the Hong Kong economy. Contractions in the Hong Kong economy may cause both business and individual customers to reduce discretionary spending, resulting in a potential decreased usage of and spending in telecommunications services.

Taxation

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits during each of the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2010 and 2011. Overseas tax has been calculated on the estimated assessable profits for the relevant year at the rates prevailing in the respective jurisdictions.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The Group's effective tax rate is computed as the tax expenses divided by profit before tax. The Group's effective tax rate for the six months ended 30 June 2011 was 23.1% as compared to 29.9% for the six months ended 30 June 2010. The Group's effective tax rate for the year ended 31 December 2010 was 28.0% as compared to 26.2% for the year ended 31 December 2009, and, on an aggregated basis, 27.0% for the year ended 31 December 2008. The rates are higher than the statutory tax rate of 16.5% mainly due to the fact that losses of some companies cannot be offset against profits of other companies for Hong Kong tax purposes.

SIGNIFICANT LINE ITEMS IN THE COMBINED INCOME STATEMENTS

The following are the significant line items in the Trust Group's combined income statements. The 2008 Aggregated Financial Information of the Trust Group aggregated the audited historical results for the year ended 31 December 2008, the pre-acquisition results of the accounting acquirees in the 2008 Restructuring and adjustments to annualise depreciation, amortisation and finance costs assuming the 2008 Restructuring had taken place as at 1 January 2008 and is shown for illustrative purposes only and is not necessarily indicative of the results of operations that would have been achieved had the 2008 Restructuring taken place as of such date.

Turnover

Turnover represents the Group's revenue for the provision of telecommunications services ("**TSS**"), mobile services and other services. Within the Group's TSS segment, local data and broadband services primarily comprised corporate data connectivity services and network solutions for commercial customers, broadband Internet access services, and other network services to other telecommunications operators; local telephony services comprised fixed-line local telephone services and related value-added services; international telecommunications services mainly comprised IDD services, international private leased circuits and other international data connectivity and network solutions services; and other services primarily comprised sales of network equipment, customer premises equipment ("**CPE**") and connectivity products, provision of technical and maintenance subcontracting services and contact centre services. The revenue in the mobile segment primarily comprised mobile subscription services for the usage of the network and facilities, and sales of mobile phones and accessories. Other businesses primarily comprised the revenue of the ZhongYing JV, which provides network integration and related services to telecommunications operators in the PRC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following table sets forth the aggregated revenue by segment for the year ended 31 December 2008 and the revenue by segment for the years ended 31 December 2009 and 2010 and the six months ended 30 June 2010 and 2011.

	For the year ended 31 December			For the six months ended 30 June	
	2008	2009	2010	2010 (unaudited)	2011
	HK\$ million				
TSS					
Local data and broadband services	904	4,943	5,270	2,627	2,660
Local telephony services	754	3,988	3,600	1,921	1,653
International telecommunications services	1,228	3,678	3,714	1,851	2,188
Other services	<u>3,972</u>	<u>3,234</u>	<u>3,639</u>	<u>1,672</u>	<u>1,758</u>
Total TSS	6,858	15,843	16,223	8,071	8,259
Mobile	288	1,670	1,709	838	919
Other businesses	86	631	797	398	479
Eliminations	<u>(31)</u>	<u>(197)</u>	<u>(202)</u>	<u>(101)</u>	<u>(120)</u>
Total	<u><u>7,201</u></u>	<u><u>17,947</u></u>	<u><u>18,527</u></u>	<u><u>9,206</u></u>	<u><u>9,537</u></u>

On an aggregated basis, for the year ended 31 December 2008, total turnover was HK\$19,069 million, which was composed of revenue from TSS of HK\$16,981 million (which includes revenue from local data and broadband services of HK\$4,895 million, local telephony services of HK\$4,564 million, international telecommunications services of HK\$3,817 million and other services of HK\$3,705 million), revenue from mobile of HK\$1,744 million and from other businesses of HK\$528 million, offset by inter-segment eliminations of HK\$184 million.

The following table sets out information about the geographical location of the Group's revenue from external customers.

	For the year ended 31 December			For the six months ended 30 June	
	2008	2009	2010	2010 (unaudited)	2011
	HK\$ million				
Hong Kong (place of domicile)	6,579	15,511	15,527	7,783	8,011
PRC and Taiwan	282	1,215	1,243	591	730
Others	<u>340</u>	<u>1,221</u>	<u>1,757</u>	<u>832</u>	<u>796</u>
Total	<u><u>7,201</u></u>	<u><u>17,947</u></u>	<u><u>18,527</u></u>	<u><u>9,206</u></u>	<u><u>9,537</u></u>

On an aggregated basis for the year ended 31 December 2008, turnover from Hong Kong was HK\$16,853 million, the PRC and Taiwan totalled HK\$1,233 million and others was HK\$983 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Cost of sales

The Group's cost of sales mainly included connectivity costs, costs of goods sold and other costs of services. Connectivity costs mainly comprised costs for local and international connectivity to support our telecommunications services. Costs of goods sold mainly comprised the costs of network equipment and CPE sold. Other costs of services mainly comprised direct costs for the provision of contact centre services, technical and maintenance subcontracting services and direct marketing costs. The following table sets forth the cost of sales by category for the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2010 and 2011. On an aggregated basis for the year ended 31 December 2008, the cost of sales by category were connectivity costs of HK\$2,906 million, costs of goods sold of HK\$2,906 million and other cost of services of HK\$1,208 million for a total of HK\$7,020 million.

	For the year ended 31 December			For the six months ended 30 June	
	2008	2009	2010	2010 (unaudited)	2011
	HK\$ million				
Connectivity costs	1,033	2,923	3,142	1,598	1,493
Costs of goods sold	441	2,400	2,510	1,185	1,283
Other costs of services	832	1,319	1,799	852	982
Total	2,306	6,642	7,451	3,635	3,758

General and administrative expenses

The Group's general and administrative expenses primarily include depreciation, amortisation, staff costs, repair and maintenance and other operating costs. Depreciation is provided on the Group's property, plant and equipment such as exchange equipment, transmission plant, other equipment, and land and buildings. Amortisation is provided on the Group's intangible assets such as capitalised customer base and customer acquisition costs, telecommunications licences and trademarks. Intangible assets of the customer base of the Group arose from the fair value adjustments of the 2008 Restructuring, which is amortised on a straight-line basis over an average period of approximately five years with annual charges of approximately HK\$1 billion. Staff costs mainly comprised salaries, bonuses, other benefits and retirement costs under defined contribution schemes. Repair and maintenance is mainly incurred in association with the Group's network plant and equipment. Other operating costs comprise publicity and promotion costs, network and exchange related operating costs, rent, utilities and government charges, bad debts, data processing charges, insurance and professional fees. The following table sets forth the general and administrative expenses by category for the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2010 and 2011. On an aggregated basis, for the year ended 31 December 2008, the general and administrative expenses by category were depreciation of HK\$2,544 million, amortisation of HK\$1,382 million, staff costs of HK\$1,506 million, repair and maintenance costs of HK\$479 million and other operating costs of HK\$2,723 million, for a total of HK\$8,634 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

	For the year ended 31 December			For the six months ended 30 June	
	2008	2009	2010	2010 (unaudited)	2011
	HK\$ million				
Depreciation	1,967	2,353	2,342	1,188	1,163
Amortisation	234	1,583	1,976	934	969
Staff costs	1,174	1,550	1,589	889	886
Repair and maintenance	118	434	547	267	262
Other operating costs	816	2,061	1,677	893	1,007
Total	4,309	7,981	8,131	4,171	4,287

Finance costs, net

The Group's net finance costs primarily include interest paid or payable on bonds and bank borrowings, net of interest capitalised in property, plant and equipment and interest income earned.

Income tax

The Group's income tax expense relates primarily to current and deferred income taxes on the profit arising from its Hong Kong and overseas operations. Income tax expense for the year ended 31 December 2010 was HK\$378 million, which was a 21.3% decrease from the income tax expense of HK\$480 million in 2009, mainly due to a decrease in profit before income tax. Income tax expense for the six months ended 30 June 2011 was HK\$168 million which was a 6.7% decrease from the income tax expense of HK\$180 million for the six months ended 30 June 2010 primarily as a result of the utilisation of previously unrecognised tax losses.

RESULTS OF OPERATIONS

Comparison of the six months ended 30 June 2011 and the six months ended 30 June 2010

Turnover

The Group's turnover was HK\$9,537 million in the six months ended 30 June 2011, compared to HK\$9,206 million in the six months ended 30 June 2010, an increase of HK\$331 million, or 3.6%.

The total revenue generated from TSS was HK\$8,259 million in the six months ended 30 June 2011, compared to HK\$8,071 million in the six months ended 30 June 2010, an increase of HK\$188 million, or 2.3%. The turnover from local data and broadband services increased from HK\$2,627 million in the six months ended 30 June 2010 to HK\$2,660 million in the six months ended 30 June 2011, an increase of HK\$33 million or 1.3%, as a result of the promotion of the Group's fiber broadband service to residential customers since June 2010 which led to an increase in the number of subscribers. The turnover from local telephony services decreased from HK\$1,921 million in the six months ended 30 June 2010, to HK\$1,653 million in the six months ended 30 June 2011, a decrease of HK\$268 million or 14.0%, as ARPU remained under pressure due to fixed-mobile substitution and competition, the effect of which has been particularly acute in the residential market. The turnover from international telecommunications services increased from HK\$1,851 million in the six months ended 30 June 2010 to HK\$2,188 million in the six months ended 30 June 2011, an increase of HK\$337 million, or 18.2% as a result of the increase

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

of wholesale voice and international connectivity services revenue primarily due to the continued high international bandwidth demand. The turnover from other services, which mainly included the overseas teleservices operations (or contact centre services) and the sales and installation of network equipment and CPE, and provision of technical and maintenance subcontracting services, increased from HK\$1,672 million in the six months ended 30 June 2010 to HK\$1,758 million in the six months ended 30 June 2011, an increase of HK\$86 million or 5.1%, due to stronger CPE sales and other larger-scale telecommunications projects that had arisen from an increase in corporate activity.

The total revenue generated from the mobile segment was HK\$919 million in the six months ended 30 June 2011, compared to HK\$838 million in the six months ended 30 June 2010, an increase of HK\$81 million, or 9.7%. The increase was primarily driven by a significant increase in 3G data usage over a larger 3G subscriber base.

The total revenue generated from other businesses was HK\$479 million in the six months ended 30 June 2011, compared to HK\$398 million in the six months ended 30 June 2010, an increase of HK\$81 million, or 20.4%. The revenue from other businesses mainly consisted of revenue from the Group's PRC equity joint venture, the ZhongYing JV, which provides network integration and related services to telecommunications operators in the PRC.

For the six months ended 30 June 2011, inter-segment eliminations were HK\$120 million as compared to HK\$101 million in the six months ended 30 June 2010 for inter-segment services provided.

Cost of sales

Cost of sales was HK\$3,758 million in the six months ended 30 June 2011, compared to HK\$3,635 million in the six months ended 30 June 2010, an increase of HK\$123 million, or 3.4%. The increase in cost of sales was in line with the growth in revenue. Connectivity costs decreased from HK\$1,598 million in the six months ended 30 June 2010 to HK\$1,493 million in the six months ended 30 June 2011, representing a decrease of HK\$105 million, or 6.6%, reflecting savings during the period from the integration of certain assets and businesses. Costs of goods sold increased from HK\$1,185 million in the six months ended 30 June 2010 to HK\$1,283 million in the six months ended 30 June 2011, an increase of HK\$98 million, or 8.3%, primarily attributable to increased CPE sales. Other costs of services increased from HK\$852 million in the six months ended 30 June 2010 to HK\$982 million in the six months ended 30 June 2011, an increase of HK\$130 million, or 15.3%, mainly because of higher direct marketing costs for fixed line and broadband services.

General and administrative expenses

The Group's general and administrative expenses were HK\$4,287 million in the six months ended 30 June 2011, compared to HK\$4,171 million in the six months ended 30 June 2010, an increase of HK\$116 million, or 2.8%. The increase was primarily attributable to the increase in other operating costs. Other operating costs increased by HK\$114 million, or 12.8%, from HK\$893 million in the six months ended 30 June 2010 to HK\$1,007 million in the six months ended 30 June 2011, primarily attributable to larger publicity and promotional spending as the Group marketed its high speed broadband services to the mass market, as well as increased rental expenses for retail shops and roadshow venues for the promotion of mobile, FTTx and other services.

Other gains/losses, net

The Group's net other losses were HK\$28 million in the six months ended 30 June 2011, compared to nil in the six months ended 30 June 2010. Such net other losses in the six months ended 30 June 2011 were primarily due to an impairment loss recorded of HK\$16 million on an interest in a jointly controlled entity.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Finance costs, net

The Group's net finance costs were HK\$733 million in the six months ended 30 June 2011, compared to HK\$793 million in the six months ended 30 June 2010, a decrease of HK\$60 million, or 7.6%. The decrease in net finance costs was primarily due to a one-time write off of certain unamortised finance fees upon repayment of certain loans in the six months ended 30 June 2010.

Share of results of jointly controlled companies

The Group's share of results of jointly controlled companies was a loss of HK\$5 million in both the six months ended 30 June 2011 and the six months ended 30 June 2010.

Profit before income tax

As a result of the foregoing, the Group's profit before income tax increased by HK\$124 million, or 20.6%, to HK\$726 million in the six months ended 30 June 2011 from HK\$602 million in the six months ended 30 June 2010.

Income tax

The Group's income tax was HK\$168 million in the six months ended 30 June 2011, compared to HK\$180 million in the six months ended 30 June 2010, a decrease of HK\$12 million, or 6.7%. This decrease was primarily due to the utilisation of previously unrecognised tax losses.

Profit for the period

As a result of the foregoing, the Group's profit for the period increased by HK\$136 million, or 32.2%, to HK\$558 million in the six months ended 30 June 2011 from HK\$422 million in the six months ended 30 June 2010. The profit attributable to Holders of Share Stapled Units increased by HK\$137 million, or 34.3%, to HK\$537 million in the six months ended 30 June 2011 from HK\$400 million in the six months ended 30 June 2010.

Comparison of the year ended 31 December 2010 and the year ended 31 December 2009

Turnover

The Group's turnover was HK\$18,527 million in 2010, compared to HK\$17,947 million in 2009, an increase of HK\$580 million, or 3.2%.

The total revenue generated from TSS was HK\$16,223 million in 2010, compared to HK\$15,843 million in 2009, an increase of HK\$380 million, or 2.4%. The turnover from local data and broadband services increased from HK\$4,943 million in 2009 to HK\$5,270 million in 2010, an increase of HK\$327 million or 6.6%, as a result of greater demand for data services and a larger customer base for the Group's high speed broadband connectivity services which is consistent with the proliferation of Internet usage in Hong Kong. The turnover from local telephony services decreased from HK\$3,988 million in 2009 to HK\$3,600 million in 2010, a decrease of HK\$388 million or 9.7%, primarily attributable to the decreased turnover due to the withdrawal of the FMIC, fixed-mobile substitution and a reduction in the average price charged to customers for local fixed line as a result of competition. The turnover from international telecommunications services increased from HK\$3,678 million in 2009 to HK\$3,714 million in 2010, an increase of HK\$36 million, or 1.0%. The turnover from other services, which mainly included the overseas teleservices operations (or contact centre services) and the sales and installation of network

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

equipment and CPE, and provision of technical and maintenance subcontracting services, increased from HK\$3,234 million in 2009 to HK\$3,639 million in 2010, an increase of HK\$405 million or 12.5%, reflecting a full year's contribution from the overseas teleservices business acquired in 2009 and stronger CPE sales.

The total revenue generated from the mobile segment was HK\$1,709 million in 2010, compared to HK\$1,670 million in 2009, an increase of HK\$39 million, or 2.3%. The increase was primarily driven by an increase in subscriber base particularly for 3G services and the increased usage of mobile data services proliferated by the rising popularity of Smartphones and other smart devices.

The total revenue generated from other businesses was HK\$797 million in 2010, compared to HK\$631 million in 2009, an increase of HK\$166 million, or 26.3%. The revenue from other businesses mainly consisted of revenue from the Group's PRC equity joint venture, the ZhongYing JV which provides network integration and related services to telecommunications operators in the PRC.

For the year ended 31 December 2010, inter-segment eliminations were HK\$202 million as compared to HK\$197 million in 2009 for inter-segment services provided.

Cost of sales

Cost of sales was HK\$7,451 million in 2010, compared to HK\$6,642 million in 2009, an increase of HK\$809 million, or 12.2%. The increase in cost of sales was primarily due to an increase in other costs of services and connectivity costs. The connectivity costs increased from HK\$2,923 million in 2009 to HK\$3,142 million in 2010, representing an increase of HK\$219 million, or 7.5%, reflecting higher network costs from increased network capacity sold. Other costs of services increased from HK\$1,319 million in 2009 to HK\$1,799 million in 2010, an increase of HK\$480 million, or 36.4%, reflecting a higher cost from the overseas teleservices operations that was acquired in the second half of 2009, which included the full year's cost of the operations.

General and administrative expenses

The Group's general and administrative expenses were HK\$8,131 million in 2010, compared to HK\$7,981 million in 2009, an increase of HK\$150 million, or 1.9%. The increase was primarily attributable to the increase in amortisation, repair and maintenance costs, and staff costs, partially offset by the decrease in other operating costs, while depreciation in 2010 remained fairly consistent with that of 2009. Other operating costs decreased by HK\$384 million, or 18.6%, from HK\$2,061 million in 2009 to HK\$1,677 million in 2010, primarily attributable to a reduction in the Group's cost of operating its exchange buildings and operating leases. Amortisation increased by HK\$393 million, or 24.8%, from HK\$1,583 million in 2009 to HK\$1,976 million in 2010, primarily attributable to an increase in customer acquisition costs in 2010 and higher unamortised customer acquisition costs carried forward from 2009. Repair and maintenance costs increased by HK\$113 million, or 26.0%, from HK\$434 million in 2009 to HK\$547 million in 2010, which was primarily attributable to expenditure of additional resources on network equipment to secure leading edge services, quality and performance. Staff costs increased by HK\$39 million, or 2.5%, from HK\$1,550 million in 2009 to HK\$1,589 million in 2010, which was primarily attributable to the full year's cost of additional headcount associated with the overseas teleservices operations acquired in 2009, partially offset by lower average staff cost.

Other gains, net

The Group's net other gains were HK\$40 million in 2010, compared to nil in 2009. Such net other gains in 2010 were primarily due to sale of certain subsidiaries to a fellow subsidiary of the Group.

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Losses on property, plant and equipment

The Group's losses on property, plant and equipment was nil in 2010, compared to a loss of HK\$25 million in 2009. The loss in 2009 was a result of certain property, plant and equipment becoming obsolete.

Finance costs, net

The Group's net finance costs were HK\$1,562 million in 2010, compared to HK\$1,468 million in 2009, an increase of HK\$94 million, or 6.4%. The increase in net finance costs was primarily due to write off of certain unamortised finance fees upon repayment of certain loans.

Share of results of jointly controlled companies

The Group's share of results of jointly controlled companies was a loss of HK\$73 million in 2010, compared to nil in 2009. Effective 1 January 2010, the Group obtained a 50% interest in China Netcom Broadband Corporation Limited ("**CNCBB**"), a joint venture based in the PRC, from a fellow subsidiary. CNCBB incurred a loss in 2010.

Profit before income tax

As a result of the foregoing, the Group's profit before income tax decreased by HK\$481 million, or 26.3%, to HK\$1,350 million in 2010 from HK\$1,831 million in 2009.

Income tax

The Group's income tax was HK\$378 million in 2010, compared to HK\$480 million in 2009, a decrease of HK\$102 million, or 21.3%. This decrease was primarily due to a decrease in profit before income tax.

Profit for the year

As a result of the foregoing, the Group's profit for the year decreased by HK\$379 million, or 28.1%, to HK\$972 million in 2010 from HK\$1,351 million in 2009. The profit attributable to Holders of the Share Stapled Units decreased by HK\$391 million, or 29.7%, to HK\$925 million in 2010 from HK\$1,316 million in 2009.

Comparison of the audited results for the year ended 31 December 2009 and the year ended 31 December 2008 (which reflects the post-acquisition results of the Telecommunications Business)

The 2008 Restructuring of the Group under HKTGH, a wholly-owned subsidiary of the Company, was not completed until the fourth quarter of 2008 and the combined financial information of the Trust Group for the year ended 31 December 2008 includes only the post-acquisition results of the Telecommunications Business. The acquisitions of the Telecommunications Business arising from the 2008 Restructuring were accounted for using the purchase method under HKFRS 3, "Business combinations" (2004) and, accordingly, the results of the acquired businesses were fully consolidated from the date on which the 2008 Restructuring was completed. As a result, the combined financial information of the Trust Group for the year ended 31 December 2008 presents partial year results of the Telecommunications Business and is not directly comparable to the full year results of the Telecommunications Business for the year ended 31 December 2009.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Turnover

The Group's turnover was HK\$17,947 million in 2009, compared to HK\$7,201 million in 2008. The significant increase in 2009 is due to the fact that the audited results for 2008 are only partial year results of the Telecommunications Business.

Cost of sales

Cost of sales was HK\$6,642 million in 2009, compared to HK\$2,306 million in 2008. The significant increase in 2009 is due to the fact that the audited results for 2008 are only partial year results of the Telecommunications Business.

General and administrative expenses

The Group's general and administrative expenses were HK\$7,981 million in 2009, compared to HK\$4,309 million in 2008. The significant increase in 2009 is due to the fact that the audited results for 2008 are only partial year results of the Telecommunications Business.

Other gains, net

The Group's net other gains were nil in 2009, compared to HK\$63 million in 2008. The gain in 2008 was due to the recognition of negative goodwill as income arising from the 2008 Restructuring.

Losses on property, plant and equipment

The Group's losses on property, plant and equipment were HK\$25 million in 2009, compared to nil in 2008. The loss in 2009 was a result of certain property, plant and equipment becoming obsolete.

Finance costs, net

The Group's net finance costs were HK\$1,468 million in 2009, compared to HK\$240 million in 2008. The significant increase in 2009 is due to the fact that the audited results for 2008 are only partial year results of the Telecommunications Business.

Profit before income tax

The Group's profit before income tax was HK\$1,831 million in 2009, compared to HK\$409 million in 2008. The significant increase in 2009 is due to the fact that the audited results for 2008 are only partial year results of the Telecommunications Business.

Income tax

The Group's income tax was HK\$480 million in 2009, compared to HK\$132 million in 2008. The significant increase in 2009 is due to the fact that the audited results for 2008 are only partial year results of the Telecommunications Business.

Profit for the year

The Group's profit for the year was HK\$1,351 million in 2009, compared to HK\$277 million in 2008. The significant increase in 2009 is due to the fact that the audited results for 2008 are only partial year results of the Telecommunications Business.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Comparison of the audited results for the year ended 31 December 2009 and the aggregated results for the year ended 31 December 2008

The 2008 Restructuring of the Group under HKTGH, a wholly-owned subsidiary of the Company formed on 18 January 2008, was not completed until the fourth quarter of 2008. In order to provide a more meaningful point of comparison of the historical results of operations of the Group, in addition to the 2008 audited results, the 2008 Aggregated Financial Information for the year ended 31 December 2008, which aggregated the audited historical results for the year ended 31 December 2008, the pre-acquisition results of the accounting acquirees in the 2008 Restructuring and adjustments to annualise depreciation, amortisation and finance costs assuming the 2008 Restructuring had taken place as at 1 January 2008, has also been included. The 2008 Aggregated Financial Information is extracted from Note 36(a) of the Accountant's Report in Appendix I to this prospectus. The 2008 Aggregated Financial Information is not necessarily indicative of results of operations that would have been achieved had the 2008 Restructuring taken place as at 1 January 2008. See the section headed "History, development and the restructuring exercise — History and business development" in this prospectus for a further discussion of the 2008 Restructuring.

Turnover

Turnover in 2009 decreased by HK\$1,122 million to HK\$17,947 million, or a 5.9% decrease, from the 2008 aggregated turnover of HK\$19,069 million primarily attributable to a decrease of HK\$1,138 million in revenue from TSS.

The total revenue generated from TSS was HK\$15,843 million in 2009, compared to the 2008 aggregated TSS revenue of HK\$16,981 million, a decrease of HK\$1,138 million, or 6.7%. The turnover from local data and broadband services was HK\$4,943 million in 2009 compared to the 2008 aggregated turnover from local data and broadband services of HK\$4,895 million, an increase of HK\$48 million or 1.0%. The turnover from local telephony services was HK\$3,988 million in 2009 compared to the 2008 aggregated turnover from local telephony services of HK\$4,564 million, a decrease of HK\$576 million or 12.6%, primarily due to the substantial reduction of FMIC revenue following the withdrawal of the regulatory guidance on 27 April 2009 according to which FMIC charging mechanism was set in Hong Kong. The turnover from international telecommunication services was HK\$3,678 million in 2009, compared to the 2008 aggregated of HK\$3,817 million, a decrease of HK\$139 million or 3.6%, primarily due to a reduction in turnover in IDD services due to the impact from the financial crisis, partially offset by a modest increase in turnover from wholesale voice and international connectivity services. The turnover from other services was HK\$3,234 million in 2009 compared to the 2008 aggregated turnover of HK\$3,705 million, a decrease of HK\$471 million, or 12.7%, as a result of lower CPE sales to corporate customers, which became very cost conscious amid the difficult economic conditions, partially offset by an increase in revenue from the overseas teleservices operations primarily from the acquisition of an overseas call centre operation.

The 2009 turnover from the mobile segment was HK\$1,670 million, compared to the 2008 aggregated turnover from the mobile segment of HK\$1,744 million, a decrease of HK\$74 million, or 4.2%, mainly due to reduced sale of low margin handsets and accessories, partially offset by a 9.2% growth in mobile service revenue from a larger subscriber base and increased mobile data usage on rising popularity of Smartphones.

Other businesses revenue generated by the Group amounted to HK\$631 million in 2009, compared to the aggregated other businesses revenue of HK\$528 million in 2008, an increase of HK\$103 million, or 19.5%, was mainly due to the increase in revenue from the Group's PRC equity joint venture, the ZhongYing JV.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Cost of sales

Cost of sales in 2009 decreased by HK\$378 million to HK\$6,642 million, or 5.4%, from the 2008 aggregated cost of sales of HK\$7,020 million. The decrease was primarily attributable to the decrease in costs of goods sold, partially offset by the increase in other costs of services. The connectivity costs were HK\$2,923 million in 2009, which remained fairly stable when compared to the aggregated connectivity costs of HK\$2,906 million in 2008. The cost of goods sold was HK\$2,400 million in 2009, compared to the aggregated costs of good sold of HK\$2,906 million in 2008, a decrease of HK\$506 million, or 17.4%, which was in line with the decrease in CPE sales revenue, primarily as a result of the difficult economic conditions in 2009. The other costs of services were HK\$1,319 million in 2009, compared to the aggregated other costs of services of HK\$1,208 million in 2008, an increase of HK\$111 million, or 9.2%, primarily reflecting the additional cost for the overseas teleservices operations acquired by the Group in August 2009.

General and administrative expenses

General and administrative expenses in 2009 decreased by HK\$653 million or 7.6% to HK\$7,981 million from the 2008 aggregated general and administrative expenses of HK\$8,634 million, which was primarily driven by the decrease in depreciation and other operating costs and partially offset by the increase in amortisation. The depreciation was HK\$2,353 million in 2009, compared to the aggregated depreciation of HK\$2,544 million in 2008, a decrease of HK\$191 million, or 7.5%. Other operating costs were HK\$2,061 million in 2009, compared to the aggregated other operating costs of HK\$2,723 million in 2008, a decrease of HK\$662 million, or 24.3%, primarily due to the effective cost management adopted by the Group in response to the challenging financial environment. The amortisation was HK\$1,583 million in 2009, compared to the aggregated amortisation of HK\$1,382 million in 2008, an increase of HK\$201 million, or 14.5%, mainly attributable to the increase in customer acquisition costs in the same period.

Other gains, net

The Group's net other gains were nil in 2009, compared to net other gains of HK\$63 million in 2008 on an aggregated basis. The gain in 2008 was due to the recognition of negative goodwill arising from the 2008 Restructuring as income.

Losses on property, plant and equipment

The Group's losses on property, plant and equipment were HK\$25 million in 2009, compared to nil in 2008 on an aggregated basis. The loss in 2009 was a result of certain property, plant and equipment becoming obsolete.

Finance costs, net

The Group's net finance costs in 2009 decreased by HK\$17 million or 1.1% to HK\$1,468 million from the 2008 aggregated net finance costs of HK\$1,485 million, primarily as a result of a decrease in interest rates.

Profit before income tax

The Group's profit before income tax in 2009 decreased by HK\$162 million or 8.1% to HK\$1,831 million from the 2008 aggregated profit before income tax of HK\$1,993 million. The decrease was primarily attributable to the withdrawal of the regulatory guidance on FMIC, which resulted in a significant reduction of revenue. Such revenue loss was partially offset by the effect of stringent cost control measures adopted by management during 2009.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Income tax

Income tax in 2009 decreased by HK\$58 million or 10.8% to HK\$480 million from the 2008 aggregated income tax of HK\$538 million, primarily as a result of a decrease in profit before income tax.

Profit for the year

The Group's profit for the year was HK\$1,351 million and the profit attributable to Holders of Share Stapled Units was HK\$1,316 million in 2009. As compared to the 2008 aggregated results, the Group's profit for the year and profit attributable to Holders of Share Stapled Units in 2009 decreased by HK\$104 million and HK\$114 million, respectively, or 7.1% and 8.0%, respectively, primarily as a result of lower profit before income tax.

LIQUIDITY AND CAPITAL RESOURCES

To date, the Group's principal sources of funds have been from cash generated from operations, bank loans and the proceeds of bond offerings, as well as shareholders' loans from PCCW. The Group may use funding from future fund raising transactions, credit facilities and cash flow from operations for the provision of working capital, customer acquisition costs and capital expenditure. Based on the expected net proceeds from the Global Offering, expected operating cash flows and available bank credit facilities (a portion of which is expected to be drawn to finance the repayment at maturity of the US\$1,000 million 7.75% guaranteed notes due 2011), the Directors do not anticipate any additional funding requirements for the Group in the near future and they are of the opinion that the HKT Trust and the Group have sufficient working capital to meet their working capital requirements, both present and for at least the next 12 months from the date of this prospectus.

The Group had cash and cash equivalents of HK\$1,507 million as at 31 December 2008, HK\$2,227 million as at 31 December 2009, HK\$5,456 million as at 31 December 2010, HK\$1,333 million as at 30 June 2010 and HK\$5,229 million as at 30 June 2011.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Cash flow

The following table presents selected cash flow data from the Group's combined statements of cash flows for the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2010 and 2011, as well as aggregated cash flow information for the year ended 31 December 2008.

	Year ended 31 December			Six months ended 30 June	
	2008 ⁽¹⁾⁽²⁾	2009	2010	2010 (unaudited)	2011
	HK\$ million				
Net cash generated from operating activities	4,223	6,240	6,239	3,099	3,352
Net cash used in investing activities	(14,658)	(9,895)	(2,733)	(988)	(1,336)
Net cash generated from/(used in) financing activities	11,930	4,361	(264)	(2,997)	(2,185)
Net change in cash and cash equivalents	1,495	706	3,242	(886)	(169)
Exchange differences	12	14	(13)	(8)	(58)
Cash and cash equivalents at 1 January	—	1,507	2,227	2,227	5,456
Cash and cash equivalents at 31 December/30 June	<u>1,507</u>	<u>2,227</u>	<u>5,456</u>	<u>1,333</u>	<u>5,229</u>

Notes:

- (1) The combined financial information of the Trust Group for the year ended 31 December 2008 presents partial year results of the Telecommunications Business as described in the section headed "Selected financial information and operational data — Selected financial information" in this prospectus.
- (2) On an aggregated basis, the net change in cash and cash equivalents in 2008 was HK\$1,494 million. With cash and cash equivalents at 1 January 2008 of Nil and exchange difference of HK\$13 million for the year, the cash and cash equivalents at 31 December 2008 was HK\$1,507 million. The net change in cash and cash equivalents in 2008 comprised net cash generated from operating activities of HK\$7,326 million, and net cash generated from financing activities of HK\$10,686 million, offset by net cash used in investing activities of HK\$16,518 million.

Operating activities

Net cash generated from operating activities was HK\$3,352 million in the six months ended 30 June 2011 compared to net cash generated from operating activities of HK\$3,099 million in the six months ended 30 June 2010.

The net cash generated from operating activities for the six months ended 30 June 2011 was primarily attributable to profit before income tax of HK\$726 million, adjustment for interest expense of HK\$682 million, depreciation of property, plant and equipment of HK\$1,163 million, amortisation of intangible assets of HK\$963 million, and a net increase in working capital of HK\$253 million.

The net cash generated from operating activities for the six months ended 30 June 2010 was primarily attributable to profit before income tax of HK\$602 million, adjustment for interest expense of HK\$638 million, finance charges of HK\$156 million, depreciation of property, plant and equipment of HK\$1,188 million, amortisation of intangible assets of HK\$927 million, and a net increase in working capital of HK\$402 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Net cash generated from operating activities was HK\$6,239 million in 2010, keeping steady with the net cash generated from operating activities of HK\$6,240 million in 2009. The net cash generated from operating activities in 2009 decreased by HK\$1,086 million from the aggregated net cash generated from operating activities in 2008 of HK\$7,326 million.

Net cash generated from operating activities amounted to HK\$6,239 million in 2010. The net cash generated from operating activities was primarily attributable to profit before income tax of HK\$1,350 million, adjustment for interest expense of HK\$1,315 million, depreciation of property, plant and equipment of HK\$2,342 million, amortisation of intangible assets and land lease premium of HK\$1,976 million and partially offset by an increase in trade receivables of HK\$260 million and in prepayments, deposits and other current assets of HK\$952 million, and decrease in net amounts due to fellow subsidiaries and the ultimate holding company of HK\$65 million.

Net cash generated from operating activities amounted to HK\$6,240 million in 2009. The net cash generated from operating activities was primarily attributable to profit before income tax of HK\$1,831 million, adjustment for interest expense of HK\$1,353 million, depreciation of property, plant and equipment of HK\$2,353 million, amortisation of intangible assets and land lease premium of HK\$1,583 million and partially offset by an increase in prepayments, deposits and other current assets of HK\$610 million and a decrease in trade payables, accruals and other payables of HK\$233 million, and decrease in net amounts due to fellow subsidiaries and the ultimate holding company of HK\$273 million.

Net cash generated from operating activities amounted to HK\$4,223 million in 2008. On an aggregated basis, the net cash generated from operating activities was HK\$7,326 million in 2008. The net cash generated from operating activities on an aggregated basis was primarily attributable to profit before income tax of HK\$1,993 million, adjustment for interest expense of HK\$1,477 million, depreciation of property, plant and equipment of HK\$2,544 million, amortisation of intangible assets and land lease premium of HK\$1,382 million, decrease in prepayments, deposits and other current assets of HK\$383 million, and increase in trade payables, accruals and other payables of HK\$423 million and partially offset by an increase in trade receivables of HK\$230 million and a decrease in net amounts due to fellow subsidiaries and the ultimate holding company of HK\$733 million.

Investing activities

Net cash used in investing activities was HK\$1,336 million in the six months ended 30 June 2011, an increase of HK\$348 million from the six months ended 30 June 2010. The net cash used in investing activities in the six months ended 30 June 2011 primarily resulted from the purchase of property, plant and equipment of HK\$721 million and customer acquisition costs and carrier license payment of HK\$613 million. The net cash used in investing activities in the six months ended 30 June 2010 primarily resulted from the purchase of property, plant and equipment of HK\$623 million and customer acquisition costs of HK\$365 million.

Net cash used in investing activities was HK\$2,733 million in 2010, a decrease of HK\$7,162 million from 2009. The net cash used in investing activities in 2010 primarily resulted from the purchases of property, plant and equipment of HK\$1,564 million and customer acquisition costs and carrier licence payment of HK\$1,058 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Net cash used in investing activities was HK\$9,895 million in 2009, a decrease of HK\$6,623 million from the aggregated net cash used in investing activities in 2008 of HK\$16,518 million. The net cash used in investing activities in 2009 primarily resulted from the settlement in 2009 of a HK\$7,200 million payable for the deferred acquisition costs of businesses comprising the Group related to the 2008 Restructuring, as well as from the purchases of property, plant and equipment of HK\$1,450 million and customer acquisition costs and carrier licence payment of HK\$907 million.

Net cash used in investing activities amounted to HK\$14,658 million in 2008, primarily due to disbursements made to acquire the businesses comprising the Group as part of the 2008 Restructuring. On an aggregated basis, net cash used in investing activities amounted to HK\$16,518 million in 2008. The net cash used in investing activities in 2008 on an aggregated basis primarily resulted from the acquisitions of business and subsidiaries of HK\$12,656 million, the purchases of property, plant and equipment of HK\$2,886 million and customer acquisition costs and carrier licence payment of HK\$1,001 million.

Financing activities

Net cash used in financing activities was HK\$2,185 million in the six months ended 30 June 2011, a decrease of HK\$812 million from HK\$2,997 million in the six months ended 30 June 2010. Net cash used in financing activities in the six months ended 30 June 2011 primarily resulted from a net reduction of loans from fellow subsidiaries and the ultimate holding company of HK\$1,479 million, interest paid of HK\$678 million and dividend paid to non-controlling shareholders of a subsidiary of HK\$35 million.

Net cash used in financing activities in the six months ended 30 June 2010 primarily resulted from finance fees paid for new borrowings raised of HK\$227 million, repayment of borrowings of HK\$12,446 million, interest paid of HK\$661 million and was offset by new borrowings raised of HK\$9,652 million and loans from fellow subsidiaries and the ultimate holding company of HK\$727 million.

Net cash used in financing activities was HK\$264 million in 2010, a decrease of HK\$4,625 million from HK\$4,361 million of net cash generated from financing activities in 2009. Net cash used in financing activities in 2010 primarily resulted from new borrowings of HK\$15,557 million and borrowings from fellow subsidiaries and the ultimate holding company of HK\$1,133 million, which were offset by repayment of borrowings of HK\$15,311 million, interest paid of HK\$1,296 million and finance fees associated with new borrowings of HK\$302 million.

Net cash generated from financing activities amounted to HK\$4,361 million for the year ended 31 December 2009, primarily resulting from new borrowings of HK\$7,200 million and borrowings from fellow subsidiaries and the ultimate holding company of HK\$3,013 million, which were partially offset by repayment of borrowings of HK\$4,401 million and interest paid of HK\$1,432 million.

Net cash generated from financing activities amounted to HK\$11,930 million for the year ended 31 December 2008, primarily resulted from new borrowings of HK\$16,600 million. On an aggregated basis, net cash generated from financing activities amounted to HK\$10,686 million in 2008, primarily resulted from new borrowings of HK\$16,600 million and was offset by interest payments of HK\$1,463 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Working capital

The following table sets forth the Group's net current liabilities as at 31 December 2008, 2009 and 2010, 30 June 2011 and 30 September 2011:

	As at 31 December			As at 30 June	As at 30 September
	2008	2009	2010	2011	2011
	HK\$ million				
	(unaudited)				
Current assets					
Prepayments, deposits and other current assets	466	1,085	2,045	1,346	1,650
Inventories	938	849	832	986	1,261
Derivative financial instruments	230	108	17	3	7
Trade receivables, net	2,076	1,945	2,104	2,202	2,429
Tax recoverable	2	—	—	—	—
Cash and cash equivalents	<u>1,507</u>	<u>2,227</u>	<u>5,456</u>	<u>5,229</u>	<u>4,847</u>
	<u>5,219</u>	<u>6,214</u>	<u>10,454</u>	<u>9,766</u>	<u>10,194</u>
Current liabilities					
Short-term borrowings	—	46	7,800	7,823	7,842
Trade payables	1,369	1,433	1,568	1,433	1,606
Accruals and other payables	2,453	2,215	2,019	2,090	2,075
Carrier licence fee liabilities	78	87	146	146	143
Amounts due to related companies	35	38	58	99	43
Amounts due to fellow subsidiaries and the ultimate holding company	7,240	2,774	4,045	2,697	2,130
Advances from customers	1,605	1,521	1,583	1,325	1,496
Current income tax liabilities	<u>28</u>	<u>20</u>	<u>14</u>	<u>194</u>	<u>332</u>
	<u>12,808</u>	<u>8,134</u>	<u>17,233</u>	<u>15,807</u>	<u>15,667</u>
Net current liabilities	<u>(7,589)</u>	<u>(1,920)</u>	<u>(6,779)</u>	<u>(6,041)</u>	<u>(5,473)</u>

As at 30 June 2011, the Group had net current liabilities of HK\$6,041 million, consisting of HK\$9,766 million of current assets and HK\$15,807 million of current liabilities, which represented a HK\$738 million decrease from 31 December 2010. This decrease was mainly the result of a decrease in net amounts due to fellow subsidiaries and the ultimate holding company of HK\$1,348 million. The current liabilities as at 31 December 2010 and 30 June 2011 include HK\$7,772 million and HK\$7,782 million, respectively, of short-term borrowings for the US\$1,000 million 7.75% guaranteed notes due in November 2011 which the Group intends to repay primarily by drawing down on existing credit facilities.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

As at 30 September 2011, the Group had net current liabilities of HK\$5,473 million, consisting of HK\$10,194 million of current assets and HK\$15,667 million of current liabilities, which represented a HK\$568 million decrease from 30 June 2011. This decrease was mainly the result of a decrease in net amounts due to fellow subsidiaries and the ultimate holding company of HK\$567 million. The current liabilities as at 30 September 2011 mainly include HK\$7,842 million of short-term borrowings for the US\$1,000 million 7.75% guaranteed notes due in November 2011 which the Group intends to repay primarily by drawing down on existing credit facilities.

Trade receivables

Trade receivables primarily relate to the rendering of telecommunications services to customers. Trade receivables decreased from HK\$2,076 million as at 31 December 2008 to HK\$1,945 million as at 31 December 2009 primarily because of lower revenue earned in the year on the back of the global economic downturn in 2009. Trade receivables increased from HK\$1,945 million as at 31 December 2009 to HK\$2,104 million as at 31 December 2010 primarily due to increased revenue as demand for certain telecommunications services improved in the year. Trade receivables increased from HK\$2,104 million as at 31 December 2010 to HK\$2,202 million as at 30 June 2011 also as a result of continued improvement in demand for certain telecommunications services.

The following table sets forth an aging analysis of the Group's trade receivables that were past due but not impaired as at the dates indicated.

	As at 31 December			As at 30 June
	2008	2009	2010	2011
	HK\$ million			
0 - 30 days	358	395	344	227
31 - 60 days	155	164	134	186
61 - 90 days	114	99	114	121
Over 90 days	416	370	483	478
Total past due but not impaired	<u>1,043</u>	<u>1,028</u>	<u>1,075</u>	<u>1,012</u>

Trade receivables that were past due but not impaired relate to customers that have a good track record with the Group or a sound credit quality. Based on past experience and regular credit risk assessment performed on all significant outstanding trade receivables, management believes that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

As at 30 September 2011, approximately HK\$388 million, representing 38.3%, of the total past due but not impaired trade receivables as at 30 June 2011 had been settled.

Trade payables

Trade payables primarily relate to amounts payable to the Group's suppliers and contractors of equipment and services. Trade payables increased from HK\$1,369 million as at 31 December 2008 to HK\$1,433 million as at 31 December 2009. Trade payables increased from HK\$1,433 million as at 31 December 2009 to HK\$1,568 million as at 31 December 2010 primarily due to the increase in cost of sales. Trade payables decreased from HK\$1,568 million as at 31 December 2010 to HK\$1,433 million as at 30 June 2011 primarily due to higher capital expenditures in the second half of 2010 in line with historical trends. The following table sets forth an aging analysis of the Group's trade payables.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

	As at 31 December			As at 30 June
	2008	2009	2010	2011
	HK\$ million			
0 — 30 days	818	823	836	568
31 — 60 days	84	71	172	89
61 — 90 days	55	39	29	69
91 — 120 days	26	35	14	81
Over 120 days	386	465	517	626
	<u>1,369</u>	<u>1,433</u>	<u>1,568</u>	<u>1,433</u>

CAPITAL EXPENDITURE

Capital expenditure incurred on the acquisition of property, plant and equipment of the Group was HK\$2,263 million, HK\$1,514 million, HK\$1,613 million, HK\$649 million and HK\$734 million for the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2010 and 2011, respectively, and, on an aggregated basis, HK\$2,940 million for the year ended 31 December 2008. The capital expenditure in the first six months of 2011 as well as in 2009 and 2010 primarily comprised expenditure on the network infrastructure to meet customer demand, and the costs in 2008 comprised investments and enhancement in upgrading the Group's networks in addition to the expenditure resulting from customer demand. Please see the section headed "Selected financial information and operational data — Other historical financial and operational information" in this prospectus for details of capital expenditures paid for each of the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2010 and 2011.

COMMITMENTS

Capital expenditure commitments

As at 31 December 2008, 2009 and 2010 and 30 June 2011, the Group had the following capital expenditure commitments, which were used for the acquisition of property, plant and equipment.

	As at 31 December			As at 30 June
	2008	2009	2010	2011
	HK\$ million			
Authorised and contracted for	463	304	856	869
Authorised but not contracted for	662	787	963	951
	<u>1,125</u>	<u>1,091</u>	<u>1,819</u>	<u>1,820</u>

As at 30 September 2011, the Group had authorised and contracted for, and authorised but not contracted for, capital expenditure of HK\$844 million and HK\$893 million, respectively, mainly for the acquisition of property, plant and equipment for meeting customer demand. The management of the Group expects that such capital expenditure will be funded with cash and cash equivalents and operating cash flows.

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
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Operating leases

The majority of the Group's leases are for retail shops, cell sites and offices. As at 31 December 2008, 2009 and 2010 and 30 June 2011, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	As at 31 December			As at 30 June
	2008	2009	2010	2011
	HK\$ million			
<i>Land and buildings</i>				
Within 1 year	299	449	457	482
After 1 year but within 5 years	523	609	547	639
After 5 years	36	16	7	6
	858	1,074	1,011	1,127
<i>Network capacity and equipment</i>				
Within 1 year	118	157	290	281
After 1 year but within 5 years	94	119	259	266
After 5 years	14	—	62	142
	226	276	611	689

Others

As at 31 December 2008, 2009 and 2010 and 30 June 2011, the Group had other outstanding commitments, which primarily related to amounts owing to Reach Ltd., a joint venture 50% indirectly owned by the ultimate holding company, during such periods for outsourcing services, as follows:

	As at 31 December			As at 30 June
	2008	2009	2010	2011
	HK\$ million			
Operating expenditure commitment	289	272	248	238
Others	9	—	—	—
	298	272	248	238

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

INDEBTEDNESS

The Group uses proceeds from bond issues and bank loans to fund a portion of its cash requirements for working capital and investment activities.

The following table sets forth the Group's bonds and bank borrowings as at the dates indicated.

	As at 31 December			As at 30 June	As at 30 September
	2008	2009	2010	2011	2011
	HK\$ million				
Non-current					
US\$1,000 million 7.75% guaranteed notes due 2011	7,722	7,736	—	—	—
US\$500 million 6% guaranteed notes due 2013	3,856	3,862	3,879	3,883	3,890
US\$500 million 5.25% guaranteed notes due 2015	3,840	3,848	3,866	3,870	3,876
US\$500 million 4.25% guaranteed notes due 2016	—	—	3,773	3,844	3,981
Bank borrowings	16,327	19,210	15,511	15,551	15,569
	<u>31,745</u>	<u>34,656</u>	<u>27,029</u>	<u>27,148</u>	<u>27,316</u>
Current					
Bank borrowings	—	46	28	41	47
US\$1,000 million 7.75% guaranteed notes due 2011	—	—	7,772	7,782	7,795
	<u>—</u>	<u>46</u>	<u>7,800</u>	<u>7,823</u>	<u>7,842</u>
Total	<u>31,745</u>	<u>34,702</u>	<u>34,829</u>	<u>34,971</u>	<u>35,158</u>

Description of material indebtedness

US\$1,000 million 7.75% guaranteed notes due 2011 (the "Notes due 2011")

In November 2001, PCCW-HKT Capital Limited, an indirect wholly-owned subsidiary of HKTGH upon completion of the 2008 Restructuring, issued US\$1,000 million 7.75% guaranteed notes due November 2011, which are listed on the Luxembourg Stock Exchange. The interest rate payable on the Notes due 2011 is subject to adjustment from time to time if the relevant rating agencies downgrade the rating ascribed to the Notes due 2011 below a pre-agreed level. The interest rate payable on the Notes due 2011 has been adjusted to 8% based on the then current ratings.

In November 2001, the proceeds received from the sale of the Notes due 2011 were lent to HKTC on the same terms, and then to Hong Kong Telecommunications (HKT) Limited on 28 November 2008. The Notes due 2011 are unconditionally and irrevocably guaranteed by HKTC, Hong Kong Telecommunications (HKT) Limited and HKTGH and rank pari passu with all other outstanding unsecured and unsubordinated obligations of HKTC, Hong Kong Telecommunications (HKT) Limited and HKTGH.

The notes are scheduled to be redeemed on 15 November 2011.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

US\$500 million 6% guaranteed notes due 2013 (the "Notes due 2013")

In July 2003, PCCW-HKT Capital No.2 Limited, an indirect wholly-owned subsidiary of HKTGH upon completion of the 2008 Restructuring, issued US\$500 million 6% guaranteed notes due 2013 which are listed on the Luxembourg Stock Exchange. In 2003, the proceeds received from the Notes due 2013 were lent to HKTC on the same terms, and then to Hong Kong Telecommunications (HKT) Limited in 2008. The Notes due 2013 are irrevocably and unconditionally guaranteed by HKTC, Hong Kong Telecommunications (HKT) Limited and HKTGH and rank pari passu with all other outstanding unsecured and unsubordinated obligations of HKTC, Hong Kong Telecommunications (HKT) Limited and HKTGH.

US\$500 million 5.25% guaranteed notes due 2015 (the "Notes due 2015")

In July 2005, PCCW-HKT Capital No.3 Limited, an indirect wholly-owned subsidiary of HKTGH upon the completion of the 2008 Restructuring, issued US\$500 million 5.25% guaranteed notes due 2015, which are listed on the SGX-ST. In July 2005, the proceeds received from the Notes due 2015 were lent to HKTC on the same terms, and then to Hong Kong Telecommunications (HKT) Limited in November 2008. The Notes due 2015 are irrevocably and unconditionally guaranteed by HKTC, Hong Kong Telecommunications (HKT) Limited and HKTGH and rank pari passu with all other outstanding unsecured and unsubordinated obligations of HKTC, Hong Kong Telecommunications (HKT) Limited and HKTGH.

US\$500 million 4.25% guaranteed notes due 2016 (the "Notes due 2016")

In August 2010, PCCW-HKT Capital No.4 Limited, an indirect wholly-owned subsidiary of HKTGH, issued US\$500 million 4.25% guaranteed notes due 2016, which are listed on the SGX-ST. In August 2010, the proceeds received from the Notes due 2016 were lent to Hong Kong Telecommunications (HKT) Limited on the same terms. The Notes due 2016 are irrevocably and unconditionally guaranteed by Hong Kong Telecommunications (HKT) Limited and HKTGH and rank pari passu with all other outstanding unsecured and unsubordinated obligations of Hong Kong Telecommunications (HKT) Limited and HKTGH.

Bank facilities

Aggregate bank loan facilities as at 31 December 2008, 2009 and 2010 and 30 June 2011 were approximately HK\$24,220 million, HK\$24,278 million, HK\$26,913 million and HK\$26,402 million, respectively, of which the unused facilities amounted to approximately HK\$7,620 million, HK\$4,827 million, HK\$11,091 million and HK\$10,584 million, respectively. Aggregate bank loan facilities as at 30 September 2011 were HK\$26,402 million, of which the unused facilities amounted to approximately HK\$10,576 million. Certain of the bank loan facilities are secured by property, plant and equipment and trade receivables, the details of which are set out in Note 35 of the Accountant's Report in Appendix I to this prospectus.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Descriptions of certain material revolving credit and loan facilities are as follows:

- (i) In September 2008, Hong Kong Telecommunications (HKT) Limited entered into HK\$23.8 billion of revolving credit and term loan facilities (the “**2008 Facilities**”) with a group of banks for general of corporate purposes including acquisitions of assets from companies in the PCCW Group as a result of the 2008 Restructuring. The facilities are guaranteed by HKTGH and have three tranches including a 3-year HK\$8.2 billion revolving credit facility and two HK\$7.8 billion term loan facilities with a 3 and 5-year maturity. In May 2010, the two 3-year tranches were repaid in full and cancelled.
- (ii) In May 2010, Hong Kong Telecommunications (HKT) Limited entered into HK\$16 billion of revolving credit and term loan facilities with a group of banks for debt refinancing and general corporate purposes. The facilities are guaranteed by HKTGH and have three tranches including a 4-year HK\$8 billion revolving credit facility, a 4-year HK\$3 billion term loan facility and a 6-year HK\$5 billion term loan facility. Part of the proceeds has been used to refinance the two 3-year tranches under the 2008 Facilities which were cancelled in May 2010 upon repayment.
- (iii) In June 2010, Hong Kong Telecommunications (HKT) Limited entered into various bilateral revolving and term loan facilities with a group of banks to raise an aggregate of HK\$3.49 billion for general corporate purposes, including the repayment of existing debt. These facilities are guaranteed by HKTGH.

Aggregate bank facilities in relation to bank guarantee and letter of credit as at 31 December 2008, 2009 and 2010 and 30 June 2011 were HK\$2,132 million, HK\$3,307 million, HK\$1,907 million and HK\$2,449 million, respectively, of which the unutilised facilities amounted to HK\$474 million, HK\$2,121 million, HK\$945 million and HK\$1,465 million, respectively. All of these bank facilities in relation to bank guarantee and letters of credit are unsecured.

CERTAIN INFORMATION ON COMBINED STATEMENTS OF FINANCIAL POSITION

Amounts due to fellow subsidiaries and the ultimate holding company

As at 31 December 2008, the amounts due to fellow subsidiaries which are not part of the Group, were HK\$7,405 million. As at 31 December 2009 and 2010 and 30 June 2011, the amounts due from fellow subsidiaries which are not part of the Group, were HK\$681 million, HK\$906 million and HK\$1,393 million, respectively.

As at 31 December 2009 and 2010 and 30 June 2011, amount due to PCCW, the ultimate holding company, was HK\$3,455 million, HK\$4,951 million and HK\$4,090 million, respectively. As at 31 December 2008, the amount due from the ultimate holding company was HK\$165 million. As at 30 June 2011, included in the amount due to the ultimate holding company was a loan of HK\$4,000 million which was unsecured, payable on demand and interest bearing at HIBOR.

The net amounts due to fellow subsidiaries and the ultimate holding company were HK\$7,240 million, HK\$2,774 million, HK\$4,045 million, HK\$2,697 million and HK\$2,130 million as at 31 December 2008, 2009, 2010, 30 June 2011 and 30 September 2011, respectively.

The Group expects to capitalise any such net outstanding amounts due to the fellow subsidiaries and the ultimate holding company at the completion of the Pre-IPO Restructuring.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CONTINGENT LIABILITIES

	As at 31 December			As at 30 June
	2008	2009	2010	2011
	HK\$ million			
Performance guarantee	357	348	337	337
Tender guarantee	6	13	11	2
Guarantee in lieu of cash deposit	2	2	2	2
Total	365	363	350	341

The Group is subject to certain corporate guarantee obligations to guarantee performance of its subsidiaries and fellow subsidiaries in the normal course of their businesses. The amount of liabilities arising from such obligations, if any, cannot be ascertained with reasonable certainty as it depends on the likelihood and extent of a breach of the guaranteed performance. Therefore no provision has been made in accordance with HKFRS during each of the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011. The Group has not experienced any significant losses from these performance obligations during any of the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011. The Directors are of the opinion that any resulting liability would not materially affect the financial position of the Group.

As at 30 September 2011, the contingent liabilities of the Group were approximately HK\$379 million.

STATEMENT REGARDING INDEBTEDNESS AND CONTINGENT LIABILITIES

Except as disclosed in the paragraphs headed "Indebtedness" and "Contingent liabilities" in this section above, the Group did not as at 30 September 2011, being the Latest Practicable Date for determining indebtedness and contingent liabilities, have any outstanding mortgages, charges, debentures, debts securities or other loan capital or bank overdrafts or other similar indebtedness or finance lease obligations, guarantees or other material contingent liabilities. As at the Latest Practicable Date, the Directors were not aware of any other material change in the Group's indebtedness and contingent liabilities since 30 September 2011.

OFF-BALANCE SHEET ARRANGEMENTS

The Group had no off-balance sheet arrangements for the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

POST-BALANCE SHEET EVENTS

Subsequent to 30 June 2011, an interest in Reach Ltd. was transferred to the Group as part of the Pre-IPO Restructuring. Upon completion of the Pre-IPO Restructuring, Reach Ltd. became a jointly controlled company of the Trust Group.

FINANCIAL RISK MANAGEMENT

Capital management

The Group's primary objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to provide returns for Holders of Share Stapled Units, to support the Group's stability and growth; and to earn margins commensurate with the level of business and market risks in the Group's operations. The Group monitors capital by reviewing the level of capital that is at its disposal ("**adjusted capital**"), taking into consideration its future capital requirements, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. Adjusted capital comprises all components of equity.

Neither the HKT Trust, the Company nor any of its subsidiaries are subject to externally imposed capital requirements, except for the debt covenant requirement of the loan agreements with external parties and the minimum capital requirements of a subsidiary regulated by the Bermuda Monetary Authority.

Credit risk

The Group's credit risk is primarily attributable to trade receivables, interest receivable, over-the-counter derivative transactions and cash transactions entered into for risk management purposes. The management of the Group has policies in place to monitor exposures to these credit risks on an ongoing basis.

The Group normally grants its debtors credit periods ranging up to 30 days from the date of invoice unless there is a separate mutual agreement on extension of the credit period. The Group maintains 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 payables are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers. As at 31 December 2008, 2009 and 2010 and 30 June 2011, the Group did not have a significant exposure to any individual debtors or counterparties.

Amounts due from fellow subsidiaries and the ultimate holding company, deposits and other current assets are continuously monitored by assessing the credit quality of the counterparty, taking into account its financial position, past experience and other factors. Where necessary, impairment loss is made for estimated irrecoverable amounts. As at 31 December 2008, 2009 and 2010 and 30 June 2011, amounts due from fellow subsidiaries and the ultimate holding company, deposits and other current assets, were fully performing.

Investments, derivative financial instruments, interest receivable and cash transactions are executed with financial institutions or investment counterparties with sound credit ratings and the Group does not expect any significant counterparty risk. Moreover, credit limits are set for individual counterparties and periodic reviews are conducted to ensure that the limits are strictly followed.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the combined balance sheets. Except for the guarantees given by the Group as disclosed in Note 34 of the Accountant's Report in Appendix I to this prospectus, it does not provide any other guarantees that would expose the Group to credit risk.

Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with debt covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. The management of the Group believes there is no significant liquidity risk as the Group has sufficient committed facilities to fund its operations and debt servicing requirements.

Market risk

Market risk is composed of foreign currency, interest rate and equity price exposure deriving from the Group's operations, investment and funding activities. As a matter of policy, the Group enters into cross currency swap contracts to manage its exposure to market risk directly related to its operations and financing. The Group does not undertake any speculative trading activities in connection with these financial instruments or enter into or acquire market risk sensitive instruments for trading purposes. The finance and management committee, a subcommittee of the executive committee of the board of directors of PCCW, determines the appropriate risk management activities with the aim of prudently managing the market risk associated with transactions entered into in the normal course of business.

Foreign currency risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures. Foreign exchange risk arises when the Group recognised assets and liabilities that are denominated in a currency other than the entity's functional currency.

The borrowings of the Group are mainly denominated in either Hong Kong dollars or US dollars. As at 31 December 2008, 2009 and 2010 and 30 June 2011, a majority of the Group's short-term and long-term borrowings denominated in US dollars were swapped into Hong Kong dollars by cross currency swap contracts.

In respect of trade receivables and payables held in currencies other than the functional currency of the operations to which they relate, the Group adopts the approach to ensure that the net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

Interest rate risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises primarily from short-term and long-term borrowings. Borrowings at variable rates and fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk, respectively. In addition, from time to time, the Group draws under long-term revolving credit and term facilities which are denominated in Hong Kong dollars and pays interest at a floating rate.

The Group has entered into fixed-to-floating cross currency swap contracts to hedge the fair value interest rate risk arising from its fixed rate long-term borrowings.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Equity price risk

The Group is exposed to equity price changes arising from an equity investment classified as available-for-sale financial asset (see Note 22 of the Accountant's Report in Appendix I to this prospectus for further information). The investment is listed on a recognised stock exchange.

RECENT ACCOUNTING CHANGES

Except for the adoption of HKFRS 3 (revised), "Business combinations" as set out in Note 4(b) of the Accountant's Report included in Appendix I to this prospectus, there has been no material change to the accounting policies of the Trust Group for accounting periods beginning on or after 1 January 2008.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

As at the Latest Practicable Date, the Directors confirm that there were no circumstances that would give rise to a disclosure requirement under Rule 13.13 to Rule 13.19 of the Listing Rules.

RATING AGENCIES

Hong Kong Telecommunications (HKT) Limited, a subsidiary of the Company, has been assigned a corporate credit rating of "Baa 2" by Moody's and "BBB" by Standard & Poor's. Both rating agencies had announced that they were reviewing their ratings on Hong Kong Telecommunications (HKT) Limited for a possible downgrade. The review outcome will depend on, amongst others, the final capital structure following the Global Offering. As at the Latest Practicable Date, the review is on-going.

DIVIDENDS AND DISTRIBUTABLE RESERVES

In the context of the listing structure involving the HKT Trust, the Company and the Share Stapled Units, the Company may declare and make distributions out of its available funds and not only out of accounting profits. Subsidiaries of the Company may upstream amounts to the Company, by a combination of distributions from distributable reserves and inter-company loans, to fund distributions by the Company.

The Company may make distributions out of its distributable reserves (including share premium) to the HKT Trust which in turn is required under the Trust Deed to make distributions to the Registered Holders of Share Stapled Units. The Trustee-Manager, in its capacity as trustee-manager of the HKT Trust, is not subject to restrictions relating to profits available for distribution, in respect of the amounts that it can distribute to holders of Share Stapled Units.

Immediately following the completion of the Global Offering and assuming the Over-Allotment Option is not exercised, the expected amount of reserves, representing the share premium, available to the Company for distribution is approximately HK\$28 billion based on the Minimum Offer Price for the Global Offering. The subsidiaries of the Company, following the completion of the Pre-IPO Restructuring, had at least HK\$5.7 billion of distributable reserve based on the balance available as at 30 June 2011 that can be distributed to the Company. The distributable reserves of the Company will be increased by any net profit earned, or decreased by any net losses incurred or any distributions made, in subsequent periods.

Please refer to the section headed "Distributions" in this prospectus for a discussion of the HKT Trust's distribution policy.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following illustrative statement of the Trust Group's unaudited pro forma adjusted combined net tangible assets is based on the combined net assets of the Trust Group as at 30 June 2011, as shown in the audited combined financial information, which is included in the Accountant's Report in Appendix I to this prospectus, and adjusted as described below:

	Unadjusted audited combined net tangible assets of the Trust Group attributable to the Holders of Share Stapled Units as at 30 June 2011 ⁽¹⁾	Adjustment for the Pre-IPO Restructuring ⁽²⁾	Estimated net proceeds to the HKT Trust and the Company from the Global Offering ⁽³⁾	Unaudited pro forma adjusted net tangible assets of the Trust Group attributable to the Holders of Share Stapled Units	Unaudited pro forma adjusted net tangible assets per Share Stapled Unit ⁽⁴⁾
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$
Based on an Offer Price of HK\$4.53 per Offer Share Stapled Unit	(21,116)	1,760	8,808	(10,548)	(1.64)
Based on an Offer Price of HK\$5.38 per Offer Share Stapled Unit	(21,116)	144	10,424	(10,548)	(1.64)

Notes:

- (1) The unadjusted audited combined net tangible assets of the Trust Group as at 30 June 2011 is based on the audited combined net assets of the Trust Group attributable to the Holders of Share Stapled Units of HK\$19,937 million less goodwill of HK\$35,895 million and intangible assets of HK\$5,158 million as at 30 June 2011 extracted from the Accountant's Report set out in Appendix I to this prospectus.
- (2) This adjustment is to reflect the issue of a promissory note by the Company to CAS Holding No. 1 Limited, the transfer of PCCW's 50% interest in Reach Ltd. to the Company and the capitalisation of inter-company balances the Group owed to the Remaining Group.
- (3) The estimated net proceeds from the Global Offering to be received by the HKT Trust and the Company are based on the Offer Prices of HK\$4.53 and HK\$5.38, after deduction of underwriting fees and commissions (including the estimated incentive fee) and other related expenses payable by the HKT Trust and the Company.
- (4) The unaudited pro forma adjusted net tangible asset value per Share Stapled Unit is arrived at after the adjustments referred to in notes (2) and (3) above and on the basis that 6,416,730,792 Share Stapled Units were in issue assuming the Pre-IPO Restructuring and the Global Offering had been completed on 30 June 2011 and assuming the Over-Allotment Option is not exercised.
- (5) No adjustment has been made to reflect any trading result or other transactions of the Trust Group entered into subsequent to 30 June 2011.

SEASONALITY

To date, the Group has not experienced significant seasonality in its operations.

NO MATERIAL ADVERSE CHANGE

The Directors confirm that there has not been any material adverse change in the financial or trading position of the Trust Group since 30 June 2011 (being the end of the last period covered by the Accountant's Report in Appendix I to this prospectus).

PROFIT FORECAST AND PROFIT PROJECTION

Statements contained in this profit forecast and profit projection section that are not historical facts may be forward-looking statements. Such statements are based on the assumptions set forth in this section and are subject to certain risks and uncertainties which could cause actual results to differ materially from those forecast and projected. Under no circumstances should the inclusion of such information herein be regarded as a representation, warranty or prediction with respect to the accuracy of the underlying assumptions by any of the HKT Trust, the Company, the Trustee-Manager, PCCW, the Joint Global Coordinators or any other person, nor that these results will be achieved or are likely to be achieved. See the sections headed “Forward-looking statements” and the risk factor headed “The actual performance of the Group could differ materially from the forward-looking statements, forecasts and projections in this prospectus” in the section headed “Risk factor — Other risks relating to the investment in the Share Stapled Units” in this prospectus.

None of the HKT Trust, the Company, the Trustee-Manager, PCCW, or the Joint Global Coordinators guarantees the performance of the HKT Trust, the Company, the repayment of capital or the payment of any distributions, or any particular return on the Share Stapled Units. The forecast yields stated in the following table(s) are calculated based on the Minimum Offer Price and the Maximum Offer Price. Such yields will vary for investors who purchase Share Stapled Units in the secondary market at a market price that differs from the Minimum Offer Price and the Maximum Offer Price.

The forecast has been prepared on the bases and assumptions set out below and in accordance with HKFRS and is consistent in all material respects with those accounting policies adopted in the Accountant’s Report set out in Appendix I to this prospectus. The profit forecast and the profit projection have been prepared on a consolidated basis, reflecting the forecast and projected results of the HKT Trust for the financial years ending 31 December 2011 and 31 December 2012.

The profit forecast should be read together with the letters set out in Appendix III — Profit forecast and profit projection to this prospectus and the principal bases and assumptions set out below.

Having regard to the various factors noted above, investors should exercise caution in relying on this profit forecast generally and, in particular, (i) investors should exercise the highest caution in making any comparison, whether as to individual line items or overall financial performance, as between the projected income statement appearing below and any historic financial results, and (ii) investors should not treat any individual line item in the projected income statement appearing below as a forecast in its own right.

1. OVERVIEW

The forecast EBITDA and consolidated net profit attributable to the Holders of Share Stapled Units for the year ending 31 December 2011 are set forth below in the paragraph headed “Profit forecast for the financial year ending 31 December 2011” in this section of the prospectus.

The projected EBITDA and consolidated net profit attributable to the Holders of Share Stapled Units for the year ending 31 December 2012 are set forth below in the paragraph headed “Profit projection for the financial year ending 31 December 2012” in this section of the prospectus.

The (i) forecast EBITDA and forecast consolidated net profit attributable to the Holders of Share Stapled Units for the year ending 31 December 2011; and (ii) the projected EBITDA and projected consolidated net profit attributable to the Holders of Share Stapled Units for the year ending 31 December 2012, for which the Trustee-Manager and the Company are responsible, have been prepared based on accounting policies consistent with those adopted for the purpose of the Accountant’s Report in Appendix I to this prospectus and on the bases and assumptions set out below.

PROFIT FORECAST AND PROFIT PROJECTION

2. BASES AND ASSUMPTIONS

The forecast of the EBITDA and consolidated net profit attributable to the Holders of Share Stapled Units for the year ending 31 December 2011 have been prepared based on the audited combined financial results of the Trust Group for the six months ended 30 June 2011 and the forecast results of the Trust Group for the remaining six months ending 31 December 2011. The projection of the EBITDA and consolidated net profit attributable to the Holders of Share Stapled Units for the year ending 31 December 2012 have been prepared based on the projected results of the Trust Group for the year ending 31 December 2012. The profit forecast and profit projection have been prepared on a basis consistent in all material respects with the accounting policies presently adopted by the Trust Group as set out in the Accountant's Report in Appendix I to this prospectus.

The Trustee-Manager and the Company consider that the presentation of EBITDA would assist the Holders of Share Stapled Units to understand the performance of the HKT Trust and the Group and it is a measure that the Company uses to measure the performance of the Group's businesses.

In arriving at the profit forecast and profit projection, the Directors have made the following assumptions:

- i. The asset portfolio of the HKT Trust remains unchanged;
- ii. No equity capital will be raised during the Forecast Year 2011 and the Projection Year 2012, other than any potential equity capital to be raised from the spin-off;
- iii. The HKT Trust and the Group will not incur additional material capital expenditure, other than the projected capital expenditures as stated in this prospectus;
- iv. Foreign exchange rate of US\$1.00 : HK\$7.80 is assumed for the Forecast Year 2011 and the Projection Year 2012;
- v. Changes in applicable accounting standards or other financial reporting requirements will have no material impact to the Group;
- vi. There will be no material changes in inflation rates, interest rates, foreign exchange rates or other economic conditions from those currently prevailing in the context of the Group's operations other than those which are discussed in this prospectus;
- vii. There will be no material changes in the bases or applicable rates of taxation, surcharges or other government levies in the countries or territories in which the Group operates, except as otherwise disclosed in this prospectus;
- viii. There will be no economic crisis, wars, riots, military incidents, pandemic diseases or natural disasters that would have a material impact on the Group's business and operating activities;
- ix. The Group's operations and business will not be severely interrupted by any force majeure events or unforeseeable factors or any unforeseeable reasons that are beyond the control of the Directors, including the occurrence of natural disasters or catastrophes (such as floods and typhoons), epidemics or serious accidents;
- x. There will be no interruption of operations that will adversely affect the Group as a result of shortage in supply of energy, labour shortage or disputes or any other circumstances which are beyond the control of the Directors; and
- xi. The Group will be able to recruit sufficient and qualified employees to meet its operating requirements during the Forecast Year 2011 and the Projection Year 2012.

PROFIT FORECAST AND PROFIT PROJECTION

3. PROFIT FORECAST FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2011

The Directors believe that, on the bases and assumptions set forth above and in the absence of material adverse unforeseen circumstances, the forecast EBITDA for the year ending 31 December 2011 is expected to be not less than HK\$7,385 million and the forecast consolidated net profit attributable to the Holders of Share Stapled Units for the year ending 31 December 2011 is expected to be not less than HK\$934 million. The unaudited forecast pro forma basic earnings per Share Stapled Unit for the year ending 31 December 2011 is expected to be not less than 14.56 HK cents¹.

4. PROFIT PROJECTION FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2012

The Directors believe that, on the bases and assumptions set forth above and in the absence of material adverse unforeseen circumstances, the EBITDA for the year ending 31 December 2012 is projected to be not less than HK\$7,621 million and the consolidated net profit attributable to the Holders of Share Stapled Units for the year ending 31 December 2012 is projected to be not less than HK\$1,364 million. The unaudited projected pro forma basic earnings per Share Stapled Unit for the year ending 31 December 2012 is expected to be not less than 21.26 HK cents¹.

SENSITIVITY ANALYSIS

The profit forecast and profit projection are forward looking and are therefore subject to changes in market conditions. The following analysis shows how changes in the key operating metrics may impact the forecast EBITDA and forecast consolidated net profit attributable to the Holders of Share Stapled Units for the year ending 31 December 2011, and the projected EBITDA and projected consolidated net profit attributable to the Holders of Share Stapled Units for the year ending 31 December 2012.

1. Increase/(decrease) in fixed-line blended ARPU

(a) For the year ending 31 December 2011

(HK\$ million)	(10)%	(5)%	5%	10%
Increase/(decrease) in forecast EBITDA	(120)	(60)	60	120
Increase/(decrease) in forecast consolidated net profit attributable to the Holders of Share Stapled Units	(100)	(50)	50	100

(b) For the year ending 31 December 2012

(HK\$ million)	(10)%	(5)%	5%	10%
Increase/(decrease) in projected EBITDA	(121)	(60)	60	121
Increase/(decrease) in projected consolidated net profit attributable to the Holders of Share Stapled Units	(101)	(50)	50	101

¹ The unaudited pro forma forecast and projected basic earnings per Share Stapled Unit are calculated by dividing the forecast and projected consolidated net profit attributable to the Holders of Share Stapled Units for the year ending 31 December 2011 and 2012, assuming that the HKT Trust and the Company had been listed since 1 January 2011 and a total of 6,416,730,792 Share Stapled Units to be in issue immediately upon completion of the Global Offering (assuming the Over-Allotment Option is not exercised) were issued and outstanding during each of the years ending 31 December 2011 and 2012.

PROFIT FORECAST AND PROFIT PROJECTION

2. Increase/(decrease) in number of exchange lines in service

(a) For the year ending 31 December 2011

(HK\$ million)	(10)%	(5)%	5%	10%
Increase/(decrease) in forecast EBITDA	(61)	(30)	30	61
Increase/(decrease) in forecast consolidated net profit attributable to the Holders of Share Stapled Units	(51)	(25)	25	51

(b) For the year ending 31 December 2012

(HK\$ million)	(10)%	(5)%	5%	10%
Increase/(decrease) in projected EBITDA	(60)	(30)	30	60
Increase/(decrease) in projected consolidated net profit attributable to the Holders of Share Stapled Units	(50)	(25)	25	50

3. Increase/(decrease) in retail broadband blended ARPU

(a) For the year ending 31 December 2011

(HK\$ million)	(10)%	(5)%	5%	10%
Increase/(decrease) in forecast EBITDA	(166)	(83)	83	166
Increase/(decrease) in forecast consolidated net profit attributable to the Holders of Share Stapled Units	(139)	(69)	69	139

(b) For the year ending 31 December 2012

(HK\$ million)	(10)%	(5)%	5%	10%
Increase/(decrease) in projected EBITDA	(174)	(87)	87	174
Increase/(decrease) in projected consolidated net profit attributable to the Holders of Share Stapled Units	(145)	(73)	73	145

4. Increase/(decrease) in number of retail consumer broadband subscribers

(a) For the year ending 31 December 2011

(HK\$ million)	(10)%	(5)%	5%	10%
Increase/(decrease) in forecast EBITDA	(65)	(33)	33	65
Increase/(decrease) in forecast consolidated net profit attributable to the Holders of Share Stapled Units	(54)	(28)	28	54

PROFIT FORECAST AND PROFIT PROJECTION

(b) *For the year ending 31 December 2012*

(HK\$ million)	(10)%	(5)%	5%	10%
Increase/(decrease) in projected EBITDA	(68)	(34)	34	68
Increase/(decrease) in projected consolidated net profit attributable to the Holders of Share Stapled Units	(57)	(28)	28	57

5. Increase/(decrease) in mobile blended post-paid ARPU

(a) *For the year ending 31 December 2011*

(HK\$ million)	(10)%	(5)%	5%	10%
Increase/(decrease) in forecast EBITDA	(72)	(36)	36	72
Increase/(decrease) in forecast consolidated net profit attributable to the Holders of Share Stapled Units	(72)	(36)	36	72

(b) *For the year ending 31 December 2012*

(HK\$ million)	(10)%	(5)%	5%	10%
Increase/(decrease) in projected EBITDA	(89)	(45)	45	89
Increase/(decrease) in projected consolidated net profit attributable to the Holders of Share Stapled Units	(89)	(45)	45	89

6. Increase/(decrease) in number of mobile post-paid subscribers

(a) *For the year ending 31 December 2011*

(HK\$ million)	(10)%	(5)%	5%	10%
Increase/(decrease) in forecast EBITDA	(38)	(19)	19	38
Increase/(decrease) in forecast consolidated net profit attributable to the Holders of Share Stapled Units	(38)	(19)	19	38

(b) *For the year ending 31 December 2012*

(HK\$ million)	(10)%	(5)%	5%	10%
Increase/(decrease) in projected EBITDA	(47)	(24)	24	47
Increase/(decrease) in projected consolidated net profit attributable to the Holders of Share Stapled Units	(47)	(24)	24	47

The above sensitivity analysis is for reference only and is intended to show a range of possible outcomes under different market conditions. Actual variation could exceed the ranges shown above. The above sensitivity analysis is not meant to be exhaustive, and the profit forecast and profit projection are subject to additional uncertainties. While the Trustee Manager and the Company have considered for the purpose of the profit forecast and profit projection what the Directors believe are the appropriate estimates of the key operating metrics for the year ending 31 December 2011 and the year ending 31 December 2012, such operating metrics may differ materially from the Group's estimates, and are dependent on market conditions and other factors that are beyond the Group's control.

DISTRIBUTIONS

Statements contained in this “Distributions” section that are not historical facts are forward-looking statements. Such statements are based on certain assumptions. While the Directors consider such assumptions to be reasonable, there are certain risks and uncertainties that could cause actual results to differ materially from those that may be projected. Under no circumstances should the inclusion of such information herein be regarded as a representation, warranty or prediction with respect to the accuracy of the underlying assumptions by the Trustee-Manager, the Company, the Joint Global Coordinators, PCCW or any other person. Investors are cautioned not to place undue reliance on these forward-looking statements that speak only as at the date of this prospectus. See the section headed “Forward-looking statements” in this prospectus.

None of the HKT Trust, the Trustee-Manager, the Company or any of the Joint Global Coordinators guarantees the performance of the HKT Trust or the Company, the repayment of capital or the payment of any (or any particular) return on the Share Stapled Units. See also the risk factors headed “The actual performance of the Group could differ materially from the forward-looking statements, forecasts and projections in this prospectus” and “The HKT Trust may not be able to make distributions to Holders of Share Stapled Units at all or the level of distributions may fall” in the section headed “Risk factors” in this prospectus.

DISTRIBUTION POLICY

Since the establishment of the HKT Trust, there have not been any distributions made on the Share Stapled Units.

The Trust Deed requires the HKT Trust to distribute 100% of its cash flows from dividends, other distributions and any other amounts received (in each case, net of applicable taxes and expenses) by the HKT Trust from the Group, after such cash flows have been applied to pay the operating expenses of the HKT Trust, including the Trustee-Manager’s expenses (the “**Distributable Income**”).

The distributions received by the HKT Trust from the Group will come from the Group’s Annual Adjusted Funds Flow, after adjusting for potential debt repayment, if required, for each financial year. Please note that the Group’s Annual Adjusted Funds Flow is an amount derived from the Company’s annual financial results only. The Trust Deed and the Company’s Articles state the current intention of the Company Directors to declare and distribute 100% of the Group’s Annual Adjusted Funds Flow, after adjusting for potential debt repayment, if required, for each financial year, to the HKT Trust to fund distributions in respect of the Share Stapled Units to be made by the HKT Trust.

It is the current intention of the Company Directors that the Group will declare and make distributions to the HKT Trust on a semi-annual basis, with the interim and final distributions in respect of a full financial year being equal, in aggregate, to 100% of the Group’s Annual Adjusted Funds Flow in respect of the relevant financial year, after adjusting for potential debt repayment, if required, in respect of that financial year.

The respective proportions of the aggregate annual distribution to be paid as an interim distribution and a final distribution shall be determined by the Company Board in its discretion; and the amount of the interim distribution need not be equal to the amount of the Group’s Adjusted Funds Flow (after adjusting for potential debt repayment, if required) in respect of the first six months of the financial year (or other period in respect of which the distribution is made) or proportionate to the Annual Adjusted Funds Flow (after adjusting for potential debt repayment, if required) in respect of the relevant financial year.

In the context of the Share Stapled Units structure, the Company may declare and make distributions to the HKT Trust out of the Company’s available funds and not only out of accounting profits. Subsidiaries of the Company may upstream amounts to the Company, by a combination of distributions from distributable reserves and inter-company loans, to fund distributions by the Company.

DISTRIBUTIONS

The Company may make distributions out of its distributable reserves (including share premium) to the HKT Trust which in turn is required under the Trust Deed to make distributions to the Registered Holders of Share Stapled Units. The Trustee-Manager, in its capacity as trustee-manager of the HKT Trust, is not subject to restrictions relating to profits available for distribution in respect of the amounts that it can distribute to Holders of Share Stapled Units.

Immediately following the completion of the Global Offering and assuming the Over-Allotment Option is not exercised, the expected amount of reserves, representing the share premium, available to the Company for distribution is approximately HK\$28 billion, based on the Minimum Offer Price for the Global Offering.

The subsidiaries of the Company, following the completion of the Pre-IPO Restructuring, have at least HK\$5.7 billion of distributable reserves based on the balance available as at 30 June 2011 that can be distributed to the Company.

The distributable reserves of the Company will be increased by any net profit earned, or decreased by any net losses incurred or any distributions made, in subsequent periods.

The HKT Trust will make distributions to Holders of Share Stapled Units on a semi-annual basis, from the interim and final distributions to be made by the Group to the HKT Trust, referred to above. The Trustee-Manager will pay the interim distribution within four months after 30 June and the final distribution within six months after 31 December of each year. The Trustee-Manager will distribute 100% of its Distributable Income in respect of each financial year, by way of the interim and final distributions described above in this paragraph.

Distributions will be declared in Hong Kong dollars. Share Stapled Units will be held through HKSCC Nominees, or directly by Registered Holders of Share Stapled Units in the form of certificates issued jointly by the Trustee-Manager and the Company (in their discretion) to them in respect of the Share Stapled Units. Each Registered Holder of Share Stapled Units will receive his pro rata share of the Hong Kong dollar distribution declared.

The current intention of the Company Directors is to declare and distribute 100% of the Group's Annual Adjusted Funds Flow, after adjusting for potential debt repayment, if required, for each financial year, to the HKT Trust to fund distributions in respect of Share Stapled Units to be made by the HKT Trust. This distribution policy is a statement of the current intention of the Company Directors only. It is not a legally binding obligation of the Company Directors, the Company, the Trustee-Manager or the HKT Trust and is subject to change (if the distribution policy were to be changed in the future, the Trustee-Manager and the Company would issue an announcement describing the relevant change). Accordingly, the form, frequency and amount of future distributions (if any) will depend on the earnings, financial position and results of operations of the Group, as well as contractual restrictions (including existing limitations on borrowings under the Trust Deed and compliance with financial undertakings imposed under the Group's loan facilities agreements such as the ratio of EBITDA to interest and the ratio of net debt to EBITDA, provisions of applicable law and regulations and other factors including but not limited to funding requirements with reference to the prevailing business environment and operations, expansion plans, other capital management considerations, the overall stability of distributions and prevailing industry practice. See also the risk factor headed "The HKT Trust may not be able to make distributions to Holders of Share Stapled Units at all or the level of distributors may fall" in the section headed "Risk factors — Risks relating to the investment in the Share Stapled Units" in this prospectus.

The Trust Deed contains provisions requiring the Trustee-Manager to inform the Stock Exchange immediately of (i) any decision to declare, recommend or pay any distribution and the rate and amount

DISTRIBUTIONS

thereof; (ii) any decision not to declare, recommend or pay any distribution which would otherwise have been expected to be declared, recommended or paid in due course; and (iii) any preliminary announcement of profits or losses for any year, half year or other period. The Trust Deed also requires that any decision referred to in (i) or (ii) above be announced, as soon as possible after the decision.

The HKT Trust may not be able to make distributions to Holders of Share Stapled Units at all or the level of distributions may fall. If the Group's businesses do not generate sufficient income, the Group's cash flow and the Group's (and therefore the HKT Trust's) ability to make distributions will be adversely affected. See the risk factor headed "The HKT Trust may not be able to make distributions to Holders of Share Stapled Units at all or the level of distributions may fall" in the section headed "Risk factors — Risks relating to the investment in the Share Stapled Units" in this prospectus for further information.

As the Company is incorporated in the Cayman Islands, its operations are subject to the Cayman Companies Law, the common law of the Cayman Islands and to its constitution which comprises the Memorandum and the Company's Articles. A summary of the relevant sections of the Memorandum and the Company's Articles and the relevant aspects of the Cayman Companies Law is set out in Appendix IV to this prospectus.

STATEMENTS OF DISTRIBUTION

Period from the Listing Date to 31 December 2011

The Directors expect that, in the absence of unforeseen circumstances, total distributions payable to Holders of Share Stapled Units will be not less than HK\$213 million, the pro-rata expected distributions for the year ending 31 December 2011. The pro-rata distributions to be paid to Holders of Share Stapled Units is calculated based on the expected Annual Adjusted Funds Flow of HK\$2,356 million for the year ending 31 December 2011, multiplied by the number of days from the Listing Date to 31 December 2011 (both dates inclusive) and divided by 365 (being the number of calendar days in the financial year ending 31 December 2011).

Financial year ending 31 December 2012

The Directors expect that, in the absence of unforeseen circumstances, total distributions to Holders of Share Stapled Units of not less than HK\$2,574 million will be declared and paid in respect of the financial year ending 31 December 2012.

Each financial year from 1 January 2013 onwards

The Trust Deed and the Company's Articles state the current intention of the Company Directors that, in respect of each financial year, the Group will declare and distribute 100% of the Group's Annual Adjusted Funds Flow (after adjusting for potential debt repayment, if required, for each financial year) to the HKT Trust to fund distributions to Holders of Share Stapled Units. The sustainability of distributions will depend on the availability of the expected Annual Adjusted Funds Flow. The level of distributions to Holders of Share Stapled Units going forward may be affected by a number of factors, including but not limited to general business environment, technological changes, changes in regulations, competition and whether substantial maintenance costs or capital expenditure may be incurred, many of which are factors that are beyond the control of the Company Directors. Please refer to the section headed "Risk factors — Risks relating to the business" in this prospectus for more details.

DISTRIBUTIONS

The projected yields stated in the following table are calculated based on the Minimum Offer Price and the Maximum Offer Price. Such yields will vary accordingly in relation to investors who purchase Share Stapled Units in the secondary market at a market price that differs from the Minimum Offer Price and the Maximum Offer Price or to investors who do not hold the Share Stapled Units for the whole of the Forecast Year 2011 or Projection Year 2012.

	Based on the Minimum Offer Price of HK\$4.53		Based on the Maximum Offer Price of HK\$5.38	
	Forecast Year 2011	Projection Year 2012	Forecast Year 2011	Projection Year 2012
Issue Price (HK\$ per Share Stapled Unit)	4.53	4.53	5.38	5.38
Distribution to Holders of Share Stapled Units (HK\$ in millions)	213 ⁽¹⁾	2,574 ⁽²⁾	213 ⁽¹⁾	2,574 ⁽²⁾
Share Stapled Units in issue at Listing ⁽³⁾	6,416,730,792	6,416,730,792	6,416,730,792	6,416,730,792
Annualised DPU ⁽³⁾ (HK cents)	36.72	40.11	36.72	40.11
Annualised DPU yield ⁽³⁾ (%)	8.11%	8.85%	6.83%	7.46%

Notes:

- (1) Period from the Listing Date to 31 December 2011.
The Directors expect that, in the absence of unforeseen circumstances, the pro-rata expected distribution for the year ending 31 December 2011 payable to Holders of Share Stapled Units will not be less than HK\$213 million. The pro-rata distribution to be paid to Holders of Share Stapled Units is calculated based on the expected Annual Adjusted Funds Flow of HK\$2,356 million for the year ending 31 December 2011, multiplied by the number of days from the Listing Date to 31 December 2011 (both dates inclusive) and divided by 365 (being the number of calendar days in the financial year ending 31 December 2011).
- (2) Distribution to Holders of Share Stapled Units for the Projection Year 2012 equals to Adjusted Funds Flow for the Projection Year 2012. (See also the section headed "Profit forecast and profit projection" in this prospectus for further details.)
- (3) Assuming the Over-Allotment Option is not exercised.

Bases and assumptions

The above projected distribution yields are calculated based on the Maximum Offer Price and the Minimum Offer Price (as the case may be and, in each case, excluding other transaction costs). The yield obtained by investors who purchase Share Stapled Units in the secondary market at a market price that differs from the Maximum Offer Price or the Minimum Offer Price (as the case may be and, in each case, excluding other transaction costs), calculated using such secondary market purchase price, will accordingly differ from the distribution yields stated above.

The foregoing are statements of the present intentions of the Company Directors, are not legally binding or guaranteed obligations, and subject to modification in the absolute discretion of the Company Directors. The form, frequency and amount of future distributions (if any) will depend on the earnings, financial position and results of operations of the Group, as well as contractual restrictions (including existing limitations on borrowings under the Trust Deed and compliance with financial undertakings imposed under the Group's loan facilities agreements such as the ratio of EBITDA to interest and the ratio of net debt to EBITDA), provisions of applicable law and regulations and other factors including but not limited to funding requirements with reference to the prevailing business environment and operations, expansion plans, other capital management considerations, the overall stability of distributions and prevailing industry practice.

DISTRIBUTIONS

HONG KONG DISTRIBUTION MODEL

Distributions from Hong Kong companies will be derived primarily from dividends and interest income from shareholders' loans (net of applicable taxes and expenses) and principal repayment of shareholders' loans. It is the intention of the Trustee-Manager and the Company that the Hong Kong companies will distribute the maximum amount of distributions, to the extent possible under applicable Hong Kong laws and regulations, after taking into account the funding requirements of the Hong Kong companies. In addition, the Hong Kong companies may, directly or indirectly, advance amounts to their holding company and in turn the holding company may consider making a distribution from its reserves with the cash it will receive from its Hong Kong subsidiaries, subject to applicable laws and regulations.

EXCHANGE CONTROLS

There are no exchange controls in Hong Kong.

Currently, exchange control restrictions exist in the PRC. Under the current foreign exchange regulations of the PRC, payments of current account items, including dividends, trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. However, approvals from SAFE as well as other appropriate governmental authorities are required for (i) payments in RMB to be converted into foreign currencies and remitted from the PRC to pay for capital account items, such as the repayment of loans denominated in foreign currencies; (ii) receivables of capital account items in foreign currencies, including capital contribution and foreign shareholder's loans, to be remitted into the PRC and converted into RMB.

HISTORY, DEVELOPMENT AND THE RESTRUCTURING EXERCISE

History and business development

The Group's history dates back to 1925 when it first commenced its domestic fixed-line telephone services in Hong Kong through a predecessor entity. It then commenced its international telecommunications services in 1981. Before the liberalisation of the Hong Kong fixed-line telecommunications market in 1995 and the liberalisation of the Hong Kong international telecommunications market in 1998, the Group was the sole operator in Hong Kong to provide domestic fixed-line and international telecommunications services respectively. In 1996, the Group launched its first Internet interactive multimedia service under the brand name of "NETVIGATOR".

Pacific Century CyberWorks Limited (now known as PCCW Limited) acquired the Group through the merger of PCCW and HKTL in 2000. Pacific Century CyberWorks Limited was later renamed as "PCCW Limited" on 9 August 2002 and the Group has operated its business under the brand name of "PCCW" since then. In 2005, 中國聯合網絡通信集團有限公司 (China United Network Communications Group Company Limited[#]) (formerly China Network Communications Group Corporation) acquired a 20% interest in PCCW and became the second largest shareholder of PCCW.

In line with PCCW's focus on delivering innovative broadband products and services to maintain its leading market position, its premium on revenue per customer, and its strategy to expand into new revenue streams, among others, PCCW launched its 24-hour pay-TV IPTV services under the brand name of "now TV" in Hong Kong in September 2003.

In June 2005, the Group re-entered the mobile telecommunications business by acquiring SUNDAY Communications Limited and creating a new brand, "PCCW mobile". With the aim of diversifying PCCW's existing business and enhancing growth prospects, this acquisition allowed the Group to enter the wireless communications, data services and 3G market in Hong Kong, expand its product and service offerings into the mobile market, and promote such products and services so as to improve its ability to serve customer needs.

The business of the Group was further expanded by the launch of **eye** Multimedia Services, an innovative solution to elevate voice communications via the fixed-line, which has been in operation since 2007. In 2007, the Group launched a unique wireless broadband solution under the brand name of "NETVIGATOR Everywhere", which automatically detects and selects the best connectivity among the Group's Wi-Fi, HSDPA and 3G capabilities, making it the first provider to integrate Wi-Fi and mobile networks in Hong Kong. To satisfy a growing demand for high speed Internet access, the Group launched "PCCW 1000M+", which combines Fiber-optic connectivity with wireless broadband services with speeds of up to 1,000 Mbps and provides high speed connectivity to its customers.

In 2008, PCCW started to provide Wi-Fi hotspots, which provide free wireless Internet access services to all citizens by installing Wi-Fi facilities at designated government premises under the Government Wi-Fi Programme ("**GovWiFi**"), and to provide free Wi-Fi at public housing estates as part of its contribution to Hong Kong's technology excellence. In the same year, PCCW became the first Wi-Fi player in Asia to offer a public service on rolling stock by providing connectivity throughout 11 Airport Express trains. Phase one of the GovWiFi was completed in June 2008 and the number of PCCW Wi-Fi hotspots throughout the city exceeded 5,000 in the same year. The number of PCCW Wi-Fi hotspots exceeded 9,000 as at the Latest Practicable Date.

[#] For identification only

HISTORY, DEVELOPMENT AND THE RESTRUCTURING EXERCISE

In the fourth quarter of 2008, PCCW completed a corporate reorganisation which grouped its telecommunications services, media and IT solutions businesses under HKTGH with the aim of improving PCCW's operational efficiencies. Key features of the 2008 Restructuring were as follows:

- (a) to consolidate the essential telecommunications assets and business into one new operating entity namely, Hong Kong Telecommunications (HKT) Limited. Into this company was injected the business and assets of HKTC which was then operating the fixed line telecommunications business, the network assets of PCCW Mobile HK Limited which was then operating the mobile business and other related telecommunications businesses from elsewhere in the PCCW Group;
- (b) to create a more ordered structure for the global telecommunications businesses (under HKT (International) Limited) as distinct from the domestic telecommunications businesses (under HKT (Hong Kong) Limited);
- (c) to consolidate the Media Business under Media Holdings;
- (d) to consolidate the Solutions Business under Solutions Holdings; and
- (e) to consolidate each of the Telecommunications Business, the Media Business and the Solutions Business under HKTGH.

The transfer of the aforementioned businesses to HKTGH was effected by the transfer of assets and liabilities primarily from HKTC to a subsidiary of HKTGH, and transfer of the entire equity interests in a number of entities, including Cascade Limited, PCCW Global Limited, PCCW Mobile HK Limited, PCCW Media Limited and PCCW Solutions Limited, to subsidiaries of HKTGH. The considerations of the transfers were determined with reference to the then fair values of the businesses transferred. Goodwill arising from the 2008 Restructuring represented the difference between the transfer considerations and the fair values of the identifiable assets and liabilities of the accounting acquirees. The goodwill of Trust Group as at 31 December 2008 was approximately HK\$35,688 million, please refer to notes 19 and 36(a) of the Accountant's Report in Appendix I to this prospectus for further information.

In 2009, the Group made a successful bid for a licence in partnership with Hutchison Telecommunications Hong Kong Holdings Limited to operate within the 2500-2600 MHz spectrum band for the purposes of providing high speed 4G data services. In the same year, the Group launched "PCCW **eye2**" which enables users to make video and voice calls as well as to choose from more than 100 types of infotainment and interactive services wirelessly around the home through a Wi-Fi enabled portable device.

In line with the Group's growth strategy for its contact centre business, the Group's contact centres business acquired a 70% interest in each of the two companies operating contact centres in the Philippines, the U.S. and Panama in August 2009. The acquisition has not only facilitated the Group's access to the United States, the largest contact centre market in the world, but has also enhanced the Group's ability to provide cost-efficient multi-lingual customer services. It further acquired an additional 15% interest in the company which operates contact centres in the U.S. and Panama in 2010. The operation has since become one of the few centres used by its top international brands customers to serve their worldwide customer needs.

In 2011, PCCW completed a further restructuring of Reach Ltd. to restructure the majority of Reach Ltd.'s operations to more closely align with the business objectives of Reach Ltd.'s shareholders as well as to more efficiently and effectively serve their respective customers. Such restructuring involved a division of the majority of Reach Ltd.'s assets, business platforms and operations between its two shareholders (and their respective groups) and was implemented through a series of services agreements, share

HISTORY, DEVELOPMENT AND THE RESTRUCTURING EXERCISE

transfer agreements, asset transfer agreements and other miscellaneous management agreements. The total consideration for the acquisition of such assets, business platforms and operations was approximately US\$82.6 million. Please refer to the section headed “Statutory and general information — Further information about the business — Summary of material contracts” in Appendix V to this prospectus for details of the restructuring documents.

In the same year, the Group successfully switched high definition video conference demo over 4 continents across Africa, America, Asia and Europe.

Overview of the Pre-IPO Restructuring

In preparation for the Global Offering, PCCW implemented the Pre-IPO Restructuring to establish the HKT Trust, the Company and the ownership structure of the Telecommunications Business. The Pre-IPO Restructuring was implemented in the manner described below.

Details of the Pre-IPO Restructuring

The Pre-IPO Restructuring comprises two stages:

Stage 1: Transfer of certain businesses out of HKTGH, such that HKTGH will hold only the Telecommunications Business.

Stage 1 of the Pre-IPO Restructuring comprises the following steps:

- (a) CAS Holding No. 1 Limited has established two new BVI investment holding companies, being Esencia Investments Limited and Great Epoch Holdings Limited, to act as an intermediate holding company of the Media Group and to act as an intermediate holding company of the Solutions Group, respectively.
- (b) Transferring HKT Network Services Limited and, indirectly, its three subsidiaries, PCCW-HKT Business Services Limited, PCCW-HKT Technical Services Limited and Pacific Century CyberWorks Solutions (Macau) Limited, from a subsidiary of HKTGH to PCCW Network Services (China) Limited, a company within the Solutions Group. The consideration for this transfer of HK\$214.2 million, being an amount equal to the fair market value of HKT Network Services Limited, will be settled on the basis of an inter-company balance left outstanding.
- (c) 電訊盈科(北京)有限公司 (PCCW (Beijing) Limited[#]), a company within the Group, will transfer certain employees and assets relevant to the Group’s business to members of the Group. Thereafter, the Group will transfer the entire registered capital of 電訊盈科(北京)有限公司 (PCCW (Beijing) Limited[#]) to the Remaining Group. The consideration for this transfer of HK\$51.8 million, being an amount equal to the fair market value of 電訊盈科(北京)有限公司 (PCCW (Beijing) Limited[#]), will be settled on the basis of an inter-company balance left outstanding.
- (d) PCCW-HKT DataCom Services Limited and other relevant companies, companies within the Group, will transfer, at nominal consideration, certain Intellectual Property Rights to the Remaining Group.

[#] For identification only

HISTORY, DEVELOPMENT AND THE RESTRUCTURING EXERCISE

- (e) Transferring the Solutions Group's 76.43% interest in Unihub Global Network Technology (China) Limited and thereby its 50% interest in the ZhongYing JV, which is currently under the Solutions Group, to a company within the Group. The consideration for this transfer of HK\$126.5 million, being an amount equal to the fair market value of the Solutions Group's 76.43% interest in Unihub Global Network Technology (China) Limited, will be settled on the basis of an inter-company balance left outstanding.
- (f) Transferring Pacific Century Cable Holdings Limited, a company within the Remaining Group, and thereby its 50% interest in Reach Ltd., from PCCW to the Company. The consideration for this transfer of HK\$70.6 million, being an amount equal to the fair market value of Pacific Century Cable Holdings Limited, will be settled on the basis of an inter-company balance left outstanding. Reach Ltd. is a 50/50 owned joint venture formed in 2000 between PCCW and Telstra Corporation Limited ("**Telstra**") and provides international communications infrastructure services, principally to PCCW and Telstra. The operations and services provided by Reach Ltd. are telecommunications related and are more in line with the businesses of the Group than the Remaining Group. Therefore, PCCW's interest in Reach Ltd. was transferred to the Group through the transfer of Pacific Century Cable Holdings Limited to the Group as part of the Pre-IPO Restructuring.
- (g) Transferring Media Holdings and, indirectly, its subsidiaries from HKTGH to Esencia Investments Limited, a new intermediate holding company of the Media Group, immediately under CAS Holding No. 1 Limited. This transfer will be effected by way of a distribution in specie of the shares in Media Holdings and the contribution of those shares to Esencia Investments Limited. HKTGH will declare and pay a dividend to CAS Holding No. 1 Limited of an amount equal to the carrying cost of Media Holdings.
- (h) Transferring Solutions Holdings and, indirectly, its subsidiaries, from a subsidiary of HKTGH to Great Epoch Holdings Limited, a new intermediate holding company of the Solutions Group, immediately under CAS Holding No. 1 Limited. This transfer will be effected by way of a series of distributions in specie of the shares in Solutions Holdings and the contribution of those shares to Great Epoch Holdings Limited. HKTGH will declare and pay a dividend to CAS Holding No. 1 Limited of an amount equal to the carrying cost of Solutions Holdings.
- (i) Hong Kong Telecommunications (HKT) Limited, a member of the Group, will assign the benefit of two technical services agreements to PCCW Solutions Limited, a member of the Solutions Group. The consideration for this transfer is HK\$59.0 million, being an amount equal to the fair market value of these agreements.
- (j) As between the Group and the Remaining Group, the inter-company balances applicable to both trading operations and non-trading matters (for example, shareholder's loans and the balances arising out of the Pre-IPO Restructuring steps set out above) will be transferred and set-off such that a single net balance will be owed by HKTGH to CAS Holding No. 1 Limited.
- (k) HKTGH will issue one new ordinary share to CAS Holding No. 1 Limited to capitalise the net inter-company balance.

HISTORY, DEVELOPMENT AND THE RESTRUCTURING EXERCISE

The Pre-IPO Restructuring steps referred to in paragraphs (a), (b), (d), (f) and (i) above have been completed prior to the date of this prospectus, while the remaining steps referred to in paragraphs (c)⁽¹⁾, (g), (h), (j) and (k) above will occur shortly before the Listing Date.

Completion of the transfers of Media Holdings and Solutions Holdings in Stage 1 of the Pre-IPO Restructuring will trigger an obligation for Hong Kong Telecommunications (HKT) Limited, the major operating company under the Group, to make a mandatory repayment of the outstanding amount under its existing syndicated and bilateral facilities from third party commercial banks. The amount of such repayment will be determined by reference to the value of the assets being transferred out of HKTGH. There will also be a pro rata reduction in the relevant undrawn portion of such syndicated and bilateral facilities from third party commercial banks. The total available size of the syndicated and bilateral facilities of Hong Kong Telecommunications (HKT) Limited was HK\$26,330 million, of which HK\$15,775 million was the outstanding amount as at 30 September 2011. Hong Kong Telecommunications (HKT) Limited is expected to meet the mandatory repayment obligation within 15 business days of the completion of the transfers of the Media Business and the Solutions Business out of the HKTGH group. Hong Kong Telecommunications (HKT) Limited has sufficient resources including new banking facilities in place for the mandatory repayment which is estimated at approximately HK\$10.1 billion, by reference to the fair market value of the transfers of Media Holdings and Solutions Holdings.

Following completion of Stage 1 of the Pre-IPO Restructuring, HKTGH will hold only the Telecommunications Business. The Media Business, the Solutions Business, the Property Business and the Other PCCW Businesses will continue to be held by PCCW and/or its wholly-owned subsidiaries and will be held separately from (and outside of) the Group under HKTGH.

Stage 2: Transfer of the Telecommunications Business to the Trustee-Manager.

Stage 2 of the Pre-IPO Restructuring comprises the following steps:

- (a) CAS Holding No. 1 Limited, a wholly-owned subsidiary of PCCW, will transfer the Telecommunications Business to the Company, by transferring the entire issued share capital of HKTGH (and, thereby, its subsidiaries) to the Company at fair value equivalent to the value of CAS Holding No. 1 Limited's percentage share of the Company's market capitalisation on the Listing Date. The consideration will be settled by the allotment and issue of 4,363,361,192 new Ordinary Shares and 4,363,361,192 new Preference Shares and the issue of a promissory note by the Company to CAS Holding No. 1 Limited. The promissory note, to be issued on completion of the transfer (which will occur shortly before the Listing Date), will entitle CAS Holding No. 1 Limited to receive the amount (if any) by which the net proceeds of the Global Offering (including the net proceeds from any exercise of the Over-Allotment Option) exceeds HK\$7.8 billion. Accordingly, if such net proceeds are equal to or less than HK\$7.8 billion, the promissory note would have no worth. Any amounts payable on the promissory note will be settled in full on or shortly after the exercise or lapse of the Over-Allotment Option (as the case may be).

Note:

- 1 The transfer of 電訊盈科(北京)有限公司 (PCCW (Beijing) Limited[#]) to the Remaining Group under the second part of paragraph (c) above is subject to the approval of the relevant authorities in the PRC.

[#] For identification only

HISTORY, DEVELOPMENT AND THE RESTRUCTURING EXERCISE

- (b) CAS Holding No. 1 Limited will transfer the entire issued ordinary share capital of the Company (comprising the 4,363,361,192 Ordinary Shares referred to above, plus the 15,600 Ordinary Shares previously in issue) to the Trustee-Manager in its capacity as the trustee and manager for the HKT Trust, in consideration for 4,363,376,792 Share Stapled Units (within which would comprise the 4,363,376,792 Preference Shares already then held by CAS Holding No. 1 Limited) jointly issued by the HKT Trust and the Company to CAS Holding No. 1 Limited.

The transfer of HKTGH to the Company and the transfer of the entire issued ordinary share capital of the Company to the Trustee-Manager in its capacity as the trustee and manager for the HKT Trust will occur shortly before the Listing Date.

Issue of new Share Stapled Units under the Global Offering

The HKT Trust and the Company will issue new Share Stapled Units to investors for cash under the Global Offering. Under the Trust Deed, prior to the issue of any Share Stapled Units, the Trustee-Manager and the Company must agree on the terms of issue, including the issue price of the Share Stapled Units and the respective amounts to be subscribed for the Units, the Ordinary Shares and the Preference Shares. In all cases, the number of Units, Ordinary Shares and Preference Shares to be issued must be identical. The Trustee-Manager, in its capacity as trustee and manager of the HKT Trust will subscribe for, and the Company will agree to issue to the Trustee-Manager, a number of new Ordinary Shares equal to the number of Units to be issued (in the form of Share Stapled Units) under the Global Offering. The Ordinary Shares will be held by the Trustee-Manager for the benefit of the Holders of Share Stapled Units upon and subject to the terms and conditions of the Trust Deed. At the same time, investors under the Global Offering will subscribe for the identical number of Preference Shares, also to be issued in the form of Share Stapled Units.

Under the Global Offering, the Offer Price is subject to agreement by the Trustee-Manager and the Company as described in the section headed “Structure of the Global Offering — Determining the Offer Price”. The Trustee-Manager and the Company will also agree the apportionment of the Offer Price between the subscription price for the Units and the Preference Shares. For the purposes of the Global Offering, the Trustee-Manager and the Company have agreed that the Trustee-Manager will subscribe for the Ordinary Shares at a subscription price equal to the Offer Price less (i) the amount of the Offer Price agreed to be allocated to the subscription price for the Preference Shares and (ii) any costs and expenses properly incurred and paid by the Trustee-Manager in connection with the Global Offering. The net proceeds from the Global Offering to be received by the Company, if less than or equal to HK\$7.8 billion, will all be retained by the Company and applied towards repayment of the Group’s debt, including the mandatory repayment required under its third party bank facilities, referred to on page 169. If the net proceeds of the Global Offering are more than HK\$7.8 billion, HK\$7.8 billion will be applied towards repayment of the Group’s debt, including the mandatory repayment required under its third party bank facilities, and all of the amount in excess of HK\$7.8 billion will be used to fully settle the promissory note issued by the Company under paragraph (a) of Stage 2 of the Pre-IPO Restructuring above. See also the section headed “Use of proceeds” in this prospectus for further details of the estimated net proceeds of the Global Offering and the intended use of proceeds.

HISTORY, DEVELOPMENT AND THE RESTRUCTURING EXERCISE

PROPOSED SPIN-OFF OF THE TELECOMMUNICATIONS BUSINESS FROM PCCW

The directors of PCCW have stated in their major transaction shareholders' circular dated 26 September 2011 relating to the proposed spin-off and separate listing of the Telecommunications Business (and have separately confirmed in writing to the Directors) that the directors of PCCW believe that the proposed spin-off and separate listing of the Telecommunications Business is in the interests of PCCW and its shareholders taken as a whole for the following reasons:

- **Fair valuation for the Telecommunications Business:** The directors of PCCW believe that a separate listing of the Telecommunications Business will unlock value for PCCW Shareholders and better identify and establish the fair value of the Telecommunications Business. The directors of PCCW anticipate that this value will represent a substantial enhancement to the Telecommunications Business' existing value within the confines of PCCW's listing. Listing the Telecommunications Business in the form of the Share Stapled Units structure described in this prospectus is expected to align its mature and stable cash flows generating characteristic with the appropriate investor base that favours stable distributions and pure-play investments.
- **Focus, clarity of business and financial status:** The directors of PCCW believe that the separate listing will allow the Telecommunications Business to create a more defined business focus and efficient resource allocation. Also, the separate listing of the Telecommunications Business will provide investors, the market generally and the rating agencies with greater clarity regarding the businesses and financial status of the Telecommunications Business.

Furthermore, the separate listing of the Telecommunications Business by PCCW will also increase the visibility of the Remaining Group's businesses and further crystallise the value of those higher growth businesses by aligning them with the appropriate type of investors.

- **Increased financial resources for the Group:** HK\$7.8 billion of the net proceeds of the Global Offering will be made available to the Group to reduce its indebtedness, and hence will allow the Group to reduce its annual interest expenses. Such interest expense savings will allow the HKT Trust and the Company to have additional cash for distribution to Holders of Share Stapled Units (including PCCW). A higher amount of distributions to Holders of Share Stapled Units is therefore expected to increase the value of the Group, benefiting both the Group and PCCW. See the section headed "Use of proceeds" in this prospectus for further details of the estimated net proceeds of the Global Offering and the intended use of proceeds.
- **Proceeds of the spin-off.** PCCW would receive the net proceeds of the Global Offering in excess of HK\$7.8 billion pursuant to the terms of the Pre-IPO Restructuring, which would enable PCCW to make additional investments in, or to supplement its growth businesses such as the Media Business and the Solutions Business, thereby creating additional value for PCCW Shareholders. See the section headed "Use of proceeds" in this prospectus for further details of the estimated net proceeds of the Global Offering and the intended use of proceeds.
- **Continued control:** The directors of PCCW believe that as PCCW will continue to be the beneficial owner of a majority of the Share Stapled Units, the PCCW Shareholders will continue to enjoy the benefits from the future development and growth of the Telecommunications Business.
- **No direct dilution:** If PCCW were to raise capital by issuing new shares of PCCW, interests of the PCCW Shareholders may be immediately diluted. In contrast, listing the Telecommunications Business in the form of the Share Stapled Units structure described in this prospectus is expected to enable PCCW to unlock the value of the Telecommunications Business without causing direct dilution to interests of the PCCW Shareholders because PCCW will continue to be the majority owner of the HKT Trust and the Company.

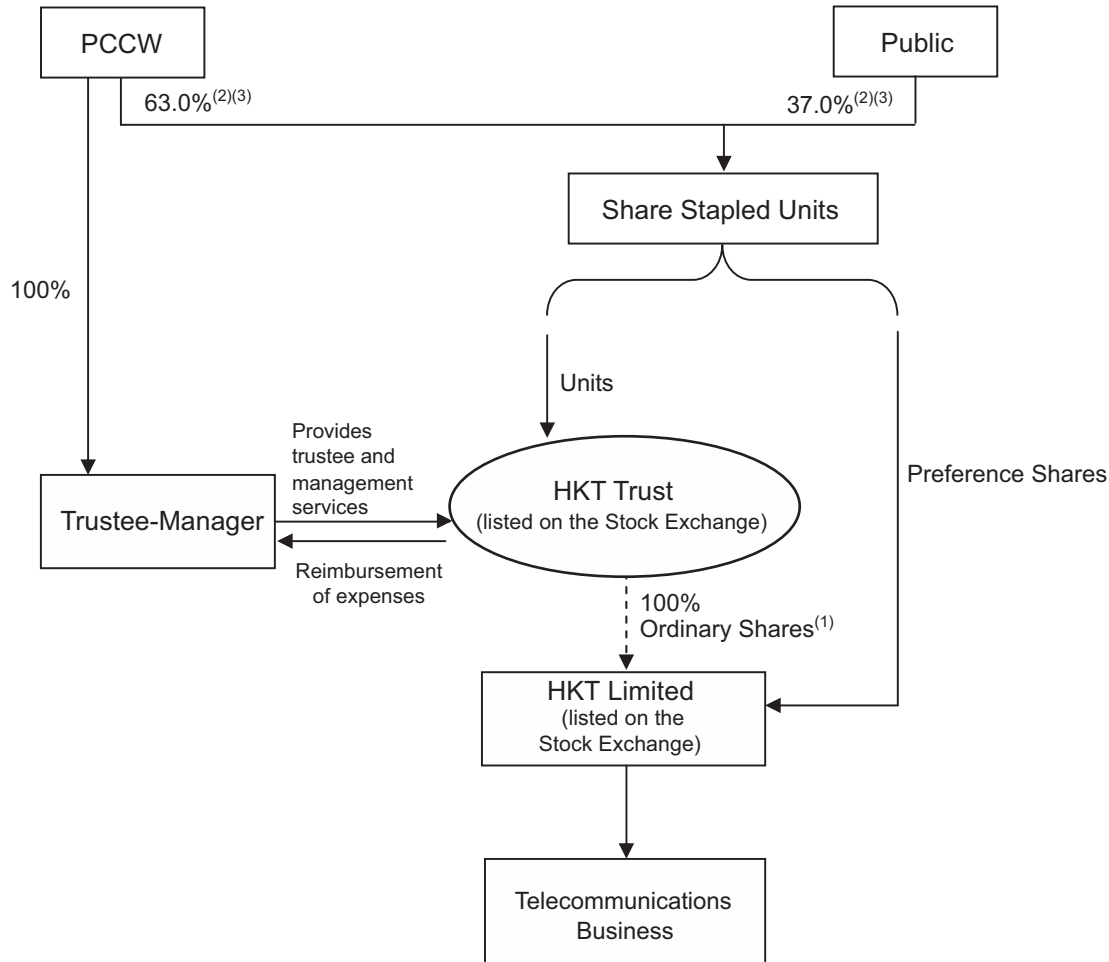
The proposed spin-off by PCCW has complied with the requirements of Practice Note 15 of the Listing Rules.

STRUCTURE AND ORGANISATION OF THE HKT TRUST AND THE COMPANY

DESCRIPTION OF THE LISTING STRUCTURE INVOLVING THE HKT TRUST, THE COMPANY AND THE ISSUE OF SHARE STAPLED UNITS

Structure

The chart below illustrates a simplified version of the listing structure following the completion of the Global Offering:



Notes:

- (1) As the HKT Trust is not a separate legal entity, all of the Trust Property, being the assets of the HKT Trust, is held by the Trustee-Manager for the benefit of the Registered Holders of Units. Subject to the exercise of the Exchange Right, all of the issued Ordinary Shares must be registered in the Principal Register of Members in the name of the Trustee-Manager in its capacity as trustee-manager of the HKT Trust.
- (2) Following the completion of the Global Offering, PCCW would retain approximately 63.0% of the HKT Trust and the Company (assuming the Over-Allotment Option is not exercised but after taking into account the PCCW Distributions). If the Over-Allotment Option is exercised in full, following the completion of the Global Offering and after taking into account the PCCW Distributions, PCCW would retain approximately 59.9% of the HKT Trust and the Company.
- (3) The Over-Allotment Option can only be exercised to the extent that PCCW's holding of Share Stapled Units remains at not less than 51% of the Share Stapled Units in issue following the exercise of the Over-Allotment Option. This is because under the terms of the consent of 中國聯合網絡通信集團有限公司 (China United Network Communications Group Company Limited[#]) (which held approximately 18.48% of PCCW as at the Latest Practicable Date) for the listing of the Telecommunications Business, the PCCW Group is permitted to dispose of up to 49% of the PCCW Group's voting interest in the Company.

[#] For identification only

STRUCTURE AND ORGANISATION OF THE HKT TRUST AND THE COMPANY

Share Stapled Units

Subscribers under the Global Offering would subscribe for Share Stapled Units jointly issued by the HKT Trust and the Company. Each Share Stapled Unit comprises three components:

- (a) a Unit in the HKT Trust;
- (b) a beneficial interest in a specifically identified Ordinary Share in the Company held by the Trustee-Manager, which is “Linked” to the Unit; and
- (c) a specifically identified Preference Share in the Company which is “Stapled” to the Unit.

Meaning of “Linked”

All of the issued Ordinary Shares of the Company must be held by the Trustee-Manager in its capacity as trustee and manager of the HKT Trust. Each Unit in the HKT Trust issued by the Trustee-Manager must correspond with a specifically identified Ordinary Share held by the Trustee-Manager and confer a beneficial interest in that specifically identified Ordinary Share such that a transfer of a Unit is effective to transfer the beneficial interest in the Ordinary Share. The Trust Deed characterises this relationship as each Unit being “Linked” to a specifically identified Ordinary Share of the Company held by the Trustee-Manager.

Meaning of “Stapled”

Each Unit in the HKT Trust issued by the Trustee-Manager must be attached or “Stapled” to a specifically identified Preference Share, with the Preference Share to be held by the Unitholder (along with the Unit) as full legal and beneficial owner, so that one cannot be traded without the other. The Trust Deed characterises this relationship as each Unit being “Stapled” to a specifically identified Preference Share.

Numbers of Units, Ordinary Shares and Preference Shares must be the same

Under the Trust Deed and the Company’s Articles, the number of Ordinary Shares and Preference Shares in issue must be the same at all times and must also, in each case, be equal to the number of Units of the HKT Trust in issue.

Listing of the Share Stapled Units

The Share Stapled Units will be listed on the Stock Exchange. There will be a single price quotation on the Stock Exchange for a Share Stapled Unit. No price quotations will be given for the individual components (Unit, beneficial interest in an Ordinary Share and Preference Share) of a Share Stapled Unit. Under the Trust Deed, each Unit must remain Linked to a specifically identified Ordinary Share in the Company and Stapled to a Preference Share in the Company and, subject to the exercise of the Exchange Right described below, “unbundling” of the Share Stapled Units is prohibited. Accordingly, subject to the exercise of the Exchange Right, investors can only deal in the Share Stapled Units on the Stock Exchange and are not permitted to deal in the individual components of the Share Stapled Units.

Listing of the Units, the Ordinary Shares and the Preference Shares

As described above in this section of this prospectus headed “Structure and organisation of the HKT Trust and the Company — Listing of the Share Stapled Units”, the Share Stapled Units will be listed on the Stock Exchange. In addition, the Units, the Ordinary Shares and the Preference Shares will also be listed on the Stock Exchange from the outset. The HKT Trust and the Company will, from the outset, be listed issuers under the Listing Rules and, accordingly, the HKT Trust (including the Trustee-Manager) and the Company will be subject to the provisions of the Listing Rules. For so long as the Share Stapled

STRUCTURE AND ORGANISATION OF THE HKT TRUST AND THE COMPANY

Units are listed on the Stock Exchange, trading on the Stock Exchange shall only take place in the form of Share Stapled Units. The Units, the Ordinary Shares and the Preference Shares will not be separately traded on the Stock Exchange (and no price quotation for any of them will be available) prior to the exercise of the Exchange Right. Following the exercise of the Exchange Right and subject to the Stock Exchange's prior approval, the Ordinary Shares will be separately traded on the Stock Exchange (and will have their own price quotation) and the Units and the Preference Shares would have been cancelled.

The HKT Trust and the Company both to be listed on the Stock Exchange

The HKT Trust and the Company will both be listed on the Stock Exchange and be "listed issuers" under the Listing Rules; and, therefore, the HKT Trust (including the Trustee-Manager) and the Company will be subject to the provisions of the Listing Rules. In addition, the Share Stapled Units, the HKT Trust, the Trustee-Manager and the Company will be subject to the provisions of the SFO and the Takeovers Code. Repurchases of Share Stapled Units (or their individual components) will not be permitted unless and until expressly permitted by relevant codes and guidelines which may be issued by the SFC from time to time.

Reasons for adopting the Share Stapled Units structure

The Share Stapled Units structure comprises: (a) a Unit in the HKT Trust, (b) a beneficial interest in a specifically identified Ordinary Share in the Company held by the Trustee-Manager on behalf of the Unitholder, which is "Linked" to the Unit and (c) a specifically identified Preference Share in the Company which is "Stapled" to the Unit.

The HKT Trust and the Units

The HKT Trust and the proposal for the HKT Trust to issue Units to investors reflects the commercial objective to adopt a trust structure, within which a distribution policy based on Adjusted Funds Flow can be more clearly articulated and pursued; and within which the Group can more clearly signal its intention to focus principally on distributions and to differentiate itself from other listed issuers on that basis. Investors in a trust typically subscribe for units, which represent undivided interests in the trust property.

The beneficial interests in the specifically identified Ordinary Shares

The Ordinary Shares confer rights to dividends and other distributions from the Company. The Ordinary Shares are the means by which the HKT Trust owns the equity in the Company in trust for the Registered Holders of Units. The Ordinary Shares represent the entire economic interest derived from the Company, except in the case of a winding up of the Company or, if the HKT Trust is terminated, a redemption of the Preference Shares on termination at their par value.

The rationale for having each Ordinary Share specifically identified and Linked to a Unit is that the Linking provisions result in the SFO (including, but not limited to, provisions on protection of investors) being applicable to the Units as derivatives of the underlying listed Ordinary Shares.

STRUCTURE AND ORGANISATION OF THE HKT TRUST AND THE COMPANY

The Exchange Right also assists the application of key provisions of the SFO to the Units.

The Linking arrangement and the Exchange Right mean that, ultimately, investors in Units could, by passing an Extraordinary Resolution of Registered Holders of Units, terminate the HKT Trust and exchange their Units for the underlying Ordinary Shares in a listed company (being the Company) on a one for one basis.

The Preference Shares

The Preference Shares do not confer any rights to participate in any dividends, distributions or other payments being made by the Company, except in the case of the winding up of the Company or, if the HKT Trust is terminated, the redemption of the Preference Shares on termination at their par value.

The rationale for including the Preference Shares as components of the Share Stapled Units and adopting the Stapling structure is to ensure that the Share Stapled Units (and, thereby, the HKT Trust, including the Trustee-Manager, and the Company) are clearly subject to all the provisions of the SFO (including, but not limited to, provisions on protection of investors). The application of certain provisions of the SFO to the Units on an independent basis might otherwise be arguable.

Trustee-Manager's specific and limited role

With a view to seeking to ensure that investors in the Share Stapled Units have equivalent investor protections under the existing legal framework in Hong Kong to those available to shareholders in a company listed on the Stock Exchange, the Trustee-Manager has a specific and limited role, which is to administer the HKT Trust. The Trustee-Manager is not actively engaged in running the Telecommunications Business, which is managed by the Company and its operating subsidiaries.

Advantages and disadvantages of adopting the listing structure involving the listing of the HKT Trust and the Company and the issue of Share Stapled Units

A listing of the Telecommunications Business in the form of the listing structure described in this prospectus is expected to align its mature and stable cashflow generating characteristic with the appropriate investor base that favours stable distributions and pure-play investments. The Directors believe that a listing of the Telecommunications Business in this form with a clearly expressed distribution policy stated in the Trust Deed and in the Company's Articles (see the sections headed "Summary — Distributions" and "Distributions" in this prospectus) and an explicit focus on distributions will give greater assurance to investors that they will receive distributions from Adjusted Funds Flow after debt repayment, if required, that are higher than the dividends that could be distributed from accounting profit.

The Directors believe that the HKT Trust provides a structure within which a distribution policy based on Adjusted Funds Flow can be more clearly articulated and pursued, and within which the Group can more clearly signal its intention to focus principally on distributions and to differentiate itself from other listed issuers on that basis. The Directors also believe that the overall arrangements (including the Directors' dual roles as directors of the Trustee-Manager and the Company, the requirement for amounts to be held in segregated accounts pending distribution to investors and the requirement to announce and explain any future change to the distribution policy) will impose additional rigour and discipline regarding the implementation of the stated distribution policy.

STRUCTURE AND ORGANISATION OF THE HKT TRUST AND THE COMPANY

The disadvantages of adopting a listing structure involving the listing of the HKT Trust and the Company and the issue of Share Stapled Units include that:

- It is a novel structure and has no precedent in the Hong Kong market. Despite considerable efforts having been made to ensure that investors would have the benefit of investor protections as Holders of Share Stapled Units equivalent to those enjoyed by shareholders of companies listed on the Stock Exchange, the application of the relevant investor protection legislation to the Share Stapled Units structure is subject to the interpretation of the Courts. To mitigate this risk, an opinion has been obtained from leading counsel that the Share Stapled Units (and, thereby, the HKT Trust, including the Trustee-Manager and the Company) would be subject to the SFO. The Share Stapled Units (and, thereby, the HKT Trust, including the Trustee-Manager, and the Company) are also subject to the Takeovers Code and the Listing Rules.
- There are administration costs associated with the HKT Trust, principally as a result of the requirement to prepare and publish additional financial statements for the HKT Trust and the Trustee-Manager. However, the additional administration costs are not significant, having regard to the specific and limited role of the Trustee-Manager, and the Directors believe that the additional administration costs are outweighed by the benefits that are expected to accrue to Holders of Share Stapled Units in terms of the expected higher distributions as generally compared to dividends that are distributed from accounting profit referred to above.
- The duration of the HKT Trust is a fixed period of 80 years less one day, upon the expiry of which the HKT Trust will terminate. The procedures which would apply on the termination of the HKT Trust are set out in the section headed “The Constitution of the HKT Trust — Termination of the HKT Trust” in this prospectus. In summary, upon such expiry, the Registered Holders of Share Stapled Units would be entitled to have the Ordinary Shares which are Linked to the Units held by them (as components of their Share Stapled Units) distributed to them in specie.

The Company

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 14 June 2011. Following the completion of the Pre-IPO Restructuring, the Company will become the holding company of the Telecommunications Business and will indirectly own and control the operating subsidiaries which conduct the Telecommunications Business.

The Company has two classes of shares:

- (a) Ordinary Shares, which confer voting rights at general meetings of shareholders (one vote per Ordinary Share) and rights to dividends and distributions from the Company; and
- (b) Preference Shares, which also confer voting rights at general meetings of shareholders (one vote per Preference Share), but have no rights to dividends or other distributions from the Company except in the case of the winding up of the Company. Further information in relation to the rights conferred by the Preference Shares, and the reason for including the Preference Shares as components of the Share Stapled Units, are set out below in the paragraph headed “Rights conferred by the Preference Shares” in this section of the prospectus.

The intention of the Directors is that the Company and its subsidiaries will only engage in telecommunications and telecommunications related businesses. However, telecommunications is a dynamic business sector characterised by rapid changes to business models in response to, or in anticipation of, advances in communications technology. Having regard to the rapid pace of evolution of communications technology, the consequent requirement for businesses which wish to be successful to

STRUCTURE AND ORGANISATION OF THE HKT TRUST AND THE COMPANY

evolve with those changes and the practical difficulties of formulating a sufficiently flexible definition of a telecommunications business, the Directors do not consider it practicable, nor in the interests of Holders of Share Stapled Units, to expressly restrict the scope of the Company's business activities in its memorandum and articles of association to telecommunications and telecommunications related businesses. Accordingly, the Company's memorandum of association, as is customary for a Cayman Islands incorporated company having its securities listed on the Stock Exchange, provides that the Company's scope of business activities is unlimited. Having regard to that, investors in the Share Stapled Units should note that the memorandum and articles of association of the Company do not restrict its business activities to telecommunications businesses only and that the Company has the legal capacity to engage in other types of businesses if such other businesses are in the interests of the Holders of Share Stapled Units as a whole.

The HKT Trust

General

The HKT Trust is a fixed single investment trust, meaning that the HKT Trust may only invest in securities and other interests in a single entity, being the Company, and that the HKT Trust will confer on Registered Holders of Units a beneficial interest in specifically identifiable property (in this case the Ordinary Shares) held by the HKT Trust.

The HKT Trust is constituted by a Hong Kong law governed trust deed entered into between the Trustee-Manager and the Company. Under the Trust Deed, the Trustee-Manager has been appointed as the trustee and manager of the HKT Trust. The Trustee-Manager has legal ownership of the assets of the HKT Trust and has declared, under the Trust Deed, that it will hold those assets on trust for the Registered Holders of Units. A detailed description of the provisions of the Trust Deed is set out in the section headed "The Constitution of the HKT Trust" in this prospectus.

Trust Property in segregated accounts

All Trust Property will be held in segregated accounts controlled jointly by the Trustee-Manager and the Company. Further information in relation to the segregated accounts is set out in the section headed "The Constitution of the HKT Trust — Segregated accounts" in this prospectus.

Scope of activities

The scope of activities of the HKT Trust specified in the Trust Deed is essentially limited to investing in the Company, and the powers, authorities and rights of the Trustee-Manager conferred by the Trust Deed are commensurately limited. Further details of the scope of activities specified in the Trust Deed are set out in the section headed "The Constitution of the HKT Trust — Limited scope of activities" in this prospectus.

No debt

The HKT Trust is not permitted to incur debt.

The Trustee-Manager and its specific role

The Trustee-Manager, HKT Management Limited, was incorporated in Hong Kong under the Companies Ordinance on 14 June 2011. It has an issued and paid up share capital of HK\$1.00 and is a wholly-owned subsidiary of PCCW. The Trust Deed provides that for as long as the Trustee-Manager is a subsidiary of PCCW, it must be wholly-owned by PCCW.

STRUCTURE AND ORGANISATION OF THE HKT TRUST AND THE COMPANY

The Trustee-Manager has a specific and limited role, which is to administer the HKT Trust. The Trustee-Manager is not actively engaged in running the Telecommunications Business, which is managed by the Company and its operating subsidiaries.

No fees payable to the Trustee-Manager

The costs and expenses of administering the HKT Trust may be deducted from the Trust Property but, commensurate with its specific and limited role, the Trustee-Manager will not receive a separate management fee.

Removal and replacement of the Trustee-Manager

The Trust Deed provides that the Trustee-Manager can be removed and replaced by an Ordinary Resolution of Registered Holders of Units. The Trust Deed contains detailed provisions relating to the resignation, removal and replacement of the Trustee-Manager. Those provisions are described in the section headed “The Constitution of the HKT Trust — Appointment, removal or resignation of the Trustee-Manager” in this prospectus.

Board of directors of the Trustee-Manager

The Trust Deed requires that the directors of the Trustee-Manager shall at all times be the same individuals who serve as directors of the Company; that no person shall serve as a director of the Trustee-Manager unless he also serves as a director of the Company at the same time; and that no person shall serve as a director of the Company unless he also serves as a director of the Trustee-Manager at the same time.

Entrenchment of critical features of the Share Stapled Units structure in the Trust Deed

The critical features of the Share Stapled Units structure are entrenched in the Trust Deed, as described in detail in the section headed “The Constitution of the HKT Trust — Modification of the Trust Deed” in this prospectus.

Rights conferred by the Preference Shares

The Preference Shares do not confer any rights to participate in any dividends, distributions or other payments to be made by the Company, except in the case of the winding up of the Company. On a winding up of the Company, each registered holder of a Preference Share is entitled to be paid, from the assets available for distribution amongst the Shareholders of the Company, an amount equal to the Offer Price before any distribution of those assets is made in respect of the Ordinary Shares. Thereafter, the balance of the remaining assets available for distribution amongst the Shareholders of the Company shall be distributed amongst the registered holders of the Preference Shares and the Ordinary Shares (pari passu) as if the same constituted one class of shares (in proportion to the numbers of shares held by them, respectively).

On a termination of the HKT Trust, the Company is required to redeem each Preference Share at a redemption price equal to the par value of the Preference Share.

Distributions to be made in respect of the Units and distribution policy

While the HKT Trust remains in effect, all dividends, distributions and other payments from the Company, derived from the Group, will be paid in respect of the Ordinary Shares held by the Trustee-Manager and distributed to the Registered Holders of Share Stapled Units.

STRUCTURE AND ORGANISATION OF THE HKT TRUST AND THE COMPANY

The distribution policy of the HKT Trust and the Company is summarised in the section headed “Summary — Distributions” in this prospectus and is explained in more detail in the section headed “Distributions” in this prospectus.

Exchange Right

The Trust Deed includes an Exchange Right for the benefit of Registered Holders of Share Stapled Units. By passing an Extraordinary Resolution of Registered Holders of Units, Registered Holders of Share Stapled Units may require that all (but not part only) of the Share Stapled Units in issue be exchanged (on a one for one basis) for the underlying Ordinary Shares held by the Trustee-Manager that are Linked to the Units being exchanged. If the Exchange Right were to be exercised, the HKT Trust and the Trust Deed would terminate, the Units and Preference Shares would be exchanged with the Trustee-Manager and cancelled pursuant to the exercise of the Exchange Right and the former Registered Holders of Share Stapled Units would become the holders of an equal number of listed Ordinary Shares in the Company, which would, subject to the prior approval of the Stock Exchange, be tradeable on the Stock Exchange on an independent basis. Please refer to the section headed “The Constitution of the HKT Trust — Quorum and voting at meetings of Registered Holders of Units” in this prospectus for the manner in which a Registered Holder of Share Stapled Units can call for an extraordinary general meeting and move a resolution to exercise the Exchange Right.

Further information regarding the relationship between the Units, the Ordinary Shares, the Preference Shares and the Beneficial Interests

Subject to the exercise of the Exchange Right, at all times:

- (a) the number of Units in issue must be equal to the number of Ordinary Shares in issue (and vice versa);
- (b) the number of Units in issue must also be equal to the number of Preference Shares in issue (and vice versa); and
- (c) the number of Ordinary Shares in issue must be equal to the number of Preference Shares in issue (and vice versa).

Linking arrangements

Subject to the exercise of the Exchange Right, all of the issued Ordinary Shares must be registered in the Principal Register of Members in the name of the Trustee-Manager in its capacity as trustee-manager of the HKT Trust. Each Unit issued or to be issued by the HKT Trust must be matched by and Linked to a specifically identified Ordinary Share issued or to be issued by the Company to the Trustee-Manager in its capacity as trustee-manager of the HKT Trust. The Trustee-Manager must not issue or sell any Units to any person unless an identical number of specifically identified Ordinary Shares is or has been issued by the Company to the Trustee-Manager in its capacity as trustee-manager of the HKT Trust before, or at substantially the same time as, the issue or sale of the relevant Units. The Company must not issue or sell any Ordinary Shares unless the Ordinary Shares are specifically identified and issued to the Trustee Manager in its capacity as trustee-manager of the HKT Trust and an identical number of Units in respect of the relevant specifically identified Ordinary Shares are or will be issued by the Trustee-Manager.

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Each Unit confers on the Registered Holder of a Unit a beneficial interest, on and subject to the terms and conditions of the Trust Deed, in a specifically identified Ordinary Share registered in the Principal Register of Members in the name of the Trustee-Manager in its capacity as trustee-manager of the HKT Trust.

The Trustee-Manager shall distribute the proceeds of any and all dividends, distributions and other payments to be made in respect of the specifically identified Ordinary Shares registered in the Principal Register of Members in the name of the Trustee-Manager to the Registered Holders of the relevant Units which are matched with and Linked to those specifically identified Ordinary Shares, upon and subject to the terms and conditions of the Trust Deed (including, without limitation, those terms and conditions permitting certain payments and other deductions to be made out of the Trust Property).

Each Share Stapled Unit may be exchanged for the specifically identified Ordinary Share which is matched with and Linked to the Unit which is a component of the relevant Share Stapled Unit, in accordance with the Trust Deed.

Stapling arrangements

In addition to the requirements described above for each Unit to be matched by and Linked to a specifically identified Ordinary Share held by the Trustee-Manager in its capacity as trustee-manager of the HKT Trust, at all times, subject to an exercise of the Exchange Right:

- (a) each Unit issued or to be issued by the HKT Trust must be Stapled to a specifically identified Preference Share issued or to be issued by the Company;
- (b) the Trustee-Manager must not issue or sell any Units to any person unless an identical number of specifically identified Preference Shares is, or has been issued by the Company and those Preference Shares are issued or transferred to the same persons to whom the Units are issued or sold (and registered in the Principal Register of Members or the Hong Kong Register of Members in the names of the same persons in which the Units are registered in the Units Register), in the ratio of one specifically identified Preference Share for each Unit and on the basis that each specifically identified Preference Share is Stapled to a Unit so that one may not be dealt with without the other; and
- (c) the Company must not issue or sell any Preference Shares unless the Preference Shares are to be Stapled to Units as described above.

Units and Ordinary Shares to remain Linked and Units and Preference Shares to remain Stapled

Under the Trust Deed, the Trustee-Manager and the Company must ensure that, subject to the exercise of the Exchange Right, each Unit remains Linked to a specifically identified Ordinary Share registered in the Principal Register of Members in the name of the Trustee-Manager in its capacity as trustee-manager of the HKT Trust and that each Unit remains Stapled to a specifically identified Preference Share.

The Trust Deed contains provisions prohibiting the Trustee-Manager and the Company from taking any action which would result in the Units and the Ordinary Shares ceasing to be Linked or in the Units and the Preference Shares ceasing to be Stapled; or from refraining from doing any act required to maintain those relationships.

The Trust Deed also contains detailed provisions requiring that Units and Shares may only be offered for subscription and issued by the HKT Trust and the Company, and may only be transferred by their holders, in the form of Share Stapled Units; and not in the forms of the individual components of Units, Ordinary Shares and Preference Shares.

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The Trust Deed also provides that, subject to the exercise of the Exchange Right, the Trustee-Manager must not consolidate, sub-divide, cancel, buy-back or redeem any Units and the Company must not consolidate, sub-divide, cancel, buy-back or redeem any Shares unless there is a corresponding consolidation, sub-division, cancellation, buy-back or redemption of the Units and of both the issued specifically identified Ordinary Shares which are Linked to the relevant Units and the issued specifically identified Preference Shares which are Stapled to the relevant Units.

Meetings of Holders of Share Stapled Units and notices of meetings and other documents

Meetings to be held on a combined basis

If a meeting of Registered Holders of Units is convened, a meeting of Shareholders must also be convened and vice versa. The Trust Deed provides that meetings of Unitholders and Shareholders shall be held on a combined basis as a single meeting and characterised as a meeting of Registered Holders of Share Stapled Units or, if that is not possible, the meetings shall be held separately but concurrently or, where necessary, consecutively.

Resolution(s) to be proposed at meetings

In relation to meetings held on a combined basis as a single meeting, to the extent practicable, a single resolution shall be proposed to approve the matter to be considered by Unitholders and Shareholders and the resolution shall be characterised as a resolution of Registered Holders of Share Stapled Units (which shall serve as both a resolution of Unitholders and a resolution of Shareholders).

In relation to meetings of Unitholders and Shareholders to be held separately but concurrently or consecutively, to the extent practicable, the same or a substantially similar resolution shall be proposed for consideration at each meeting.

Voting at meetings

In relation to both combined meetings characterised as meetings of Registered Holders of Share Stapled Units and meetings of Unitholders and Shareholders held separately but concurrently or consecutively, a Registered Holder of a Share Stapled Unit shall cast a single vote in respect of that Share Stapled Unit, which shall serve as a vote in respect of both the Unit and the Preference Share Stapled to the Unit. In respect of each individual Share Stapled Unit, the voting rights conferred by the Unit and the voting rights conferred by the Preference Share Stapled to the Unit can only be exercised in the same way (either for or against) in respect of a single resolution proposed at a meeting characterised under the Trust Deed as a meeting of Registered Holders of Share Stapled Units or (as the case may be) the resolutions of Unitholders and Shareholders dealing with the same, or substantially the same, matter. Further details of these arrangements are set out in the section headed “The Constitution of the HKT Trust — Co-ordinate meetings of Registered Holders of Units and Shareholders” in this prospectus.

Votes conferred by the Ordinary Shares held by the Trustee-Manager

The Trust Deed provides that the Trustee-Manager shall only exercise the voting rights conferred by the Ordinary Shares held by it in respect of a resolution proposed at a meeting of Shareholders (whether held on a combined basis or separately), in accordance with the directions of the holders of the Units which are Linked to those Ordinary Shares. These voting directions are given to the Trustee-Manager by the Registered Holders of Units exercising the voting rights conferred by the Units held by them. The Trustee-Manager is required to exercise the voting rights conferred by the Ordinary Shares Linked to those Units in the same way. Further details of these arrangements are set out in the section headed “The Constitution of the HKT Trust — Requirements for the exercise by the Trustee-Manager of the voting rights conferred by the Ordinary Shares” in this prospectus.

STRUCTURE AND ORGANISATION OF THE HKT TRUST AND THE COMPANY

Summary

Accordingly, as a result of the arrangements described above, a holder of a Share Stapled Unit will be entitled to exercise the following voting rights conferred by the Share Stapled Unit:

- (a) a vote of the Unit which is a component of the Share Stapled Unit, at meetings of Unitholders convened and held in accordance with the provisions of the Trust Deed; and
- (b) two votes at meetings of Shareholders of the Company convened and held in accordance with the provisions of the Company's Articles and the Trust Deed. Those votes are:
 - (i) a vote in respect of the Preference Share which is Stapled to the Unit and registered in the name of the Registered Holder of the Share Stapled Unit; and
 - (ii) a vote in respect of the Ordinary Share which is Linked to the Unit and registered in the name of the Trustee-Manager. The vote conferred by the Ordinary Share which is Linked to the Unit is exercised by the Registered Holder of the Share Stapled Unit giving a direction to the Trustee-Manager to vote that Ordinary Share at meetings of Shareholders of the Company.

Forms of proxy and voting paper for use at meetings

In respect of combined meetings of Unitholders and Shareholders characterised under the Trust Deed as meetings of Registered Holders of Share Stapled Units and separate meetings of Unitholders and Shareholders held concurrently or consecutively, in each case, to the extent permitted by relevant laws and regulations, the form of proxy and the voting paper for use at the meeting(s) will each be produced as a composite document. Completion of the form of proxy or voting paper in respect of a Share Stapled Unit, by ticking the box either for or against a resolution of Registered Holders of Share Stapled Units, will constitute:

- (a) a vote of the Unit which is a component of the Share Stapled Unit in respect of any required resolution of Unitholders;
- (b) a vote of the Preference Share which is Stapled to the relevant Unit in respect of any required resolution of Shareholders; and
- (c) a direction to the Trustee-Manager to vote the Ordinary Share which is Linked to the relevant Unit in respect of any required resolution of Shareholders in the same way (either for or against the relevant resolution) as the Unit and the Preference Share referred to in (a) and (b) above have been voted.

Announcements, circulars and other documents

The Trust Deed requires that the Trustee-Manager and the Company shall ensure that Registered Holders of Share Stapled Units shall be sent all announcements, circulars and other documents required to be issued to Shareholders and/or Registered Holders of Units, for any reason.

Financial statements and reports

Holders of Share Stapled Units will be provided with:

- (a) annual reports and audited consolidated accounts of the HKT Trust and the Company and the annual audited accounts of the Trustee-Manager;

STRUCTURE AND ORGANISATION OF THE HKT TRUST AND THE COMPANY

- (b) semi-annual reports and unaudited consolidated accounts of the HKT Trust and the Company and the semi-annual unaudited accounts of the Trustee-Manager; and
- (c) preliminary announcements of results of the HKT Trust and the Company and other reports, circulars and information required to be provided under the Listing Rules,

within the applicable time periods prescribed by the Listing Rules.

The Trustee-Manager and the Company shall prepare and publish their respective annual and semi-annual reports referred to above in the form of a combined document which shall be sent to Holders of Share Stapled Units within the applicable time period prescribed by the Listing Rules.

Further information in relation to the financial statements and reports to be provided to Holders of Share Stapled Units is set out in the section headed “The Constitution of the HKT Trust — Financial statements and reports” in this prospectus.

Application of the Takeovers Code to the HKT Trust

The Share Stapled Units confer voting rights exercisable at general meetings of the Company. Upon completion of the Global Offering, the Company will be a public company in Hong Kong with a primary listing of its equity securities on the Stock Exchange. Accordingly, the Takeovers Code applies in full in respect of the Share Stapled Units.

Therefore, subject to the granting of a waiver by the Executive Director of the Corporate Finance Division of the SFC, when:

- (a) any person acquires, whether by a series of transactions over a period of time or not, 30% or more of the Share Stapled Units;
- (b) two or more persons are acting in concert, and they collectively hold less than 30% of the Share Stapled Units in issue, and any one or more of them acquires Share Stapled Units and such acquisition has the effect of increasing their collective holding of Share Stapled Units to 30% or more of the Share Stapled Units in issue;
- (c) any person holds not less than 30%, but not more than 50%, of the Share Stapled Units in issue and that person acquires additional Share Stapled Units and such acquisition has the effect of increasing that person’s holding of Share Stapled Units by more than 2% from the lowest percentage holding of that person in the 12 month period ending on and inclusive of the date of the relevant acquisition; or
- (d) two or more persons are acting in concert, and they collectively hold not less than 30%, but not more than 50%, of the Share Stapled Units in issue, and any one or more of them acquires additional Share Stapled Units and such acquisition has the effect of increasing their collective holding of Share Stapled Units by more than 2% from the lowest collective percentage holding of such persons in the 12 month period ending on and inclusive of the date of the relevant acquisition,

that person is required to extend offers, on the basis set out in Rule 26 of the Takeovers Code, to all other Holders of Share Stapled Units. When an offer is made, e.g. a mandatory general offer under Rule 26 of the Takeovers Code, or a voluntary general offer under the Takeovers Code (including a partial offer) it would need to be made on the basis that the securities offered to be purchased would be the Share Stapled Units (and any Convertible Instruments outstanding at the relevant time) and that the offeree under the Takeovers Code would be the Company.

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All the other provisions of the Takeovers Code which are applicable to public companies in Hong Kong with a primary listing on the Stock Exchange are equally applicable in respect of the Share Stapled Units, as voting rights in respect of the Company, and in respect of any Convertible Instruments.

Under the Trust Deed, the Trustee-Manager is not permitted to accept any offer to sell the Ordinary Shares which are held by the Trustee-Manager or to otherwise dispose of those Ordinary Shares. Any offer made under the Takeovers Code in respect of the Share Stapled Units must be made, and may only be accepted, in respect of the Share Stapled Units and any Convertible Instruments outstanding at the relevant time. The Trust Deed provides that an offer under the Takeovers Code cannot be made, or accepted by the Trustee-Manager, only in respect of the Ordinary Shares held by the Trustee-Manager.

The HKT Trust is not permitted to make an offer under the Takeovers Code for the securities of another entity, because that would exceed the scope of its specific and limited role and power. The Company is permitted to make an offer under the Takeovers Code for the securities of another entity and, if such an offer were to be made, the Company would be the offeror for the purposes of the Takeovers Code.

Under the Trust Deed, the Trustee-Manager is prohibited from repurchasing or redeeming any Share Stapled Units on behalf of the HKT Trust unless and until expressly permitted to do so by relevant codes and guidelines issued by the SFC from time to time; and only with the agreement of the Company and in circumstances where the Company repurchases the Ordinary Shares and the Preference Shares included in any Share Stapled Units to be repurchased.

Under the Trust Deed, Holders of Share Stapled Units have no right to demand for the repurchase or redemption of their Share Stapled Units.

Application of Part XV of the SFO

Division 2 of Part XV of the SFO imposes duties to disclose “interests in shares” of listed corporations and “short positions” in such shares on those who, respectively, acquire or dispose of such interests or have or cease to have such positions. Similar disclosure obligations are placed on directors and chief executives of listed corporations, by Division 7 of Part XV of the SFO. Part XV of the SFO also empowers a corporation and the SFC to investigate those holding “interests in shares” or having “short positions” in shares.

The Share Stapled Units include shares in the “relevant share capital” of the Company and, accordingly, the duties to disclose interests in shares and short positions under Division 2 of Part XV of the SFO are applicable in respect of the Share Stapled Units. Similarly, the Share Stapled Units include “interests in shares” of the Company for the purpose of Division 7 of Part XV of the SFO and, accordingly, the disclosure obligations placed on directors and chief executives of listed corporations under Division 7 of Part XV of the SFO are equally applicable in respect of the Share Stapled Units.

By way of illustration, a person holding 5% of the Share Stapled Units in issue would be required to disclose an interest under Division 2 of Part XV of the SFO in 5% of the “relevant share capital” of the Company. Both the Ordinary Shares and the Preference Shares are “relevant share capital”. A person holding 5% of the Share Stapled Units in issue would have an interest in 5% of the Ordinary Shares Linked to the Units held by that person and 5% of the Preference Shares Stapled to the Units held by that person, which in aggregate represent 5% of the total number of issued voting Shares in the Company and, therefore, 5% of the “relevant share capital” of the Company.

The powers of the Company under section 329 of Division 5 of Part XV of the SFO and the powers of the SFC under section 356 of Division 11 of Part XV of the SFO to investigate those holding interests in shares or having short positions are also both applicable in respect of the Share Stapled Units.

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The Trustee Ordinance, common law duties of trustees, remedies for breach of trust and liability regime

Trustee Ordinance

The Trustee Ordinance governs all trusts created and governed by the Laws of Hong Kong and is stated to apply in full to all trusts created in Hong Kong, unless the instrument creating the trust specifies otherwise. The Trust Deed constituting the HKT Trust states that the Trustee Ordinance applies in full to the HKT Trust except that Part II and Part III do not apply to the HKT Trust.

Part I and Parts IV to IX of, as well as the Schedule to, the Trustee Ordinance apply to the HKT Trust and contain provisions relating to, among others, the creation of a trust, the duties and powers of a trustee and beneficiaries, administration of a trust and the retirement, removal and appointment of a trustee. Part II of the Trustee Ordinance has been excluded from application to the HKT Trust because it confers on a trustee powers of investment that are wider than appropriate for the HKT Trust, which is a fixed single investment trust which may invest in the securities of only one entity, namely Shares in the Company; and in respect of which the Trustee-Manager has a specific and limited role, which is to administer the HKT Trust. Part III of the Trustee Ordinance has also been excluded from application to the HKT Trust because it confers on trustees powers that are wider than those conferred on the Trustee-Manager under the Trust Deed and which would not be consistent with the specific and limited role of the Trustee-Manager. In addition, Part III of the Trustee Ordinance relates to personal representatives, which are not relevant to the HKT Trust.

Common law duties of a trustee

The obligations, duties and powers of a trustee when managing a trust vary depending on the nature of the trust. The HKT Trust is a single fixed investment trust and the obligations, duties and powers of the Trustee-Manager are limited accordingly. Trustees' duties are usually categorised as being either "management" or "fiduciary", but they often overlap.

The Trustee-Manager's management duties under common law include, in relation to the HKT Trust: a duty on a new Trustee-Manager to acquaint himself with the HKT Trust, a duty to carry out and follow the Trust Deed, a duty to treat Registered Holders of Units equally, a duty to keep accounts and make the accounts and HKT Trust documents available to Registered Holders of Units, and a duty to act honestly and reasonably in good faith for the best interest of all Registered Holders of Units.

The Trustee-Manager's fiduciary duties under common law include, in relation to the HKT Trust: a duty not to purchase the Trust Property or to lend money to itself, a duty not to profit by virtue of its role as trustee of the HKT Trust, a duty not to profit from confidential information regarding the HKT Trust and a duty not to put itself in a position where its interests conflict with its duties to the Registered Holders of Units.

Remedies for breach

A Trustee-Manager who does not carry out its duties and obligations contained in the Trust Deed or as imposed by law will be in breach of trust and will be liable to the Registered Holders of Units. Generally, under the common law, when there is a breach of trust, the Trustee-Manager can be compelled to do something required by the terms of the trust (in this case, the terms of the Trust Deed) or prevented from doing something prohibited by the terms of the trust (in this case, the terms of the Trust Deed). The Trustee-Manager can also be required to restore the Trust Property that has been passed away in the breach, to provide value equivalent to value of property passed away or to pay equitable compensation to the HKT Trust to compensate the beneficiaries' loss. The Trustee-Manager may also be obliged to put

STRUCTURE AND ORGANISATION OF THE HKT TRUST AND THE COMPANY

the HKT Trust estate back to the same position it would have been in had the breach not occurred. However, under the common law, it may be difficult to establish a liability for breach of trust, as the Holders of Units must prove that the Trust Property has incurred a loss and that the loss would not have occurred but for the breach. The Trustee-Manager may also be entitled to certain defences to breach of trust under the common law. These remedies would be enforced by making an application to the Hong Kong courts.

The Trust Deed limits the liability of the Trustee-Manager (including its directors, employees, agents or delegates) in the absence of fraud, wilful default, negligence or breach of the Trust Deed. In addition, the Trust Deed provides that the Trustee-Manager and any of its directors, employees, servants and agents is entitled to be indemnified against any actions, costs, claims, damages, expenses, penalty or demands to which it or he/she may be subject as the Trustee-Manager of the HKT Trust (or as such a director, employee, agent or delegate) so long as such action, cost, claim, damage, expense, penalty or demand is not occasioned by fraud, wilful default or negligence. As a result, the rights of the HKT Trust and the Holders of Share Stapled Units to recover claims against the Trustee-Manager are limited.

Liability regime

The HKT Trust can only act through the Trustee-Manager. If the Trustee-Manager enters into a contract with a third party, the Trustee-Manager is liable under the contract to a potentially unlimited degree. Similarly, the Trustee-Manager can also be personally liable in tort for its or its agents' acts or omissions in connection with the administration of the HKT Trust.

As a general principle, creditors and contractual counterparties of the HKT Trust and other third parties have no direct access to the Trust Property because the HKT Trust has no separate legal existence. The Trustee-Manager is entitled under the Trust Deed to an indemnity out of the Trust Property in respect of the Trustee-Manager's personal liability where a contract has been properly entered into during the administration of the HKT Trust and within the powers conferred by the Trust Deed and in the absence of fraud, wilful default or negligence by the Trustee-Manager. Similarly, where the Trustee-Manager has acted within its powers under the Trust Deed, it will be entitled to an indemnity in respect of claims in tort by third parties, in the absence of fraud, wilful default or negligence on the part of the Trustee-Manager.

Creditors', other contractual counterparties' and other third parties' only means of access to the Trust Property is by subrogation to the Trustee-Manager's right to be indemnified out of the Trust Property in the circumstances described above.

Key differences between the HKT Trust and other common forms of trusts

There are many types of trusts established for a variety of different purposes. Trusts may be listed or unlisted. The key distinguishing features of the HKT Trust, as compared to other types of trusts are:

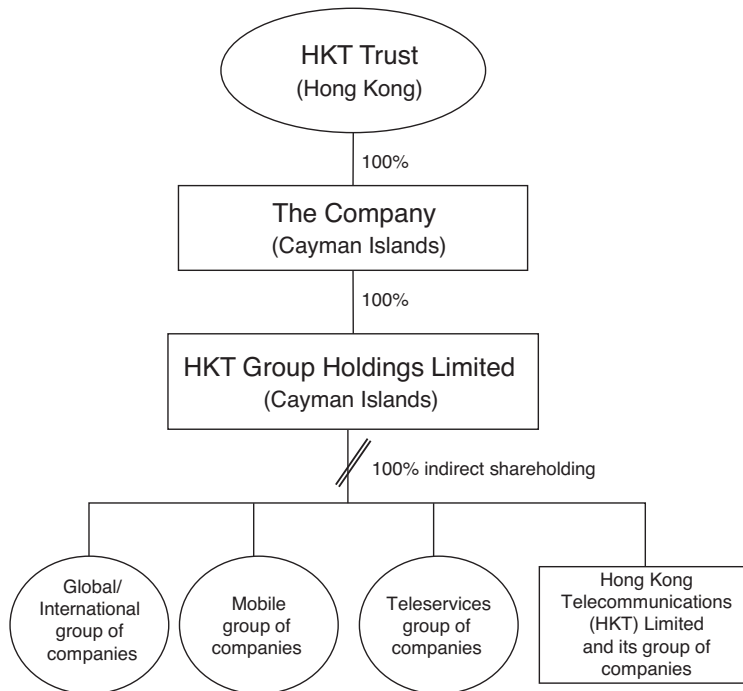
- The HKT Trust is a fixed single investment trust and may only invest in securities and other interests in the Company. The Trustee-Manager has a specific and limited role, which is to administer the HKT Trust. The Trustee-Manager is not actively engaged in running the Telecommunications Business, which is managed by the Company and its operating subsidiaries. The trustees or managers of other trusts typically have wider powers of investment and would typically invest in and manage a portfolio of securities issued by different entities and/or other assets, albeit consistent with a stated investment theme or mandate.
- The role of the Trustee-Manager is specific and limited to administering the HKT Trust in the context of its restricted scopes of investment described above.

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- While the HKT Trust remains in effect, the Share Stapled Units cannot be repurchased or redeemed by the HKT Trust or the Company unless and until specific regulations which expressly permit that are introduced by the SFC. The Holders of Share Stapled Units have no right to request the Trustee-Manager to repurchase or redeem their Share Stapled Units.
- Any issue by the HKT Trust and the Company of new Share Stapled Units on a non pro rata basis requires prior approval by an Ordinary Resolution of Registered Holders of Units.
- The HKT Trust is not permitted to incur debt.

THE COMPANY AND ITS SUBSIDIARIES

The chart below illustrates, in simplified form, the corporate structure of the Company and its subsidiaries.



Please refer to Note 40 of the Accountant's Report in Appendix I to this prospectus for the details of the members of the Group.

THE BUSINESS OF THE GROUP

OVERVIEW

The Share Stapled Units provide investors with an opportunity to invest in the leading integrated telecommunications service provider in Hong Kong. With origins from 1925, the Group's telecommunications businesses have been the leading telecommunications service provider for over 85 years in Hong Kong, providing residents and businesses in Hong Kong with high quality and reliable telecommunications services. For the advantages and disadvantages of adopting the listing structure involving the listing of the HKT Trust and the Company and the issue of Share Stapled Units, please refer to the sections headed "Summary — Introduction to the listing structure involving the HKT Trust, the Company and the issue of Share Stapled Units — Advantages and disadvantages of adopting the listing structure involving the listing of the HKT Trust and the Company and the issue of Share Stapled Units" and "Structure and organisation of the HKT Trust and the Company — Description of the listing structure involving the HKT Trust, the Company and the issue of Share Stapled Units — Advantages and disadvantages of adopting the listing structure involving the listing of the HKT Trust and the Company and the issue of Share Stapled Units" in this prospectus.

The Group is a leading integrated provider of fixed line, mobile and broadband telecommunications services in Hong Kong, with approximately 61.2% market share by number of exchange lines, approximately 12.1% market share by number of mobile subscribers and approximately 65.4% market share by number of broadband access lines as at 30 June 2011, based on the number of exchange lines, mobile subscribers and broadband access lines in Hong Kong, respectively, provided by OFTA, thereby affirming the Group's telecommunications network as the most extensive digital network in Hong Kong. As at 30 June 2011, the Group had in service approximately 2.63 million exchange lines, approximately 1.51 million mobile subscribers and approximately 1.44 million broadband access lines. The Group's broadband service coverage reached approximately 98% of all households in Hong Kong as at 31 July 2011.

As the incumbent leading integrated telecommunications service provider in Hong Kong, the Group continues to stay at the forefront and has become synonymous with innovation and quality, having successfully built its unique "quadruple-play" delivery platform capability through partnership with PCCW's Media Business and strengthened its leadership in a consumer market which is ready to embrace new technologies and content. The quadruple-play delivery platforms provide a one-stop shop that meets customers' telecommunications needs and provides flexibility to customers to customise the package of services they receive according to their personal preferences and schedules. The Group is the only telecommunications operator in Hong Kong to offer this quadruple-play experience to customers.

Hong Kong has one of the most sophisticated telecommunications markets in the world in terms of overall scope, service penetration and customer choice. The Group's extensive telecommunications network and associated infrastructure provide a robust platform to deliver its comprehensive portfolio of products and services to customers. Currently, all of the Group's network transmission links for exchange junctions are digital over fiber-optic cables and all exchange equipment incorporates digital switching and next generation NGN IP-based broadband routing technologies, allowing the broadband network to provide speeds of up to 1,000 Mbps. In addition, the Group has over 9,000 Wi-Fi hotspots spread across Hong Kong (including 100 Mbps fiber hotspots), which make auto-switching between 3G and Wi-Fi networks more seamless and effortless, enabling customers to have greater ease in accessing the Internet at any time and also to enjoy attractive content on their mobile devices made available through the quadruple-play delivery platforms. Going forward, the Group will continue to deploy the next generation 4G technology that will enable the Group to deliver higher-speed mobile data connectivity to its users and capture the strong growth in the mobile data market.

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The Group is supported by a management team that has a track record in both the development and delivery of telecommunications services as well as in the execution of its business strategies. With most of the senior management having over 20 years of experience in the telecommunications industry and over 10 years of experience with operating companies within the Group (or predecessor operating companies, including for these purposes, companies acquired by PCCW through its acquisition of HKTL in 2000), the management team has successfully maintained the Group's leading market share position and expanded the Group's offering of products and services in one of Asia's most deregulated telecommunications markets. The synergies created by the management team's experience and technical expertise, coupled with the use of advanced technologies, allow the Group to move quickly to identify, adopt, acquire, develop and exploit emerging technologies, thereby making the Group a preferred partner for other telecommunications companies in Asia and globally.

The key objective of the HKT Trust and the Company is to provide Holders of Share Stapled Units with stable and regular distributions as well as long-term distribution growth. Detailed information regarding distributions and the distribution policy is set out in the sections headed "Summary — Distributions" and "Distributions" in this prospectus.

The Group has strong and stable cash flows and has demonstrated resilience during the global financial crisis in 2009, generating relatively stable EBITDA in each of the years ended 31 December 2008, 2009 and 2010 and six months ended 30 June 2011 of approximately HK\$2,804 million¹ (or, on an aggregated basis, HK\$7,357 million), HK\$7,263 million, HK\$7,249 million and HK\$3,623 million, respectively; while its EBITDA margins in each of the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011 were approximately 38.9%¹ (or, on an aggregated basis, 38.6%), 40.5%, 39.1% and 38.0%, respectively. For the year ended 31 December 2010 and the six months ended 30 June 2011, the Group had a turnover of approximately HK\$18,527 million and HK\$9,537 million and Adjusted Funds Flow for the year/period of approximately HK\$2,019 million and HK\$1,352 million, respectively.

With the Group's long and established track record, high quality customer service, extensive coverage and advanced technology offerings to customers in Hong Kong, the Group is well-positioned to continue to maintain its position as the leading integrated telecommunications service provider in Hong Kong, as demonstrated by its continuous leading position even after the opening up of the local telecommunications market by the Government in 1995 and the resulting intense competition among telecommunication service providers.

INTRODUCTION TO THE TELECOMMUNICATIONS BUSINESS

The Telecommunications Business comprises three business segments: telecommunications services, mobile services and other businesses, as further described below.

Telecommunications services (TSS)

The telecommunications services segment provides four core areas of telecommunications products and services: local telephony services, local data and broadband services, international telecommunications services and other services.

- **Local telephony services:** The Group's local telephony services consist of fixed-line local telecommunications services, multimedia services and wholesale interconnection services

¹ The historical EBITDA of the Group for the year ended 31 December 2008 presents partial year results of the Telecommunications Business as described in the section headed "Selected financial information and operational data — Selected financial information" in this prospectus.

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provided to other telecommunications carriers and service providers. The Group has a leadership position in the fixed-line telecommunications market in Hong Kong. The Group's local telephony services had approximately 2.63 million exchange lines in service as at 30 June 2011, and the leading market share of approximately 61.2% based on the number of exchange lines in Hong Kong as at 30 June 2011, based on information provided by OFTA.

- **Local data and broadband services:** The Group's local data services consist primarily of data transmission services such as private or virtual private IP network services for private and public sector organisations, and business and residential local broadband services in Hong Kong through the "NETVIGATOR" brand. The Group offers commercial customers a broad portfolio of data connectivity services addressing the requirements of each enterprise's business applications. The broadband services provide broadband users with a choice of Internet access speeds, with additional value-added services. As at 31 July 2011, the NETVIGATOR ADSL 1.5M service reached approximately 98% of all households in Hong Kong. There were approximately 1.44 million broadband access lines as at 30 June 2011 while the total contracted bandwidth for local data services was 1,243 Gbps as at 30 June 2011. The Group's broadband service had the leading market share of approximately 65.4% based on the number of broadband access lines in Hong Kong as at 30 June 2011, based on information provided by OFTA. In the third quarter of 2011, the Group launched a new consumer cloud service known as "uHub". A user may keep photos, music, videos and documents in the uHub and retrieve them anytime using a variety of devices including computers, smartphones and tablets.
- **International telecommunications services:** The Group's international telecommunications services consist primarily of wholesale and retail international services to multinational enterprises and telecommunications service providers which include: IP solutions (IPv6-enabled), IP MPLS VPN services, fiber and satellite transmission solutions, voice, data and video services and managed network services and transmission solutions as well as CDNs for content delivery. With offices around the world and other business partnerships and network interconnection relationships, the Group's network currently provides connectivity in approximately 1,500 cities in 110 countries and serves enterprises and wholesale markets in Europe, the Americas, Africa, the Middle East and Asia. The Group also provides IDD calling services, operator assisted overseas calls and calling card services to both business and residential customers in Hong Kong. Retail IDD totalled 1,326 million minutes for the year ended 31 December 2010, and 618 million minutes for the six months ended 30 June 2011, and IPLC exit bandwidth based on the capacity in service totalled 149 Gbps as at 30 June 2011.
- **Other services:** Other services consist primarily of the sale of customer premises equipment (including the sale of telecommunications equipment and systems and other computers and related products to consumers and enterprises), outsourcing services, consulting services and Teleservices. In addition, the Group designs and provides individualised telecommunications systems that integrate voice and data-switching equipment from various suppliers and supplies and installs local and wide area data network equipment.

Mobile services

The Group offers 2G, 3G and CDMA mobile services which are marketed under the "PCCW mobile" brand. The Group has invested significantly in expanding its 3G network since 2005. In addition, a jointly controlled company of the Group holds a licence from OFTA, which will enable the Group to provide next generation high speed 4G mobile data services in the future. As at 30 June 2011, the Group had

THE BUSINESS OF THE GROUP

approximately 1.51 million subscribers and according to the number of mobile subscribers in Hong Kong provided by OFTA, the Group's mobile services had a market share of approximately 12.1% based on the number of subscribers. The Group also provides fixed-to-mobile integration technology for its commercial customers to serve their communications needs.

Other businesses

The other businesses of the Group primarily comprise the ZhongYing JV, which provides network integration and related services to telecommunications operators in the PRC.

COMPETITIVE STRENGTHS

The Directors believe that the competitive strengths of the Group are as follows:

The leading telecommunications service provider in Hong Kong

The Group provides Holders of Share Stapled Units with an opportunity to invest in the leading telecommunications service provider in Hong Kong with market shares of approximately 61.2% by number of exchange lines and approximately 65.4% by number of broadband access lines respectively as at 30 June 2011, based on information provided by OFTA. The Group's telecommunications network is the most extensive digital network in Hong Kong by total number of exchange lines base. As at 30 June 2011, the Group had in service approximately 2.63 million exchange lines and approximately 1.44 million total broadband access lines.

This leading position is attributed to the Group's long and established track record for high quality customer service, extensive coverage and advanced technology offerings to customers in Hong Kong. Such advanced technology offerings include the PCCW **eye2** which enables users to make video and voice calls as well as choose from more than 100 types of infotainment and interactive services wirelessly around the home through a Wi-Fi enabled portable device. The Group's "NETVIGATOR" branded ADSL 1.5M service reached approximately 98% of all households in Hong Kong as at 31 July 2011.

With its leading position in Hong Kong, the Directors believe that the Group is well-positioned to leverage its scale and deploy new services across Hong Kong quickly, giving customers access to a wide selection of telecommunications and broadband service offerings.

Attractive growth prospects for mobile and broadband services

The Directors believe that the Group has long-term growth prospects given the strong growth and the continuous development expected of the mobile telecommunications and broadband market. Consumers today are not only seeking basic connectivity at home or the office for e-mail and Internet surfing, but are also seeking faster Internet access speeds and uninterrupted mobile data connectivity. The shift in Internet usage is brought about by the increased data usage requirements of Internet based services such as music or video streaming as well as websites and online applications that deliver rich high-definition content. Increasing affordability and availability of handheld portable devices, such as Smartphones and tablets and growing consumer confidence in accessing online services via mobile devices have also led to an increase in mobile subscribers and data usage, and increased data traffic being carried over the Group's network. According to OFTA, the total broadband traffic volume in Hong Kong grew approximately 13% per year from 2008 to 2010 and the total mobile data usage grew approximately 273% per year over the same period. See the section headed "Overview of the telecommunications industry" in this prospectus.

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The Directors believe that the Group is well positioned to capture the strong growth in the mobile and broadband data markets by providing increasingly high speed and stable mobile connectivity to meet customer needs. The Group currently offers an extensive selection of speeds and mobility options to its customers. Specifically, it offers ADSL, VDSL, and FTTx technologies to support speeds ranging from 1.5 Mbps to over 1,000 Mbps. In 2010, the Group became the first telecommunications provider in Hong Kong to announce the readiness of a 42M DC-HSPA+ fiber mobile broadband network. This advanced technology, called the PCCW NextGen Network, will allow customers to experience faster Internet access through their mobile devices. The Group currently also offers the NETVIGATOR Home Wireless and PCCW Wi-Fi services, as well as NETVIGATOR Pocket Wi-Fi, and the NETVIGATOR Everywhere services that provide download speeds of up to 42 Mbps.

Going forward, the Group will continue to deploy the next generation mobile broadband technology and 4G technology that will enable the Group to deliver higher-speed mobile data connectivity to its users and capture the strong growth in the mobile data market.

The Group expects to continue increasing its mobile and broadband subscriber base through offering these new high-speed and mobile data services and improving ARPUs through further up-selling of higher speed services to existing subscribers.

Comprehensive delivery platforms

The Group offers services that can be delivered and accessed through four complementary delivery platforms: fixed-line, broadband, mobile and IPTV. This unique combination of “quadruple-play” delivery platforms provides a one-stop shop to meet customers’ telecommunications needs, and allows customers the flexibility of customising the package of services they receive according to personal preferences and schedules. The media content delivered by the Group’s delivery platforms is provided by PCCW while the IPTV, being the Internet television services provided by a member of the PCCW Group, is delivered through the Internet and managed broadband Internet access networks owned by the Group. The Group is able to offer “quadruple-play” services by entering into a carriage services agreement as well as a marketing and sales services agreement with a member of the PCCW Group, the details of which are set out in the section headed “Connected transactions — C. Continuing connected transactions which are exempt from the independent shareholders’ approval requirement — Services and floor space supplied by the Group to the Media Group — (1) The provision of carriage services; and (2) The provision of marketing and sales services” in this prospectus. Such symbiotic relationship between the Group and PCCW allows the Group to capture the synergies of the inter-play between the four services.

The Directors believe that the Group’s quadruple-play delivery platforms help increase customer stickiness and effectively enable the Group to retain its subscriber base and be highly resilient to competition. The Directors believe that the Group is also less susceptible to pricing pressures across its businesses due to its quadruple-play delivery platforms.

Strong brand recognition and reputation for quality and reliability

The Group’s products and services enjoy a reputation for high quality and reliability and a high level of brand recognition among its customers. The Group has won numerous awards and accolades for its high quality products and services. See the paragraph below headed “Awards and accolades” in this section of the prospectus for more information on these awards and accolades.

Quality and reliability are especially important to commercial customers who require the Group’s services to support their operations and to the Group’s extensive and advanced networks, including its broadband network. The Group provides a comprehensive set of high-quality and reliable services to both

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residential and commercial customers. For the year ended 31 December 2010, the Group recorded a negligible average complaint rate of 0.0005, 0.02 and 0.165 complaints per 100 customers per month in respect of the network performance of its fixed network services, 2G mobile services and 3G mobile services, respectively.

The Directors believe that the Group's strong branding allows the Group to retain its subscriber base and provides it with a platform from which to successfully launch new products and services.

Extensive telecommunications network and infrastructure

The Group's extensive telecommunications network and associated infrastructure provide a robust platform from which the Group delivers its comprehensive portfolio of products and services to customers. Based on the demands of its customers, the Group also continually invests in new or emerging technologies and in upgrading its existing technologies to differentiate its services and product offerings from those of its competitors. This allows the Group to provide high quality and extensive network coverage as well as introduce innovative products in its core markets in Hong Kong.

The Group provides access to its broadband network at multiple speeds of 1.5 Mbps to over 1,000 Mbps using multiple technologies such as ADSL, VDSL and PON. The Group has the most extensive fiber network in Hong Kong with approximately 1.5 million km of core fibre optic cable covering 3,442 commercial buildings and 1.9 million homes with FTTB, of which 1.26 million homes are fully provided with FTTH as at 31 July 2011 and services can be provisioned within 4 days. The Group also continues to expand its Wi-Fi "hotspot" coverage throughout Hong Kong. Such coverage now extends to coffee shops, restaurants, payphone kiosks, convenience stores, malls, major MTR stations, the Hong Kong International Airport, Airport Express stations and trains, universities and other institutions of tertiary education. In 2008, the Group became the first Wi-Fi provider in Asia to offer a public service on trains by providing connectivity on 11 Airport Express trains.

The Group's superior mobile network is premised on its wide network coverage (3,897 BTS), abundant spectrum (106 MHz) and extensive fiber backhaul.

The Group's telecommunications network currently includes 2G, 3G and CDMA mobile networks. The Group was the world's first mobile provider to broadcast real-time television over its mobile network, using cell multimedia broadcast technology. In November 2008, the Group delivered Hong Kong's first 3G network deployment based on CDMA 2000 technology, so that visitors from the PRC, Japan, Korea and the U.S. can use their home-based CDMA 2000/CDMA IS-95 mobile devices to roam onto the Group's network. In January 2009, the Group, through a jointly controlled company, succeeded in obtaining a licence from OFTA to operate within the 2500-2600 MHz spectrum band for the purposes of providing high speed 4G data services. Further, the mobile business is well positioned to leverage on the Group's extensive high-speed wireless broadband network, such as the 42M DC-HSPA+ fiber mobile broadband network to further enhance its mobile offering. As at the Latest Practicable Date, the Group has over 9,000 Wi-Fi hotspots spread across Hong Kong (including 100 Mbps fiber hotspots), which make auto-switching between 3G and Wi-Fi networks more seamless and effortless, enabling customers to have greater ease in accessing the Internet at any time and also to enjoy attractive content on their mobile devices made available through the Group's quadruple-play delivery platforms.

The Group's extensive network and associated infrastructure will continue to enable the Group to introduce high speed data products and services to meet the growing demand from residential, commercial and global customers.

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Resilient and strong profitability with strong cash flow generation

The Group is characterised by strong and stable cash flows and has demonstrated its resilience, such as during the global financial crisis in 2009. The Group generated relatively stable EBITDA in each of the years ended 31 December 2008, 2009 and 2010 and six months ended 30 June 2011 of approximately HK\$2,804 million¹ (or, on an aggregated basis, HK\$7,357 million), HK\$7,263 million, HK\$7,249 million and HK\$3,623 million, respectively, while its EBITDA margins in each of the years ended 31 December 2008, 2009 and 2010 and six months ended 30 June 2011 were approximately 38.9%¹ (or, on an aggregated basis, 38.6%), 40.5%, 39.1% and 38.0%, respectively. The Group achieved strong profitability and cash flow generation through a combination of its “quadruple-play” delivery platforms, strong brand identities and reputation, extensive and advanced networks, and focus on productivity and cost management.

The Group’s strong cash flow position is also supported by the fact that the current capital expenditure requirements in expanding its infrastructure to support additional users is generally driven by demand for its services. In the year ended 31 December 2008, the Group incurred additional capital expenditure in relation to, among other things, expanding and upgrading its mobile, broadband and international connectivity infrastructure with total capital expenditure for that year amounting to approximately 15% of turnover on an aggregated basis. In contrast, the Group’s capital expenditure in the subsequent years ended 31 December 2009 and 2010 was primarily driven by customer demand, and comprised less than 10% of turnover for each of these years.

Experienced management team

The Group’s management team has a track record in both the development and delivery of telecommunications services, as well as in the execution of its business strategies. See the section headed “The Trustee-Manager and the Company” in this prospectus for further details on the experience and expertise of the Board and the executive officers of the Company.

The management team has successfully maintained the Group’s market share and expanded its offering of products and services in one of Asia’s most deregulated telecommunications markets. The Directors believe that the synergies created by the management experience and technical expertise of the management team and the Group’s advanced technology should enable the Telecommunications Business to move quickly to identify, adopt, acquire, develop and exploit emerging technologies. The Directors also believe that the management and operational expertise of the management team will make the Group a preferred partner for other telecommunications companies in Asia and elsewhere.

KEY STRATEGIES

The Directors believe that the outlook of the telecommunications industry in Hong Kong is positive and therefore will provide the Group with the opportunity to increase the profitability of the Telecommunications Business through a combination of the following strategies:

- **Increase demand for the Group’s fixed-line, broadband and mobile telecommunications services**

The Group intends to capitalise on its leading telecommunications network infrastructure and unique combination of “quadruple-play” delivery platforms to provide customers a wide, appealing and innovative range of services, to increase its ARPU and market shares for broadband, fixed-line and mobile services as well as to increase efficiencies in its overall field and operations workforce.

¹ The historical EBITDA of the Group for the year ended 31 December 2008 presents partial year results of the Telecommunications Business as described in the section headed “Selected financial information and operational data — Selected financial information” in this prospectus.

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The Group intends to enhance sales and marketing efforts to retain its subscriber base, promote service plan upgrades and sign up new customers. The Group also intends to provide customers with attractive, high quality, customisable packages and offerings to increase overall demand.

Customer experience is a focus area for the Group. To enhance customer experience, the Group has established a Customer Experience Executive Committee to focus on ways to enhance customer experience including introducing and adopting customer service-enhancing measures and consumer friendly practices such as simplifying its services contracts. Moving forward, the Group will continue to emphasise addressing customer feedback with an overall objective of enhancing customer experience.

Building on the success of its transformation strategy implemented since 2003, which transformed the Group from a pure telecommunications service provider to one which provides many forms of content, applications and interactive transactional services, the Group will continue to actively market its innovative and appealing services such as the **eye** service, with the objective of integrating the **eye** service into the daily lives of Hong Kong residents. The Group also plans to upgrade existing NETVIGATOR customers to higher speed services.

Consumers today not only seek basic Internet connectivity, but also seek higher access speeds and uninterrupted mobile data connectivity to enjoy a wide range of Internet-based services. The proliferation of the use of Internet-based services through handheld portable devices has also led to an increase in mobile subscribers and data usage, and increased data traffic carried over the Group's network. As such, the Group will seek to continue to capture the strong growth in the mobile and broadband data markets by providing increasingly high speed and stable mobile connectivity to meet customer needs.

- **Broaden the range of products and services offered**

The Group plans to continue to innovate and broaden its existing high quality product offering by focusing on data-related products and value-added services with the objective of increasing customer loyalty and stickiness and increasing ARPU.

The Group intends to expand its data services offerings through providing plans with increased speed and mobility. This includes:

- expanding the coverage of its FTTB service supporting speeds of 30 Mbps to over 1,000 Mbps across Hong Kong, thus providing customers with multiple technologies and speeds to meet their broadband access needs as well as to facilitate the migration of standard definition television to HD, 3D and ultra high definition television;
- delivering content to various devices such as tablets and Smartphones, continuing to develop client applications for user interface which provide enhanced navigation, search and recommendation functionality, enhancing functionality of devices such as tablets to be more useful and complementary to the television viewing experience, developing systems to streamline the provisioning, delivery and management of the multimedia services to better serve customers with multi-devices as well as to enhance the operations and management of the services provided by the Group;
- expanding home networking and digital living for its customers; and

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- extending its wireless offering through the Group's new "Smart 4" services, which offers subscribers four types of Internet access plans featuring PCCW mobile HSPA SIM, NETVIGATOR Everywhere, NETVIGATOR Pocket Wi-Fi, PCCW Wi-Fi, and NETVIGATOR Home Wireless.

- **Maintain its leading network infrastructure**

The Group will continue to invest and to add value to its broad array of connectivity services, to improve the delivery of its own content and applications and those of its partners and to maintain its leading network infrastructure to provide customers with extensive coverage and a broad range of high-quality telecommunications services. The Group will also continue to adopt a demand-generated investment strategy to develop its networks and systems so as to maintain its premium brand positioning and to maintain pricing. The Group intends to continue to:

- fully utilise its state-of-the-art IP-based network infrastructure, which was recently upgraded, and the recently integrated 2G and 3G networks;
- leverage on extensive fixed-line infrastructure to reduce overall data loads on the mobile network;
- expand higher-speed broadband services to more homes and businesses through the rollout of the Group's optical network and existing global backbone;
- provide multiple access technologies by further increasing the number of Wi-Fi hotspots to make auto-switching between 3G and Wi-Fi networks anywhere in Hong Kong seamless and effortless;
- roll out the advanced 42M DC-HSPA+ fiber mobile broadband network through the PCCW NextGen Network to provide high-speed Internet access through mobile telecommunications devices; and
- invest in security, performance monitoring and preventative maintenance management network with an aim to achieve world class key performance indicators.

In addition, the Group intends to roll out the necessary infrastructure which will enable it to provide the next generation 4G LTE technology and related product offerings in Hong Kong.

- **Focus on cost control and efficiency measures**

The Group will continue to focus on reducing costs, optimising efficiency and increasing productivity across its businesses. For example, the Group will continue to look for areas where cost efficiencies can be gained, such as through the restructuring of the majority of Reach Ltd.'s operations to increase operational efficiencies and engaging in dialogue with its suppliers to revisit maintenance contracts to reduce costs.

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Risk and Capital Management Strategy

- **Optimise the overall capital structure of the Group**

The Group's strategy involves adopting and maintaining an appropriate mix of debt and equity for the Group to ensure optimal distributions to Holders of Share Stapled Units, while maintaining sufficient flexibility for the Group to implement growth strategies. The Group intends to reduce its existing debt and optimise the Group's capital structure through the repayment of the existing debt with the use of a portion of the proceeds of the Global Offering. See the section headed "Use of proceeds" in this prospectus for further details. Reducing the outstanding borrowings of the Group will lower interest expenses and increase cash flows available for distribution to Holders of Share Stapled Units.

- **Proactively manage overall financing costs**

As and when appropriate, the Directors may consider refinancing the Group's remaining debt to take advantage of more favourable financing terms. In addition, the Directors will adopt a proactive interest rate and foreign exchange management policy to manage expenses and adverse fluctuations in foreign exchange and interest rates on debt financing while seeking to ensure that the Group's ongoing cost of debt remains competitive. See also the section headed "Management's discussion and analysis of financial condition and results of operations — Indebtedness" in this prospectus.

CORE SERVICES

Telecommunications services

Telecommunications services revenues for the year ended 31 December 2010 and the six months ended 30 June 2011 were approximately HK\$16,223 million and HK\$8,259 million, respectively, which accounted for approximately 87.6% and 86.6% of the Group's turnover. The Group provides four core areas of telecommunications products and services: local telephony services, local data and broadband services, international telecommunications services and other services.

- **Local telephony services**

The Group's local telephony services consist of fixed-line local telecommunications services, multimedia services and wholesale interconnection services provided to other telecommunications carriers and service providers. Local telephony services revenues for the year ended 31 December 2010 and the six months ended 30 June 2011 were approximately HK\$3,600 million and HK\$1,653 million respectively and accounted for approximately 19.4% and 17.3% of the Group's turnover. The Group's total exchange lines in service as at 31 December 2010 and 30 June 2011 remained at approximately 2.59 million and 2.63 million, respectively, despite lower demand for business lines immediately following the economic downturn in 2008/9. This was primarily because the number of residential exchange lines remained at approximately the same level as in 2008 and 2009, as the "PCCW **eye** Multimedia Service" generated strong demand. In June 2009, the Group launched the PCCW **eye2** which enabled users to make video and voice calls as well as choose from more than 100 types of infotainment and interactive services wirelessly around the home through a Wi-Fi enabled portable device. PCCW **eye** Multimedia Services is the de facto fixed-line phone for new line services in Hong Kong. The services related to such devices carry a higher ARPU than traditional residential fixed-line telecommunication services.

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According to the number of exchange lines in services in Hong Kong provided by OFTA, the Group's local telephony services had the leading market share of approximately 61.2% as at 30 June 2011.

	As at / For the year ended 31 December			As at / For the six months ended 30 June		2008-2010 CAGR
	2008	2009	2010	2010	2011	
Exchange lines in service ('000)	2,603	2,588	2,590	2,587	2,625	(0.3)%
Business lines ('000)	1,195	1,182	1,183	1,180	1,217	(0.5)%
Residential lines ('000)	1,408	1,406	1,407	1,407	1,408	(0.0)%
Blended ARPU (HK\$) ⁽¹⁾	119 ^(*)	111	101	103	96	(7.9)%

Notes:

(1) Calculated based on the revenue earned in the relevant year/period divided by the average number of lines in service for the relevant year/period.

(*) On an aggregated basis.

- **Local data and broadband services**

The Group's local data services consist primarily of data transmission services such as private or virtual private IP network services for private and public sector organisations, and business and residential local broadband services in Hong Kong through the "NETVIGATOR" brand. The Group offers commercial customers a broad portfolio of data connectivity services addressing the requirements of each enterprise's business applications.

The broadband services provide broadband users with a choice of Internet access speeds, with additional value-added services. As at 31 July 2011, the NETVIGATOR ADSL 1.5M service reached approximately 98% of all households in Hong Kong. NETVIGATOR broadband users can also stay connected to the Internet at anytime and anywhere via NETVIGATOR Home Wireless, with over 9,000 Wi-Fi hotspots throughout Hong Kong operated by the Group under the NETVIGATOR Everywhere brand, which is an integrated wireless solution interconnecting Wi-Fi and mobile broadband networks. In addition, to cater for increasing consumer demand in mobile broadband services, in August 2009, the Group launched NETVIGATOR Pocket Wi-Fi, a mobile broadband service that enables customers to simultaneously connect up to five Wi-Fi-enabled devices with high speed Internet access under a single plan. Local data services revenues were approximately HK\$5,270 million and HK\$2,660 million, representing approximately 28.4% and 27.9% of the Group's turnover, for the year ended 31 December 2010 and the six months ended 30 June 2011, respectively. Despite the effects of the global financial crisis on the economic environment in Hong Kong, the number of the Group's total broadband access lines in service remained relatively stable at approximately 1.37 million and 1.44 million as at 31 December 2010 and 30 June 2011, respectively, while the total contracted bandwidth for local data services increased to 1,045 Gbps as at 31 December 2010 and 1,243 Gbps as at 30 June 2011, respectively.

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According to the number of broadband access lines in Hong Kong provided by OFTA, the Group's broadband service had the leading market share of approximately 65.4% as at 30 June 2011.

	As at / For the year ended 31 December			As at / For the six months ended 30 June		2008-2010 CAGR
	2008	2009	2010	2010	2011	
Broadband access lines ('000)	1,302	1,297	1,367	1,298	1,437	2.5%
Retail consumer broadband subscribers ('000)	1,126	1,146	1,215	1,148	1,285	3.9%
Retail business broadband subscribers ('000)	113	114	115	114	116	0.9%
Retail broadband blended ARPU (HK\$) ⁽¹⁾	245 ^(*)	249	266	272	260	4.2%
Traditional data (Exit Gbps) ⁽²⁾	927	837	1,045	953	1,243	6.2%

Notes:

- (1) Calculated based on the revenue earned in the relevant year/period divided by the average number of lines in service or subscribers, where appropriate, for the relevant year/period.
- (2) Based on the capacity in service as at the end of the relevant year/period.
- (*) On an aggregated basis.

In the third quarter of 2011, the Group launched a new consumer cloud service known as "uHub". A user may keep photos, music, videos and documents in the uHub and retrieve them anytime using a variety of devices including computers, smartphones and tablets.

- **International telecommunications services**

The Group's international telecommunications services consist primarily of wholesale and retail international services to multinational enterprises and telecommunications service providers which include: IP solutions (IPv6-enabled), IP MPLS VPN services, fiber and satellite transmission solutions, voice, data and video services and managed network services and transmission solutions as well as CDNs for content delivery. With offices around the world and other business partnerships and network interconnection relationships, the Group's network currently provides connectivity in approximately 1,500 cities in 110 countries and serves enterprises and wholesale markets in Europe, the Americas, Africa, the Middle East and Asia. The Group also provides IDD calling services, operator assisted overseas calls and calling card services to both business and residential customers in Hong Kong. Retail IDD totalled 1,326 million minutes for the year ended 31 December 2010, and 618 million minutes for the six months ended 30 June 2011 and IPLC exit bandwidth based on the capacity in service totalled 110 Gbps as at 31 December 2010 and 149

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Gbps as at 30 June 2011. International telecommunications services revenues were approximately HK\$3,714 million and HK\$2,188 million which accounted for approximately 20.0% and 22.9% of the Group's turnover for the year ended 31 December 2010 and the six months ended 30 June 2011, respectively.

According to the number of retail IDD minutes in Hong Kong provided by OFTA, the Group's retail IDD market share in Hong Kong is approximately 17.2% for the year ended 31 December 2010.

	As at / For the year ended 31 December			As at / For the six months ended 30 June		2008-2010 CAGR
	2008	2009	2010	2010	2011	
Retail IDD minutes (million minutes)	1,785 ^(*)	1,455	1,326	674	618	(13.8)%
IPLC exit bandwidth (Exit Mbps) ⁽¹⁾	78,202	82,913	109,864	88,108	148,834	18.5%

Notes:

(1) Based on the capacity in service as at the end of the relevant period.

(*) On an aggregated basis.

The restructuring of Reach Ltd., which was completed in February 2011, added to the Group's international telecommunications services infrastructure. Following the restructuring, through the direct ownership of certain infrastructure assets such as fibers on the REACH North Asia Loop submarine cable system, the Group has increased its global network capabilities and coverage.

- **Other services**

Other services consist primarily of the sale of customer premises equipment (including the sale of telecommunications equipment and systems and other computers and related products to consumers and enterprises), outsourcing services, consulting services and Teleservices. In addition, the Group designs and provides individualised telecommunications systems that integrate voice and data-switching equipment from various suppliers and supplies and installs local and wide area data network equipment. For example, since 2008, the Group has continued to assist the Hong Kong banking sector in developing a secure voice recording solution to assist banks in meeting the new Hong Kong regulatory requirement to record investment products sales processes. As at 31 August 2011, over 500 bank branches in Hong Kong have installed the solution, which offers the unique capability of recording and safekeeping fixed-line and mobile communications.

Previously, the Group had provided Teleservices primarily from Hong Kong and the PRC to serve customer support needs. Since 2009, the Group has made two acquisitions in an effort to grow the Teleservices business internationally which resulted in the doubling of its Teleservices capacity. In August 2009, the Group acquired a 70% interest in each of the two contact centre services companies operating a network of six English speaking contact centres in Ohio and Nebraska in the U.S., one Spanish speaking centre in the Republic of Panama, and two centres in Manila, the Philippines, that provide customer support services to companies based in the U.S. In December 2010, the Group acquired an additional 15% interest in the contact centre service company operating the contact centres in Ohio, Nebraska and Panama. As one of the largest 24-hour contact centre operators in Asia, the Group increased the number of contact centre seats by around 2,500

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to over 5,500 following these transactions. The Company believes that these acquisitions, with the addition of English and Spanish speaking contact centre services, complement the Group's other core businesses in Hong Kong. They have also facilitated the Group's access to the U.S., the largest market for contact centre services in the world, and potentially open up opportunities for the Group to serve multinational clients' worldwide customer support needs.

Revenues from the other services were approximately HK\$3,639 million and HK\$1,758 million which accounted for approximately 19.6% and 18.4% of the Group's turnover for the year ended 31 December 2010 and the six months ended 30 June 2011, respectively. The business has benefited from the increased global demand for outsourcing and has expanded both through the increase in its customer base and by acquisitions (such as the acquisition by the Group of two contact centre operations in America and the Philippines).

Mobile services

The Group offers 2G, 3G and CDMA mobile services which are marketed under the "PCCW mobile" brand. The Group has invested significantly in expanding its 3G network since 2005. In addition, a jointly controlled company of the Group holds a licence from OFTA, which will enable the Group to provide next generation high speed 4G mobile data services in the future.

The increased availability of Smartphones and other wireless devices has had a positive impact on the demand for mobile data service. The Group has actively developed a suite of applications for Smartphones to enhance user experience. The Group provides support for a broad spectrum of Smartphones and has implemented tariff plans to drive continued growth of its 3G customer base. Total subscribers of the Group's mobile services reached approximately 1.48 and 1.51 million as at 31 December 2010 and 30 June 2011, respectively. The 3G subscriber base expanded significantly to approximately 0.7 million and 0.9 million for the same periods. According to the number of mobile subscribers in Hong Kong provided by OFTA, the Group's mobile services had a market share of approximately 12.1% as at 30 June 2011.

The growth in the subscriber base for the Group's 2G and 3G mobile services from 2008 to the first half of 2011 is set out in the table below.

	As at / For the year ended 31 December			As at / For the six months ended 30 June		2008-2010 CAGR
	2008	2009	2010	2010	2011	
Mobile subscribers ('000)	1,313	1,422	1,484	1,469	1,506	6.3%
3G post-paid ('000)	414	529	667	606	880	26.9%
2G post-paid ('000)	440	376	250	319	43	(24.6)%
2G prepaid ('000)	459	517	567	544	583	11.1%
Blended post-paid ARPU (HK\$)	151 ^(*)	143	141	138	153	(3.4)%
3G post-paid ARPU (HK\$)	206 ^(*)	189	175	175	163	(7.8)%
2G post-paid ARPU (HK\$)	113 ^(*)	89	76	78	101	(18.0)%

Note:

(*) On an aggregated basis.

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The Group also provides fixed-to-mobile integration technology for its commercial customers to serve their communications needs.

Total mobile revenues were approximately HK\$1,709 million and HK\$919 million for the year ended 31 December 2010 and the six months ended 30 June 2011, respectively, which accounted for approximately 9.2% and 9.6% of the Group's turnover.

The Group intends to continue promoting and strengthening its mobile services via its quadruple-play delivery platforms.

Other businesses

Other businesses of the Group primarily comprise the ZhongYing JV, which provides network integration and related services to telecommunications operators in the PRC.

Awards and accolades

The Group has received numerous awards and accolades including the following:

Award	Awardee	Scheme organiser
AV Awards 2010 <ul style="list-style-type: none"> • The Best Internet Service Provider • The Best Mobile Broadband Operator 	NETVIGATOR NETVIGATOR Everywhere and PCCW mobile	AV Magazine
Best of I.T. Award 2010 <ul style="list-style-type: none"> • My Favourite Local Broadband Service Provider Award 	NETVIGATOR	PC Market
The Best of the Best Awards 2010 <ul style="list-style-type: none"> • Mobile Internet Service Provider • Internet Service Provider • Mobile Telecom Service Provider 	NETVIGATOR Everywhere NETVIGATOR PCCW mobile	Hi Tech Weekly
eBrands Awards 2011 <ul style="list-style-type: none"> • The Best Mobile Broadband Service • The Best Residential Broadband Service 	PCCW mobile NETVIGATOR	eZone magazine
Hong Kong Service Awards 2011 Prosperous Economy category <ul style="list-style-type: none"> • Internet Service • Long Distance Call 	NETVIGATOR IDD 0060	East Week
Sing Tao Excellent Services Brand Award 2010 <ul style="list-style-type: none"> • Broadband Network Provider 	NETVIGATOR	Sing Tao Daily
Top Service Awards <ul style="list-style-type: none"> • Best Internet Service Provider for 13 Consecutive Years (1999-2011) • Mobile Operator (2010) 	NETVIGATOR PCCW mobile	Next Magazine

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Award	Awardee	Scheme organiser
TOUCH Brands 2010	PCCW mobile NETVIGATOR Everywhere	East Touch
Computerworld Hong Kong Awards 2010 <ul style="list-style-type: none"> • Data and Telecoms Services Provider • Managed Security Services • Corporate Mobile Services Provider 	PCCW	Computerworld Hong Kong
The Users' Choice 2009	PCCW Global	World Communication Awards
The Telecoms World Awards Middle East 2009 <ul style="list-style-type: none"> • Best Managed Service 	PCCW Global	Terrapin
Ming Pao e-Trend Award 2009	Pocket Wi-Fi	Ming Pao

NETWORK AND INFRASTRUCTURE

The Company believes that Hong Kong has one of the most sophisticated telecommunications markets in the world in terms of overall scope, service penetration and customer choice. Due to Hong Kong's high population density and compact nature of its residential areas, almost all the major types of technologies are used in the development of its telecommunications networks, including traditional copper, Digital Subscriber Loop ("xDSL"), fiber-optics, microwave, Wi-Fi and digital cellular mobile communications technologies and distribution techniques. The Group has been at the heart of this development with the deployment of its territory-wide traditional fixed and mobile broadband backbone and ancillary networks capable of delivering high quality voice and data services. The Group's superior mobile network is premised on its wide network coverage (3,897 BTS), abundant spectrum (106 MHz) and extensive fiber backhaul.

The Group completed the digitalisation of its network in 1993. Currently, all of the network transmission links for exchange junctions are digital over fiber-optic cables and all exchange equipment incorporates digital switching and next generation NGN IP-based broadband routing technologies. The digital cellular mobile networks operated by the Group include 2G and 3G technologies and will soon be deploying 4G technology. As a result, the Group's networks are capable of supporting a wide range of circuit and packet switched data services. These services enable a single line to be used for simultaneous voice and data communications and facilitate the provision of various customer services using voice, data, Internet, video television and multimedia services as well as enhanced customer-calling features.

Fixed network

At its core, the Group's fixed network primarily deploys a backbone network of fiber-optic rings interconnecting the telephone exchanges or data centres with customers and third party domestic and international carriers. The primary technologies used are SDH/SONET and ATM carrying circuit-switched and packet-switched IP traffic. The majority of voice calls are carried by digital circuit-switched telephone exchange technologies although as at 31 July 2011, a significant part had been progressively changed over or migrated to next generation IP-based, packet-switched or "softswitched" voice calls.

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In providing access to its fixed network, the Group deploys a combination or hybrid of copper-based xDSL technologies, FTTB and FTTH technologies using PON or SDH to reach the customers' premises from the Group's 90 telephone exchanges or data centres. As at 31 July 2011, approximately 97% of the fiber to the exchange was capable of providing FTTB and FTTH services. Wi-Fi technology has also been employed for both public access and customers' residential access to the Group's broadband network.

Broadband availability

As at 31 July 2011, over 98% of all homes passed by the Group's infrastructure have access to at least 1.5 Mbit/s of broadband service and an increasing majority of Hong Kong homes can have access to at least 100 Mbit/s broadband service within 29 days of placing an order.

As at 31 July 2011, the Group's broadband service coverage is as follows:

	Broadband service speeds (Mbit/s)					
	1.5M	3M	6M	8M to 30M	100M	1000M
% Homes Passed ⁽¹⁾	98%	95%	93%	74%	64%	53%

Note:

- (1) "Homes Passed" is defined as buildings with a physical reach inside and with the ability to serve a customer on demand. "Homes Passed" is defined as sellable buildings with homes passed that are capable of providing passive optical network services within 4 days of order. The Home Pass coverage is estimated based on 2.4 million homes passed in Hong Kong.

The Group had 1.27 million working residential broadband lines as at 31 July 2011 and the distribution of DSL and PON access technologies were as follows:

Type	ADSL	ADSL2+	VDSL	PON
Broadband lines in service	493,000	514,000	193,000	72,000
Approximate speed of service	Up to 8Mbps	Up to 18Mbps	Up to 100Mbps	Up to 1Gbps

FTTB and FTTH availability

The Group's roll-out of FTTB and FTTH/ fiber-to-the-office ready buildings is as follows:

1. Commercial buildings

2,718 commercial buildings (excluding schools, government offices and utilities) in total have been provisioned with 100% fiber-to-the-office capability as at 31 July 2011. Of the 2,718 commercial buildings, all Grade A and Grade B commercial buildings have been provisioned with 100% fiber-to-the-office capability, as major corporate clients tend to reside in these buildings, whereas 947 Grade C and 1,152 industrial buildings had also been provisioned with 100% fiber-to-the-office capability. Many of the Grade A and Grade B buildings are also served by dual fiber feeds from separate telephone exchanges for additional resilience.

2. Residential buildings

There were approximately 21,000 high and low rise residential buildings (with four or more storeys) in Hong Kong, which represented more than 85% of all homes as at 31 July 2011. The Company has plans to roll-out FTTH to these 21,000 buildings and selected villa/village type buildings. Of these 21,000 buildings and selected villa/village type buildings, 5,542 residential buildings were FTTH ready as at 31 July 2011 (representing approximately 53% of all homes passed in Hong Kong) and the Company has plans to significantly increase the number of FTTH ready residential buildings in the future.

The Group will analyse all addressable buildings and devise rollout plans based on the Group's business requirements.

The Group will adopt different strategies and tactics to deal with different types of buildings. Generally, it involves the following steps:

- Site checking and technical proposal preparation;
- Technical proposal submission to the Incorporated Owners' Committee or Building Management Office of the property for permit application; and
- In-building fiber cables installation.

In most cases, the in-building fiber cables will be installed by the Group's appointed contractors.

Once the residential buildings are FTTB capable and subject to in-building fiber cabling and passive optical splitters deployment, the Group is able to offer FTTH to the customer on the basis of fiber being already available in the building. Once the building is cabled internally, it is considered as FTTH ready and "sellable" on a pro-active basis with a commitment to an installation within four days.

3. Wholesale users of the telecommunications network services

The Group's major wholesale customers of the telecommunications network services are fixed operators, internet service providers and mobile network operators who do not have their own fixed backhaul networks either fully or partially. These wholesale customers used 2% of the Group's broadband network as at 31 May 2011.

Cable damage detection system

The Group is one of the few telecommunications companies in the world to deploy a cable damage detection system that extracts and correlates alarms from the network management system to identify which fiber/cable may have been damaged. Due to the frequency of excavation works carried out by utilities companies and contractors, the Group receives, on average, around two cable breakage alarms per week. When an alarm is raised and the faulty cable is found, the Group's external field service staff can attend quickly to stop further damage and prevent customers from further disruption. This proactive approach helps the Group to increase cost savings and maintain a high quality of service and customer experience.

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Fiber core length

As at the Latest Practicable Date, the Group's total fiber core length was approximately 1.5 million km. The Group is constantly enhancing the capabilities of its various fixed and mobile network platforms by overlaying new technologies as they become technically and commercially viable in-line with customer demand.

Global IP Backbone

The Group has a global and diverse physical network known as the global IP backbone, which is the routing infrastructure that supports all the Company's IP-based services such as MPLS VPN and HD video conferencing. One of the most popular services provided by the Group is the MPLS VPN service which gives a guaranteed quality virtual private connection between the premises of multinational company customers across the globe. This service is available in over 1,500 cities in 110 countries. In particular, 47 cities across the Americas, Europe and Asia use the Group's own network, respectively.

In addition, the Group's network has many alternative and back-up routes for traffic, which results in minimum disruption during cable breaks in the Taiwan Straits, Asia Pacific and Persian Gulf as a result of natural disasters.

IPTV platform

One of the main service technologies that rides on the fixed broadband network is the Group's IP-based television service or IPTV platform. This technology is deployed to provide secure distribution of licensed television content through the Group's IPTV platform connected to the customers' broadband lines at homes, hotels, bars or restaurants. The IPTV platform is based on industry standard components and IP protocols which are operated and managed using the Group's internally-developed software or "middleware".

Mobile networks

The Group's mobile networks deploy 2G and 3G technologies in the 1800MHz and 2100MHz bands and the following table provides the frequency spectrum held under the Group's mobile licences:

Assigned use⁽¹⁾	Total Bandwidth	Spectrum assigned until
2G	26.4 MHz	29 September 2021
3G	34.6 MHz	21 October 2016
CDMA 2000	15.0 MHz	19 November 2023
4G / BWA ⁽²⁾	30.0 MHz	30 March 2024
Total bandwidth	106.0 MHz	

Notes:

- (1) Excludes frequency spectrum assigned on a short-to-medium term basis for point-to-point microwave backhaul links and/or other fixed telecommunications services.
- (2) Licence held by a jointly controlled company of the Group.

The Group's mobile business benefits from the Group's extensive fiber based fixed broadband network to provide backhaul from the cellular base stations to the mobile telephone exchanges, as compared to other mobile operators who need to rely on multiple alternative carriers to provide backhaul.

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Approximately 88% of the Group's own mobile cell sites are connected via fiber. This provides the Group with a competitive advantage over its competitors to be able to integrate fixed and mobile broadband access. The technologies deployed include GSM, W-CDMA, HSPA, CDMA2000, IEEE802.11 Wi-Fi and will soon be deploying LTE at 2600 MHz. As with the fixed broadband network, the mobile network is able to provide a number of data services as well as voice, which include IPTV and music streaming services to the customers' devices or handsets. As at the Latest Practicable Date, the Group had over 9,000 Wi-Fi hotspots spread across Hong Kong (including 100 Mbps fiber hotspots), which make auto-switching between 3G and Wi-Fi networks more seamless and effortless, enabling customers to have greater ease in accessing the Internet at any time and also to enjoy attractive content on their mobile devices made available through the Group's quadruple-play delivery platforms.

New technologies and new services

The Group continually seeks to be at the forefront of telecommunications technology, so that it may continue delivering new and high-quality products and services to its customers.

The Group's Technology, Strategy and Development unit (the "**TSD Unit**"), is dedicated to researching and analysing new technologies, products and services, and seeking new market opportunities and business models. Research and development activities are carried out on a project-by-project basis and are usually demand driven. Prior to the implementation of any research and development project, the proposal for the project together with the budgeting is assessed and approved by the relevant management team within the Group, and depending on the amounts involved, approved according to the Group's expenditure authorisation policies. The management team then continues to monitor the research and development expenses incurred during the implementation of the research and development projects. New technologies are developed with the Group's in-house engineering division or with third party vendors. Potential new products and services are then tested under trial conditions, and, if suitable, are incubated and developed further before being launched in the market.

The TSD Unit, which works with various business units within the Group, has successfully developed a variety of new products and technologies in the past. For example, the TSD Unit developed with a third party vendor the tablet technologies for **eye2**, which enable users to make video and voice calls as well as to choose from more than 100 types of infotainment and interactive services wirelessly around the home through a Wi-Fi enabled portable device. It has also developed, with a third party vendor, a business telephone system known as the Internet Protocol-Private Branch Exchange ("**IP-PBX**") designed to deliver voice or video over a data network and inter-operate with the normal public switched telephone network ("**PSTN**"). The TSD Unit is also involved in the migration of the Group's circuit switched telephone exchanges located in 90 buildings in Hong Kong to IP-based soft-switches to replace its PSTN capability. An overlay has been built to provide broadband based phone services across Hong Kong and over time. It is expected that all line modules will be gradually replaced until all the telephone lines are broadband based.

For the broadband business, the TSD Unit is involved in the strategy to upgrade the broadband network to using fiber optic FTTB/FTTH, ADSL2+ and Very high-speed Digital Subscriber Line 2 ("**VDSL2**") technologies, which provide customers of the Group with significantly faster download speeds than traditional ADSL connections. In addition, PON was rolled out to home users and businesses where super-fast speeds are required. Internet Protocol-Virtual Private Network ("**IPVPN**") was launched to provide remote offices or individual users secure access to their respective organisation's network in 1999.

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The TSD Unit, working with the mobile business unit, built into the mobile network the Extensible Authentication Protocol Method for GSM Subscriber Identity Module (“**EAP-SIM**”) which enables automatic roaming handover and log-on from mobile networks to Wi-Fi hotspots and vice-versa. The TSD Unit is also involved in developing the strategy and deployment of the next generation BWA technologies, also known as LTE, designed to increase the capacity and speed of the mobile communications network.

The TSD Unit has also formed strategic alliances with various universities and institutions in Hong Kong such as the University of Hong Kong, the Chinese University of Hong Kong and Advanced Science and Technology Research Institute (“**ASTRI**”). The Group has entered into agreements with such institutions. These agreements are typically outsourced development contracts for a specific product or service development in consideration for an agreed fee, and ownership of developed intellectual property is on a case by case basis. Generally, if a new product or service is being developed, the Group will seek to own the intellectual property. The Group has not applied for patents in relation to such intellectual property. Some members of the TSD Unit sit or have sat on both the Wireless Advisory Board and the Consumer Electronics Advisory Board of ASTRI. The Group and ASTRI have also jointly developed, amongst others:

- (a) the *snaap!* photo album sharing platform, a cross-platform multimedia service;
- (b) 0060 softphone application for personal computers;
- (c) iPhone applications for residential consumers; and
- (d) collaboration on cloud computing.

SUPPLIERS

The Group’s suppliers or vendors primarily consist of equipment and connectivity services providers. For the three years ended 31 December 2010 and the six months ended 30 June 2011, there were approximately 500, 650, 520 and 600 local and international connectivity services providers supplying primarily data and voice transmission services to the Group. As at 30 June 2011, most of these suppliers had over 3 years of business relationships with the Group. The Group will generally enter into contracts with these suppliers with an average duration of approximately 2 years. Quality of service is monitored through general terms and conditions with agreed service level specified in the service contract. Fee payables to these suppliers are generally calculated based on charge per circuit for data transmission or charge per minute for voice transmission. The Group pays its suppliers primarily in US dollars with a credit period of 30 days. Settlements are normally made by telegraphic transfers and cheques. The Directors believe that the Group has maintained a good relationship with its suppliers, and do not envisage any major difficulty in sourcing such connectivity services in the future.

For the three years ended 31 December 2010 and the six months ended 30 June 2011, the Group’s five largest suppliers in aggregate accounted for approximately 11.3%, 16.8%, 21.3% and 18.4%, respectively, of the Group’s total amounts for cost of sales, and general and administrative expenses. The single largest supplier for the same periods accounted for approximately 4.1%, 4.0%, 6.4% and 5.5%, respectively, of the Group’s total amounts for cost of sales, and general and administrative expenses. Save as disclosed, none of the Group’s suppliers for the same periods accounted for more than 5% of the Group’s total amounts for cost of sales, and general and administrative expenses. Save as disclosed in the section headed “Connected transactions” in this prospectus, none of the Directors and their respective associates or shareholders holding more than 5% of the Group’s issued share capital, or any Substantial Holder of Share Stapled Units, held any interest in any of the Group’s five largest suppliers for the three years ended 31 December 2010 and the six months ended 30 June 2011.

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CUSTOMERS

The Group's largest customers generally comprise corporate customers who have contracted for multiple products and services. The Group's five largest customers in aggregate accounted for approximately 5.6%, 9.9%, 8.8% and 8.1% of its turnover for the three years ended 31 December 2010 and the six months ended 30 June 2011, respectively. The Group's single largest customer accounted for approximately 2.2%, 4.0%, 3.5% and 3.5% of its turnover for the three years ended 31 December 2010 and the six months ended 30 June 2011, respectively. Save as disclosed in the section headed "Relationship with PCCW — Potential conflicts of interest — Directors' interests on competing business" in this prospectus, none of the Directors and their respective associates or shareholders holding more than 5% of the Group's issued share capital, or any Substantial Holder of Share Stapled Units, held any interest in any of the Group's five largest customers for the three years ended 31 December 2010 and the six months ended 30 June 2011.

SALES AND MARKETING

The Group's sales and marketing function is carried out by: a Hong Kong consumer sales and marketing group, a Hong Kong commercial sales and marketing group, and a global sales and marketing group. The three groups are respectively dedicated to the local consumer, commercial and global customer groups.

In addition, a team of professional sales consultants use the Group's customer relationship management ("CRM") capabilities system to market the Telecommunications Business services across its different customer groups, and to market new products and services to different customer groups. The CRM system collects information about customer usage patterns, which can be used for market segmentation analysis and to enable the Group to market on a targeted basis. Industry specialisation and individual client focus for larger clients allow for tailored solutions to a client's specialised needs.

CUSTOMER SERVICE

Customer experience is a focus area for the Group and it considers customer service a key to success. The Group seeks to adopt consumer-friendly practices and strives to collect and address customer feedback.

Among measures implemented to enhance the customer experience is the Group's simplification of its service contracts so that consumers can understand them more easily. Customers are also contacted well in advance to discuss renewal of their contracts in order to provide a better understanding of the services and tailor-made offers available.

Sales practices have also been enhanced to increase customer satisfaction. The first customer service centre was opened at the end of 2010 at Hong Kong Island's commercial and shopping hub Causeway Bay. Since then, another 8 customer service centres were opened across Hong Kong Island, Kowloon and the New Territories, and one additional customer service centre is expected to open in the New Territories by the end of 2011. The customer service centres will provide greater convenience and comprehensive one-stop service centres to customers.

By improving overall customer service standards, the Group strives to deliver first-class service quality to provide a positive customer experience. The Group believes that excellent customer service is a foundation on which it can further grow its businesses.

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IT SYSTEMS

The Group has made substantial investments in IT systems and infrastructure to enhance customer service, improve operational efficiency and deliver innovative products and services. The systems comprise a mix of off-the-shelf packages supplemented by in-house developed systems.

Billing

The Group's billing systems are structured to be scaleable, configurable and reliable. The recently developed Billing and Order Management system creates a unified order record and management platform, and provides a consolidated profile of a customer across all products. The billing systems, including the Billing and Order Management system, enable the Group to support its business strategy for new products and services. The billing systems are integrated with the Group's customer care systems, inventory systems and general ledger and support various bill media including paper, web, email, mobile wireless application protocol, mobile applications, SMS and fax.

Business continuity and disaster recovery

The Group's business continuity and contingency plans are managed by its emergency response teams. A crisis management team comprising members of the Group's senior management is responsible for managing critical incidents. The various departments have representatives who are responsible for the ongoing maintenance and updating of the Group's business continuity plans which include disaster recovery plans for its networks and IT operations.

The Group's IT disaster recovery systems comprise a complete back-up of its billing and customer care system which incorporates asynchronous database updates. This includes the Group's billing, customer relationship management, mediation and provisioning systems. These disaster recovery systems are physically separated from the production billing and customer care system and are housed in operation centres in different parts of Hong Kong. This provides the Group with the capability to continue bill processing and servicing its customers in the event a disaster occurs to one of its operation centres.

CREDIT AND FRAUD MANAGEMENT

The Group maintains a well-defined credit policy and individual credit evaluations are performed on customers requiring credit over a certain amount. The Group's credit evaluation procedures may include verification checks with credit agencies and government databases. The Group also performs checks against the payment history of customers and an internally maintained list of overdue payments. The Group's payment term generally ranges up to 30 days from the date of issue of the relevant bill, or in accordance with contracted terms, unless a separate agreement for an extension of the credit period specifies otherwise.

For any customer who generally has not paid his overdue accounts, the Group will under normal circumstances send bill payment reminders to notify the customer. If the bill remains unpaid, the services will be terminated and an early termination fee is levied if the relevant contract is subject to a commitment period. The Group may seek the assistance of a debt collection agency to proceed with recovery or take legal proceedings where necessary. For a certain period of time, a customer can seek reconnection by payment of a reconnection charge, after which, a new application will have to be made.

Subscription fraud relating to the Group's mobile services has historically contributed to the bulk of its fraud losses, particularly in the year following the Group's commercial launch. The Group uses a fraud management and detection system to monitor, detect and prevent fraudulent activities by its customers.

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The Group's fraud management team operates seven days a week and evaluates potentially fraudulent activities such as unusual calling patterns by new customers, high usage to high risk destinations or a change in call patterns by existing customers. Verification calls are made to customers to determine if there has been unauthorised use of the customer's mobile phone.

The Group maintains links with other local and international telecommunication operators to share information about fraud trends and to implement measures to detect and prevent fraud. The Group's fraud losses for each of the past three years ended 31 December 2010 and the six months ended 30 June 2011 represented a small proportion of its losses and were accounted for as bad debts over those periods.

RISK MANAGEMENT SYSTEM OF THE GROUP

The Group has in place a set of formal procedures and documentation which enable it to identify, report and treat all foreseeable operational risks (ranging from natural perils, contractual risks, information risks to general operation physical damage and general liabilities) that may have a significant adverse impact on the Group's operations. Such procedures include inter alia internal approvals for new investments and contracts without limitation of liability, and are designed to identify the nature and probability of a risk, to quantify its potential impact, to report mitigating factors, and to recommend mitigating factors and the appropriate risk retention, transfer and/or financing strategies to the Company's senior management team. The Company's internal audit unit also reviews the risk management system and prepares reports to the Company's Audit Committee on a regular basis.

COMPETITION

The implementation of the Government's policy to liberalise the telecommunications industry has resulted in intense competition in the markets for local and international services. Competition from providers of fixed-line services and resellers, including those whose operations may be augmented through strategic alliances with global and/or foreign strategic partners, has materially increased in the past several years. The market for local telecommunications services including local fixed-line service, mobile service and broadband is becoming more competitive while the market for IDD services originating from Hong Kong is expected to remain extremely competitive. In addition, mobile telecommunications prices have declined sufficiently so that customers are now more likely to substitute residential local exchange services for mobile telecommunications services. This has affected and continues to affect the Group's position in the telecommunications market in Hong Kong.

The Group is required in certain situations to provide telecommunications services (including interconnection) to service providers that compete directly with its operations. In Hong Kong, the main competitors of the Group are Wharf T&T Limited, i-CABLE Communications Limited, China Mobile (Hong Kong) Limited, Hong Kong Broadband Network Limited, CSL New World Mobility Limited, SmarTone Mobile Communications Limited, Hutchison Global Communications Holdings Limited, Hutchison Telephone Company Limited and New World Telecommunications Limited.

The Group competes effectively in all of its lines of business by providing:

- unique combination of "quadruple-play" delivery platforms through its established telecommunications infrastructure;
- innovative and broad range of product offerings focused on data related products and value-added services for its customers;
- dedicated sales units to address the needs of its global business, Hong Kong corporate and consumer customer market segments; and

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- leadership in overall service quality within the telecommunications market.

The Group continues to strive to provide customers with best quality and price competitive offerings and services. It intends to carry on and maintain its transformational strategy in the future and continue to actively market its innovative and appealing services.

EMPLOYEES

The Group's future success will depend, in large part, on its ability to continue to attract, train, retain and motivate highly qualified personnel.

As at 31 August 2011, the Group had 15,626 employees. About 60% of these employees work in Hong Kong and the others are based mainly in the PRC, the U.S. and the Philippines. The employees in the Group are employed by a separate service company, HKT Services Limited, which will be indirectly wholly-owned by the Company upon completion of the Pre-IPO Restructuring.

The tables below set out the details of the number of employees of the Group as at 31 August 2011:

<u>Business Operation</u>	<u>31 August 2011⁽¹⁾⁽²⁾</u>
Customer service and operations	11,453
Engineering	3,101
Other support functions	658
PRC Business	414
Total	<u>15,626</u>

<u>Location</u>	<u>31 August 2011⁽¹⁾⁽²⁾</u>
Hong Kong	9,304
PRC and Taiwan	3,709
U.S.	1,160
Philippines	1,032
All other countries ⁽³⁾	421
Total	<u>15,626</u>

Notes:

- (1) The number of employees included part-time employees (on a full-time equivalent basis), temporary employees (with contracts of less than one year in duration) and full-time employees.
- (2) The number of employees included 238 temporary and part-time employees with contracts of less than one year in duration.
- (3) All other countries included Brunei, Canada, the Czech Republic, France, Germany, Greece, India, Israel, Japan, Jordan, Korea, Macau, Malaysia, Panama, the Netherlands, Republic of Côte d'Ivoire, Republic of Ghana, Republic of Kenya, Romania, Russia, Saudi Arabia, Singapore, Sweden, Thailand, the United Kingdom and the United Arab Emirates.

There are no collective bargaining agreements between the Group and the joint staff councils which represent the employees of the Group in dialogue sessions with management representatives.

The Group has established incentive bonus schemes designed to motivate and reward employees at all levels to achieve the Group's business performance targets. Payment of bonuses is generally based on achievement of EBITDA and free cash flow targets for the Group as a whole and for each of the individual business units.

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INSURANCE

The Group has insurance policies providing coverage for its assets and operations including loss of or damage to its properties and assets, loss of profit and additional costs of working arising from loss or damage to its properties or assets, public liability, contractual liability, employment liability, errors and omissions, amongst others.

The Group believes that its properties are covered with adequate insurance provided through a combination of its own captive insurance company and direct insurance or reinsurance policies with reputable insurance companies and with commercially prudent deductibles and limits on coverage. Notwithstanding the Group's insurance provisions, it could nevertheless experience a material loss as a result of an unforeseeable series of catastrophic events, systemic adverse circumstances, or other adverse occurrences not currently foreseeable and/or not commercially insurable.

PROPERTY, PLANT AND EQUIPMENT

The Group's material operations are in Hong Kong. The Group's property, plant and equipment primarily consist of transmission plants and exchange equipment (including switches, computer hardware, back-up power, plant, etc.) and connecting lines (including cable ducting, copper and fiber optic cabling and poles).

(a) Telephone exchanges and hilltop exchanges in Hong Kong (the "Telephone Exchanges")

As at 30 June 2011, the Group owned two Telephone Exchanges (being, in total, approximately 186,539 square feet of space) and it had been granted licences by (i) HKTC in respect of 69 Telephone Exchanges in 2008 and (ii) by HKTL in respect of 1 Telephone Exchange in 2008 (with the HKTC licence agreement being supplemented by a further agreement between the same parties dated 8 November 2011) (the licensed Telephone Exchanges being, in total, approximately 3,957,189 square feet of space). Each of HKTC and HKTL is an indirect wholly-owned subsidiary of PCCW but is not a member of the Group. These Telephone Exchanges have mostly been leased by private treaty grants from the Government to HKTC and HKTL and contain restrictions on their use for specific purposes and on their transfer, the details of which are set out in the section headed "Connected transactions — D. Exempt continuing connected transactions — (21) Private treaty grants" in this prospectus. The majority of these leases expire in 2025. HKTC and HKTL have granted to Hong Kong Telecommunications (HKT) Limited, a company in the Group, the above licences to operate at these properties on a non-exclusive basis. These licences shall continue until termination, which is when the sale of Telephone Exchanges by either HKTC or HKTL, as the case may be, to any third party purchaser occurs or when there is a material breach of any terms and conditions of the licences by Hong Kong Telecommunications (HKT) Limited. Other than the licences under which members of the Media Group and the Solutions Group have been granted limited access rights to certain floor space within the PTG Telephone Exchanges (details of which are set out in the section headed "Connected Transactions" in this prospectus), HKTC and HKTL have confirmed that they do not have any intention of granting licences to other third parties to operate at the Telephone Exchanges. Hong Kong Telecommunications (HKT) Limited had paid a sum of approximately HK\$1,898 million and HK\$106 million to HKTC and HKTL, respectively, as consideration for these licences at the time of entering into these licences.

(b) Cell sites located in Hong Kong ("Cell Sites")

As a necessary part of the infrastructure for delivering the Group's mobile services, the Group leases and/or licences multiple Cell Sites throughout Hong Kong. The Cell Sites have on them antennae and base station equipment necessary to deliver mobile phone coverage. As at 30 June

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2011, the Group leased approximately 1,834 Cell Sites from independent third parties, approximately 4 Cell Sites from Reach Networks Hong Kong Limited (“**Reach Networks**”) (a wholly-owned subsidiary of Reach Ltd.) and approximately 77 Cell Sites (typically being space within or on the Telephone Exchanges as referred to in (a) above) were located in the Group’s own licensed properties.

(c) Leased interests in Hong Kong retail shops

As at 30 June 2011, the Group leased retail floor space of approximately 41,664 square feet in total at locations throughout Hong Kong in approximately 63 shops from independent third parties.

(d) Hong Kong offices — leasing and licensing arrangements

(i) Licensing agreement (PCCW Tower)

PCCW Services Limited, a company within the Remaining Group, is the tenant in respect of certain space located at PCCW Tower, TaiKoo Place, 979 King’s Road, Quarry Bay, Hong Kong which it leases from an independent third party. On 22 June 2010, PCCW Services Limited and HKT Services Limited, a company within the Group entered into an agreement (which was supplemented by a further agreement between the same parties entered into on 8 November 2011) pursuant to which HKT Services Limited has been granted a licence to occupy certain floor space (being, in total, approximately 207,710 square feet of space) for office use. The licensing arrangements (in accordance with the head lease) require all licensees to remain subsidiaries and/or related companies (as defined in the head lease) of PCCW. The licence expires on 21 June 2013 and shall, subject to compliance with the relevant requirements applicable to connected transactions under the Listing Rules by the Company, automatically renew for a term until 31 December 2014 (or such other period as is consistent with the term of the head lease from the independent third party and which is otherwise permitted under the Listing Rules) after expiry of the initial term. The Company will comply with the applicable Listing Rules when the initial term of the agreement expires. The Directors do not anticipate difficulty in renewing such a lease upon its expiration. In the event that the Group fails to obtain such renewal, the Company expects to be able to lease properties from third parties without having any significant impact on operations.

(ii) Tenancy agreement (Telecom House)

On 28 February 2011, Reach Networks (a wholly-owned subsidiary of Reach Ltd.) and PCCW Global Limited (“**PCCW Global**”) (a wholly-owned subsidiary of the Company) entered into a tenancy agreement, pursuant to which, Reach Networks, as landlord, has agreed to lease to PCCW Global, as tenant, certain premises (being, in total, some approximately 40,156 net square feet of space) in the building located at Telecom House, 3 Gloucester Road, Wanchai, Hong Kong, to be used by PCCW Global and/or the Group. The premises are predominantly used for the storage of telecommunications equipment and in one case, as a car park.

(iii) Tenancy agreement (Hermes House)

On 28 February 2011, Reach Networks (a wholly-owned subsidiary of Reach Ltd.) and PCCW Global (a wholly-owned subsidiary of the Company) entered into a tenancy agreement, pursuant to which, Reach Networks, as landlord, has agreed to lease to PCCW Global, as

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tenant, certain premises with total floor space of approximately 15,785 net square feet in the building located at Hermes House, 10 Middle Road, Tsim Sha Tsui, Hong Kong, to be used by PCCW Global and/or the Group. The premises are predominantly used for the storage of telecommunications equipment.

(iv) Tenancy agreement (Queen's Road Exchange)

Talent Master Investments Limited ("**Talent Master**") (a wholly-owned subsidiary of PCPD, and a company within the Remaining Group), as landlord, has leased portions of certain floors totalling approximately 20,525 gross square feet of space in the building located at No. 1 Wo Fung Street, Sheung Wan, Hong Kong to HKTC pursuant to a lease dated 10 May 2004, as supplemented and amended subsequently. The premises are currently used by the Group as a telephone exchange. On 8 November 2011, the lease was assigned and novated by HKTC to Hong Kong Telecommunications (HKT) Limited on the basis that Hong Kong Telecommunications (HKT) Limited would be the tenant and would assume all continuing obligations under the tenancy agreement.

(e) Other leased properties in Hong Kong

As at 30 June 2011, the Group leases or licences a number of other properties in Hong Kong, broadly comprised of the following:

- (i) approximately 30 properties (being, in total, approximately 58,664 square feet) (other than those referred to in (d) (ii) and (d) (iii) above) are leased or licensed from Reach Networks and predominantly used for the storage and operation of telecommunications equipment;
- (ii) approximately 28 properties (being, in total, approximately 146,256 square feet) are leased or licensed by HKTC or HKTL (being companies within the Remaining Group but not the Group) from the Government. Hong Kong Telecommunications (HKT) Limited has been granted licensed access to these sites as at the Latest Practicable Date, which include telephone exchanges, cable storage chambers, transmission sites and other engineering-related facilities;
- (iii) approximately 12 properties (with a total floor space of approximately 35,949 square feet) are leased or licensed by Hong Kong Telecommunications (HKT) Limited (or by HKTC or HKTL, and in respect of which Hong Kong Telecommunications (HKT) Limited has been granted licensed access as at the Latest Practicable Date) from non-government independent third parties. These properties are also used by Hong Kong Telecommunications (HKT) Limited for equipment storage and for ancillary telephone exchange-related functions; and
- (iv) approximately 14 properties (being, in total, approximately 100,635 square feet) are leased by PCCW Teleservices (Hong Kong) Limited (or in one case by PCCW-HKT Network Services Limited) from non-government independent third parties for use as call centres, storage space or office space.

(f) Leased properties overseas

As at 30 June 2011, members of the Group lease a large number of properties overseas, including:

- (i) regional offices in 11 countries (three offices at various locations in the United States (with total floor space of approximately 24,396 square feet), three offices in various locations in the PRC (with total floor space of approximately 7,266 square feet), two offices in Dubai (approximately 4,112 square feet) and one office each at individual locations in Seoul

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(approximately 452 square feet), Tokyo (approximately 6,314 square feet), Kuala Lumpur (approximately 129 square feet), Singapore (approximately 2,928 square feet), London (approximately 2,195 square feet), Paris (approximately 1,000 square feet), Frankfurt (approximately 50 square feet) and Athens (approximately 2,153 square feet));

- (ii) approximately 10 properties (being, in total, approximately 88,444 square feet of space) in the United States that are used as offices and data centres;
- (iii) one office (being, in total, approximately 7,340 square feet of space) in Panama used as an office;
- (iv) approximately 6 properties (being, in total, approximately 65,996 square feet of space) in the Philippines that are used as offices, data centres, contact centres and for training and support services;
- (v) approximately 5 properties (being, in total, approximately 13,445 square feet of space) in Macau that are used as offices and warehouses;
- (vi) approximately 6 properties (being, in total, approximately 6,837 square feet of space) in Macau that are leased for residential use for the benefit of employees;
- (vii) approximately 55 properties (being, in total, approximately 387,822 square feet of space) in the PRC that are used as offices, for storage, or in one case, as a call centre; and
- (viii) approximately 17 properties (being, in total, approximately 18,765 square feet of space) in the PRC that are leased for residential use for the benefit of employees.

(g) Owned holiday houses

As at 30 June 2011, the Group owned eleven holiday houses under four leases (with no restriction on alienation) of approximately 22,870 gross square feet of space in total in the New Territories, Hong Kong.

(h) Other properties licensed in Hong Kong

The Group has been granted a licence in respect of a training centre and development centre of approximately 69,481 gross square feet and a sports recreational centre of approximately 80,987 gross square feet of space, both in Hong Kong, which are subject to leases to HKTC and licensed from HKTC to Hong Kong Telecommunications (HKT) Limited.

For the year ended 31 December 2010 and the six months ended 30 June 2011, the Group incurred a total of approximately HK\$495 million and HK\$283 million, respectively, of operating rental expenses in respect of its leased properties, which represented approximately 3.2% and 3.5% of the total of costs of sales and general and administrative expenses of the Group, respectively. As at 31 December 2010 and 30 June 2011, the Group's property interests accounted for approximately 1.3% and 1.3%, respectively, of the total assets of the Group.

As the Group is engaged in the provision of telecommunications services and not engaged in any property investment or development activities and due to, among other things, the significant number of properties involved and as at 30 June 2011, no single property interest owned or leased by the Group

THE BUSINESS OF THE GROUP

has a carrying amount of 15% or more of the total assets of the Group and even if all the leased properties were to be valued by the property valuer, none of the leased properties would be appraised with any commercial value, the Trustee-Manager and the Company have applied to:

- (i) the SFC for, and the SFC has granted a certificate of exemption pursuant to Section 342A(1) of the Companies Ordinance from strict compliance with the valuation report requirements contained in paragraph 34(2) to the Third Schedule of the Companies Ordinance; and
- (ii) the Stock Exchange for, and the Stock Exchange has granted a waiver from strict compliance with (a) Rules 5.01, 5.06(1) and (2) of, and paragraph 3(a) of Practice Note 16 to the Listing Rules; and (b) Rule 5.06(9) of, and paragraphs 5.1 and 5.2(a) and (b) of Practice Note 12 to the Listing Rules in respect of the properties leased in the PRC,

on the grounds that (a) the exclusion of all properties from the valuation report would not prejudice the interests of the investing public and including an overview of the Group's property interests as set out above will be sufficient for investors to make an informed investment decision; and (b) full compliance with paragraph 34 to the Third Schedule of the Companies Ordinance and the relevant parts of the Listing Rules, respectively, would be irrelevant and unduly burdensome. See the section headed "Waivers from compliance with the Listing Rules and exemptions from the Companies Ordinance — Dispensation with the requirements to include property valuation report in the prospectus for property interests of the Group" in this prospectus.

The Trustee-Manager and the Company further confirm that:

- (a) none of the properties of the Group, either individually or collectively, during the three years ended 31 December 2010 and six months ended 30 June 2011 or up to the Latest Practicable Date, has made, is or is expected to make, a significant contribution to the Group's overall revenue and operating cost;
- (b) none of the properties of the Group individually is material to the Group in terms of total annual rental expense; and
- (c) there has been no significant acquisition or disposal from the portfolio of properties of the Group during the three years ended 31 December 2010 and six months ended 30 June 2011 and up to the Latest Practicable Date.

INTELLECTUAL PROPERTY

The Group relies on a combination of trademarks, service marks, domain name registrations, copyright protection and contractual restrictions to establish and protect its brand name and logos, marketing designs and Internet domain names. Over 120 registered and unregistered trademarks are used and owned by the Group. The Group is not critically dependent upon any third-party patents or licences.

The Directors confirm that there is no material violation or infringement of any Intellectual Property Rights owned by the Group or by any third parties.

LEGAL PROCEEDINGS

None of the members of the Group, the Company or the Trustee-Manager is currently involved in any material litigation or arbitration proceedings nor, to the best of the Directors' knowledge, is any material legal or arbitration proceedings currently contemplated or threatened against the members of the Group, the Company or the Trustee-Manager.

THE BUSINESS OF THE GROUP

Due to the nature of the Telecommunications Business, the Group initiates numerous actions against numerous defendants. In most cases, it seeks damages that are not individually material.

LICENCES

The following table sets out the licences of the members of the Group which have material revenue contributions to the Group's overall revenue for the year ended 31 December 2010 and the six months ended 30 June 2011:

<u>Type of licence</u>	<u>Licence number</u>	<u>Name of the Licensee</u>	<u>Issuing Authority</u>	<u>Expiry date</u>
Unified Carrier Licence	003	Hong Kong Telecommunications (HKT) Limited	OFTA	29 September 2023
Unified Carrier Licence	025	HKTC and Hong Kong Telecommunications (HKT) Limited	OFTA	28 June 2025
Mobile Carrier Licence	099	Hong Kong Telecommunications (HKT) Limited	OFTA	19 November 2023
Satellite Master Antenna Television Licence	SA00001367-SA	Hong Kong Telecommunications (HKT) Limited	OFTA	1 November 2012, subject to yearly renewal
Service-Based Operator Licence of Class 3 for External Telecommunications Services Operators and International Value-added Network Services Operators or Internet Service Providers	901	PCCW Global	OFTA	1 December 2011, subject to yearly renewal

OVERVIEW OF THE TELECOMMUNICATIONS INDUSTRY

Certain facts, statistics and data presented in this section and elsewhere in this prospectus have been derived, in part, from various government or official sources. Whilst the Directors have taken all reasonable care to ensure that the relevant official facts and statistics are accurately reproduced from these sources, such facts and statistics have not been independently verified by the HKT Trust, the Company, Trustee-Manager, the Joint Global Coordinators, the Underwriters, their respective affiliates, directors and advisors or any other parties involved in the Global Offering. The HKT Trust, the Company, Trustee-Manager, the Joint Global Coordinators, the Underwriters, their respective affiliates, directors and advisors or any other parties involved in the Global Offering make no representation as to the accuracy or completeness of such information, which may not be consistent with other information available and may not be accurate and should not be unduly relied upon.

OVERVIEW

Hong Kong's sophisticated telecommunications market has been an important factor in the city's development into a leading business and financial centre. Hong Kong has some of the highest rates of mobile, fixed-line and broadband penetration globally. Hong Kong's telecommunications regulatory regime is considered to be pro-competition and pro-consumer, as all of the sectors of its telecommunications market are liberalised and have no foreign ownership restrictions. The liberal framework, which the Hong Kong telecommunications market operates in, provides a level playing field for telecommunications service providers, and ensures that consumers get the best services available in terms of capacity, quality, speed and price. OFTA is the executive arm of the Telecommunications Authority, which is the statutory body responsible for regulating the telecommunications industry in Hong Kong.

FIXED-LINE TELECOMMUNICATIONS INDUSTRY IN HONG KONG

Prior to the liberalisation of the Hong Kong telecommunications industry in 1995, HKTC was the sole fixed-line telecommunications operator. HKTC was previously owned by HKTL, which in turn was majority owned by Cable & Wireless Plc of the United Kingdom, and subsequently acquired by PCCW in 2000.

Since the introduction of competition in the local fixed-line market in Hong Kong in 1995, the new entrants have been actively rolling out their self-built networks to provide additional choices and new services to customers. The international services market was liberalised in 1999, while the international facilities market was liberalised in 2000.

On 1 January 2003, OFTA implemented the full liberalisation of the local Fixed Telecommunications Networks Services (“**FTNS**”) and further opened the telecommunications sector to competition. As a result, limits were removed on the number of licences issued and no specific requirements were imposed for network rollout or investment.

On 1 August 2008, OFTA introduced the Unified Carrier Licence (“**UCL**”), a new licensing regime that bundled the provision of any combination of fixed, mobile and converged services. After the UCL was introduced, OFTA ceased issuing new FTNS, fixed carrier, fixed carrier restricted, mobile carrier and mobile carrier restricted licences. All of the existing licences of the respective telecommunications providers remained valid until expiry.

On 27 April 2009, OFTA withdrew its regulatory guidance on the fixed-mobile interconnection charge under the “Mobile Party's Network Pays” framework, wherein mobile network operators paid a per minute rate to the fixed operators for all minutes exchanged between networks, regardless of whether a call was

OVERVIEW OF THE TELECOMMUNICATIONS INDUSTRY

made by the mobile user to a fixed user or vice versa. Terms for fixed-mobile interconnection are now negotiated by operators without ex ante regulatory intervention. The Telecommunications Authority monitors wholesale market developments and may, at the request of a party or of its own motion, if in the public interest to do so, intervene to fix the terms and conditions of interconnection.

The fixed-line telecommunications industry in Hong Kong is characterised by an incumbent operator with the largest market share and a number of smaller operators.

As at 30 June 2011, there was a total of ten unified carriers with fixed-line authorisations and seven fixed carrier licences. The major fixed-line telecommunications operators in Hong Kong were:

- **Hong Kong Telecommunications (HKT) Limited.** The incumbent operator and the largest fixed-line telecommunications operator in Hong Kong, provides a wide range of telecommunications services and pay-television services;
- **Hutchison Global Communications Limited (“HGC”).** HGC was granted a FTNS licence in June 1995 and provides fixed-line telecommunications services in Hong Kong;
- **Wharf T&T Limited (“Wharf T&T”).** Wharf T&T was granted a FTNS licence in June 1995. Wharf T&T provides voice, data and other telecommunications services;
- **New World Telecommunications Limited (“NWT”).** NWT was also granted a FTNS licence in June 1995 and is active in the retail IDD Market;
- **Hong Kong Broadband Network Limited (“HKBN”).** HKBN was granted a FTNS licence in 2000. HKBN’s main businesses include broadband access, local voice services and pay-television services; and
- **Hong Kong Cable Television Limited (“HKCTV”).** HKCTV was granted a FTNS licence in January 2000. Its main business areas include pay-television and broadband access services.

As at 30 June 2011, Hong Kong Telecommunications (HKT) Limited had a market share of 61.2% by number of exchange lines and the other operators have a combined market share of 38.8%.

The following table provides details of the historical operating statistics for the Public Switched Telephone Network (“PSTN”) and IP telephony services in Hong Kong:

<i>In '000 unless otherwise stated</i>	2005	2006	2007	2008	2009	2010	H1 2011	2008-2010 CAGR
Population	6,838	6,910	6,953	6,989	7,034	7,102	7,108	
Domestic households ⁽²⁾	2,198	2,235	2,247	2,288	2,316	2,340	2,353	
Total Exchange Lines and IP Telephony Services	3,793	3,836	4,089	4,108	4,188	4,260	4,289	1.8%
Residential line penetration ⁽¹⁾	30.9%	30.9%	32.8%	32.6%	33.5%	33.9%	33.9%	
Residential household penetration ⁽¹⁾	96.3%	95.5%	101.6%	99.4%	101.9%	102.9%	102.4%	

Source: OFTA, Hong Kong Census and Statistics Department

Notes:

(1) Penetration includes subscribers to both Exchange Lines and IP telephony services

(2) For the years 2005-2010, the numbers represent the average number of domestic households from October to December for each respective year. For H1 2011, the average from April 2011 to June 2011 was used.

OVERVIEW OF THE TELECOMMUNICATIONS INDUSTRY

In December 2010, there was an aggregate of 4.26 million exchange lines and IP telephony services established in Hong Kong which represents a compounded annual growth of approximately 1.8% from 2008. In June 2011, the aggregated total was 4.29 million. Growth in fixed-lines can be attributed to the bundling of IP telephony services or VoIP by Internet Service Providers (“ISP”) to broadband subscriptions. VoIP lines have increased from approximately 396,000 lines in 2008 to approximately 573,000 lines in 2010, growing at a compounded annual growth rate of 20.3% for the two year period. In June 2011, the residential household fixed-line penetration, which includes both PSTN and VoIP reached 102.4%, from 99.4% in 2008.

BROADBAND INDUSTRY IN HONG KONG

As part of the 1995 liberalisation of Hong Kong’s FTNS market, the broadband market was fully opened to competition. In 2004, OFTA promoted the rollout of BWA, which are fixed and mobile radio access technologies, including digital cellular that can support a variety of wide area high-speed wireless data services to accelerate the spread of alternative self-built networks. BWA is used not only for the deployment of wireless backhaul links for fixed or mobile networks, but also is used in customer access networks, such as direct access networks for mobile customers or broadband wireless local loops for fixed customers replacing the conventional copper wire.

Under the UCL framework established in 2008, OFTA began inviting existing or new fixed and mobile operators to offer BWA-based data and voice services, including WiMAX and LTE services. In 2007, OFTA released a decision to allocate a 90MHz block of spectrum in the 2.3GHz frequency band, and between 100MHz and 150MHz in the 2.5GHz-2.6GHz bands, which was subsequently trimmed to 105MHz after frequency coordination was conducted with the PRC authorities.

The Hong Kong broadband market is characterised by four major players: PCCW, Hong Kong Broadband Network, i-CABLE Communications Limited and Hutchison Telecommunications Hong Kong Holdings Limited. As at 30 June 2011, the Group had a market share of approximately 65.4% and the other operators have a combined market share of approximately 34.6%.

The fixed licensees provide broadband services through a range of access platforms that include the following:

- ADSL — Asymmetric Digital Subscriber Line
- VDSL — Very-high-bitrate Digital Subscriber Line
- FTTB — Fiber-To-The-Building
- FTTH — Fiber-To-The-Home
- Hybrid fiber-coaxial cabling
- Ethernet over copper
- Leased lines

In March 2010, OFTA reported that 86% of households had a choice of infrastructure-based fixed-line providers and 70% of households were able to select from at least three local access networks. By June 2010, Hong Kong ranked third in the world for penetration of direct fiber connections. In the same period, the FTTH Council Asia reported that 34% of Hong Kong households subscribed to FTTx/LAN services, which included 4% that received FTTH services and 30% serviced by FTTB connections. Hong Kong ranked third in global FTTx penetration after South Korea (over 50% penetration) and Japan (over 35%

OVERVIEW OF THE TELECOMMUNICATIONS INDUSTRY

penetration). The Company believes that the growth of Hong Kong's FTTH market was brought about by the increase in demand for advanced multimedia and data services. FTTH demand is expected to further increase moving forward due to requirements of HD Television and other enhanced multimedia applications.

The Hong Kong government has been very proactive in encouraging the expansion of public Wi-Fi networks. OFTA reported in June 2011 that there were up to 9,077 public Wi-Fi access points, both commercial and state-funded, while there were up to 5,019 registered Wi-Fi zones with public Wi-Fi services.

The following table provides details of the historical operating statistics for broadband services in Hong Kong:

<i>In '000 unless otherwise stated</i>	2005	2006	2007	2008	2009	2010	H1 2011	2008-2010 CAGR
Broadband Internet Access Customer Accounts								
Households	1,507	1,566	1,690	1,754	1,858	1,931	1,998	4.9%
Others (including offices)	141	151	163	167	175	196	199	8.3%
Total	1,648	1,717	1,853	1,921	2,033	2,127	2,198	5.2%
Broadband traffic volume								
(Terabytes, actual)	674,037	974,254	1,196,601	1,289,080	1,435,691	1,652,942	924,656	13.2%
Residential household penetration	68.6%	70.1%	75.2%	76.7%	80.2%	82.5%	84.9%	

Source: OFTA, Hong Kong Census and Statistics Department

From 2008, residential household broadband penetration in Hong Kong has been gradually rising to its current high level of approximately 84.9%, but is still continuously growing in terms of number of subscribers and data carriage. As at 31 December 2010, the total number of broadband subscribers has increased to 2.13 million from 1.92 million in 2008, growing at a compounded annual growth rate of 5.2% for the two year period. As of 30 June 2011, the total number of broadband subscribers amounted to 2.20 million. On the other hand, total broadband traffic volume grew at a compounded annual growth rate of 13.2%, increasing from 1.29 million Terabytes in 2008 to 1.65 million Terabytes in 2010.

MOBILE TELECOMMUNICATIONS INDUSTRY IN HONG KONG

Mobile telecommunication services in Hong Kong were first launched in 1984.

Under the Government's pro-competition and pro-consumer market-driven policy, the mobile telecommunications industry in Hong Kong is dynamic, highly competitive and fully liberalised. In June 2011, the city's mobile penetration rate reached 199.6% with 14.19 million mobile subscribers (including inactive subscribers), of which 7.47 million were 2.5G and 3G subscribers. This reflected Hong Kong's high number of customers with multiple subscriptions as well as business and tourist customers.

The mobile telecommunications market of Hong Kong is characterised by intense competition, with five mobile telecommunications operators serving a population of approximately seven million. Specifically, the operators are PCCW Mobile HK Limited ("**PCCW Mobile**"), Hutchison Telephone Company Limited and Hutchison 3G HK Limited (collectively, "**Hutchison Telecom**"), CSL Limited ("**CSL**"), and SmarTone Mobile Communications Limited ("**SmarTone**"), which all run on both 2G and 3G systems, while China Mobile Hong Kong Company Limited ("**China Mobile HK**") only runs on a 2G system.

OVERVIEW OF THE TELECOMMUNICATIONS INDUSTRY

As at 30 June 2011, PCCW Mobile had a market share of approximately 12.1% by number of subscribers and the other four operators have a combined market share of approximately 87.9%.

Since the launch of 3G mobile telecommunications services in 2004, the take-up rate has continued to grow rapidly, mainly driven by competitive tariffs, innovative multimedia services and high functionality mobile devices and tablets offered by service providers. The introduction of the High-Speed Downlink Packet Access (“HSDPA”) over 3G networks, resulted in higher data transmission speeds and enabled Hong Kong’s mobile operators to develop a wide range of content-rich Value-Added-Services (“VAS”), which included SMS/MMS, mobile internet, downloadable content, multimedia services, video calling and video-related websites. The number of 2.5G and 3G data services users continued to increase and there has also been a surge in the interest of local mobile phone subscribers to the broad range of VAS offered.

In January 2009, China Mobile HK, CSL and a jointly controlled company of the Group succeeded in bidding for the BWA Spectrum, which can be used to deploy high-speed mobile broadband access services. It is expected that the deployment in the BWA Spectrum may lead to a new wave of technological innovation within the industry.

The following table provides details of the historical operating statistics for mobile telecommunications services in Hong Kong:

<i>In '000 unless otherwise stated</i>	2005	2006	2007	2008	2009	2010	H1 2011	2008-2010 CAGR
Mobile Subscribers								
Prepaid (active)	3,001	3,393	3,934	4,252	4,543	5,127	5,504	9.8%
Postpaid	4,754	5,153	5,698	6,090	6,377	6,816	6,983	5.8%
Total	7,755	8,546	9,632	10,342	10,920	11,943	12,487	7.5%
Population Penetration	113.4%	123.7%	138.5%	148.0%	155.3%	168.2%	175.7%	
3G subscribers	636	1,332	2,005	2,812	3,819	5,254	6,675	36.7%
% of total	8.2%	15.6%	20.8%	27.2%	35.0%	44.0%	53.5%	
Mobile data usage (Gigabytes) ⁽¹⁾	4,604	9,077	32,302	133,146	638,389	1,847,526	2,765,792	272.5%

Source: OFTA, Hong Kong Census and Statistics Department

Note:

(1) For the last month of each year/period.

In December 2010, the total number of prepaid and post-paid mobile service subscribers increased to 11.94 million reflecting a compounded annual growth rate of 7.5% from 2008 to 2010, and representing one of the highest mobile penetration rates in the world at 168.2%. Among the 11.94 million subscribers, 5.25 million were 3G/3.5G service customers, accounting for 44.0% of total mobile subscribers. In June 2011, the total number of prepaid and post-paid mobile service subscribers increased to 12.49 million, amongst which 6.68 million were 3G/3.5G service customers, accounting for 53.5% of total mobile subscribers. The number of 3G/3.5G subscribers increased significantly from 2.81 million subscribers in 2008 to 5.25 million subscribers in 2010, growing at a compounded annual growth rate of approximately 36.7% from 2008 to 2010.

For the month of December 2010, local mobile data usage reached up to 1.85 million Gigabytes. This represents approximately 3 times the mobile data usage over the same period in 2009 and 14 times over the same period in 2008.

OVERVIEW OF THE TELECOMMUNICATIONS INDUSTRY

EXTERNAL TELECOMMUNICATIONS INDUSTRY IN HONG KONG

In April 2011, there were 131 licensees authorised to provide ETS in Hong Kong. IDD service to most countries and regions of the world is also available.

In April 2011, there were 40 licensees permitted to operate either external cable or non-cable based facilities for the provision of ETS. In addition, 10 fixed carriers have been licensed to operate both local and external telecommunications facilities.

Hong Kong adopts an open sky policy in regulating the provision of satellite services. Satellite-based telecommunications and television broadcasting services are provided via a multitude of satellites in the region with more than 160 satellite earth station antennas operated by Reach Networks Hong Kong Limited, Reach Cable Network Limited and Telstra International Limited (formerly known as Reach Global Services Limited), Asia Satellite Telecommunications Company Limited, APT Telecom Services Limited, and a number of fixed carriers and broadcasters. Competition has resulted in a substantial reduction in IDD call rates and improved quality of services.

The following table provides details on the historical operating statistics for ETS services in Hong Kong:

	2005	2006	2007	2008	2009	2010	H1 2011	2008-2010 CAGR
Outgoing international minutes (million minutes) ⁽¹⁾	5,638	6,542	7,239	7,657	7,758	7,727	3,767	0.5%
Incoming international minutes (million minutes) ⁽¹⁾	2,168	2,233	2,262	2,344	2,271	2,582	1,425	5.0%
Equipped capacity (Gbps) ⁽²⁾⁽³⁾	979	1,272	1,846	3,475	3,964	4,378	5,176	12.2%
Activated capacity (Gbps) ⁽²⁾⁽⁴⁾	427	698	1,324	1,962	2,673	3,346	4,232	30.6%
% of equipped capacity activated	43.7%	54.9%	71.7%	56.5%	67.4%	76.4%	81.8%	

Source: OFTA

Notes:

- (1) Includes outgoing and incoming traffic of the following types of licensees:
 - a. Fixed Network Operator (FNO)
 - b. Mobile Network Operator (MNO)
 - c. Services-Based Operator (SBO)
 - d. External Telecommunications Service (ETS)
 - e. Virtual Private Network (VPN) Service
- (2) Includes cable and satellite. Cable includes submarine cable systems and overland cable systems. Satellite includes satellite uplink/downlink systems, microwave link systems and satellite uplink systems at Hong Kong end for broadcasting traffic.
- (3) "Equipped capacity" refers to the capacity of the external circuits, which are equipped with the necessary termination equipment so that the capacity is readily available to customers in Hong Kong upon request.
- (4) "Activated capacity" refers to the capacity of the external circuits, which are being used by the customers.

For the year ended 31 December 2010, the volume of outgoing and incoming international traffic for telephone calls was 7.73 billion minutes and 2.58 billion minutes, respectively, while the volume of activated capacity as at 31 December 2010 reached 3,346 Gbps, which is a 30.6% compounded annual growth since 2008 when it was 1,962 Gbps. For the six months ended 30 June 2011, the volume of outgoing and incoming traffic for telephone calls was 3.77 billion minutes and 1.43 billion minutes, respectively, while the volume of activated capacity as at 30 June 2011 reached 4,232 Gbps. As at 30 June 2011, the Group had a market share of approximately 16.4% by number of retail IDD minutes.

THE TRUSTEE-MANAGER AND THE COMPANY

THE TRUSTEE-MANAGER

The Trustee-Manager, HKT Management Limited, was incorporated in Hong Kong under the Companies Ordinance on 14 June 2011. It has an issued and paid-up capital of HK\$1.00. Its registered office is located at 39th Floor, PCCW Tower, TaiKoo Place, 979 King's Road, Quarry Bay, Hong Kong. The Trustee-Manager is a wholly-owned subsidiary of PCCW. The Trust Deed provides that for so long as the Trustee-Manager is a subsidiary of PCCW, it must be wholly-owned by PCCW.

THE COMPANY

The Company was incorporated under the Cayman Companies Law in the Cayman Islands as an exempted company with limited liability on 14 June 2011. The Company has established a principal place of business in Hong Kong at 39th Floor, PCCW Tower, TaiKoo Place, 979 King's Road, Quarry Bay, Hong Kong on 24 June 2011 and was registered as a non-Hong Kong company in Hong Kong under Part XI of the Companies Ordinance on 18 July 2011, with Ms. Philana Wai Yin POON, of 39th Floor, PCCW Tower, TaiKoo Place, 979 King's Road, Quarry Bay, Hong Kong appointed as the Hong Kong authorised representative of the Company on 24 June 2011 for acceptance of service of process and notices on behalf of the Company required to be served on the Company in Hong Kong. As the Company was incorporated in the Cayman Islands, its operations are subject to the Cayman Companies Law and to its constitution which comprises the memorandum and articles of association of the Company. A summary of the relevant sections of the memorandum and articles of association of the Company and the relevant aspects of the Cayman Companies Law is set out in Appendix IV to this prospectus.

Upon completion of the Global Offering, all the issued and paid-up Ordinary Shares of the Company will be held by the HKT Trust. All of the issued Ordinary Shares must be registered in the Principal Register of Members in the name of the Trustee-Manager in its capacity as trustee-manager of the HKT Trust while all of the Preference Shares are Stapled to the Units in the HKT Trust and are issued to and held by the Registered Holders of Share Stapled Units. The Company in turn owns all the issued and paid-up share capital of HKTGH and is the holding company of the Telecommunications Business.

An application has been made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Share Stapled Units in issue and to be issued as mentioned in this prospectus. An application has also been made for the listing of the Units, the Ordinary Shares and the Preference Shares. However, as referred to above in this prospectus, prior to the exercise of the Exchange Right only the Share Stapled Units can be traded on the Stock Exchange and no separate trading of the individual components (Units, beneficial interests in Ordinary Shares or Preference Shares) of the Share Stapled Units is permitted.

DIRECTORS

The Trust Deed requires that:

- (a) the board of directors of the Trustee-Manager shall at all times be the same individuals who serve as directors of the Company;
- (b) no person shall serve as a director of the Trustee-Manager unless he also serves as a director of the Company at the same time; and
- (c) no person shall serve as a director of the Company unless he also serves as a director of the Trustee-Manager at the same time.

Accordingly, the compositions of the Trustee-Manager Board and the Company Board are the same at all times. The Trust Deed also requires that the memberships of the Company Audit Committee and the

THE TRUSTEE-MANAGER AND THE COMPANY

Trustee-Manager Audit Committee must be the same. Please refer to the section headed “ Summary of the constitution of the Company and the Cayman Companies Law — 2.2 Directors — (g) Retirement, appointment and removal” in Appendix IV to this prospectus on the procedures for the retirement, appointment and removal of a Director.

Upon the Listing Date, the Trustee-Manager Board and the Company Board will each consist of 3 executive directors, 4 non-executive directors, and 4 independent non-executive directors. The following table sets forth certain information concerning the Directors:

Name	Position/Title
Mr. LI Tzar Kai, Richard 李澤楷	Executive Chairman and executive Director
Mr. Alexander Anthony ARENA	Executive Director
Ms. HUI Hon Hing, Susanna 許漢卿	Executive Director
Mr. Peter Anthony ALLEN	Non-executive Director
Mr. CHUNG Cho Yee, Mico 鍾楚義	Non-executive Director
Mr. LU Yimin 陸益民	Non-executive Director
Mr. LI Fushen 李福申	Non-executive Director
Professor CHANG Hsin Kang, FREng, GBS, JP 張信剛教授	Independent non-executive Director
Sir Rogerio (Roger) Hyndman LOBO, CBE, LLD, JP	Independent non-executive Director
The Hon Raymond George Hardenbergh SEITZ	Independent non-executive Director
Mr. Sunil VARMA	Independent non-executive Director

Executive Directors

Mr. LI Tzar Kai, Richard, aged 45, was appointed as the Executive Chairman of the Board and an executive Director of the Trustee-Manager and the Company on 11 November 2011. Mr. Li has also been the executive director and Chairman of PCCW since August 1999, the Chairman of PCCW’s Executive Committee and a member of Nomination Committee of the board of directors of PCCW. He is also the Chairman and Chief Executive of the Pacific Century Group, an executive director and the Chairman of PCPD, Chairman of PCPD’s Executive Committee, a member of PCPD’s Remuneration Committee and Nomination Committee, and Chairman of Singapore-based PCRD.

Mr. Li is a non-executive director of The Bank of East Asia, Limited. He is also a representative of Hong Kong, China to the Asia Pacific Economic Co-operation (APEC) Business Advisory Council and a member of the Global Information Infrastructure Commission. Mr. Li was awarded the Lifetime Achievement Award by the Cable & Satellite Broadcasting Association of Asia in November 2011.

Mr. Alexander Anthony ARENA, aged 60, was appointed as an executive Director of the Trustee-Manager and the Company on 14 June 2011 and is the Group Managing Director. Mr. Arena is primarily responsible for the overall corporate management, planning, operation and development of the Group. Mr. Arena is an executive director of PCCW from August 1999 until the Listing Date and the Group Managing Director of PCCW from April 2007 to the Listing Date. He was the Group Chief Financial Officer of PCCW from June 2002 to April 2007. He is also the Deputy Chairman of PCCW’s Executive Committee, a member of PCCW’s Regulatory Compliance Committee and an executive director and Deputy Chairman of PCPD and a member of PCPD’s Executive Committee until the Listing Date prior

THE TRUSTEE-MANAGER AND THE COMPANY

to his current appointment. Mr. Arena is also a director of PCRD where his role is non-executive in nature. Prior to joining the Pacific Century Group in 1998, Mr. Arena was a Special Policy Adviser to the Government from 1997 to 1998. From 1993 to 1997, he was the Director-General of Telecommunications at OFTA, as well as a member of the Broadcasting Authority of Hong Kong. Before taking up his post at OFTA, Mr. Arena was appointed by the Government to plan a reform program for the liberalisation of Hong Kong's telecommunications sector.

Prior to his appointment to the Government, he served as an inaugural member of the Australian Telecommunications Authority for four years. Mr. Arena has led an extensive career in public administration, specialising in high technology and infrastructure industries. From a practising radio/communications engineer to a public policy maker, his experience spans such diverse areas as commercialisation of government-owned business enterprises and deregulation in the aviation, transport, telecommunications and postal industries. Mr. Arena completed a bachelor's degree in electrical engineering from the University of New South Wales, Australia in November 1972 and graduated on 16 April 1973. He completed an MBA at the University of Melbourne, Australia in November 1977 and graduated on 8 March 1978. He has been a Fellow of the Hong Kong Institution of Engineers since 27 March 2001.

Ms. HUI Hon Hing, Susanna, aged 47, was appointed as an executive Director of the Trustee-Manager and the Company on 14 June 2011 and is the Group Chief Financial Officer. Ms. Hui is primarily responsible for overseeing the financial matters of the Group. She is also the Group Chief Financial Officer of the PCCW Group and was appointed to that position in April 2007. She is and has been an executive director of PCCW since May 2010 and is a member of PCCW's Executive Committee. Ms. Hui is also the Chief Financial Officer of PCPD from July 2009 until the Listing Date. Prior to her appointment as the Group Chief Financial Officer of the PCCW Group, Ms. Hui was the Director of Group Finance of the PCCW Group from September 2006 to April 2007, and the Director of Finance of the PCCW Group with responsibility for the telecommunications services sector and regulatory accounting. Ms. Hui holds directorships in various PCCW Group companies. Prior to joining HKTL (which was subsequently acquired by PCCW) in September 1999, she was the chief financial officer of Lai Sun Hotels International Limited. Ms. Hui graduated with a bachelor's degree in social sciences from the University of Hong Kong with first class honours in November 1986. She is a qualified accountant and a member of both the Hong Kong Institute of Certified Public Accountants since September 1997 and the American Institute of Certified Public Accountants since March 1996.

Non-executive Directors

Mr. Peter Anthony ALLEN, aged 56, was appointed as a non-executive Director of the Trustee-Manager and the Company on 11 November 2011. Mr. Allen is an executive director of PCCW from August 1999 until the Listing Date. He is also the Director of Corporate Development of the PCCW Group from November 2006 until the Listing Date. He is the Group Managing Director of PCRD and an executive director and the Chief Financial Officer of the Pacific Century Group. Prior to joining the Pacific Century Group, Mr. Allen joined KPMG in September 1976 before taking up an appointment at Occidental International Oil Incorporated in February 1980. In February 1983, he joined Schlumberger Limited and worked in various countries holding key management positions. In August 1989, he moved to Singapore as Regional Financial Director of the Vestey Group. Mr. Allen joined Boustead Singapore Limited as the Group Operations Controller in January 1992 before taking up an appointment with Morgan Grenfell Investment Management (Asia) Limited as a director and Chief Operating Officer in July 1995. He joined the Pacific Century Group in October 1997. Mr. Allen was educated in England and graduated from the University of Sussex with a degree in economics in July 1976. He is and has been a Member of the Institute of Chartered Accountants in England and Wales since November 1979, a Fellow of the Institute

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of Chartered Accountants in England and Wales since January 1990, a Fellow Member of CPA Australia since January 2010, a Member of the Institute of Certified Public Accountants of Singapore since October 1991 and a Fellow of the Institute of Certified Public Accountants of Singapore since August 2004.

Mr. CHUNG Cho Yee, Mico, aged 51, was appointed as a non-executive Director of the Trustee-Manager and the Company on 11 November 2011. Mr. Chung is the non-executive director of PCCW from May 2010 until the Listing Date. He was an executive director of PCCW from November 1996 who was responsible for merger and acquisition activities and was re-designated to a non-executive director of PCCW in May 2010. He joined the Pacific Century Group in March 1999. Mr. Chung graduated from University College, University of London in the United Kingdom, with a law degree in August 1983. Mr. Chung is currently the Chairman and an executive director of CSI Properties Limited which he joined in 2004. He is also an independent non-executive director of HKC (Holdings) Limited. He was an independent non-executive director of CIAM Group Limited between 9 March 2001 and 31 May 2008.

Mr. LU Yimin, aged 47, was appointed as a non-executive Director of the Trustee-Manager and the Company on 11 November 2011. Mr. Lu became a non-executive director of PCCW in May 2008. He is a member of the Nomination Committee and Regulatory Compliance Committee of the board of PCCW. Mr. Lu is an executive director and President of China Unicom (Hong Kong) Limited (“**Unicom HK**”). He is Vice Chairman and President of 中國聯合網絡通信集團有限公司 (China United Network Communications Group Company Limited[#]). He is also a director and President of China United Network Communications Limited and a director and President of China United Network Communications Corporation Limited. Mr. Lu joined China Network Communications Group Corporation (“**CNC**”) in December 2007, serving as senior management. Prior to joining CNC, Mr. Lu was a member of the Secretary Bureau of the General Office of the Chinese Communist Party Central Committee, serving as the deputy director and the director of the Information Processing Office since 1992, Secretary at deputy director general level since 2001 and Secretary at director general level since 2005. Mr. Lu is a professor level senior engineer and has extensive experience in government administration and business management. He graduated from Shanghai Jiao Tong University in July 1985 with a bachelor’s degree in computer science and then was awarded a master’s degree in public administration by the John F. Kennedy School of Government at Harvard University in the United States in June 2001.

Mr. LI Fushen, aged 48, was appointed as a non-executive Director of the Trustee-Manager and the Company on 11 November 2011. Mr. Li became a non-executive director of PCCW in July 2007. Mr. Li is an executive director and Chief Financial Officer of Unicom HK. He is Vice President of 中國聯合網絡通信集團有限公司 (China United Network Communications Group Company Limited[#]). He is also a director of China United Network Communications Limited and a director and Senior Vice President of China United Network Communications Corporation Limited. He served as a Senior Vice President of Unicom HK from February 2009 to March 2011. He served as an executive director of China Netcom Group Corporation (Hong Kong) Limited (“**CNC HK**”) since January 2007 and as Chief Financial Officer of CNC HK since September 2005. He served as Joint Company Secretary of CNC HK from December 2006 to March 2008. Since October 2005, he has served as Chief Accountant of CNC. From October 2003 to August 2005, he served as General Manager of the Finance Department of CNC. From November 2001 to October 2003, he served as Deputy General Manager of the former Jilin Provincial

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Telecommunications Company and Jilin Communications Company. Mr. Li graduated from the Australian National University with a master's degree in management in July 2004, and from the Jilin Engineering Institute with a degree in engineering management in July 1988. Mr. Li has worked in the telecommunications industry for a long period of time and has extensive management experience.

Independent non-executive Directors

Professor CHANG Hsin Kang, FREng, GBS, JP, aged 71, was appointed as an independent non-executive Director of the Trustee-Manager and the Company on 11 November 2011. He is also a member of the Company Audit Committee, Trustee-Manager Audit Committee, the Remuneration Committee, the Nomination Committee and the Regulatory Compliance Committee of the Company. Professor Chang is an independent non-executive director of PCCW from October 2000 to the Listing Date. Professor Chang became a Tsinghua University (Honorary Professor and) Wei Lun Senior Visiting Scholar in September 2007, and (Honorary Professor and) Yeh-Lu Xun Chair Professor at Peking University in February 2008. He was the President and University Professor of City University of Hong Kong from 1996 to 2007. Prior to that, he was the Dean of the School of Engineering at the University of Pittsburgh in the United States from 1994 to 1996, Founding Dean of the School of Engineering at Hong Kong University of Science and Technology from 1990 to 1994 and the Chairperson of the Department of Biomedical Engineering at the University of Southern California in the United States from 1985 to 1990. Professor Chang serves as a member of the National Committee of the Chinese People's Political Consultative Conference. He is a Foreign Member of the Royal Academy of Engineering of the United Kingdom, a Member of International Eurasian Academy of Sciences; and Chevalier dans l'Ordre National de la Légion d'Honneur as well as Commandeur dans l'Ordre des Palmes Académiques of France. He was appointed Justice of the Peace in July 1999 and awarded the Gold Bauhinia Star by the Government in July 2002. He obtained his bachelor's degree in civil engineering from the National Taiwan University in June 1962, a master's degree in structural engineering from Stanford University in the United States in June 1964 and a doctorate in fluid mechanics and biomedical engineering from Northwestern University in the United States in June 1969. Professor Chang is also an independent non-executive director of Hon Kwok Land Investment Company, Limited, Brightoil Petroleum (Holdings) Limited and Nanyang Commercial Bank, Limited.

Sir Rogerio (Roger) Hyndman LOBO, CBE, LLD, JP, aged 88, was appointed as an independent non-executive Director of the Trustee-Manager and the Company on 11 November 2011. He is the Chairman of both of the Regulatory Compliance Committee and the Nomination Committee of the Company, and a member of the Company Audit Committee, the Trustee-Manager Audit Committee and the Remuneration Committee of the Company. Sir Roger is an independent non-executive director of PCCW from August 1999 to the Listing Date. He is also a director of several organizations, including Shun Tak Holdings Limited, Johnson & Johnson (HK) Ltd., Kjeldsen & Co. (HK) Ltd., Pictet (Asia) Limited and Melco International Development Limited. Sir Roger's extensive record of public service includes membership of the Hong Kong Housing Authority, the Urban Council, the Executive Council and serving as a senior member of the Legislative Council. Sir Roger served as Commissioner of the Civil Aid Service, Chairman of the Hong Kong Broadcasting Authority, Chairman of the Advisory Committee on Post-retirement Employment and also served as Advisory Committee Chairman, Complaints Committee Member and Corruption Prevention Advisory Committee Member of Independent Commission Against Corruption. He currently serves as Chairman (Board of Trustees) of the Vision 2047 Foundation, Vice Patron of the Community Chest of Hong Kong, the Society of Rehabilitation and Crime Prevention, Hong Kong and as Advisory Board Member of the Hong Kong Aids Foundation. Sir Roger has received several awards and honors from the British Crown and the Vatican.

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The Hon Raymond George Hardenbergh SEITZ, aged 70, was appointed as an independent non-executive Director of the Trustee-Manager and the Company on 11 November 2011. He is the Chairman of the Remuneration Committee of the Company and a member of the Company Audit Committee and the Trustee-Manager Audit Committee. Mr. Seitz is an independent non-executive director of PCCW from February 2005 until the Listing Date. He was a non-executive director of PCCW from October 2000 and was re-designated as an independent non-executive director in February 2005. Mr. Seitz was Vice-Chairman of Lehman Brothers International from April 1995 to April 2003 and was United States Ambassador to Great Britain from 1991 to 1994. Prior to that, Mr. Seitz acted as the United States Assistant Secretary of State for Europe from 1989 to 1991 and Minister at the United States Embassy in London from 1984 to 1989. He was Non-Executive Chairman and a member of the Special Committee of Sun-Times Media Group, Inc. from July 2003 to January 2009.

Mr. Sunil VARMA, aged 67, was appointed as an independent non-executive Director of the Trustee-Manager and the Company on 11 November 2011. He is also the Chairman of both the Company Audit Committee and the Trustee-Manager Audit Committee and a member of the Nomination Committee of the Company. He is a certified chartered accountant as well as a cost and management accountant. He has extensive working experience of over 40 years including with Price Waterhouse Management Consultants and the IBM Consulting Group, specialising in management and business-problem consulting. He was the partner responsible for establishing and developing the Price Waterhouse consulting practice in Indonesia and was the Head of the Price Waterhouse consulting practice in Hong Kong until 1994. Mr. Varma was the vice president and principal responsible for the IBM Consulting Group in India between 1996 and 1998. He was the interim chief financial officer and managing director of Asia Online, Ltd. from 1999 to 2000 and was the interim chief financial officer of HCL - Perot Systems in India in 2003. Mr. Varma had previously worked in a number of countries in Africa and the Asia Pacific region including Australia, India, Indonesia, Hong Kong, Thailand and the PRC. He advised large multinationals as well as domestic companies in the areas of corporate governance, financial management, organisational strengthening, efficiency improvement, process re-engineering and business systems. He is experienced in a cross-section of industries including financial services, information technology, energy, fertilizers and steel. He had previously conducted several large assignments for public sector organisations, funded by World Bank, Asian Development Bank and other multi-lateral funding agencies. Mr. Varma is also a director and the chairman of audit committee of various companies in India including International Asset Reconstruction Company Pvt. Ltd., Shriram City Union Finance Ltd., Vistaar Livelihood Finance Pvt. Ltd. as well as a director and a member of the audit committee of Shriram EPC Ltd. in India. Mr. Varma obtained his Bachelor of Arts degree in mathematics and economics from Punjab University in July 1962. He has been an Associate member of the Institute of Chartered Accountants of India since August 1966 and a Fellow since June 1972, and an associate member of the Institute of Cost and Management Accountants of India since September 1975.

Summary of directorships

With effect from the Listing Date, each of Messrs. Arena, Allen and Chung, Professor Chang, Sir Roger Lobo and The Hon Raymond Seitz will resign as directors of PCCW.

In summary, in addition to being the Company Directors and the Trustee-Manager Directors, the directorships in PCCW Group, PCRD and China Unicom Group held by each of the Directors as at the Listing Date are set out below:

	<u>PCCW Group</u>	<u>PCRD</u>	<u>China Unicom Group</u>
Mr. LI Tzar Kai, Richard	<ul style="list-style-type: none"> • Chairman and executive director of PCCW • No directorships in subsidiaries of PCCW 	Chairman and executive director	None

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	PCCW Group	PCRD	China Unicom Group
Mr. Alexander Anthony ARENA	None	Non-executive director	None
Ms. HUI Hon Hing, Susanna	<ul style="list-style-type: none"> • Executive director of PCCW • Group Chief Financial Officer of the PCCW Group • Director in various PCCW Group companies 	None	None
Mr. Peter Anthony ALLEN	None	Group Managing Director and executive director	None
Mr. CHUNG Cho Yee, Mico	None	None	None
Mr. LU Yimin	<ul style="list-style-type: none"> • Non-executive director of PCCW • No directorships in subsidiaries of PCCW 	None	<ul style="list-style-type: none"> • Executive director and President of China Unicom (Hong Kong) Limited • Vice Chairman and President of 中國聯合網絡通信集團有限公司 (China United Network Communications Group Company Limited[#]) • Director and President of China United Network Communications Limited • Director and President of China United Network Communications Corporation Limited

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	PCCW Group	PCRD	China Unicom Group
Mr. LI Fushen	<ul style="list-style-type: none"> • Non-executive director of PCCW • No directorships in subsidiaries of PCCW 	None	<ul style="list-style-type: none"> • Executive director and Chief Financial Officer of China Unicom (Hong Kong) Limited • Vice President of 中國聯合網絡通信集團有限公司 (China United Network Communications Group Company Limited[#]) • Director of China United Network Communications Limited • Director and Senior Vice President of China United Network Communications Corporation Limited
Professor CHANG Hsin Kang, FREng, GBS, JP	None	None	None
Sir Rogerio (Roger) Hyndman LOBO, CBE, LLD, JP	None	None	None
The Hon Raymond George Hardenbergh SEITZ	None	None	None
Mr. Sunil VARMA	None	None	None

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SENIOR MANAGEMENT OF THE COMPANY

The following table sets forth certain information concerning the senior management:

Name	Position/Title
Mr. Paul BERRIMAN	Chief Technology Officer, Technology Strategy and Development
Mr. CHAN Kee Sun, Tom 陳紀新	Managing Director, Consumer Group
Mr. CHAN Wing Wa 陳永華	Managing Director, Engineering
Mr. CHOW Ding Man (Gary) 周鼎文	Managing Director, Commercial Group and Engineering
Mr. C Marc HALBFINGER 夏晉桓	Chief Executive Officer, PCCW Global
Mr. LEUNG Tak Sing, Dominic 梁德昇	Managing Director, Business Processes
Mr. Richard Wayne MIDGETT II	Managing Director, Wireless Business
Ms. Philana Wai Yin POON 潘慧妍	Group General Counsel and Company Secretary
Mr. Lindsay Scott SERVIAN	Acting Head of Group Human Resources and Customer Experience

Mr. Paul BERRIMAN, aged 54, is the Chief Technology Officer, Technology Strategy and Development, a position which he held since May 2007, having joined PCCW in 2002. Mr. Berriman is primarily responsible for leading the Group's product and technology roadmap and strategic development. Prior to his present appointment, he had held positions as Head of Strategic Market Development and SVP, Strategy and Marketing. Mr. Berriman has over 25 years of experience in telecommunications, media and convergence. In 2009 he was recognised by the IPTV World Forum with their Special Merit Award for Outstanding Industry Contribution. In 2008 he was listed as one of the Global Telecoms Business Magazine's top 100 "most influential persons in telecoms". Prior to joining PCCW in 2002, Mr. Berriman was the Managing Director of Arthur D. Little in Hong Kong, a management consultancy firm, and was involved in telecommunications consultancy projects globally. Previously he also held executive, technical, engineering and operations management roles in several major Hong Kong service providers including the Hong Kong Telephone Company and Hong Kong Telecom CSL. Mr. Berriman graduated with a Bachelor of Science degree in Electro-acoustics from the University of Salford in the UK in July 1979, and a Master of Business Administration degree from the University of Hong Kong in November 1985. He became a Chartered Engineer in June 1986 and is a full member of The Institution of Engineering and Technology, and a member of Intel Communications Board of Advisors, Intel Consumer Board of Advisors and Juniper Networks Executive Forum and Advisory Council. He has been a member of OFTA's Technical Standards Advisory Committee for over 12 years. He is not and has not been a director of any listed companies in the last three years.

Mr. CHAN Kee Sun, Tom, aged 53, is the Managing Director, Consumer Group, a position which he held since 2006. He is responsible for product development, marketing and promotion, customer sales network, customer service and back office technical support. Before his present appointment, Mr. Chan had held various management and executive positions within PCCW in the areas of finance, regulatory affairs, operations, as well as sales and marketing. As a professional accountant, Mr. Chan was engaged in audit and financial analyst positions prior to joining the HKTL group in 1988. Mr. Chan graduated from Cardiff University, UK with a Bachelor of Economics and Social Studies degree in July 1982. He is a fellow member of the Association of Chartered Certified Accountants since October 1990 and the Chartered Institute of Marketing in the UK since February 2001. He is not and has not been a director of any listed companies in the last three years.

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Mr. CHAN Wing Wa, aged 60, is the Managing Director, Engineering. He is primarily responsible for the planning and operation of the local fixed and mobile network which supports a full range of telecommunications services including voice, broadband data, interactive multimedia service and carrier services as well as large-scale customer projects serving the customers in Hong Kong and overseas. He started his career as a software engineer in the Standard Telephones and Cables Ltd. in the United Kingdom. He joined the Hong Kong Telephone Company in 1977 and has spent over 35 years in the telecommunications industry. He has held various senior positions in the network engineering departments of Hong Kong Telecom, Cable & Wireless HKT and PCCW. Mr. Chan became the Director of Network Operations in January 1998. He took up the position of Director of Chief Executive Office in November 1999 and was the Managing Director of Cascade Limited, a wholly owned technical services subsidiary of PCCW from 2003 to 2008. Mr. Chan gained a Polytechnic Diploma in Electrical and Electronic Engineering (with distinctions) in July 1975 from the Plymouth Polytechnic in the UK and a Diploma in Management for Executive Development (top in the class) in 1986 from the Chinese University of Hong Kong. He attended the International Executive Development training organised by INSEAD in 1994. Mr. Chan is a Chartered Engineer since October 1982 and a member of the Institution of Engineering and Technology since July 1982 and the Hong Kong Institution of Engineers since March 1986. He is not and has not been a director of any listed companies in the last three years.

Mr. CHOW Ding Man (Gary), aged 51, is the Managing Director, the Commercial Group and Engineering. He oversees the business for the enterprise and wholesales sectors, a leading call centre outsourcing business and the engineering services unit of the Group. He is also responsible for the development of ICT business in the Asia region. Mr. Chow joined HKTL Group in 1986 and later took the position of telecommunications system account manager. Later, he held senior positions in various functions including sales, product, marketing, strategy development, customer relationship management and call centre. Mr. Chow graduated with a Bachelor of Science degree from the University of Hong Kong in November 1984. He is the President of the Fixed Network & Valued Added Service Group of the Communications Association of Hong Kong. He is not and has not been a director of any listed companies in the last three years.

Mr. C Marc HALBFINGER, aged 49, is the Chief Executive Officer, PCCW Global, a position which he held since July 2007. He is primarily responsible for the integrated global communication solutions business. He has spent the past 23 years in media and telecommunications services with experience in cable TV, directories, cellular, and international voice, video, data and Internet. Mr. Halbfinger joined PCCW in May 2000 as the Senior Vice President, Business Development of Pacific Convergence Corporation, Ltd. covering Europe and North America markets where he was involved in early commercial development of “now TV”. In 2001, he helped found Beyond-The-Network, which later became part of PCCW Global, and was initially appointed as the President for Europe, Middle East, and Africa. Prior to joining PCCW, Mr. Halbfinger was a Vice President at Teleglobe serving the Mediterranean and South Europe. Previously, he was a senior manager at Global One, Sprint International, and a subsidiary of Southwestern Bell Corporation. Among other academic achievements, Mr. Halbfinger earned a Master of Science (Econ.) in international relations from the London School of Economics and Political Science in August 1988. He is not and has not been a director of any listed companies in the last three years.

Mr. LEUNG Tak Sing, Dominic, aged 56, is the Managing Director, Business Processes, which was formed in November 2009. He is responsible for reviewing and overhauling PCCW’s business processes and related systems. Mr. Leung has more than 25 years of experience in information and communications technologies, including 10 years in broadband TV planning and operations. Prior to his present appointment, he had been the Managing Director of TV & New Media since 2006, where he was responsible for “now TV”, MOOV, and now.com.hk, as well as business development of IPTV

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opportunities internationally. Mr. Leung joined Cable & Wireless HKT's multimedia business unit in 1994. His previous appointments included the Executive Vice President of Consumer Marketing & Business, responsible for marketing, product development and management of PCCW's consumer telephone and broadband services. Mr. Leung graduated from the University of Toronto with a Bachelor of Arts degree in June 1979, and from Canada's University of Windsor with a Bachelor of Commerce degree in May 1980. He is not and has not been a director of any listed companies in the last three years.

Mr. Richard Wayne MIDGETT II, aged 56, is the Managing Director, Wireless Business. He is primarily responsible for the application and development of the wireless business. He has over 30 years of experience in the telecommunications industry. Mr. Midgett began his career with Cable & Wireless USA, where he served in a range of technical roles in nationwide field service operations and exchange engineering. After joining Hong Kong Telecom CSL in 1989, he took up roles spanning the areas of business development, product development, government policy and regulation, and lastly overseeing the commercial line-of-business for roaming, international, carrier and wholesale services before moving to PCCW in 2007. Mr. Midgett's most notable industry activities include serving as chairman and a member of the governing committee of the GSM Association and GSM Asia Pacific and as a member of the board of governors of the Universal Wireless Communications Consortium. He is not and has not been a director of any listed companies in the last three years.

Ms. Philana Wai Yin POON, aged 43, is the Group General Counsel and Company Secretary. She has been the Group General Counsel since 2004 and the Company Secretary since 2007. Ms. Poon holds directorships in various PCCW Group companies. She is primarily responsible for legal and secretarial matters of the Group. She has over 15 years of post qualification experience both in private practice and in-house. Ms. Poon has held various senior positions since she joined HKTL in 1998 as Group Legal Advisor. Prior to joining PCCW, Ms. Poon was in private practice from 1992 to 1998. Ms. Poon earned a Bachelor of Commerce degree from the University of Toronto in November 1989 and a Doctor of Law degree from Cornell University in May 1992. She is not and has not been a director of any listed companies in the last three years.

Mr. Lindsay Scott SERVIAN, aged 49, is the Acting Head of Group Human Resources and Customer Experience. In his role as the Acting Head of Group Human Resources, Mr. Servian is responsible for human resource management for the Group. In his capacity as Acting Head of Customer Experience, Mr. Servian leads the Group's efforts to raise its customer service standards, and customer's experience with the Group. Prior to this, he was the Managing Director, Advertising and Interactive Services responsible for the sale of advertising and transaction-based services to third party clients in Hong Kong and China riding on PCCW's quad play. Prior to joining PCCW in 2001, Mr. Servian worked in i-Onyx (HK) Limited, a listed company, as Chief Operating Officer and Executive Director, and before that in Cable & Wireless plc where, between 1997 and 2000, he was Managing Director of Cable & Wireless Teleservices HK, and Managing Director, Chairman and General Manager of Cable & Wireless Teleservices, Taiwan. Mr. Servian has worked in the telecommunications industry since 1986, and has spent the past 20 years in Asia. During this time he has held management and executive positions in business development, strategy, human resources, customer service, advertising and interactive services, call-centres, satellite and submarine cable systems, and in mobile and fixed network systems. Mr. Servian earned an M.A. Honours in Economic Science from the University of Aberdeen in July 1984, and studied corporate finance in a London Business School programme. He is not and has not been a director of any listed companies in the last three years.

TRUSTEE-MANAGER SECRETARY AND COMPANY SECRETARY

Ms. Philana Wai Yin POON, the Group General Counsel and Company Secretary. Please refer to the information on Ms. Poon in the paragraph headed "Senior management of the Company" in this section above.

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TRUSTEE-MANAGER AUDIT COMMITTEE

The Trustee-Manager has established the Trustee-Manager Audit Committee. The primary duties of the Trustee-Manager Audit Committee are to oversee the financial reporting process and internal control procedure of the HKT Trust, to review the financial information of the HKT Trust and to consider issues relating to the external auditors. The audit committee consists of four independent non-executive directors of the Trustee-Manager; and the Trust Deed requires that the membership of the Trustee-Manager Audit Committee and the Company Audit Committee must be the same. Members of the Trustee-Manager Audit Committee are:

Mr. Sunil VARMA (*Chairman*)
Professor CHANG Hsin Kang, FREng, GBS, JP
Sir Rogerio (Roger) Hyndman LOBO, CBE, LLD, JP
The Hon Raymond George Hardenbergh SEITZ

COMPANY BOARD COMMITTEES

Company Audit Committee

The Company established the Company Audit Committee with effect from the Listing Date pursuant to a resolution of the Company Directors passed on 11 October 2011 in compliance with Rules 3.21 to 3.23 and Appendix 14 of the Listing Rules. The primary duties of the Company Audit Committee are to oversee the financial reporting process and internal control procedure of the Group, to review the financial information of the Group and to consider issues relating to the external auditors.

The Company Audit Committee consists of four independent non-executive directors of the Company; and the Trust Deed requires that the membership of the Company Audit Committee and the Trustee-Manager Audit Committee must be the same.

Members of the Company Audit Committee are:

Mr. Sunil VARMA (*Chairman*)
Professor CHANG Hsin Kang, FREng, GBS, JP
Sir Rogerio (Roger) Hyndman LOBO, CBE, LLD, JP
The Hon Raymond George Hardenbergh SEITZ

Remuneration committee

The Company established a remuneration committee with effect from the Listing Date pursuant to a resolution of the Company Directors passed on 11 October 2011 in compliance with Appendix 14 to the Listing Rules. The primary duties of the remuneration committee are to make recommendations to the Company Board on the Company's policy and structure for all remuneration of directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration.

Members of the remuneration committee are:

The Hon Raymond George Hardenbergh SEITZ (*Chairman*)
Professor CHANG Hsin Kang, FREng, GBS, JP
Sir Rogerio (Roger) Hyndman LOBO, CBE, LLD, JP
Mr. LU Yimin

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Nomination committee

The Company established a nomination committee with effect from the Listing Date pursuant to a resolution of the Company Directors passed on 11 October 2011 in compliance with Appendix 14 to the Listing Rules. The primary duties of the nomination committee are to make recommendations to the Company Board on the appointment and re-appointment of directors, structure, size and composition of the Company Board to ensure fair and transparent procedures for the appointment and re-appointment of directors to the Company Board.

Members of the nomination committee are:

Sir Rogerio (Roger) Hyndman LOBO, CBE, LLD, JP (*Chairman*)
Professor CHANG Hsin Kang, FREng, GBS, JP
Mr. LI Tzar Kai, Richard
Mr. LU Yimin
Mr. Sunil VARMA

PRC business development committee

The Company established the PRC business development committee with effect from the Listing Date pursuant to a resolution of the Company Directors passed on 11 October 2011. The primary duties of the PRC business development committee are to advise on possible opportunities for expanding the Group's operations in the PRC and monitoring the use of funds allocated and approved by the Company Board or relevant committee for PRC opportunities.

Members of the PRC business development committee are:

Ms. HUI Hon Hing, Susanna
Mr. LI Fushen
Mr. LI Tzar Kai, Richard
Mr. LU Yimin

Regulatory compliance committee

The Company established a regulatory compliance committee with effect from the Listing Date pursuant to a resolution of the Company Directors passed on 11 October 2011. The primary duties of the regulatory compliance committee are to review and monitor dealings with primarily the Hutchison Whampoa Group to ensure all dealings with these entities are conducted on an arm's length basis.

Members of the regulatory compliance committee are:

Sir Rogerio (Roger) Hyndman LOBO, CBE, LLD, JP (*Chairman*)
Professor CHANG Hsin Kang, FREng, GBS, JP
Mr. LU Yimin

Executive committee

The Company established the executive committee of the Company Board with effect from the Listing Date pursuant to a resolution of the Company Directors passed on 11 October 2011. The executive committee operates as a general management committee with overall delegated authority from the Company Board. The executive committee determines group strategy, reviews trading performance, ensures adequate funding, examines major investments and monitors management performance. The executive committee reports through the Chairman of the Company Board.

THE TRUSTEE-MANAGER AND THE COMPANY

Members of the executive committee are:

Mr. LI Tzar Kai, Richard
Mr. Alexander Anthony ARENA
Ms. HUI Hon Hing, Susanna
Mr. LU Yimin

Finance and management committee

The Company established the finance and management committee with effect from the Listing Date pursuant to a resolution of the Company Directors passed on 11 October 2011. The finance and management committee meets on a regular basis to review management and strategic matters across the Group and to set overall financial objectives and policies.

Members of the finance and management committee are:

Mr. Alexander Anthony ARENA (*Chairman*)
Ms. HUI Hon Hing, Susanna
Mr. LI Fushen

DIRECTORS' REMUNERATION AND REMUNERATION OF FIVE HIGHEST PAID INDIVIDUALS

As the Directors joined the Company in 2011, no remuneration was paid or is payable to any Director during the three years ended 31 December 2010. Save for Mr. Varma, an independent non-executive Director, all other Directors received remuneration from the PCCW Group in respect of their services to the PCCW Group including the Group. The amounts paid by the PCCW Group were not specifically allocated between their services to the Group and their services to the PCCW Group, respectively, as there is no arrangement to recharge the Group such expenses and it is not meaningful to perform a retrospective allocation of the services rendered by the Directors to the various group companies within the PCCW Group. Under the current arrangements, the aggregate remuneration and benefits in kind payable to the Directors for the year ending 31 December 2011 are estimated to be about HK\$2.5 million.

During the three years ended 31 December 2010 and the six months ended 30 June 2011, the aggregate of fees, salaries, housing allowances, other allowances, benefits in kind (including contribution to the Group's retirement scheme on behalf of the five highest paid individuals) or any bonuses paid by the Group to the five highest paid individuals (excluding the Directors) were approximately HK\$1.7 million, HK\$30.8 million, HK\$24.6 million and HK\$17.9 million, respectively.

In respect of the three years ended 31 December 2010, no remuneration was paid to the Directors or the five highest paid individuals as an inducement to join or upon joining the Group. No compensation was paid to, or receivable by, the Directors or past directors of the Company or the five highest paid individuals for the loss of office as director of any member of the Group or of any other office in connection with the management of the affairs of any member of the Group. None of the Directors has waived any emoluments.

Further information about the service agreements entered into between the Company and the Directors is set out in the paragraph headed "Particulars of service contracts and letters of appointment" in Appendix V to this prospectus.

THE TRUSTEE-MANAGER AND THE COMPANY

COMPLIANCE ADVISER

The Company has appointed Anglo Chinese Corporate Finance Limited as its compliance adviser pursuant to Rule 3A.19 of the Listing Rules to provide advisory services to the Company. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise the Company in the following circumstances:

- (a) before the publication of any regulatory announcement, circular or financial report;
- (b) where a transaction, which might be a notifiable or connected transaction, is contemplated;
- (c) where the Company proposes to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where the Group's business activities, developments or results of operation deviate from any forecast, estimate or other information in this prospectus; and
- (d) where the Stock Exchange makes an inquiry regarding unusual movements in the price or trading volume of the Share Stapled Units.

The term of the appointment will commence on the Listing Date and end on the date on which the Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for year 2012, for the first full financial year commencing after the Listing.

RETIREMENT OR REMOVAL OF THE TRUSTEE-MANAGER

Under the Trust Deed, the Trustee-Manager may be removed as trustee-manager of the HKT Trust, by the Registered Holders of Units only by an Ordinary Resolution of Registered Holders of Units, or it may resign as trustee-manager. Any removal or resignation of the Trustee-Manager must be made in accordance with the procedures as set out in the Trust Deed. Any purported change of the Trustee-Manager of the HKT Trust is ineffective unless it is made in accordance with the Trust Deed. The removal or resignation shall only be effective upon the original trustee-manager or the resigning trustee-manager (as the case may be) having taken all necessary steps to transfer legal title to all Trust Property to the incoming trustee-manager, including but not limited to the Ordinary Shares. The responsibilities and obligations of the Trustee-Manager which is being removed or is resigning will only cease, and the responsibilities and obligations of the incoming trustee-manager will only commence, on all those necessary steps having been completed.

The Trustee-Manager will remain the trustee-manager of the HKT Trust until another person is appointed by the Registered Holders of Units to be the trustee-manager of the HKT Trust by an Ordinary Resolution of Registered Holders of Units and such appointment shall be effective from the date stated in the resolution of the Registered Holders of Units. An announcement will be made when there is any change of Trustee-Manager or the Directors.

Please refer to the section headed "The Constitution of the HKT Trust — Effects of change of the Trustee-Manager" in this prospectus for more detailed information regarding changes of the Trustee-Manager.

FINANCIAL STATEMENTS

The Trustee-Manager will prepare accounts of the HKT Trust in accordance with the relevant laws and regulations and HKFRS with a financial year end of 31 December and a financial half-year of 30 June. An annual report will be issued by the Trustee-Manager to Registered Holders of Share Stapled Units within the period prescribed by the Listing Rules for the publication of the annual reports and accounts of the HKT Trust.

THE TRUSTEE-MANAGER AND THE COMPANY

The Trustee-Manager Board will confirm in the Annual Report that:

- (i) charges paid or payable out of the Trust Property of the HKT Trust to the Trustee-Manager are in accordance with the Trust Deed;
- (ii) connected transactions (as defined in the Listing Rules) are entered into (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or on terms no less favourable to the Group than terms available to or obtained from the independent third parties with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Holders of Share Stapled Units as a whole; and
- (iii) the Trustee-Manager Board is not aware of any violation of duties of the Trustee-Manager which would have a materially adverse effect on the business of the HKT Trust or on the interests of all the Holders of Share Stapled Units as a whole.

Such statement must be attached to the profit and loss accounts of the HKT Trust.

The Company will prepare accounts of the Company in accordance with the relevant laws and regulations and HKFRS with a financial year end of 31 December and a financial half-year end of 30 June. An annual report will be issued by the Company to Registered Holders of Share Stapled Units not less than 21 days before the annual general meeting of the Registered Holders of Share Stapled Units and in any event not more than four months after the end of the financial year of the Company and the interim report no later than three months after the end of that period of six months.

The first reporting period of the HKT Trust and the Company will be from 1 January 2011 to 31 December 2011. The first annual report of the HKT Trust and the Company will cover the period to 31 December 2011.

The HKT Trust and the Company will also each issue interim reports in accordance with the requirements of the Listing Rules and all relevant laws respectively applicable to them.

The Trustee-Manager will also prepare its accounts in accordance with the relevant laws and regulations and HKFRS with a financial year end of 31 December and a financial half-year end of 30 June. Such accounts of the Trustee-Manager will be issued by the Trustee-Manager to the Registered Holders of Share Stapled Units at the same time as the annual report of the HKT Trust and the annual report of the Company are issued to the Registered Holders of Share Stapled Units, which will be not less than 21 days before the annual general meeting of the Registered Holders of Share Stapled Units and in any event not more than four months after the end of the financial year of the Trustee-Manager and the interim report not more than three months after the end of that period of six months.

The financial statements of the HKT Trust and the Company referred to above shall be prepared on a consolidated basis. The financial statements of the Trustee-Manager referred to above shall be prepared on an unconsolidated basis, unless the Trustee-Manager has any subsidiaries, in which case those financial statements shall be prepared on a consolidated basis.

The financial statements of the HKT Trust, the Company and the Trustee-Manager referred to above shall include:

- (i) a balance sheet, income statement and cashflow statement;
- (ii) a distributions statement (in respect of the HKT Trust and the Company only);
- (iii) comparative figures for each of the foregoing for the corresponding previous period;

THE TRUSTEE-MANAGER AND THE COMPANY

- (iv) accounting policies and explanatory notes;
- (v) in respect of the annual accounts for a full financial year, an auditor's report; and
- (vi) such other information as may be prescribed by the Listing Rules, including but not limited to any and all corporate governance reports required by the Listing Rules.

The Trustee-Manager's corporate governance report referred to above shall include a description of the policies and measures taken by the Trustee-Manager to manage conflicts and potential conflicts of interests between (1) the HKT Trust and (2) any Unitholder holding 30% or more of the Units in issue, or any director or shareholder of the Trustee-Manager holding 30% or more of the issued shares in the Trustee-Manager.

RELATIONSHIP WITH PCCW

OVERVIEW

PCCW was incorporated in Hong Kong with limited liability. PCCW's shares are listed on the Stock Exchange (Stock Code: 0008) and traded in the form of ADRs on the OTC Markets Group Inc. in the U.S. (Ticker: PCCWY).

PCCW is one of the leading media, telecommunications and information and communications providers in Hong Kong. The principal activities of PCCW and its subsidiaries are the provision of local, mobile and international telecommunications services, Internet access services, interactive multimedia and pay-television services, the sale and rental of telecommunications equipment, and the provision of computer, engineering and other technical services primarily in Hong Kong, the PRC and elsewhere in the Asia Pacific region. PCCW also has investments in, and is engaged in the development of, systems integration, network engineering and technology-related businesses; and has investments in, and is engaged in the development of, infrastructure and properties businesses in Hong Kong, the PRC and elsewhere in the Asia Pacific and Middle East regions.

PCCW is the first and only provider in Hong Kong to offer a “quadruple-play” service, a range of media content and services integrated across four platforms: fixed-line, broadband access, television, and mobile, delivered through the Group's established telecommunications infrastructure and delivery platforms. In addition, the Group provides corporate information technology and network support and is involved in large-scale information technology outsourcing projects for public and private sector organisations.

The PCCW Group has the following principal business divisions:

- **Telecommunications:** the Telecommunications Business as described in “The Business of the Group”.
- **Media:** the PCCW Group's television and ‘new media’ operations are under the Media Group, which include the operation and business development of “now TV”, Hong Kong's largest pay-TV provider by number of subscribers, the online business of now.com.hk and the related advertising and interactive businesses that include YP (Yellow Pages) directories. These businesses are referred to herein, collectively, as the “**Media Business**”.
- **Solutions (information technology and business process outsourcing):** through the PCCW Solutions brand, the Solutions Group is responsible for a growing number of large-scale IT projects in the public and private sectors. The Solutions Group, through the PCCW Solutions brand, has developed significant experience and expertise across the Greater China region, and provides innovative technological solutions via data centres in Hong Kong and outsourced development centres in Beijing, Shanghai, Guangzhou and Xi'an. Its key business divisions are:
 - outsourcing and managed service;
 - systems solutions development and integration;
 - technical service and infrastructure solutions; and
 - business process outsourcing and logistics services.

These businesses are referred to herein, collectively, as the “**Solutions Business**”.

- **Property:** through its subsidiary, PCPD, a company listed on Stock Exchange and the PCPD Group, the PCCW Group engages in the development and management of premium property and infrastructure projects, as well as investment in premium-grade buildings, in the Asia Pacific region. These businesses are referred to herein, collectively, as the “**Property Business**”.

RELATIONSHIP WITH PCCW

- **Other PCCW Businesses:** principally consists of the UK Broadband business, which designs and supplies wireless solutions, and is a distributor of wireless equipment, to the public sector and channel partner in the UK. In addition, the PCCW Group has a number of other remaining businesses, which include managing a portfolio of investments. These businesses are generally either small operations, or inactive.

The Media Business, the Solutions Business, the Property Business and the Other PCCW Businesses are collectively referred to as the “**Remaining Group**”.

HISTORY AND MILESTONES

PCCW is one of the leading media, telecommunications and information and communications providers in Hong Kong. It acquired HKTL in August 2000.

In the fourth quarter of 2008, PCCW effected an organisational restructuring aimed at rationalising and streamlining the structure and operations of PCCW’s telecommunications services, mobile, media and IT solutions businesses under a then newly incorporated holding company, HKTGH, in order to improve operational efficiencies.

PORTFOLIO OF PCCW

Employing approximately 19,800 employees as at 30 June 2011, PCCW is headquartered in Hong Kong and maintains a presence in the PRC, Hong Kong, Macau, Japan, Korea, Malaysia, Saudi Arabia, Singapore, Taiwan, United States and United Kingdom.

STRATEGY

PCCW intends to continue to optimise the performance of its existing operations and to strengthen its existing position as one of the leading telecommunications, media and information and communications providers in Hong Kong.

PCCW intends to focus on the growth businesses (comprising the Media Business and the Solutions Business), crystallise the value of the growth businesses through increasing visibility and additional funding and align those businesses with an investor base that favours high growth businesses. After the proposed spin-off of the Group from the PCCW Group, the Solutions Business and the Media Business will continue to drive the future operations of PCCW. PCCW intends to establish a strategic priority around growing the Media Business for it to become the leading interactive Media platform operator, providing compelling content through in-house production and aggregation, delivered through multiple strategies including IPTV and the Internet. On the other hand, the Solutions Business has established itself as a premier Information Technology Outsourcing and Business Process Outsourcing provider in Hong Kong, and plans to expand geographically by building its presence in the PRC.

RELATIONSHIP WITH PCCW

Immediately following the completion of the Global Offering, PCCW is expected to hold approximately 68.0% of the ownership interest in the HKT Trust and the Company (being the interest in the HKT Trust and the Company before the exercise of the Over-Allotment Option in full and before the PCCW Distributions).

RELATIONSHIP WITH PCCW

Following the completion of the Global Offering, the Company will remain a subsidiary of PCCW (and the HKT Trust will be majority controlled by PCCW) while the Trustee-Manager will be a wholly-owned subsidiary of PCCW.

Upon completion of the Global Offering, PCCW's business will include the interest in the HKT Trust and the Company as described above, the Media Business, the Solutions Business, the Property Business and the Other PCCW Businesses. The Telecommunications Business is one distinct business amongst the range of diversified businesses of the PCCW Group.

INDEPENDENCE OF THE HKT TRUST AND THE COMPANY FROM THE REMAINING GROUP

The Board is satisfied that the HKT Trust and the Company can carry on business independently of the Remaining Group and its associates after the Listing on the basis of the following:

- **Clear delineation between the Telecommunications Business and the Remaining Group**

It is acknowledged that there will be a continuing relationship between the Group and the Remaining Group, including the Media Group and the Solutions Group. In essence, the Media Group is reliant on the Group for the provision of network and related services given that the “now TV” product is delivered to the consumer via the Group's broadband network. In turn, the Group is reliant on the Media Group for the provision of media content which it is capable of offering to customers as part of a “bundled service” over the platforms offered by the Group.

That said, the essence of each side's business is clearly delineated. The Media Group presently focuses on the creation and acquisition of media content for broadcast to its principal customers, being the subscribers of the “now TV” service. On the other hand, the Group's focus is as owner and operator of telecommunications networks. As “now TV” and the new media services operated and being developed by the Media Group are capable of being viewed over platforms other than television, such as mobile telephones, Internet and fixed-line “**eye**” phone screens, being platforms offered and operated by the Group, there is a close degree of co-operation between the Media Group and the Group, with the bundled-selling of products to customers of both.

Similarly, the Solutions Group is reliant on the Group for the provision of certain connectivity services, linking various data centres or other network sites operated by the Solutions Group. The Group is reliant on the Solutions Group for the provision of customised solutions services such as help desk services, problem management, change management, production services, system and database support, IT security services, data centre services, backup management, service level management, disaster recovery services, systems solutions development and integration services including application management services as well as business processing, order fulfilment and logistical services. Nevertheless, the nature of the Solutions Business is clearly distinct and delineated from that of the Telecommunications Business: the former deals with software and IT systems and the latter deals with telecommunications networks. Through the regime to be put in place as described below, the HKT Trust and the Company are confident that the business between the Group and the Remaining Group will be conducted on arm's length, normal commercial terms.

Owing to the nature of the technology used in the telecommunications and media industries, it is natural that there would be some convergence of the services provided. However there is a clear and fundamental distinction between the three businesses. The Telecommunications Business is a telephone company, principally providing fixed and mobile connectivity services; the Media

RELATIONSHIP WITH PCCW

Business is a pay television company, principally focused on content and pay television services; and the Solutions Business principally deals with IT system deployment and integration work. The Directors believe that each of the Group and the Remaining Group can function, operate and carry on business independently of each other based on the following reasons:

- (a) Each of the Telecommunications Business, the Media Business and the Solutions Business has an established and substantial business in its own right. The revenue of each of the Telecommunications Business, the Media Business and the Solutions Business for the year ended 31 December 2010 was approximately HK\$18,527 million, HK\$2,383 million and HK\$2,039 million, respectively.
- (b) Each of the Telecommunications Business, the Media Business and the Solutions Business is led by its own management team which possesses a wealth of experiences in its industry. The Telecommunications Business is led by a management team that has track record in both the development and delivery of telecommunications services as well as in the execution of its business strategies. The Media Business is led by a management team experienced in broadcasting, productions, content acquisition and sales and marketing with strong media background from major broadcasters of free and pay television operators and from consumer services industries. The Solutions Business has an experienced management team that has deep understanding of the Hong Kong and China IT solutions markets. Each of these businesses has its own staff force where the Telecommunications Business had 15,626 employees as at 31 August 2011 while the Media Business and the Solutions Business employed 1,492 and 2,657 employees, respectively, as at 31 August 2011.
- (c) The transactions between each of (i) the Group with the Media Group; and (ii) the Group with the Solutions Group, are not material in value as far as the Group is concerned. On an aggregated annual basis, the capped amounts payable by each of (i) the Group to the Media Group, or vice versa; and (ii) the Group to the Solutions Group, or vice versa; does not exceed 5% in percentage ratios (other than the profits ratio) by reference to the Group's financial results for the year ended 31 December 2010. Please see the section headed "Connected transactions" in this prospectus for details of the continuing connected transactions.

To address potential conflicts of interests between the Remaining Group and the Group, the following procedures will be adopted:

- (a) the Company will enter into (i) the Non-Compete Agreement for Media Restricted Business and (ii) the Non-Compete Agreement for Solutions Restricted Business with PCCW; and (iii) PCCW will enter into the Non-Compete Agreement for Telecommunications Restricted Business with the Company, the details of which are set out in the paragraph headed "Potential conflicts of interest — Non-Compete Agreements" below;
- (b) the HKT Trust and the Company will each maintain a sufficient level of independence of directorship and management from the Remaining Group. Further details are discussed in the paragraph headed "Independence of management and directorship" below. The majority of the Directors will have no role in, and be independent from, the Remaining Group. Moreover, the Remaining Group will have a team of full-time senior management and employees focused exclusively on the business of the Remaining Group;
- (c) the management structure of the Remaining Group includes and will continue to include an audit committee, a remuneration committee, a nomination committee and a regulatory compliance committee for the Remaining Group, the terms of reference of each of which will

RELATIONSHIP WITH PCCW

require them to be alert to prospective conflict of interest issues and to formulate their proposals accordingly (the Group, under the HKT Trust and the Company, will also have its own audit committee, remuneration committee, nomination committee and regulatory compliance committee); and

- (d) any connected transactions or continuing connected transactions between the Remaining Group and the Group will be transacted in compliance with the Listing Rules. Further details are discussed in the paragraph headed “Independence of management and directorship” below.

Further, in order to protect the interest of the Group to ensure no interruption of its business operations, PCCW undertakes to the Company that it shall procure that each of HKTC and HKTL complies with its obligations under the licensing arrangements in respect of land and/or buildings the use or occupation of which is licensed by them to the Group, and, in particular, not to attempt to dispose of any land and/or buildings which are subject to private treaty grants by the Government to a third party.

- **Financial independence of the Group from PCCW**

The Group will be financially independent of PCCW.

- (a) Performance bonds and corporate guarantees

There are a limited number of performance bonds in the name of companies in the Remaining Group which utilise the bank facilities of the Group. As at the Latest Practicable Date, performance bonds in the aggregate amount of approximately HK\$138.9 million had been issued by the relevant banks to customers of the Solutions Group or the Media Group in respect of work being undertaken by the Solutions Group or the Media Group for those customers.

In addition, in support of certain performance obligations of a member of the Remaining Group, the Group has also entered into certain guarantees in favour of the independent third parties with whom the member of the Remaining Group has contracted for the supply of certain services or lease or licence of certain equipment or software. As at the Latest Practicable Date, the estimated aggregate contingent liability of the Group in respect of all of these corporate guarantees was approximately HK\$441.6 million.

So far as practicable, the Company will seek to work with PCCW and the relevant parties to seek to novate the relevant guarantee obligations to other entities within the Remaining Group. Moreover, on an ongoing basis following Listing, the Company does not intend that any member of the Group will issue any corporate guarantee for any member of the Remaining Group. Therefore, the Company does not expect the outstanding amount of performance bonds to increase after the Listing. In addition, PCCW had unutilised banking facilities of HK\$595 million as at 30 June 2011.

To protect the Group from any liability in respect of these performance bonds and corporate guarantees, PCCW has on 8 November 2011 entered into a back-to-back deed of indemnity in favour of the Company for itself and on behalf of members of the Group pursuant to which PCCW irrevocably agrees to act, so far as it can, as primary obligor, or otherwise indemnify the Company and/or the relevant member of the Group, on demand, against all losses, claims, damages, costs and liabilities which any of them may sustain in connection with any of the performance bonds and corporate guarantees referred to above.

RELATIONSHIP WITH PCCW

Please see the section headed “Connected transactions — F. Financial assistance — Financial assistance by the Group for the benefit of the PCCW Group — (29) Use of bank facilities” in this prospectus for further details of the performance bonds and “Connected transactions — F. Financial assistance — Financial assistance by the Group for the benefit of the PCCW Group — (30) Corporate guarantees in support of the obligations of PCCW Solutions Limited” in this prospectus for further details of the corporate guarantees.

(b) Inter-company debt

The net amount due to ultimate holding company and fellow subsidiaries by the Group as at 30 June 2011 was approximately HK\$2.7 billion which principally arose from intercompany funding. Any outstanding balance of this immediately before the spin-off and separate listing of the Group will be capitalised upon the Global Offering. Such inter-company debt was created as a result of the 2008 Restructuring where Hong Kong Telecommunications (HKT) Limited obtained banking facilities to finance the acquisition of the business and assets from HKTC and subsequently, Hong Kong Telecommunications (HKT) Limited borrowed from other members of the Remaining Group for the repayment of such banking facilities. Such inter-company debt will not undermine the financial independence of the Group as it generates positive cash flows year on year and, thus, it is not dependent upon this inter-company balance.

(c) Guarantees in respect of three series of notes

Furthermore, HKTC, a member of the Remaining Group, has in the past provided guarantees to co-guarantee debt repayment obligations of the Group under three series of notes. Each series of notes has been issued by a different special purpose vehicle within the Group. The original (sole) guarantor, in each case, was HKTC as HKTC was formerly (i) the holding company of each of the special purpose vehicles; and (ii) the principal domestic operating entity and holder of the domestic fixed-line telecommunications licence.

However, in the 2008 Restructuring, HKTC transferred its business and assets, including the note-issuing special purpose vehicles, to Hong Kong Telecommunications (HKT) Limited, a company within the Group. New guarantees for each series of notes were issued to the noteholders by each of Hong Kong Telecommunications (HKT) Limited (as the ‘successor entity’ to the business and assets of HKTC) and HKTGH (as the new holding company of the Telecommunications Business, the Solutions Business and the Media Business). No consent was required to be given by noteholders for the provision of these new guarantees, rather it was Hong Kong Telecommunications (HKT) Limited and HKTGH’s obligation to provide them in the context of purchasing HKTC’s business and assets.

The new guarantees were given by way of supplemental indenture to the relevant indenture in respect of the notes. In each case, the supplemental indenture was exercised by, amongst others, Hong Kong Telecommunications (HKT) Limited and HKTGH and the trustee of the notes for the benefit of noteholders. These guarantees were issued as additional joint and several (equal ranking) guarantees and not as replacement guarantees, meaning that, in theory, HKTC, a company within the Remaining Group, retains a liability in respect of each series of notes. However, in practice HKTC’s residual guarantee is effectively worthless as it is, in essence, a shell company (unlike each of Hong Kong Telecommunications (HKT) Limited and HKTGH which are companies of substance and would be the only entities against which the noteholders could enforce any meaningful recovery). As these guarantees were given prior to the 2008 Restructuring, which was before the transfer of all businesses and

RELATIONSHIP WITH PCCW

assets of HKTC to Hong Kong Telecommunications (HKT) Limited, the continual existence of these guarantees in respect of the three series of notes were merely for the reasons that (i) HKTC remains the title holder to the grants of private treaty properties from the Government on which 69 telephone exchanges are operated. HKTC's interest in the private treaty grants is a nominal interest, the beneficial interest having been acquired by Hong Kong Telecommunications (HKT) Limited in the 2008 Restructuring; and (ii) the administrative inconvenience and difficulties associated with convening meetings of the noteholders to seek consents to the removal of HKTC as a guarantor.

In the context of the 2008 Restructuring, and to the maximum extent permitted by the terms of the private treaty grants, HKTC granted, pursuant to a licence agreement dated 28 November 2008, to Hong Kong Telecommunications (HKT) Limited, a licence to install, store, operate and maintain equipment, machinery, chattels and installations at the PTG Telephone Exchanges and respective rights of pre-emption to purchase the PTG Telephone Exchanges for a nominal consideration if HKTC is successful in obtaining the relevant government consent. HKTC continues to meet and defray all costs, expenses and outgoings of the PTG Telephone Exchanges (including but not limited to rates and Government rent) but Hong Kong Telecommunications (HKT) Limited is responsible for re-imbursing HKTC the outgoings on a periodic basis. HKTC is required to pay the amount of any income or profit received by HKTC to Hong Kong Telecommunications (HKT) Limited in respect of the PTG Telephone Exchanges.

Moreover, in the event of a disposal of any of the PTG Telephone Exchanges to a third party, as might be initiated by Hong Kong Telecommunications (HKT) Limited, HKTC would pay the entire net proceeds from the disposal to Hong Kong Telecommunications (HKT) Limited. Thus, as regards independent third parties, there is a pass-through to Hong Kong Telecommunications (HKT) Limited of all costs and proceeds in respect of the PTG Telephone Exchanges.

As between HKTC and Hong Kong Telecommunications (HKT) Limited, the parties treat each other as if Hong Kong Telecommunications (HKT) Limited is the beneficial owner of the PTG Telephone Exchanges, reflected in the fact that Hong Kong Telecommunications (HKT) Limited paid HKTC an aggregate consideration of approximately HK\$1.9 billion for the licence. This equated to the market value of the property interests at the time of the 2008 Restructuring. As such, although HKTC remains the title holder to the PTG Telephone Exchanges, its interest in them is, effectively, nominal.

The business and corresponding assets of HKTC were transferred to Hong Kong Telecommunications (HKT) Limited in the 2008 Restructuring. HKTL was previously the listed holding company of the Telecommunications Business, which PCCW has acquired in 2000. As both of these companies do not have any material businesses, they will not be injected into the Group.

These note guarantees do not, in any way, affect the independence (financial or otherwise) between the Group and the Remaining Group nor the business delineation between them. The responsibility for redeeming the notes rests entirely with the Group, as it is the Group alone that has been the beneficiary of the note issue proceeds. The Directors believe that the Group is able to meet its debt repayment obligations as and when they fall due and is not

RELATIONSHIP WITH PCCW

financially dependent on the guarantee of HKTC, which is an inactive company and has no material business. Please see the section headed “Connected transactions — F. Financial assistance — Financial assistance by the PCCW Group for the benefit of the Group — (27) Note guarantees” in this prospectus for further details.

(d) Corporate guarantees by the Remaining Group for the benefit of the Group

In addition, in support of certain performance obligations of members of the Group, the Remaining Group has also entered into certain guarantees in favour of the independent third parties with whom members of the Group have contracted for the supply of certain services or purchase of certain equipment. As at the Latest Practicable Date, the estimated aggregate contingent liability of the Remaining Group in respect of all of these corporate guarantees was approximately HK\$49.7 million.

So far as practicable, the Company will seek to work with PCCW and the relevant parties to seek to novate the relevant guarantee obligations to other entities within the Group. Moreover, on an ongoing basis following Listing, the Company does not intend that any member of the Remaining Group will issue any corporate guarantees for any members of the Group. To protect the Remaining Group from any liability in respect of these corporate guarantees, the Company has on 8 November 2011 entered into a back-to-back deed of indemnity in favour of PCCW for itself and on behalf of members of the PCCW Group pursuant to which the Company irrevocably agrees to act, so far as it can, as primary obligor, or otherwise indemnify PCCW and/or relevant member of the PCCW Group, on demand, against all losses, claims, damages, costs and liabilities which any of them may sustain in connection with any of the corporate guarantees referred to above.

Please see the section headed “Connected transactions — F. Financial assistance — Financial assistance by the PCCW Group for the benefit of the Group — (28) Corporate guarantees in support of the obligations of the Group” in this prospectus for further details of the corporate guarantees.

- **Independence of management and directorship**

Set out below is a summary of the directors and senior management of PCCW, the Trustee-Manager and the Company as at the Listing Date:

	<u>PCCW</u>	<u>Trustee-Manager</u>	<u>Company</u>
Executive directors	<ul style="list-style-type: none">• Mr. LI Tzar Kai, Richard• Mr. CHAN Ching Cheong, George• Ms. HUI Hon Hing, Susanna• Mr. LEE Chi Hong, Robert	<ul style="list-style-type: none">• Mr. LI Tzar Kai, Richard• Mr. Alexander Anthony ARENA• Ms. HUI Hon Hing, Susanna	<ul style="list-style-type: none">• Mr. LI Tzar Kai, Richard• Mr. Alexander Anthony ARENA• Ms. HUI Hon Hing, Susanna

RELATIONSHIP WITH PCCW

	PCCW	Trustee-Manager	Company
Non-executive directors	<ul style="list-style-type: none"> • Sir David FORD, KBE, LVO • Mr. TSE Sze Wing, Edmund, GBS • Mr. LU Yimin • Mr. ZUO Xunsheng • Mr. LI Fushen 	<ul style="list-style-type: none"> • Mr. Peter Anthony ALLEN • Mr. CHUNG Cho Yee, Mico • Mr. LU Yimin • Mr. LI Fushen 	<ul style="list-style-type: none"> • Mr. Peter Anthony ALLEN • Mr. CHUNG Cho Yee, Mico • Mr. LU Yimin • Mr. LI Fushen
Independent non-executive directors	<ul style="list-style-type: none"> • Mr. Aman MEHTA • Dr. the Hon Sir David LI Kwok Po, GBM, GBS, OBE, JP • Mr. WEI Zhe (David) 	<ul style="list-style-type: none"> • Professor CHANG Hsin Kang, FREng, GBS, JP • Sir Rogerio (Roger) Hyndman LOBO, CBE, LLD, JP • The Hon Raymond George Hardenbergh SEITZ • Mr. Sunil VARMA 	<ul style="list-style-type: none"> • Professor CHANG Hsin Kang, FREng, GBS, JP • Sir Rogerio (Roger) Hyndman LOBO, CBE, LLD, JP • The Hon Raymond George Hardenbergh SEITZ • Mr. Sunil VARMA
Senior management	<ul style="list-style-type: none"> • Senior management no overlap with the Company⁽¹⁾, save for Ms. HUI Hon Hing, Susanna 	<ul style="list-style-type: none"> • Mr. Alexander Anthony ARENA • Ms. HUI Hon Hing, Susanna 	<ul style="list-style-type: none"> • Mr. Paul BERRIMAN • Mr. CHAN Kee Sun, Tom • Mr. CHAN Wing Wa • Mr. CHOW Ding Man (Gary) • Mr. C Marc HALBFINGER • Mr. LEUNG Tak Sing, Dominic • Mr. Richard Wayne MIDGETT II • Ms. Philana Wai Yin POON • Mr. Lindsay Scott SERVIAN

Note:

- (1) Certain specific services may be provided by the Group to the Remaining Group pursuant to the shared services agreements to be entered into as described in the section of this prospectus headed “Connected transactions — C. Continuing connected transactions which are exempt from the independent shareholders’ approval requirement — Other continuing connected transactions exempt from the independent shareholders’ approval requirement — (14) The provision of corporate shared services” and “Connected transactions — D. Exempt continuing connected transactions — (20) Administrative support agreement.”

RELATIONSHIP WITH PCCW

The Trustee-Manager and the Company (on the one hand) and PCCW (on the other hand) have boards of directors that function independently of each other.

The Trustee-Manager and the Company will have three executive Directors. Whilst the Group Managing Director, Mr. Arena, will have no on-going role for PCCW from the Listing Date, the other two executive Directors (Mr. Li and Ms. Hui) will continue to have executive responsibilities for PCCW, one as Chairman and executive Director and the other as Group Chief Financial Officer and executive Director. Mr. Li's role for both the Group and the Remaining Group is an active strategic role. He will not be involved in day-to-day management and operation or have any administrative role in the Group and the Remaining Group. The prospect of synergies to the benefit of both PCCW and the Company, and Mr. Li's role in developing these synergies, should not be overlooked.

On the other hand, Ms. Hui will be primarily responsible for overseeing the financial matters of the Group. As an executive director of both the Group and the PCCW Group, Ms. Hui will have overall responsibility for the finance-related functions of both groups including the investor relations, treasury and tax functions. As the Group is the largest group within the PCCW Group and the most complex in terms of matters such as numbers of active companies, external financing arrangements, overseas operations and cross-border issues, the description of Ms. Hui working full-time on the business of the Group is considered to be a fair overview of her role. However, as the Company will continue to be a subsidiary of PCCW and given the need for PCCW to consolidate the accounts of each of the Group, the Media Group and the Solutions Group, Ms. Hui will continue to act as PCCW's Group Chief Financial Officer. As the Group Chief Financial Officer of PCCW, Ms. Hui will be supported by the Chief Financial Officer of the Solutions Group and the Chief Financial Officer of the Media Group and finance teams, which would handle all of the accounting and consolidation functions for those two main businesses of the Remaining Group, with Ms. Hui responsible for the overall consolidation functions of the PCCW Group. As Ms. Hui has worked for HKTL since 1999 and then the PCCW Group since 2000, her knowledge of the entire group's operations, and of the transactional arrangements between the Group and members of the Remaining Group, benefits both PCCW and the Company. The Directors are confident that Ms. Hui will be able to execute her roles as described above as she will be supported by the senior management teams of each of the Group and the Remaining Group, as well as the Chief Financial Officer of the Solutions Group, the Chief Financial Officer of the Media Group and finance teams.

Of the four non-executive Directors (excluding for these purposes the INEDs), two are also non-executive directors of PCCW. After Listing, Mr. Peter Anthony ALLEN, a non-executive Director, will not be a director of PCCW nor will he hold any directorships in the Remaining Group. However, Mr. Allen will continue to be the Group Managing Director and an executive director of PCRD, a company listed on the SGX-ST and which owned approximately 21.29% of the shares in PCCW as at the Latest Practicable Date.

For the reasons set out below, the Directors believe that the Group operates independently of the Remaining Group after Listing:

- (i) the majority of the members of the Board are independent of the PCCW Board. In particular, at least 7 of the 11 directors (being Messrs Arena, Allen, Chung, Chang, Lobo, Seitz and Varma) will be free from any common directorships with the Remaining Group;
- (ii) the Group Managing Director, Mr. Arena, will have no on-going role for PCCW and will have dedicated responsibility for the Group. Mr. Arena will not be a director of PCCW after the Listing. He will be primarily responsible for the overall management of the Company in both the day-to-day and strategic senses. The management team and the staff of the Company will report to Mr. Arena and he will be accountable to the Board for the outcomes of the business versus the established business plans and budgets, a role he can pursue without risk of conflict;

RELATIONSHIP WITH PCCW

- (iii) with four INEDs out of a total board size of 11, which exceeds the best practices outlined in the Code of Corporate Governance Practices in the Listing Rules, there will be a sufficiently robust and independent voice on the Board to counterbalance any situations of conflict of interest and protect the interests of independent Holders of Share Stapled Units if such situations arise;
- (iv) the following corporate governance measures are in place to adequately deal with any potential conflict of interest in respect of conflicting position of overlapping directors and senior management of the Trustee-Manager and the Company (on the one hand) and the Remaining Group (on the other hand), and to safeguard the interests of independent Holders of Share Stapled Units:
- the conflicted Directors will abstain from voting and not be counted in the quorum for the relevant Board meeting in the case of any issues of conflict being decided by the Board. In this context, a conflict, so far as the Company Board (and the Trustee-Manager Board) is concerned will be taken to include any matter in which the Remaining Group has an interest (direct or indirect);
 - the above corporate governance measure has been incorporated in the Trustee-Manager's Articles;
 - instances of actual and potential conflict have been indentified (please see section headed "Connected transactions" in this prospectus), minimised (by virtue of the Non-Compete Agreements) and will be regulated in accordance with the Listing Rules. Where the Board is required to determine matters under the Non-Compete Agreements or any connected transactions, such matters will be referred to the INEDs and/or to those who do not have a material interest in the matter;
 - a regime for all of the existing continuing connected transactions has already been established, with the on-going requirement that all such transactions (other than those qualifying for an exemption) be reviewed and reported on annually by the INEDs and the Company's auditors; and
 - specific corporate governance measures put in place in respect of enforcement of the Non-Compete Agreements.
- (v) the prospect of future conflicts of interest is eliminated or reduced by defining the respective scope of business carried on by various groups within the enlarged PCCW Group and to regulate the conduct of such businesses through three Non-Compete Agreements:
- (a) from PCCW (on behalf of the Remaining Group) in favour of the Group as regards the Telecommunications Restricted Business;
 - (b) from the Company (on behalf of the Group) in favour of the Media Group as regards the Media Restricted Business; and
 - (c) from the Company (on behalf of the Group) in favour of the Solutions Group as regards the Solutions Restricted Business.

Please refer to the section headed "Relationship with PCCW — Potential conflicts of interest" in this prospectus for further details of each of these Non-Compete Agreements.

RELATIONSHIP WITH PCCW

- (vi) to ensure compliance with the terms of the Non-Compete Agreements, the Trustee-Manager and the Company have put in place the following procedures:
- (a) as part of their respective internal control system, each will maintain a register of all opportunities/transactions arising from the implementation of the Non-Compete Agreements;
 - (b) each has incorporated in its internal audit plan a review of the implementation of the Non-Compete Agreements; and
 - (c) as part of their review of the internal audit reports at least twice a year, the Trustee-Manager Audit Committee and the Company Audit Committee will review the internal audit reports on the implementation of the Non-Compete Agreements to ascertain that the terms of the Non-Compete Agreements have been complied with. The review will include the examination of supporting documents and such other data deemed necessary to the Trustee-Manager Audit Committee and the Company Audit Committee. If a member of the Trustee-Manager Audit Committee or the Company Audit Committee has an interest in a transaction arising from the implementation of the Non-Compete Agreements, he or she is to abstain from participating in the review and approval process in relation to that transaction.

In addition, the Trustee-Manager and the Company must each establish and appoint an audit committee in accordance with the Listing Rules, from among the INEDs.

- **Independence of administrative capability**

The employees (approximately 4,149, excluding corporate functions staff working principally for the Remaining Group as at 31 August 2011) engaged in the businesses carried on by the Remaining Group (excluding the Group and disregarding UK Broadband and the Property Business) will be employed by a service company, which will be an indirect wholly-owned subsidiary of PCCW. That service company will be within the Remaining Group and will not be transferred to the Company. The employees (approximately 15,626, as at 31 August 2011) engaged in the Telecommunications Business will be employed by a separate service company, which will be wholly-owned by the Company. The Remaining Group and the Group will each have their own separate principal places of business upon Listing, as follows:

- (a) the Media Group will have its own dedicated principal place of business which is currently at 17th Floor, PCCW Tower, TaiKoo Place, 979 King's Road, Quarry Bay, Hong Kong and has its own television and production studios in Hong Kong;
- (b) the Property Group has its own dedicated principal place of business at 8th Floor, Cyberport 2, 100 Cyberport Road, Hong Kong;
- (c) the Solutions Group has its own dedicated principal place of business at level 6, Cyberport 2, 100 Cyberport Road, Hong Kong; and
- (d) the Group will have its own dedicated principal place of business at 39th Floor, PCCW Tower, TaiKoo Place, 979 King's Road, Quarry Bay, Hong Kong and will also have facilities throughout Hong Kong.

RELATIONSHIP WITH PCCW

The Remaining Group and the Group will each have their own separate:

- (a) accounting and finance functions, except for internal audit which will remain with the Group and provide services to the Remaining Group, as and when required, pursuant to the administrative support arrangements described below;
- (b) legal department and company secretarial team and, as and when required, the Group may provide additional legal and corporate secretarial support pursuant to the administrative support arrangements described below; and
- (c) human resources team.

The accounting and finance, legal and human resources personnel who now work principally for the businesses in the Remaining Group will be employed by the service company referred to above and will comprise the relevant separate accounting and finance, legal and human resources teams of the Remaining Group, contemplated above. Conversely, those accounting and finance, legal and human resources personnel who currently work principally in the Telecommunications Business will be employed by the service company referred to above and will comprise the separate accounting and finance, legal and human resources teams within the Group.

In addition to the separate administrative capabilities described above, the Group will agree, under an administrative support agreement, to provide additional administrative support as and when requested by the Remaining Group to supplement the Remaining Group's own independent administrative teams described above. The additional administrative support would include the availability of additional support in the following areas:

- (a) legal and corporate secretarial support, corporate communications and human resources;
- (b) security, fraud management and risk management support;
- (c) treasury and taxation;
- (d) accounting, finance and internal audit;
- (e) customers accounts management services (billing management, credit management and cash management), customer complaints handling support and procurement; and
- (f) technology strategy and development support.

In view that the HKT Trust and the Company will remain a consolidated subsidiary of PCCW and for the purpose of aligning implementation of group corporate governance policy, the abovementioned administrative services will be on shared service arrangements. Apart from PCCW, such administrative services can also be provided by other independent third party suppliers with comparable pricing.

- **Continuing connected transactions between the Remaining Group and the Group**

Upon Listing, there will be various connected transactions between the Group and the Remaining Group which are continuing connected transaction under the Listing Rules for the Group (but not for the Remaining Group). The details of which are set out in the section headed "Connected transactions" in this prospectus. All of those continuing connected transactions would continue to be conducted on arm's length commercial terms and will be capable of being satisfactorily monitored by the management of the Remaining Group.

RELATIONSHIP WITH PCCW

In view of the matters set out above, the Group will be administratively independent of the Remaining Group, and is capable of carrying on its business independently of its controlling shareholder and its associates after Listing.

POTENTIAL CONFLICTS OF INTEREST

Trustee-Manager

The Trustee-Manager and the Company have instituted the following procedures to deal with conflict of interest issues:

- All resolutions in writing of the Directors in relation to matters concerning the Group must be approved by a majority of the Directors, including at least one independent non-executive Director.
- In respect of matters in which PCCW and/or its subsidiaries have an interest, direct or indirect, any nominees appointed by PCCW and/or its subsidiaries to the Board to represent PCCW's (or its subsidiaries') interests will abstain from voting. In such matters, the quorum must comprise a majority of the independent non-executive Directors and must exclude any nominee directors appointed by PCCW and/or its subsidiaries.
- Where matters concerning the Group relate to transactions entered into or to be entered into with a related party of the Trustee-Manager (which would include relevant associates thereof), the HKT Trust or the Company, the Board is required to consider the terms of the transactions to satisfy itself that the transactions are conducted on normal commercial terms, are not prejudicial to the interests of the Group and the Holders of Share Stapled Units and are in compliance with all applicable requirements of the Listing Rules and the Trust Deed relating to the transaction in question. The Board will also review these contracts to ensure that they comply with the provisions of the Listing Rules and the Trust Deed relating to connected transactions (as may be amended from time to time) as well as any other guidelines as may from time to time be prescribed by the SFC and the Stock Exchange that apply to trusts (if any).

Please also refer to the paragraph headed "Independence of management and directorship" above for the measures adopted to ensure compliance with the terms of the Non-Compete Agreements.

PCCW

The potential conflicts of interests which may arise from the interests of PCCW, the Directors and their respective associates in any entity carrying on the same business and/or dealing in similar products as the HKT Trust are summarised below.

The Trustee-Manager is an indirect wholly-owned subsidiary of PCCW. There may be potential conflict of interests between the HKT Trust, the Trustee-Manager and PCCW.

Following the Pre-IPO Restructuring, the HKT Trust will hold the Telecommunications Business while the Media Business, the Solutions Business, the Property Business and the Other PCCW Businesses will continue to be held by PCCW and/or its wholly-owned subsidiaries and will be held separately from (and outside of) the Group under the Company.

RELATIONSHIP WITH PCCW

After completion of the Global Offering, PCCW will hold approximately 68.0% of the ownership interest in the HKT Trust and the Company (being the interest in the HKT Trust and the Company before the exercise of the Over-Allotment Option in full and before the PCCW Distributions).

Although the Trustee-Manager is a wholly-owned subsidiary of PCCW, the Board composition includes four INEDs.

Non-Compete Agreements

To eliminate or reduce the prospects of conflicts of interests between the Group and the Remaining Group, the Company and PCCW have entered into certain non-compete agreements in relation to the business segments in which conflicts of interests may arise, as set out below.

Non-Compete Agreement for Telecommunications Restricted Business

To eliminate or reduce the prospects of conflicts of interests between the Remaining Group and the Group, PCCW and the Company have entered into the Non-Compete Agreement for Telecommunications Restricted Business (as defined below), the main features of which are as follows:

- Subject to the exceptions set out below, PCCW irrevocably undertakes to the Company that it shall not, and (where relevant) it shall procure that none of the members of the Remaining Group shall be engaged, on its own account or with each other or in conjunction with or on behalf of any person, firm or company, carry on or be engaged in, or interested in, directly or indirectly, whether as a shareholder (other than being a director or a Holder of Share Stapled Units of the HKT Trust and its subsidiaries), partner, agent or otherwise, any Telecommunications Restricted Business within the Telecommunications Restricted Territory (as defined below).
- PCCW further undertakes to the Company that:
 - it shall procure that each of HKTC and HKTL (being members of the Remaining Group) (i) complies with its obligations under the PTG Licensing Arrangements (as defined below) and, in particular, will not permit or attempt to procure any disposal to a third party or parties of any land and/or buildings the subject of private treaty grants from the Government without the prior written consent of Hong Kong Telecommunications (HKT) Limited (being a member of the Group); and (ii) passes any rental proceeds received by HKTC and HKTL to Hong Kong Telecommunications (HKT) Limited; and
 - it will not take or permit to be taken any action or steps that would have a material adverse effect on any of the interconnection agreements entered into between HKTC (or any other subsidiaries of PCCW not falling within the Group) and other carriers.
- PCCW further irrevocably undertakes with the Company that, in the event that any opportunity is made available to PCCW to invest in any independent third party business which is engaged in the Telecommunications Restricted Business (an “**Investment Opportunity**”), PCCW will use its best efforts to procure that such Investment Opportunity is offered to the Group and the Group shall have a right of first refusal in respect of such Investment Opportunity. In particular, PCCW shall:
 - direct to the Company any such Investment Opportunity;

RELATIONSHIP WITH PCCW

- provide to the Company all information and documents possessed by any of them or their respective associates in respect of the Investment Opportunity to enable the Company to evaluate the merit of the Investment Opportunity and all reasonable assistance as requested by the Company to enable the Company to secure the Investment Opportunity; and
- not pursue the Investment Opportunity unless and until the Company Board resolves (with the supportive vote of a majority of its independent non-executive directors of the Company) that the Group shall not pursue such Investment Opportunity or the Company does not proceed with the acquisition of the Investment Opportunity within one month from the date of the offer.
- **“Telecommunications Restricted Business”** is defined as the business of providing any of the following telecommunications services:
 - **Local telephony services:** local telephony services consist of fixed-line local telecommunications services, multimedia services, wholesale, interconnection services provided to other telecommunications carriers and service providers;
 - **Local data and broadband services:** local data services consist of data transmission services such as private or virtual private IP network services for private and public sector organisations and business and residential local broadband services in Hong Kong;
 - **International telecommunications services:** international telecommunications services consist primarily of wholesale and retail international services in multinational enterprises and telecommunications service providers which include: IP solutions (IPv6-enabled), IP MPLS VPN services, fiber and satellite transmission solutions, voice, data and video services and managed network services and transmission solutions as well as CDNs for content delivery;
 - **Mobile services:** mobile services comprise 2G, 3G, 4G and CDMA mobile telephone services; and
 - **Other services:** other services comprise sale of customer premises equipment (including the sale of telecommunications equipment and systems and other computers and related products to consumers and enterprises), outsourcing services, consulting services and contact centre services (**“Teleservices”**),

and would include any other business that may compete, directly or indirectly with such business.

- The **“Telecommunications Restricted Territory”** would extend to any jurisdiction in which the Group carries on its business as at the date of the agreement.
- **“PTG Licensing Arrangements”** is defined as the two agreements each dated 28 November 2008 entered into between HKTC and HKTL (being members of the Remaining Group), on the one hand and Hong Kong Telecommunications (HKT) Limited (being a member of the Group) on the other hand (as supplemented and amended subsequently, if applicable), each relating to a licence in respect of operational activities carried on at certain properties the subject of private treaty grants from the Government, in each case as may be amended or supplemented from time to time.

RELATIONSHIP WITH PCCW

The exceptions under the Non-Compete Agreement for Telecommunications Restricted Business are:

- the holding of shares or being interested in shares or other securities in any company which conducts or is engaged in any Telecommunications Restricted Business (a “**Subject Company**”), provided that:
 - such shares or securities are listed on a Recognised Stock Exchange;
 - the aggregate equity interest or number of shares held by PCCW and its associates do not exceed 10% of the issued capital or issued shares of the Subject Company;
 - PCCW and its associates do not have board or management control of the Subject Company; and
 - holding or being interested in shares or other securities of UK Broadband Limited which conducts or is engaged in the Telecommunications Restricted Business in the United Kingdom.

Non-Compete Agreement for Media Restricted Business

To eliminate or reduce the prospects of conflicts of interests between the Group and the Media Group, the Company and PCCW have entered into the Non-Compete Agreement for Media Restricted Business, the main features of which are as follows:

- Subject to the exceptions set out below, the Company irrevocably undertakes to PCCW that it shall not, and (where relevant) it shall procure that none of the members of the Group shall (and shall use its best efforts to procure that none of its consolidated affiliates shall) be engaged, in the Territory, on its own account or with each other or in conjunction with or on behalf of any person, firm or company, carry on or be engaged in or interested in, directly or indirectly, whether as a shareholder (other than being a director or a shareholder of PCCW and its subsidiaries), partner, agent or otherwise, in the Media Restricted Business without PCCW’s prior consent.
- “**Media Restricted Business**” is defined as the business of providing pay and free television services:
 - under a government licence, permit or concession granted by a governmental authority; or
 - under an exception for the provision of pay television programme services via the Internet contained in any legislation under which a licence, permit or concession referred to above may be granted,and would include the production, acquisition and/or supply of the said television programme services for the purpose of conducting the business of providing pay and/or free television services.
- The “**Media Restricted Territory**” would extend to Hong Kong, the PRC, Macau and Taiwan.

The exceptions under the Non-Compete Agreement for Media Restricted Business are:

- the provision of services by the Group consisting of the conveyance without material variation or alteration of content by means of a telecommunications network, of television programme services provided by any person;
- the provision by the Group of content ancillary to or in connection with its Telecommunications Business;

RELATIONSHIP WITH PCCW

- the provision by the Group of consultancy, engineering and/or information technology solutions services in relation to pay television programme services; and
- the acquisition or holding of shares in a competing entity (i.e. one that is engaged in any part of the Media Restricted Business) provided that:
 - such shares are held for investment purposes and are, or are proposed to be, listed on any internationally Recognised Stock Exchange and such investment is less than 25% of the outstanding voting shares of such competing entity; or
 - the consolidated revenues of such competing entity from any service or activity constituting part of the Media Restricted Business is less than 25% of the total consolidated revenues of such competing entity at the date of investment; or
 - such shares are held for investment purposes and do not confer rights to be involved directly or indirectly with the operations of such entity and the relevant shareholding has been disclosed in writing by the Company prior to the date of this prospectus.

The balance that the parties seek to achieve in the Non-Compete Agreement for Media Restricted Business is to ensure that the Group's independent involvement in delivering content is peripheral to its core Telecommunications Business. In particular, the Group is restricted from producing, branding or re-packaging licensed pay TV channels.

The Media Restricted Business covers the core parts of the Media Business. The scope has been heavily negotiated internally within the PCCW Group and a delicate balancing act has been struck with each of the core businesses of the Group, the Media Group and the Solutions Group so as to protect the core business of each group. The Company confirmed that the non-inclusion of the overlapping businesses as described in the exceptions under the Non-Compete Agreement for Media Restricted Business above will not affect the clear business delineation between the Telecommunications Business and the business of the Remaining Group (in particular the Media Business).

Non-Compete Agreement for Solutions Restricted Business

To eliminate or reduce the prospect of conflicts of interests between the Group and the Solutions Group, in addition to the Non-Compete Agreement for Media Restricted Business, the Company and PCCW have entered into the Non-Compete Agreement for Solutions Restricted Business, the main features of which are as follows:

- Subject to the exceptions set out below, the Company irrevocably undertakes to PCCW that the Company shall not, and (where relevant) it shall procure that none of the members of the Group shall be engaged in the Solutions Restricted Business in the Solutions Restricted Territory, on its own account or with each other or in conjunction with or on behalf of any person, firm or company, carry on or be engaged in or interested in, directly or indirectly, whether as a shareholder (other than being a director or a shareholder of PCCW and its subsidiaries), partner, agent or otherwise, in the Solutions Restricted Business without PCCW's prior consent.
- **"Solutions Restricted Business"** is defined as any business primarily engaged in providing (a) software integration and software, solutions and applications development services and (b) IT managed services, in each case, as delivered by the Solutions Group to its customers as of completion of the Pre-IPO Restructuring.
- **"Solutions Restricted Territory"** would be Hong Kong and the PRC.

RELATIONSHIP WITH PCCW

The exceptions under the Non-Compete Agreement for Solutions Restricted Business are:

- the Group or any associates of the Company may provide Connectivity-Related Services (as defined below) and, in particular such Connectivity-Related Services are, at the date of completion of the Pre-IPO Restructuring, operated by the Group other than through the Solutions Group;
- the Group or any associates of the Company may provide any and all such services that a customer for the time being of the Group may require provided that (i) the Group provide or will be providing Connectivity (as defined below) or Connectivity-Related Services to that customer and (ii) the services provided from time to time to that customer predominantly comprise of Connectivity or Connectivity-Related Services;
- the Group may conduct and develop software integration and software solutions and applications development services and IT managed services for its own benefit or for the benefit of any member of the Group; and
- the Group or any associates of the Company may possess:
 - an investment in an entity which engages in a Solutions Restricted Business in the Solutions Restricted Territory if the aggregate investment of the Group in the entity does not exceed US\$10 million (excluding growth in the value of the investment over time);
 - an economic interest in an entity which engages in a Solutions Restricted Business in the Solutions Restricted Territory if the aggregate of the economic interests held by the Group in the entity is not more than 30%;
 - an investment or other involvement in businesses currently operated by the Group; or
 - its 50% stake in the ZhongYing JV.

For the foregoing purposes:

- **“Connectivity”** shall mean capacity and connectivity for the carriage of telecommunications or electronic communications of all descriptions and by all means of transmission.
- **“Connectivity-Related Services”** shall mean services provided in connection with the provision of Connectivity, including (1) network systems integration services; (2) sales, installation, customisation, operations and maintenance of communications equipment and systems for commercial or residential customers; (3) managed services which integrate telecommunications services, facilities, communications equipment or systems and professional services to enterprise customers, carrier customers and residential customers; and (4) computing and storage systems, data and voice communications systems, multi-media communications systems, infrastructure system for communication platforms, and security management devices and systems.

The Solutions Restricted Business covers the core parts of the Solutions Business. The scope has been heavily negotiated internally within the PCCW Group and a delicate balancing act has been struck with each of the core businesses of the Group, the Media Group and the Solutions Group so as to protect the core business of each group. The Company confirmed that the non-inclusion of the overlapping businesses as described in the exceptions under the Non-Compete Agreement for Solutions Restricted Business above will not affect the clear business delineation between the Telecommunications Business and the business of the Remaining Group (in particular the Solutions Business).

RELATIONSHIP WITH PCCW

Please also refer to the paragraph headed “Independence of management and directorship” in this section of the prospectus for the measures adopted to ensure compliance with the terms of the Non-Compete Agreements.

Directors’ interests in competing business

Mr. Li Tzar Kai, Richard

Mr. Li Tzar Kai, Richard was a director of Hutchison Whampoa Limited (“HWL”) and certain of its subsidiaries until 16 August 2000, the day before the acquisition of HKTL became effective. HWL is a company listed on the Main Board of the Stock Exchange and has its own management team separate from the Group. HWL and its subsidiaries (the “Hutchison Group”) are involved in the business of ports and related services, property and hotels, retail, energy, infrastructure, investments and others and telecommunications. Among others, the Hutchison Group operates GSM dual-band and 3G mobile telecommunications services in Hong Kong and Macau and provides fixed-line telecommunications services in Hong Kong. As such, certain businesses of the Hutchison Group compete with certain aspects of the business of the Group. For the year ended 31 December 2010 and six months ended 30 June 2011, HWL’s revenues were approximately HK\$209,180 million and HK\$112,332 million, respectively, of which approximately HK\$60,189 million and HK\$35,136 million, respectively, were attributable to telecommunications services. As at the Latest Practicable Date, HWL had a market capitalisation of approximately HK\$310,373 million. As at the Latest Practicable Date, Mr. Li has a personal interest in 110,000 shares in HWL, and is one of the discretionary beneficiaries of certain discretionary trusts which hold units in unit trusts which in turn are interested in certain shares of HWL. Mr. Li holds one-third of the issued share capital of two companies, which own all the shares in the trustee companies which act as trustees of such discretionary trusts and unit trusts. These trustee companies perform their functions as trustees independently without any reference to Mr. Li. In view of the above, the Directors consider that Mr. Li is not able to exert control or influence over the Hutchison Group.

Mr. Lu Yimin and Mr. Li Fushen

Mr. Lu Yimin is an executive director and President of China Unicom (Hong Kong) Limited. He is Vice Chairman and President of 中國聯合網絡通信集團有限公司 (China United Network Communications Group Company Limited[#]). He is also a director and President of China United Network Communications Limited and a director and President of China United Network Communications Corporation Limited.

Mr. Li Fushen is an executive director and Chief Financial Officer of China Unicom (Hong Kong) Limited. He is Vice President of 中國聯合網絡通信集團有限公司 (China United Network Communications Group Company Limited[#]). He is also a director of China United Network Communications Limited and a director and Senior Vice President of China United Network Communications Corporation Limited.

China Unicom (Hong Kong) Limited is a company listed on the New York Stock Exchange and the Main Board of the Stock Exchange. 中國聯合網絡通信集團有限公司 (China United Network Communications Group Company Limited[#]) is the ultimate parent company of China Unicom (Hong Kong) Limited and China United Network Communications Limited is a shareholder of China Unicom (Hong Kong) Limited. China United Network Communications Corporation Limited is a subsidiary of China Unicom (Hong Kong) Limited. China United Network Communications Limited is a company listed on Shanghai Stock Exchange. Save for Mr. Lu and Mr. Li, each of these companies has its own management team separate from the Group. These companies are involved in the business of provision of wireless, fixed-line,

[#] For identification only

RELATIONSHIP WITH PCCW

broadband, data and related value-added services and compete with certain aspects of the business of the Group. For the year ended 31 December 2010 and six months ended 30 June 2011, China Unicom (Hong Kong) Limited's revenues were approximately RMB171,298 million and RMB101,400 million, respectively, of which approximately RMB161,995 million and RMB89,086 million, respectively, were attributable to telecommunications services. As at the Latest Practicable Date, China Unicom (Hong Kong) Limited had a market capitalisation of approximately HK\$390,235 million. For the year ended 31 December 2010 and six months ended 30 June 2011, China United Network Communications Limited's revenues were approximately RMB176,168 million and RMB104,464 million, respectively, of which approximately RMB63,157 million and RMB40,189 million, respectively, were attributable to telecommunications services. As at the Latest Practicable Date, China United Network Communications Limited had a market capitalisation of approximately RMB115,945 million. As Mr. Lu and Mr. Li are non-executive Directors who do not involve in the day-to-day management of the Trustee-Manager, the Company and any members of the Group, the Directors consider that Mr. Lu and Mr. Li are not able to exert control or influence over the Group.

Each of Mr. Li Tzar Kai, Richard, Mr. Lu Yimin and Mr. Li Fushen has undertaken to the Trustee-Manager and the Company that they will continue to prominently disclose details of their interests as disclosed above and any change in details of such interests other than those disclosed in this prospectus in the HKT Trust's and the Company's annual reports as required under rule 8.10(2)(a) of the Listing Rules.

CONNECTED TRANSACTIONS

A. OVERVIEW

Prior to the Listing Date, members of the Group have entered into various continuing connected transactions with different connected persons and certain transactions involving the provision of ongoing financial assistance with members of the Remaining Group. The details of these transactions are set out in the following sub-sections of this section of the prospectus.

The following table briefly summarises the nature of the continuing connected transactions (excluding for these purposes the exempt continuing connected transactions and transactions involving the on-going provision of financial assistance, which are contained in sub-sections D and F, respectively, below) together with the historical value of the transactions and the proposed annual caps for the current and the next two financial years.

Transaction nature	Historical amounts		Proposed Annual Cap	
	Year ended 31 December	HK\$ million	Year ending 31 December	HK\$ million
Services and floor space supplied by the Group to the Media Group	2008	108.2	2011	386.5
	2009	314.2	2012	502.6
	2010	331.8	2013	560.3
Services supplied by the Media Group to the Group	2008	64.5	2011	878.9
	2009	441.0	2012	1,008.3
	2010	679.5	2013	1,069.1
Services and floor space supplied by the Group to the Solutions Group	2008	9.5	2011	58.9
	2009	51.8	2012	104.5
	2010	49.1	2013	154.4
Services supplied by the Solutions Group to the Group	2008	145.7	2011	684.7
	2009	621.0	2012	826.2
	2010	555.6	2013	920.0
The provision of corporate shared services	2008	16.6	2011	156.9
	2009	170.3	2012	164.0
	2010	150.2	2013	171.4
The provision of marketing and promotion services	2008	—	2011	48.5
	2009	45.8	2012	50.4
	2010	46.4	2013	52.4
Licensing agreement (PCCW Tower)	2008	10.2	2011	103.9
	2009	98.2	2012	128.5
	2010	103.9	2013	128.5

CONNECTED TRANSACTIONS

B. CONTINUING CONNECTED TRANSACTIONS SUBJECT TO THE INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENT

The Group has not entered into any continuing connected transactions which would ordinarily be subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

C. CONTINUING CONNECTED TRANSACTIONS WHICH ARE EXEMPT FROM THE INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENT

The Group has entered into the following continuing connected transactions which would ordinarily be exempt from the independent shareholders' approval requirement but would be subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules:

Services and floor space supplied by the Group to the Media Group

(1) The provision of carriage services

Principal terms

On 8 November 2011, Hong Kong Telecommunications (HKT) Limited and PCCW Media Limited entered into a carriage services agreement, pursuant to which, Hong Kong Telecommunications (HKT) Limited has agreed to provide or procure the provision of carriage services to the Media Group to facilitate the Media Group's delivery of its pay television service to its customers.

The agreement has an initial term from 1 January 2011 to 31 December 2013 and shall, subject to compliance with the relevant requirements applicable to connected transactions under the Listing Rules by the Company, automatically renew for a term of three years (or such other period permitted under the Listing Rules) after expiry of the initial term. The Company will comply with the applicable Listing Rules when the initial term of the agreement expires.

The agreement provides for certain service specifications (including 1.1 million lines and bandwidth capability) denoting an agreed capacity which, if operated within, does not require the Media Group to pay additional fees on top of the annual service fee, initially set at HK\$138.2 million. The annual service fee has been determined on the basis of marginal cost charging. Under this mechanism, the incremental costs (i.e. incremental to the 'sunk' historic cost of the Group's existing network) of the various services needed to deliver the overall carriage service has been determined, in some cases, on the basis of comparing transaction charges with those of broadly comparable independent companies and, in other cases, on a cost-plus methodology. From these various components, an annual service fee has been calculated and agreed.

The agreement provides that the Media Group is entitled to enjoy the benefit of unilateral enhancements to the network, as made by the Group, without additional charge for so long as the Media Group keeps below the maximum agreed capacity. However, any additional capacity enhancements requested by the Media Group, as might arise out of a proposed annual review process, would result in an increase in the annual service fee. The amount of the fee increase would depend upon the relevant aspect of the carriage service requiring to be enhanced. Thus, an increase in line or channel transmission capacity would require the Media Group to contribute to the additional expenditure required; whereas a requested increase in field services would be calculated on an additional cost-plus basis.

CONNECTED TRANSACTIONS

In a similar vein, the agreement provides that the Media Group is entitled, out of the annual review process, to call for a capacity reduction. However no reduction is allowed for lines and/or channel transmission capacity. In this context, the annual service fee would be reduced to the extent that the relevant component of the service necessary to deliver the reduction was, in essence, a 'manpower' issue or one otherwise specifically identifiable to the Media Group's reduced needs (e.g. as to the budgeting of access into and exit from the Group network, so called server end links/local connectivity links). However, to the extent that the Media Group were to underutilise its agreed number of lines or channel capacity, the related element of the annual service fee would not be reduced.

Historical transaction record

The agreement reflects the basis upon which the Media Group has been charged for the provision of carriage services over the past two financial years, namely the marginal cost mechanism as mentioned above. The fees paid by the Media Group to the Group were HK\$131.2 million and HK\$135.9 million for the years ended 31 December 2009 and 31 December 2010, respectively.

Prior to 1 January 2009, the basis upon which the Media Group paid for carriage services was different and not directly comparable. Back then, the carriage services fee paid by the Media Group was based on OFTA-published tariff rates with a volume discount. The related fee received by the Group in 2008 following completion of the 2008 Restructuring was HK\$78.0 million.

Annual caps

The parties have agreed the following annual caps in respect of the aggregate value of the services to be provided by Hong Kong Telecommunications (HKT) Limited to the Media Group under the agreement:

<u>Year ending 31 December</u>	<u>Annual cap (HK\$ million)</u>
2011	172.7
2012	256.5
2013	296.7

The caps have been determined based on the estimated incremental costs (including the labour costs, the supply of telecommunications lines and exchange spaces) of the provision of relevant carriage services, and also reflects the expected increase in usage demand from the Media Group.

Reasons for the increase in the proposed annual caps

For the provision of carriage services the annual service fee is calculated based on the number of IP multicast ("IPMC") enabled broadband access lines installed at a fixed rate per month for a maximum agreed capacity of up to 1.1 million lines. For the year ended 31 December 2010, the number of IPMC enabled broadband access lines installed was 0.92 million lines, charged at an average monthly rate of approximately HK\$12.5 per line. In cases where the capacity installed exceeds the maximum agreed capacity, the Media Group is required to pay additional fees to reimburse Hong Kong Telecommunications (HKT) Limited for any incremental capital expenditure required to build the additional lines requested at a pre-agreed required rate of return on investment plus a fixed annual maintenance charge, which is estimated to be approximately HK\$40 per month for each access line that exceeds the maximum agreed capacity of 1.1 million lines. The average monthly rate will increase by 4.5%, 4.0% and 4.0% in 2011, 2012 and 2013, respectively, in

CONNECTED TRANSACTIONS

accordance with the Consumer Price Index (“CPI”) annual growth factors forecasted by Bloomberg as of June 2011. The Company expects that there will be a 10%, 5% and 5% annual increase in the number of IPMC enabled broadband access lines in 2011, 2012 and 2013 respectively in anticipation of the growth in usage demand from the Media Group. From 2012, in addition to the increase in access lines, network capacity will be made available to the Media Group as well at a charge of HK\$86.0 million per annum. This is based on a 20% return on investment and 20% annual maintenance cost on the investment of approximately HK\$360 million.

Application of the Listing Rules

As PCCW Media Limited is an indirect wholly-owned subsidiary of PCCW, the Controlling Holder of Share Stapled Units, it is a connected person of the Company. The carriage services agreement therefore constitutes a continuing connected transaction for the Company in accordance with the Listing Rules.

As each of the percentage ratios (other than the profits ratio) for the capped value of the annual services to be provided to the Media Group is less than 5% by reference to the Group’s financial results for the year ended 31 December 2010, this transaction would, upon Listing, and in the absence of the grant of the waiver by the Stock Exchange, as referred to below, be subject to the reporting, annual review and announcement requirements, but exempt from the independent shareholders’ approval requirement of the Listing Rules.

(2) The provision of marketing and sales services

Principal terms

On 8 November 2011, Hong Kong Telecommunications (HKT) Limited and PCCW Media Limited entered into a marketing and sales services agreement, pursuant to which, Hong Kong Telecommunications (HKT) Limited has agreed to market and sell Media Group products and services through the Group’s direct marketing staff, front-line (i.e. on the street) sales teams, shops and via its call centres; and to provide a unified call-centre support service.

Although the Media Group has its own dedicated sales team, the marketing and sale of the Media Group’s products and services by the Group’s sales team and the provision of a unified call-centre support service, are seen by both parties as important in providing a one-stop shop to both groups’ customers (taking into account the reciprocal arrangement referred to in paragraph (6) below).

The sales commission (i.e. the commission that the Group earns from the successful sale of the Media Group’s products or services) is at a market rate, based on attaining certain service levels and sales targets, as agreed annually in advance, and is capable of being benchmarked against the commissions offered by external sales agents. In addition to sales commission, call centre inbound and outbound telephone sales calls and customer and technical service calls made by the Group, are charged on a cost plus basis.

There is a reciprocal marketing and sales services agreement, on like terms, governing sales by the Media Group’s dedicated sales staff of the Group’s products and services. The Media Group earns a percentage share of revenues, based on market rates, arising from the cross-sale, by its front-line (i.e. on the street) sales team, of the Group’s products and services, subject to the same market rate credits and rebates on attaining or failing to obtain agreed targets or service levels.

CONNECTED TRANSACTIONS

The agreement has an initial term from 1 January 2011 to 31 December 2013 and shall, subject to compliance with the relevant requirements applicable to connected transactions under the Listing Rules by the Company, automatically renew for a term of three years (or such other period permitted under the Listing Rules) after expiry of the initial term. The Company will comply with the applicable Listing Rules when the initial term of the agreement expires.

Historical transaction record

The fees (inclusive of sales commissions) paid by the Media Group to the Group for the provision of these services for the years ended 31 December 2008, 31 December 2009 and 31 December 2010 were HK\$ 25.5 million, HK\$144.8 million and HK\$160.0 million respectively. The 2008 figure is comparatively low given that it reflects the amounts paid by the Media Group after its formation out of the 2008 Restructuring.

Annual caps

The parties have agreed the following annual caps in respect of the revenues to be derived from (and therefore, in effect, a cap on the value of) the marketing and sales services to be provided to the Media Group under the agreement:

<u>Year ending 31 December</u>	<u>Annual cap (HK\$ million)</u>
2011	170.6
2012	193.2
2013	206.6

The caps have been determined on the following bases:

- (a) the historical figures for running these services for the Media Group;
- (b) the estimated level of services required by the Media Group; and
- (c) the proposed sales and marketing plan.

Reasons for the increase in the proposed annual caps

The Group provides marketing and sales services to the Media Group through its direct marketing staff, front-line (i.e. on the street) sales teams, shops and a unified call-centre support service:

- (a) Direct marketing and front-line sales team services are charged based on the number of sales orders achieved with certain pre-agreed price plan level, at a market rate per order which is benchmarked against the commissions offered by external sales agents. For the year ended 31 December 2010, the average number of monthly sales orders meeting the pre-agreed price plan was approximately 2,600 orders, charged at an average commission rate of approximately HK\$870.0 per order. As the Media Group has established its own dedicated sales force since late 2010, the Company expects there will be a reduced reliance on the direct sales team of Hong Kong Telecommunications (HKT) Limited which will lead to an approximately 40% reduction in the number of sales orders sold through by the direct sales team of Hong Kong Telecommunications (HKT) Limited in 2011. The number of sales orders is expected to increase by 10% and 5% annually in 2012 and 2013 respectively. The average commission per order will be adjusted by the CPI annual growth factor forecasted by Bloomberg.

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- (b) Retail shops sales team services are charged on a revenue-sharing basis, based on the total contract revenues cross-sold by the shop sales team during the year. For the year ended 31 December 2010, total contract revenues cross-sold was approximately HK\$260.0 million, charged at an average commission rate of approximately 12%. Total contract revenues cross-sold is expected to increase by 10%, 10% and 5% annually in 2011, 2012 and 2013 respectively. The average commission rate will be adjusted by the CPI annual growth factor forecasted by Bloomberg.
- (c) The unified call-centre support service is charged at a range of monthly rates which varies depending on the percentage of service levels attained as governed by the service level contract entered into between the Group and the Media Group. For the year ended 31 December 2010, the average monthly service levels attained was approximately 80% based on pre-agreed service level targets, charged at an average monthly rate of approximately HK\$8.4 million. The Company expects service levels to increase to 90%, 100% and 100% of the pre-agreed service level targets in 2011, 2012 and 2013 respectively. The average monthly rate will be further adjusted by 4.5%, 4.0% and 4.0% in 2011, 2012 and 2013, respectively, in accordance with the CPI annual growth factors forecasted by Bloomberg as of June 2011.

Application of the Listing Rules

As PCCW Media Limited is an indirect wholly-owned subsidiary of PCCW, the Controlling Holder of Share Stapled Units, it is a connected person of the Company. The marketing and sales services agreement therefore constitutes a continuing connected transaction for the Company in accordance with the Listing Rules.

As each of the percentage ratios (other than the profits ratio) for the capped revenues for the annual services to be provided to the Media Group is less than 5% by reference to the Group's financial results for the year ended 31 December 2010, this transaction would, upon Listing, and in the absence of the grant of the waiver by the Stock Exchange, as referred to below, be subject to the reporting, annual review and announcement requirements, but exempt from the independent shareholders' approval requirement of the Listing Rules.

(3) The provision of internal (specialist telecom) services

Principal terms

On 8 November 2011, Hong Kong Telecommunications (HKT) Limited and PCCW Media Limited entered into an internal (specialist telecom) services agreement, pursuant to which, Hong Kong Telecommunications (HKT) Limited has agreed to procure that relevant members of the Group provide to the Media Group a range of specialised support services that are integral to the operation of the Media Business.

In summary these services principally comprise:

- the provision of IPLC;
- maintenance services in respect of the Media Group's PABX (telephone) and other technological office systems;

CONNECTED TRANSACTIONS

- the provision of 'office use' business, mobile, data and fax lines;
- the provision of 'office use' broadband lines; and
- the provision of application development for the Media Group's set-top boxes.

The charges for these services are typically at market rate or discounted list price. The term of the agreement is for three years, effective from 1 January 2011 to 31 December 2013. The services are provided by the Group in the ordinary course of its business given that it is a leading provider of such services in Hong Kong.

Historical transaction record

The fees paid by the Media Group to the Group for the provision of these services for the years ended 31 December 2008, 31 December 2009 and 31 December 2010 were HK\$2.3 million, HK\$19.3 million and HK\$17.1 million respectively. The 2008 figure is comparatively low given that it reflects the amounts paid by the Media Group after its formation out of the 2008 Restructuring.

Annual caps

The parties have agreed to the following annual caps in respect of the revenues to be derived from (and therefore, in effect, a cap on the value of) the services to be provided to the Media Group under the agreement:

<u>Year ending 31 December</u>	<u>Annual cap (HK\$ million)</u>
2011	26.0
2012	29.9
2013	33.3

The caps have been determined on the following bases:

- (a) the historical figures for running these services for the Media Group;
- (b) the estimated level of services required by the Media Group; and
- (c) the staff and resources requirement for the services.

Reasons for the increase in the proposed annual caps

The provision of internal (specialist telecom) services are generally charged based on the actual service usage (e.g. number of IPLC rented from the Group, number of broadband lines used, number of technological office systems in place), charged at market rates. The Company expects the usage level to remain constant over the next three years ending 31 December 2013, except for the provision of IPLC where an expected four, five and six additional circuits will be rented from the Group in 2011, 2012 and 2013 respectively driven by the increase in demand from the Media Group. The monthly rate will be approximately HK\$66,200 per additional circuit in 2011 and will be further adjusted annually by 4.0% in both 2012 and 2013, in accordance with the CPI annual growth factor forecasted by Bloomberg as of June 2011.

CONNECTED TRANSACTIONS

The Company also expects the costs in association with the provision of application development for the Media Group's set-top boxes to grow from HK\$7.0 million in the year ended 31 December 2010 to HK\$9.7 million, HK\$11.1 million and HK\$12.7 million in 2011, 2012 and 2013, respectively.

Application of the Listing Rules

As PCCW Media Limited is an indirect wholly-owned subsidiary of PCCW, the Controlling Holder of Share Stapled Units, it is a connected person of the Company. The internal (specialist telecom) services agreement therefore constitutes a continuing connected transaction for the Company in accordance with the Listing Rules.

As each of the percentage ratios (other than the profits ratio) for the capped revenues for the annual services to be provided to the Media Group is less than 5% by reference to the Group's financial results for the year ended 31 December 2010, this transaction would, upon Listing, and in the absence of the grant of the waiver by the Stock Exchange, as referred to below, be subject to the reporting, annual review and announcement requirements, but exempt from the independent shareholders' approval requirement of the Listing Rules.

(4) Licensed access to floor space

Principal terms

Pursuant to a licence dated 8 November 2011, PCCW Media Limited has been afforded certain limited access rights to floor space for it and members of the Media Group at a number of the PTG Telephone Exchanges. The licence is for a fixed term expiring on 31 December 2013, although can be terminated earlier by either party on written notice and shall, subject to compliance with the relevant requirements applicable to connected transactions under the Listing Rules by the Company, automatically renew for a term of three years (or such other period permitted under the Listing Rules) after expiry of the initial term. The Company will comply with the applicable Listing Rules when the initial term of the agreement expires. The licence fees are paid to Hong Kong Telecommunications (HKT) Limited pursuant to the arrangements described in paragraph (21) below.

Historical transaction record

The aggregate annual licence and related fees paid by the Media Group to Hong Kong Telecommunications (HKT) Limited during the years ended 31 December 2008, 31 December 2009 and 31 December 2010 were HK\$2.4 million, HK\$18.9 million and HK\$18.8 million respectively. The 2008 figure is comparatively low given that it reflects the amounts paid in the last two months of the year, following the 2008 Restructuring.

Annual caps

The parties have agreed the following annual caps in respect of the licence and related fees payable by the Media Group to Hong Kong Telecommunications (HKT) Limited under the agreement:

<u>Year ending 31 December</u>	<u>Annual cap (HK\$ million)</u>
2011	17.2
2012	23.0
2013	23.7

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The caps reflect the actual licence fees payable and estimates of related expenses.

Reasons for the increase in the proposed annual caps

The license and related fees are charged based on the area occupied by the Media Group at various PTG Telephone Exchanges, at a monthly rate per square foot which can be benchmarked against market rates. For the year ended 31 December 2010, the total area occupied by the Media Group was approximately 93,000 square feet, charged at an average monthly rate of approximately HK\$16.0 per square foot. The Company expects that the floor space occupied by the Media Group will reduce to approximately 75,000 square feet but with the average monthly rate increasing to approximately HK\$19.1 per square foot due to a different mix of occupied area in 2011. In 2012, the Company expects that the floor space occupied by the Media Group to increase by 70% to cope with the planned business expansion with the average monthly rate slightly reduced to HK\$18.3 per square foot due to the relatively lower unit price of the new area. No further changes in floor space occupancy are expected for other years and the average monthly rate in 2013 will be increased by 4.0%, in accordance with the CPI annual growth factor forecasted by Bloomberg as of June 2011.

Application of the Listing Rules

As PCCW Media Limited is within the Remaining Group, the licence constitutes a continuing connected transaction for the Company in accordance with the Listing Rules.

As each of the percentage ratios (other than the profits ratio) for the capped amounts payable by the Media Group is less than 5% by reference to the Group's financial results for the year ended 31 December 2010, this transaction would, upon Listing, and in the absence of the grant of the waiver by the Stock Exchange, as referred to below, be subject to the reporting, annual review and announcement requirements, but exempt from the independent shareholders' approval requirement of the Listing Rules.

Aggregation of services or fees in respect of paragraphs (1) to (4) above:

On an aggregated annual basis for 2011, the capped amounts in respect of the services provided or fees payable described in paragraphs (1) to (4) above result in percentage ratios (other than the profits ratio) of less than 5% by reference to the Group's financial results for the year ended 31 December 2010. Accordingly, even on an aggregated basis for 2011, the transactions described above would be exempt from the independent shareholders' approval requirement of the Listing Rules.

Services supplied by the Media Group to the Group

(5) Service packaging arrangements

Principal terms

On 8 November 2011, Hong Kong Telecommunications (HKT) Limited and PCCW Media Limited entered into a service packaging agreement. The agreement comprises two aspects:

- a mutual commitment to package the Group's products and services and the Media Group's products and services from time to time, from which results a dynamic and ongoing series of promotional packages (e.g. certain channels tied to a particular broadband purchasing commitment); and

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- a commitment by the Media Group to provide customers of the Group with certain content services and products, the composition of which is agreed between the parties from time to time (“**Service Premiums**”).

The agreement is for a three-year term effective from 1 January 2011 to 31 December 2013.

Hong Kong Telecommunications (HKT) Limited is required, depending upon the Service Premiums sought, to pay to the Media Group (or procure payment of) an agreed lump sum or a minimum guaranteed amount and/or a per subscriber fee, in each case, capable of being benchmarked against the monthly rate which the Media Group charges its own retail subscribers to view the ‘now TV’ services, including set-top-box rental plus channel subscription fees, and is open for review annually.

Historical transaction record

The fees paid to the Media Group for the Service Premiums during the years ended 31 December 2008, 31 December 2009 and 31 December 2010 were HK\$27.8 million, HK\$239.1 million and HK\$355.2 million respectively. The 2008 figure is comparatively low given that it reflects amounts paid to the Media Group after its formation out of the 2008 Restructuring.

Annual caps

The parties have agreed the following annual caps in respect of the fees payable by the Group to PCCW Media Limited under the agreement:

<u>Year ending 31 December</u>	<u>Annual cap (HK\$ million)</u>
2011	483.8
2012	553.3
2013	591.7

The caps have been determined on the following bases:

- (a) the historical figures for running these services by the Media Group;
- (b) the estimated level of services required; and
- (c) the staff and resources requirement for the services.

Reasons for the increase in the proposed annual caps

The Service Premiums charged by the Media Group to the Group are based on the number of subscribers subject to the packaged service arrangements and charged at a monthly rate. The monthly rate can be benchmarked against the monthly rate that the Media Group charges its own retail subscribers to view the ‘now TV’ services, including set-top-box rental plus channel subscription fees, and is open for review annually. For the year ended 31 December 2010, the average number of subscribers subject to the packaged service arrangements was approximately 330,000 subscribers, charged at a monthly rate of approximately HK\$90.0. The Company expects that the average number of subscribers subject to the packaged service arrangements will increase by approximately 35%, 15% and 7% annually in 2011, 2012 and 2013 respectively. The significant increase in the number of subscribers subject to the packaged service arrangements is driven by

CONNECTED TRANSACTIONS

the expected surge in demand for bundled package services along with effective joint marketing efforts. The monthly rate is expected to remain constant, in line with the current marketing plan of the Media Group to maintain the same charge to retail subscribers for the corresponding 'now TV' services over the next three years.

Application of the Listing Rules

As PCCW Media Limited is an indirect wholly-owned subsidiary of PCCW, the Controlling Holder of Share Stapled Units, it is a connected person of the Company. The service packaging agreement therefore constitutes a continuing connected transaction for the Company in accordance with the Listing Rules.

As each of the percentage ratios (other than the profits ratio) for the capped value of the fees payable to the Media Group is less than 5% by reference to the Group's financial results for the year ended 31 December 2010, this transaction would, upon Listing, and in the absence of the grant of the waiver by the Stock Exchange, as referred to below, be subject to the reporting, annual review and announcement requirements, but exempt from the independent shareholders' approval requirement of the Listing Rules.

(6) The provision of marketing and sales services

Principal terms

On 8 November 2011, Hong Kong Telecommunications (HKT) Limited and PCCW Media Limited entered into a marketing and sales services agreement. This agreement represents the reciprocal arrangement to that provided for in the agreement described in paragraph (2) above. By this agreement, PCCW Media Limited agrees to procure that relevant members of the Media Group will market the products and services of the Group. The agreement has an initial term from 1 January 2011 to 31 December 2013 and shall, subject to compliance with the relevant requirements applicable to connected transactions under the Listing Rules by the Company, automatically renew for a term of three years (or such other period permitted under the Listing Rules) after expiry of the initial term. The Company will comply with the applicable Listing Rules when the initial term of the agreement expires. The Media Group is entitled to a percentage share of revenues, based on market rates from the cross-sale by its front-line (i.e. on the street) sales team of telecommunications products and services, again subject to the same market rate credits and rebates on attaining or failing to obtain agreed targets or service levels.

Historical transaction record

Starting from 2010, the fees (inclusive of sales commissions) paid to the Media Group by the Group for the provision of these services was HK\$3.1 million. No fees were paid by the Group in 2008 or 2009 (or indeed for most of 2010), on the basis that, prior to the last quarter of 2010, all sales staff were employed by the Group. In the latter part of 2010, it was considered appropriate for the Media Group to have its own dedicated sales force. With different sales teams in each group, both cross-selling the other's products and services, the Group was required to start paying fees to the Media Group in relation to sales of the Group's products and services.

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Annual caps

The parties have agreed the following annual caps in respect of the fees (inclusive of all sales commissions) payable by the Group to PCCW Media Limited under the agreement:

<u>Year ending 31 December</u>	<u>Annual cap (HK\$ million)</u>
2011	13.8
2012	17.3
2013	18.1

The caps have been determined on the following bases:

- (a) the historical figures for running these services by the Media Group;
- (b) the estimated level of services required; and
- (c) the staff and resources requirement for the services.

Reasons for the increase in the proposed annual caps

The provision of marketing and sales services by the Media Group to the Group is charged on a revenue-sharing basis, based on the total contract revenues cross-sold by the Media Group's dedicated sales team during the year. For the year ended 31 December 2010, monthly total contract revenues cross-sold was approximately HK\$6.5 million, charged at an average commission rate of approximately 12%. Monthly total contract revenues cross-sold is expected to increase by 48%, 25% and 5% annually in 2011, 2012 and 2013 respectively. Since the Media Group's dedicated sales team was only formed in the latter part of 2010, the charge in 2010 only reflected a partial year impact, and hence the significant expected growth in 2011. The average commission rate will be adjusted by the CPI annual growth factor forecasted by Bloomberg.

Application of the Listing Rules

As PCCW Media Limited is an indirect wholly-owned subsidiary of PCCW, the Controlling Holder of Share Stapled Units, it is a connected person of the Company. The marketing and sales services agreement therefore constitutes a continuing connected transaction for the Company in accordance with the Listing Rules.

In fact, each of the percentage ratios (other than the profits ratio) for the capped value of the fees payable to the Media Group is less than 0.1% by reference to the Group's financial results for the year ended 31 December 2010, making it, in isolation, a transaction exempt from the reporting, announcement and independent shareholders' approval requirements of the Listing Rules. However, on the basis of aggregating its annual value together with the other transactions referred to in paragraphs (5) to (9) inclusive, the Company has treated this transaction as being one that would, upon Listing, and in the absence of the grant of the waiver by the Stock Exchange, as referred to below, be subject to the reporting, annual review and announcement requirements, but exempt from the independent shareholders' approval requirement of the Listing Rules.

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(7) Content provision arrangements

Principal terms

On 8 November 2011, Hong Kong Telecommunications (HKT) Limited and PCCW Media Limited entered into a content services agreement, pursuant to which PCCW Media Limited has a first right of supply and agreed to supply, procure supply or provide content management and production support services to the Group for distribution through its **eye** and mobile platforms.

The Media Group supplies or procures the supply of various categories of content, and provides related content management and production support services to the Group for distribution through the **eye** platform and the mobile platform, so that the Group can offer the same to its customers. The content comprises:

- self-produced content by the Media Group;
- third party produced content for which the Media Group has multiplatform distribution rights;
- third party produced content for which the Media Group applies for specific distribution rights for the **eye** and/or mobile platforms ('dedicated content');
- 'MOOV' music and music video content services for distribution on the **eye** and/or mobile platforms.

The agreement is for a term of three years effective from 1 January 2011 to 31 December 2013. The Group is charged for the content at market rates, save for the dedicated content (being content that Hong Kong Telecommunications (HKT) Limited or the relevant members of the Group has requested the Media Group to source for Hong Kong Telecommunications (HKT) Limited's or the relevant members of the Group's specific use, for example, recipes or other specific content for the **eye** platform) for which it is expected to be charged 'at cost' and is expected to be charged for content management and production support services (as are needed to ensure that the content can be viewed on the **eye** and, or mobile platforms) on a cost plus basis.

Historical transaction record

The fees paid to the Media Group for these services during the years ended 31 December 2008, 31 December 2009 and 31 December 2010 were HK\$35.3 million, HK\$199.1 million and HK\$319.5 million respectively. The 2008 figure is comparatively low given that it reflects amounts paid to the Media Group after its formation out of the 2008 Restructuring. The year on year increase demonstrated from 2009 to 2010 was reflective of increasing customer demand for content delivered via mobile devices and the **eye** product.

Annual caps

The parties have agreed the following annual caps in respect of the fees payable by the Group to PCCW Media Limited under the agreement:

<u>Year ending 31 December</u>	<u>Annual cap (HK\$ million)</u>
2011	378.4
2012	434.8
2013	456.3

CONNECTED TRANSACTIONS

The caps have been determined on the following bases:

- (a) the historical figures for running these services by the Media Group;
- (b) the estimated level of services required; and
- (c) the staff and resources requirement for the services.

Reasons for the increase in the proposed annual caps

The Media Group supplies various categories of content to the Group for distribution through the **eye** platform and the mobile platform, and recharges the Group based on the actual content and content production costs incurred for the content supplied, at a cost-sharing ratio with reference to the proportion of the number of subscribers with content-viewing rights on the **eye** platform and the mobile platform over total Media Group's subscriber base. For the year ended 31 December 2010, total content and content production costs incurred for the content supplied to the two platforms of the Group amounted to approximately HK\$946.0 million, of which approximately a third was charged to the Group. The Company expects that there will be an approximately 25% savings in the content and content production costs to be incurred for the content supplied to the two platforms in 2011 mainly due to the expiry of the English Premier League contract in the second half of 2010. It is projected that the content and content production costs to be incurred for the content supplied to the two platforms will increase by 20% and 5% annually in 2012 and 2013 respectively, with the large increase in 2012 attributed to the anticipated acquisition of the broadcasting rights for certain popular sports content in that year. The Company expects approximately 53%, 51% and 51% of the total content and content production costs incurred for the content supplied to the two platforms of the Group will be borne by the Group in 2011, 2012 and 2013, respectively, as a result of the expected growth in subscribers with content-viewing rights on both the **eye** platform and the mobile platform.

Application of the Listing Rules

As PCCW Media Limited is an indirect wholly-owned subsidiary of PCCW, the Controlling Holder of Share Stapled Units, it is a connected person of the Company. The content services agreement therefore constitutes a continuing connected transaction for the Company in accordance with the Listing Rules.

As each of the percentage ratios (other than the profits ratio) for the capped value of the fees payable to the Media Group is less than 5% by reference to the Group's financial results for the year ended 31 December 2010, this transaction would, upon Listing, and in the absence of the grant of the waiver by the Stock Exchange, as referred to below, be subject to the reporting, annual review and announcement requirements, but exempt from the independent shareholders' approval requirement of the Listing Rules.

(8) Directories publishing arrangements

Principal terms

On 8 November 2011, PCCW Media Limited and Hong Kong Telecommunications (HKT) Limited entered into a directories publishing agreement for a three-year term effective from 1 January 2011 to 31 December 2013.

CONNECTED TRANSACTIONS

As an overall operator of the directories businesses, the Media Group has been granted an exclusive right and licence, amongst other things, to produce and publish the White Pages Business directory and the Fax directory in print and electronic format.

The Media Group charges the Group on a cost basis, based on the number of directories printed, the number of delivery locations requested and the development and maintenance of electronic directories.

Historical transaction record

The fees paid to the Media Group for these services during the years ended 31 December 2008, 31 December 2009 and 31 December 2010 were HK\$1.4 million, HK\$2.0 million and HK\$0.9 million respectively.

Annual caps

The parties have agreed the following annual caps in respect of the fees payable by the Group to PCCW Media Limited under the agreement:

<u>Year ending 31 December</u>	<u>Annual cap (HK\$ million)</u>
2011	2.0
2012	2.0
2013	2.1

The caps have been determined on the following bases:

- (a) the historical figures for running these services by the Media Group;
- (b) the estimated level of services required; and
- (c) the staff and resources requirement for the services.

Reasons for the increase in the proposed annual caps

For the year ended 31 December 2010, approximately 112,000 copies of directories were printed and delivered to 50 public locations for the Group at a total cost of approximately HK\$0.9 million. The Company expects that the number of directories printed will double in 2011 due to the printing of additional copies for new residential estates and buildings, and will remain relatively constant in 2012 and 2013. The printing and delivery costs will be adjusted by 4.5%, 4.0% and 4.0% in 2011, 2012 and 2013, respectively, in accordance with the CPI annual growth factor forecasted by Bloomberg as of June 2011.

Application of the Listing Rules

As PCCW Media Limited is an indirect wholly-owned subsidiary of PCCW, the Controlling Holder of Share Stapled Units, it is a connected person of the Company. The directories publishing agreement therefore constitutes a continuing connected transaction for the Company in accordance with the Listing Rules.

CONNECTED TRANSACTIONS

In fact, each of the percentage ratios (other than the profits ratio) for the capped value of the fees payable to the Media Group is less than 0.1% by reference to the Group's financial results for the year ended 31 December 2010, making it, in isolation, a transaction exempt from the reporting, announcement and independent shareholders' approval requirements of the Listing Rules. However, on the basis of aggregating its annual value together with the other transactions referred to in paragraphs (5) to (9) inclusive, the Company has treated this transaction as being one that would, upon Listing, and in the absence of the grant of the waiver by the Stock Exchange, as referred to below, be subject to the reporting, annual review and announcement requirements, but exempt from the independent shareholders' approval requirement of the Listing Rules.

(9) Pay TV set-top-box access agreement

Principal terms

On 8 November 2011, Hong Kong Telecommunications (HKT) Limited and PCCW Media Limited entered into an agreement pursuant to which the Group pays the Media Group a monthly charge for the provision of 'user access' to certain services that are capable of being provided via the Media Group's set-top-boxes to customers subscribing for such services from the Group. For example, the Group's customers can subscribe for a photo storage and access service (*snaap!*) or a home monitoring service (Easy-Watch). The Media Group charges a market rate for such user-access rights. The agreement is for a three-year term effective from 1 January 2011 to 31 December 2013.

Historical transaction record

The fees paid to the Media Group for these services during the years ended 31 December 2008, 31 December 2009 and 31 December 2010 were nil, HK\$0.8 million and HK\$0.8 million respectively, reflecting the fact that these have been comparatively new services offered by the Group.

Annual caps

The parties have agreed the following annual caps in respect of the fees payable by the Group to PCCW Media Limited under the agreement:

<u>Year ending 31 December</u>	<u>Annual cap (HK\$ million)</u>
2011	0.9
2012	0.9
2013	0.9

The caps have been determined on the following bases:

- (a) the historical figures for running these services by the Media Group;
- (b) the estimated level of services required; and
- (c) the staff and resources requirement for the services.

CONNECTED TRANSACTIONS

Reasons for the increase in the proposed annual caps

The monthly charge charged by the Media Group can be benchmarked against market rates for the 'user-access' rights. For the year ended 31 December 2010, a fixed monthly charge of approximately HK\$70,000 was charged to the Group. The Company expects that the usage level will remain constant over the next three years ending 31 December 2013. The monthly fixed charge will be adjusted by 4.5%, 4.0% and 4.0% in 2011, 2012 and 2013, respectively, in accordance with the CPI annual growth factor forecasted by Bloomberg as of June 2011.

Application of the Listing Rules

As PCCW Media Limited is an indirect wholly-owned subsidiary of PCCW, the Controlling Holder of Share Stapled Units, it is a connected person of the Company. The agreement therefore constitutes a continuing connected transaction for the Company in accordance with the Listing Rules.

In fact, each of the percentage ratios (other than the profits ratio) for the capped value of the fees payable to the Media Group is less than 0.1% by reference to the Group's financial results for the year ended 31 December 2010, making it, in isolation, a transaction exempt from the reporting, announcement and independent shareholders' approval requirements of the Listing Rules. However, on the basis of aggregating its annual value together with the other transactions referred to in paragraphs (5) to (9) inclusive above, the Company has treated this transaction as being one that would, upon Listing, and in the absence of the grant of the waiver by the Stock Exchange, as referred to below, be subject to the reporting, annual review and announcement requirements, but exempt from the independent shareholders' approval requirement of the Listing Rules.

Aggregation of services in respect of paragraphs (5) to (9) above:

On an aggregated annual basis for 2011, the capped amounts payable to the Media Group for the various services described in paragraphs (5) to (9) inclusive above result in percentage ratios (other than the profits ratio) of less than 5% by reference to the Group's financial results for the year ended 31 December 2010. Accordingly, even on an aggregated basis for 2011, the transactions referred to above would be exempt from the independent shareholders' approval requirement of the Listing Rules.

Services and floor space supplied by the Group to the Solutions Group

(10) Provision of managed services and other telecommunications related services

Principal terms

Part of the business of the Solutions Group is to provide a range of managed services and data centre services for its clients.

On 23 December 2008, Hong Kong Telecommunications (HKT) Limited and PCCW Solutions Limited entered into a managed wavelength service agreement, which was supplemented by a supplemental agreement between the same parties entered into on 8 November 2011 (together, the "**managed services agreement**"). Pursuant to the managed services agreement, Hong Kong Telecommunications (HKT) Limited has agreed to provide certain connectivity services to PCCW Solutions Limited, linking one of the Solutions Group's data centres in Hong Kong and certain designated sites based on an agreed bandwidth capacity and in accordance with other agreed services levels. Hong Kong Telecommunications (HKT) Limited provides the various services on normal commercial terms.

CONNECTED TRANSACTIONS

The managed services agreement runs for an initial term that expires on 31 December 2013 (although PCCW Solutions Limited has a right to terminate the agreement at any time on 30 days' prior written notice).

On 8 November 2011, Hong Kong Telecommunications (HKT) Limited and PCCW Solutions Limited entered into a telecommunications and other miscellaneous services agreement (the "**telecommunications services agreement**"). Pursuant to the telecommunications services agreement, Hong Kong Telecommunications (HKT) Limited and its specified affiliates in the Group have agreed to provide certain agreed telecommunications and related services to the Solutions Group on normal commercial terms. The telecommunications services agreement is for a three-year term expiring on 31 December 2013.

Historical transaction record

The fees paid by the Solutions Group to the Group for the provision of these services for the years ended 31 December 2008, 31 December 2009 and 31 December 2010 were HK\$6.0 million, HK\$40.2 million and HK\$38.3 million respectively. The 2008 figure is comparatively low given that it reflects the amounts paid to the Group in the last two months of the year, following the 2008 Restructuring.

Annual caps

The parties have agreed the following annual caps in respect of the revenues to be derived from (and therefore, in effect, a cap on the value of) the services to be provided to the Solutions Group under the agreements:

<u>Year ending 31 December</u>	<u>Annual cap (HK\$ million)</u>
2011	44.4
2012	81.1
2013	119.9

The caps have been determined on the following bases:

- (a) the historical figures for running these services;
- (b) the estimated level of services required, which shows a substantial increase as compared to the historical amounts due to an expansion of new data centres in the coming three years which will increase connectivity and equipment and facilities charges; and
- (c) the staff and resources requirement for the services.

Reasons for the increase in the proposed annual caps

Services provided by the Group include two major types of services: (i) Connectivity and other Telecom Services; and (ii) Equipment & Facilities Leasing Charges:

- (i) The Group being the backbone of the Solutions Group provides services that include telephone services (fixed line and mobile services), connectivity services including broadband, datapak, IPLC, ATM and network services, to support the Solutions Group's daily operations and to ensure the smooth running of the business for its clients by linking data centre sites in Hong Kong. The Group provided various services to the Solutions Group on

CONNECTED TRANSACTIONS

normal commercial terms. For the year ended 31 December 2010, connectivity services contributed approximately HK\$29.1 million, representing approximately 76% of the total provision of managed services and other telecommunications related services, which was generated by the approximately 194,000 square feet of data centre space. For 2011 to 2013, the key growth driver is the Solutions Group's increased demand for connectivity services as a result of the data centre expansion plan which will increase data centre space by approximately 194,000 square feet to capture the demand for high-power density and Tier-3+ data centres from global financial service institutions, multi-national corporations and IT companies. The additional connectivity services are charged at an average monthly rate of HK\$16, HK\$17 and HK\$18 per square foot in 2011, 2012 and 2013, respectively, representing an annual adjustment of 4.0% in 2012 and 2013, in accordance with the CPI annual growth factor forecasted by Bloomberg as of June 2011.

- (ii) The Group is to provide fully equipped premises to the Solutions Group for its data centre business needs. These premises are exchange buildings which are converted and built to specifically fulfill data centre specifications by installing equipment and facilities such as generators, chillers, cooling towers, transformers and other power equipments up to the required loading requirements and standards. These equipped premises are leased to the Solutions Group for its data centre business from 2011 onwards. For 2011 to 2013, the key growth driver is the Solutions Group's data centre expansion plan in which the Solutions Group intends to acquire approximately 249,000 square feet of usable areas space at an average monthly rate of approximately HK\$28 per square foot during 2011 to 2013.

Application of the Listing Rules

As PCCW Solutions Limited is an indirect wholly-owned subsidiary of PCCW, the Controlling Holder of Share Stapled Units, it is a connected person of the Company. The managed services agreement and the telecommunications services agreement therefore constitute continuing connected transactions for the Company in accordance with the Listing Rules.

As each of the percentage ratios (other than the profits ratio) for the capped revenues for the annual services to be provided to the Solutions Group is less than 5% by reference to the Group's financial results for the year ended 31 December 2010, these transactions would, upon Listing, and in the absence of the grant of the waiver by the Stock Exchange, as referred to below, be subject to the reporting, annual review and announcement requirements, but exempt from the independent shareholders' approval requirement of the Listing Rules.

(11) Licensed access to floor space

Principal terms

Pursuant to a licence dated 8 November 2011, PCCW Solutions Limited has been afforded certain limited access rights to floor space for it and members of the Solutions Group at a number of the PTG Telephone Exchanges. The licence is for a fixed term expiring on 31 December 2013, although can be terminated earlier by either party on written notice and shall, subject to compliance with the relevant requirements applicable to connected transactions under the Listing Rules by the Company, automatically renew for a term of three years (or such other period permitted under the Listing Rules) after expiry of the initial term. The Company will comply with the applicable Listing Rules when the initial term of the agreement expires. The licence fees are paid to Hong Kong Telecommunications (HKT) Limited pursuant to the arrangements described in paragraph (21) below.

CONNECTED TRANSACTIONS

Historical transaction record

The aggregate annual licence and related fees paid by the Solutions Group to Hong Kong Telecommunications (HKT) Limited during the years ended 31 December 2008, 31 December 2009 and 31 December 2010 were HK\$2.5 million, HK\$10.6 million and HK\$9.8 million respectively. The 2008 figure is comparatively low given that it reflects the amounts paid in the last two months of the year, following the 2008 Restructuring.

Annual caps

The parties have agreed the following annual caps in respect of the licence and related fees payable by the Solutions Group to Hong Kong Telecommunications (HKT) Limited under the agreement:

<u>Year ending 31 December</u>	<u>Annual cap (HK\$ million)</u>
2011	13.0
2012	20.9
2013	30.6

The caps reflect the actual licence fees payable and estimates of related expenses.

Reasons for the increase in the proposed annual caps

There are premises provided by the Group to the Solutions Group for use as data centres, offices and warehouses. These premises are mainly exchange buildings situated in Hong Kong Island, Kowloon and the New Territories with total area of approximately 80,000 square feet. At present, around one-third of the premises are used as data centres by the Solutions Group to serve its clients. The charging will be based on current market price and adjusted by the CPI annual growth factor forecasted by Bloomberg.

The overall data centre occupancy rate has always been high, and is already over 85% for the past couple of years. Under the data centre expansion plan, the Solutions Group will acquire approximately 249,000 square feet of usable areas space at an average monthly rate of approximately HK\$10 per square foot in the next three years which will double the existing available data centre space. The charging basis for these new premises by the Group to the Solutions Group will be based on current market price which include, but are not limited to, basic rent, rate and management fees.

Application of the Listing Rules

As PCCW Solutions Limited is within the Remaining Group, the licence constitutes a continuing connected transaction for the Company in accordance with the Listing Rules.

As each of the percentage ratios (other than the profits ratio) for the capped amounts payable by the Solutions Group is less than 5% by reference to the Group's financial results for the year ended 31 December 2010, this transaction would, upon Listing, and in the absence of the grant of the waiver by the Stock Exchange, as referred to below, be subject to the reporting, annual review and announcement requirements, but exempt from the independent shareholders' approval requirement of the Listing Rules.

CONNECTED TRANSACTIONS

Aggregation of services or fees paid in respect of paragraphs (10) to (11) above:

On an aggregated annual basis for 2011, the capped amounts payable as described in paragraphs (10) to (11) above result in percentage ratios (other than the profits ratio) of less than 5% by reference to the Group's financial results for the year ended 31 December 2010. Accordingly, even on an aggregated basis for 2011, the transactions described above would be exempt from the independent shareholders' approval requirement of the Listing Rules.

Services supplied by the Solutions Group to the Group

(12) Solutions services

The Solutions Group provides the following customised solutions to the Group pursuant to the following agreements:

(a) Outsourcing and Managed Services ("OMS")

Pursuant to a bureau services agreement dated 8 November 2011 between PCCW Solutions Limited and Hong Kong Telecommunications (HKT) Limited, PCCW Solutions Limited provides certain bureau services to Hong Kong Telecommunications (HKT) Limited and its designated affiliates. These services include help desk services, problem management, change management, system and database support, IT security services, data centre services, backup management, service level management, disaster recovery and technical platform services.

The agreement is on normal commercial terms and runs for an initial term that expires on 31 December 2013.

(b) Systems Solutions Development and Integration ("SSDI")

Pursuant to two agreements dated 8 November 2011 each between PCCW Solutions Limited and Hong Kong Telecommunications (HKT) Limited, PCCW Solutions Limited provides the following services to Hong Kong Telecommunications (HKT) Limited and its designated affiliates:

- certain application management services (such as application support and maintenance, production acceptance testing and application release management); and
- certain system development services (such as IT system design, development and implementation).

Each of these agreements is on normal commercial terms and runs for an initial term that expires on 31 December 2013.

(c) BPO and Logistics ("BPOL")

Pursuant to nine agreements entered into and summarised below, Power Logistics Limited, a company in the Solutions Group, provides a range of different business processing, order fulfilment and logistical services to the Group.

The agreements are, in all cases, on normal commercial terms and each expires on 31 December 2013.

- Agreement dated 8 November 2011 between Power Logistics Limited and Hong Kong Telecommunications (HKT) Limited:

Power Logistics Limited, among other things: (a) manages a warehouse for mobile products; (b) provides stock management services; (c) packs and delivers mobile products; and (d) collects customer payments.

CONNECTED TRANSACTIONS

- Agreement dated 8 November 2011 between Power Logistics Limited and Hong Kong Telecommunications (HKT) Limited:

Power Logistics Limited provides logistics function, courier or delivery, storage and installation services for computer equipment to specified locations in Hong Kong.
- Agreement dated 8 November 2011 between Power Logistics Limited and Hong Kong Telecommunications (HKT) Limited:

Power Logistics Limited provides certain transportation services in Hong Kong.
- Agreement dated 8 November 2011 between Power Logistics Limited and Hong Kong Telecommunications (HKT) Limited:

Power Logistics Limited provides certain printing and lettershopping services for PCCW mobile prepaid SIM cards and plastic recharge vouchers.
- Agreement dated 8 November 2011 between Power Logistics Limited and HKT Services Limited:

Power Logistics Limited provides certain back-up tape delivery services.
- Agreement dated 8 November 2011 between Power Logistics Limited and Hong Kong Telecommunications (HKT) Limited:

Power Logistics Limited provides certain service-premium delivery services.
- Agreement dated 8 November 2011 between Power Logistics Limited and Hong Kong Telecommunications (HKT) Limited:

Power Logistics Limited provides certain logistic services.
- Agreement dated 8 November 2011 between Power Logistics Limited and Hong Kong Telecommunications (HKT) Limited:

Power Logistics Limited provides a service for the mass distribution of printed telephone directories.
- Agreement dated 8 November 2011 between Power Logistics Limited and Hong Kong Telecommunications (HKT) Limited:

Power Logistics Limited provides certain document imaging and data entry services.

Historical transaction record

The fees paid by the Group to the Solutions Group for the provision of these services for the years ended 31 December 2008, 31 December 2009 and 31 December 2010 were HK\$105.2 million, HK\$545.6 million and HK\$493.1 million respectively. The figure for 2008 reflects amounts paid to the Solutions Group in the last two months of the year, following its creation pursuant to the 2008 Restructuring. As such, the trend over the track record period has been one of reducing overall amounts paid to the Solutions Group. In part, this was due to the fact that the 2008 and 2009 payments for SSDI work were comparatively high, and project-specific (relating to the creation of a billing system for the Group's 3G mobile service).

CONNECTED TRANSACTIONS

Annual caps

The parties have agreed the following annual caps in respect of the fees for the services to be provided by the Solutions Group under the above agreements:

<u>Year ending 31 December</u>	<u>Annual cap (HK\$ million)</u>
2011	655.6
2012	775.8
2013	842.7

The caps have been determined on the following bases:

- (a) the historical figures for running these services by the Solutions Group;
- (b) the estimated level of services required which shows a substantial increase as compared to the historical amounts due to an expansion of new data centres in the coming three years; and
- (c) the staff and resources requirement for the services.

Reasons for the increase in the proposed annual caps

The charging basis will be based on the actual usage of the services, such as the number of application and support servers installed and the number of support staff required during the construction process and maintenance period, as well as the current market price and adjusted by the CPI annual growth factor forecasted by Bloomberg.

The other growth drivers from 2011 to 2013 are mainly due to designing and building existing exchange buildings to data centres. The services provided by the Solutions Group include project planning, monitoring, infrastructure design, supply of materials, equipment installation and supervision of testing and commissioning, and conducting of integrated system tests etc. The total data area space for the new data centre site is approximately 194,000 square feet in the exchange buildings. The charging basis will be based on current market price and will be adjusted by 4.5%, 4.0% and 4.0% in 2011, 2012 and 2013, respectively, in accordance with the CPI annual growth factor forecasted by Bloomberg as of June 2011.

CONNECTED TRANSACTIONS

The breakdown of the annual caps for each of the agreements set out above are as follows:

<u>Agreement/service description</u>	<u>For the year ending 31 December</u>		
	<u>2011</u> <u>(HK\$ million)</u>	<u>2012</u> <u>(HK\$ million)</u>	<u>2013</u> <u>(HK\$ million)</u>
Bureau services agreement	422.3	532.1	588.0
OMS Total	422.3	532.1	588.0
Application management services	67.0	70.0	73.2
System development services	43.1	45.0	47.0
SSDI Total	110.1	115.0	120.2
Agreement between Power Logistics Limited and Hong Kong Telecommunications (HKT) Limited regarding mobile products	8.2	8.5	8.9
Agreement between Power Logistics Limited and Hong Kong Telecommunications (HKT) Limited for computer equipment	2.3	2.4	2.5
Agreement between Power Logistics Limited and Hong Kong Telecommunications (HKT) Limited regarding transportation services	2.3	2.4	2.6
Agreement between Power Logistics Limited and Hong Kong Telecommunications (HKT) Limited regarding printing and lettershopping services	1.6	1.7	1.7
Agreement between Power Logistics Limited and HKT Services Limited regarding back-up tape delivery services	0.0	0.0	0.0
Agreement between Power Logistics Limited and Hong Kong Telecommunications (HKT) Limited for service-premium delivery services	0.0	0.0	0.0
Agreement between Power Logistics Limited and Hong Kong Telecommunications (HKT) Limited for logistics services	108.7	113.6	118.7
Agreement between Power Logistics Limited and Hong Kong Telecommunications (HKT) Limited regarding mass distribution of printed telephone directories	0.0	0.0	0.0
Agreement between Power Logistics Limited and Hong Kong Telecommunications (HKT) Limited regarding imaging and data entry services	0.1	0.1	0.1
BPOL Total	123.2	128.7	134.5
Solutions Group Total	655.6	775.8	842.7

CONNECTED TRANSACTIONS

Application of the Listing Rules

As the Solutions Group is within the Remaining Group, the above agreements constitute continuing connected transactions for the Company in accordance with the Listing Rules.

As each of the percentage ratios (other than the profits ratio) for the capped value of the consideration payable to the Solutions Group is less than 5% by reference to the Group's financial results for the year ended 31 December 2010, these transactions would, upon Listing and in the absence of the grant of the waiver by the Stock Exchange, as referred to below, be subject to the reporting, annual review and announcement requirements, but exempt from the independent shareholders' approval requirement of the Listing Rules.

(13) Sub-contracting agreement

Principal terms

On 8 November 2011, PCCW (Macau), Limitada ("**PCCW Macau**"), a company within the Group, and PCCW-HKT Technical Services Limited ("**TSL**"), a company within the Remaining Group, entered into a sub-contracting agreement. PCCW Macau has contracted with various third parties for the provision of solutions services with various operators in Macau such as IT related systems within casinos. Rather than performing the work itself, PCCW Macau has sub-contracted the work to TSL. Accordingly, the work is carried out by TSL and all fees received in respect of the work are passed by PCCW Macau to TSL after PCCW Macau has deducted sub-contracting fees. The agreement is for a three-year term expiring on 31 December 2013.

Historical transaction record

The gross fees paid by third parties to PCCW Macau during the years ended 31 December 2008, 31 December 2009 and 31 December 2010 were HK\$40.5 million, HK\$75.4 million and HK\$62.5 million respectively. The 2008 figure, for just two months of the year (following the 2008 Restructuring), is comparatively high and reflected a high level of casino-related project work undertaken during the year. These gross receipts were passed on to TSL, as sub-contractor, net of nominal sub-contracting fees, retained by PCCW Macau, of approximately HK\$1 million per annum.

(a) Contracted service cost from PCCW Macau to TSL

Annual Caps

<u>Year ending 31 December</u>	<u>Annual cap (HK\$ million)</u>
2011	29.1
2012	50.4
2013	77.3

CONNECTED TRANSACTIONS

(b) **Sub-contracting fees from TSL to PCCW Macau**

Annual Caps

<u>Year ending 31 December</u>	<u>Annual cap (HK\$ million)</u>
2011	1.5
2012	2.5
2013	3.9

Reasons for the increase in the proposed annual caps

Going forward, PCCW Macau anticipates earning gross fees of approximately HK\$29.1 million, HK\$50.4 million and HK\$77.3 million for the years ending 31 December 2011, 31 December 2012 and 31 December 2013, respectively, which amounts have been set as the annual caps on the service costs payable to TSL, as referred to above. This is based on existing contracts entered into by PCCW Macau and its expectation for pipeline projects. The pipeline expectation is due to the growth in the Projection and Display System and the Extra Low Voltage System (ELV System) for Macau hotels and casinos expansion. These fees will be passed on to TSL, as sub-contractor, net of sub-contracting fees earned by PCCW Macau, estimated at an average rate of 5% of the gross fees, equating to estimated annual amounts paid by TSL to PCCW Macau for the right to perform the sub-contracted work, to be treated as the annual caps on the sub-contracting fees payable to PCCW Macau as referred to above.

Application of the Listing Rules

As TSL is within the Remaining Group, the sub-contracting agreement constitutes a continuing connected transaction for the Company in accordance with the Listing Rules.

As each of the percentage ratios (other than the profits ratio) for the aggregate net sums which PCCW Macau anticipates being required to pay to TSL is less than 5% by reference to the Group's financial results for the year ended 31 December 2010, this transaction would, upon Listing, and in the absence of the grant of the waiver by the Stock Exchange, as referred to below, be subject to the reporting, annual review and announcement requirements, but exempt from the independent shareholders' approval requirement of the Listing Rules. In any event, the sub-contracting fees payable by TSL to PCCW Macau for the right to perform the sub-contracted work would be de minimis and would constitute an exempt continuing connected transaction.

Aggregation of services in respect of paragraphs (12) to (13) above:

On an aggregated annual basis for 2011, the capped amounts payable as described in paragraphs (12) to (13) above result in percentage ratios (other than the profits ratio) of less than 5% by reference to the Group's financial results for the year ended 31 December 2010. Accordingly, even on an aggregated basis for 2011, the transactions described above would be exempt from the independent shareholders' approval requirement of the Listing Rules.

CONNECTED TRANSACTIONS

Other continuing connected transactions exempt from the independent shareholders' approval requirement

(14) The provision of corporate shared services

Principal terms

On 8 November 2011, HKT Services Limited, a company within the Group, and PCCW Services Limited, a company within the Remaining Group, entered into a corporate shared services agreement, pursuant to which HKT Services Limited and its affiliates have agreed to provide the Remaining Group a range of corporate support services that are integral to the operation of both groups, including managerial support.

In summary, these services comprise:

- corporate communications and human resources;
- security, fraud management and risk management support;
- treasury and taxation;
- accounting, finance and internal audit support;
- regulatory affairs;
- customer accounts management services (billing management, credit management and cash management), customer complaints handling support and procurement; and
- technology strategy and development support.

The charges for these services are at cost. The term of the agreement is for three years, effective from 1 January 2011 to 31 December 2013.

Historical transaction record

The fees paid, in aggregate, to the Group for the provision of these services for the years ended 31 December 2008, 31 December 2009 and 31 December 2010 were HK\$16.6 million, HK\$170.3 million and HK\$150.2 million respectively. The 2008 figure is comparatively low given that it reflects the amounts paid to the Group in the last two months of the year, following the 2008 Restructuring, and that there was an increase in fees in 2009.

Annual caps

The parties have agreed the following annual caps in respect of the fees payable, in aggregate, to the Group under the agreement:

<u>Year ending 31 December</u>	<u>Annual cap (HK\$ million)</u>
2011	156.9
2012	164.0
2013	171.4

CONNECTED TRANSACTIONS

The caps have been determined on the following bases:

- (a) the historical figures for running these services for the Remaining Group;
- (b) the estimated level of services required for the Remaining Group; and
- (c) the staff and resources requirement for the services.

Application of the Listing Rules

As PCCW Services Limited is a company within the Remaining Group, the corporate shared services agreement constitutes a continuing connected transaction for the Company in accordance with the Listing Rules. Unlike the agreement referred to in paragraph (20) below, this agreement relates to the services provided by managerial and professional staff, hence it is not being treated as an agreement exempt from the reporting, annual review, announcement and independent shareholders' approval requirements pursuant to Rule 14A.33(2) of the Listing Rules.

As each of the percentage ratios (other than the profits ratio) for the capped fees is less than 5% by reference to the Group's financial results for the year ended 31 December 2010, this transaction would, upon Listing, and in the absence of the grant of the waiver by the Stock Exchange, as referred to below, be subject to the reporting, annual review and announcement requirements, but exempt from the independent shareholders' approval requirement of the Listing Rules.

(15) The provision of marketing and promotion services

Principal terms

On 8 November 2011, Hong Kong Telecommunications (HKT) Limited and HKTL entered into a marketing and promotion services agreement, pursuant to which Hong Kong Telecommunications (HKT) Limited has agreed to provide publicity, promotion and branding services to HKTL, including producing 'i.Shop', a magazine produced each month to advertise the products and services of the PCCW Group, and other promotional activities. The services are charged on a cost basis. The term of the agreement is for three years, effective from 1 January 2011 to 31 December 2013.

Historical transaction record

The fees paid by HKTL to the Group for the provision of these services for the years ended 31 December 2008, 31 December 2009 and 31 December 2010 were HK\$nil, HK\$45.8 million and HK\$46.4 million respectively.

Annual caps

The parties have agreed the following annual caps in respect of fees payable by HKTL to Hong Kong Telecommunications (HKT) Limited under the agreement:

<u>Year ending 31 December</u>	<u>Annual cap (HK\$ million)</u>
2011	48.5
2012	50.4
2013	52.4

CONNECTED TRANSACTIONS

The caps have been determined on the following bases:

- (a) the historical figures for running these services for the Remaining Group;
- (b) the estimated level of services required by the Remaining Group; and
- (c) the proposed marketing and promotion plan.

The marketing and promotion costs will be adjusted by the CPI annual growth factor forecasted by Bloomberg.

Application of the Listing Rules

As HKTL is a company within the Remaining Group, the marketing and promotion services agreement constitutes a continuing connected transaction for the Company in accordance with the Listing Rules.

As each of the percentage ratios (other than the profits ratio) for the annual services to be provided to HKTL is less than 5% by reference to the Group's financial results for the year ended 31 December 2010, this transaction would, upon Listing, and in the absence of the grant of the waiver by the Stock Exchange, as referred to below, be subject to the reporting, annual review and announcement requirements, but exempt from the independent shareholders' approval requirement of the Listing Rules.

(16) Licensing agreement (PCCW Tower)

PCCW Services Limited, a company within the Remaining Group, is the tenant in respect of certain space located at PCCW Tower, TaiKoo Place, 979 King's Road, Quarry Bay, Hong Kong, which it leases from an independent third party pursuant to a lease dated 31 October 2008. The lease expires on 31 December 2014. Under and subject to the terms of the lease, PCCW Services Limited is afforded the right to share the premises with its related companies, which include members of the Group. On 22 June 2010, PCCW Services Limited and HKT Services Limited, a company in the Group, entered into an agreement (which was supplemented by a further agreement between the same parties entered into on 8 November 2011) pursuant to which HKT Services Limited has been granted a licence to occupy certain floor space for office use for an aggregate amount (inclusive of licence fees, rates, management fees and other charges) estimated at HK\$8.7 million per month, equating to HK\$103.9 million per annum. The licence expires on 21 June 2013 and shall, subject to compliance of the relevant requirements applicable to connected transactions under the Listing Rules by the Company, automatically renew for a term until 31 December 2014 (or such other period as is consistent with the term of the head lease from the independent third party and which is otherwise permitted under the Listing Rules) after expiry of the initial term. The Company will comply with the applicable Listing Rules when the initial term of the agreement expires.

Historical transaction record

The aggregate annual rental and other fees payable under the licence for the years ended 31 December 2008, 31 December 2009 and 31 December 2010 were HK\$10.2 million, HK\$98.2 million and HK\$103.9 million respectively. The 2008 figure is comparatively low given that it reflects the amounts paid in the last two months of the year, following the 2008 Restructuring.

CONNECTED TRANSACTIONS

Annual caps

The parties have agreed the following annual caps in respect of the aggregate amount (inclusive of licence fees, rates, management fees and other charges) payable:

<u>Year ending 31 December</u>	<u>Annual cap (HK\$ million)</u>
2011	103.9
2012	128.5
2013	128.5

The caps reflect the actual annual licence fee payable and estimates of related expenses such as rates, management fees and other charges.

Application of the Listing Rules

As PCCW Services Limited is a company within the Remaining Group, the licence agreement constitutes a continuing connected transaction for the Company in accordance with the Listing Rules.

As each of the percentage ratios (other than the profits ratio) for the capped value of the aggregate annual amount paid is less than 5% by reference to the Group's financial results for the year ended 31 December 2010, this transaction would, upon Listing, and in the absence of the grant of the waiver by the Stock Exchange, as referred to below, be subject to the reporting, annual review and announcement requirements, but exempt from the independent shareholders' approval requirement of the Listing Rules.

D. EXEMPT CONTINUING CONNECTED TRANSACTIONS

The Group has entered into the following continuing connected transactions which are exempt from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules:

(17) Expenses payable to the Trustee-Manager

Under the Trust Deed and subject to the relevant laws and regulations, the Trustee-Manager is entitled to apply, or to be reimbursed from, the Trust Property (at such times and over such periods as the Trustee-Manager may determine in any particular case) for all liabilities, fees, costs, charges and expenses that may be properly suffered or incurred by the Trustee-Manager in the performance of its obligations or the exercise of its powers under the Trust Deed, or otherwise arising out of or in connection with the Trust Deed, including but not limited to the amounts specified in the Trust Deed, as described in the section headed "The Constitution of the HKT Trust — Expenses of the HKT Trust" of this prospectus.

The expenses are paid from the Adjusted Funds Flow of the Group received by the HKT Trust and accordingly constitute a form of continuing connected transaction given that the Trustee-Manager is an associate of the Controlling Holder of Share Stapled Units. As the duration of the Trust Deed is 80 years less one day, the reimbursement arrangements are deliberately structured to continue for such term (albeit that the Trustee-Manager is capable of being removed by an Ordinary Resolution of Registered Holders of Units).

CONNECTED TRANSACTIONS

As the HKT Trust has been specifically formed for the purposes of the Listing, there are no historical amounts that have been paid by the Group to the Trustee-Manager. It is expected that the amount payable to the Trustee-Manager pursuant to the reimbursement arrangements is in the order of HK\$1.0 million, which is determined based on the estimated administration costs incurred by the Trustee-Manager, such as audit, company secretarial registration fees and so on.

As the Trustee-Manager is a wholly-owned subsidiary of PCCW, the Controlling Holder of Share Stapled Units, it is a connected person of the HKT Trust and the Company. Payments to the Trustee-Manager pursuant to the reimbursement arrangements constitute a form of continuing connected transaction.

As each of the percentage ratios (other than the profits ratio) for the annual fees payable to the Trustee-Manager is less than 0.1% by reference to the Group's financial results for the year ended 31 December 2010, the reimbursement arrangements under the Trust Deed would, upon Listing, be exempt from the reporting, annual review, announcement and independent shareholders' approval requirements pursuant to Rule 14A.33(3) of the Listing Rules.

(18) Provision of concessionary fixed telephone lines

As a staff perk available to all long-term PCCW Group employees, the Group provides them with concessionary fixed telephone lines. The concession is paid for at market rates by the relevant business unit within the PCCW Group for whom the employee works.

Companies within the Remaining Group paid in the order of HK\$1.6 million to the Group during the year ended 31 December 2010 for the provision of this benefit to long-term employees of the Remaining Group and it is estimated that they will pay a similar amount during the current financial year. In any event, as the value of the service provided by the Group represents an annual amount that results in each of the percentage ratios (other than the profits ratio) being at less than 0.1% by reference to the Group's financial results for the year ended 31 December 2010, the provision of concessionary fixed telephone lines to employees of the Remaining Group would, upon Listing, be exempt from the reporting, annual review, announcement and independent shareholders' approval requirements pursuant to Rule 14A.33(3) of the Listing Rules.

(19) The recharge of insurance premiums

The PCCW Group operates a captive insurance scheme through PCCW Risk Finance Limited, a company within the Group. Premiums for insured risks such as those arising from the ownership and operation of premises, public and product liabilities, losses from crime, professional indemnities and media broadcast liabilities are charged by PCCW Risk Finance Limited to companies in the PCCW Group. Depending on the risks being insured, the parameters used for determining the amount of insurance premium chargeable to a company in the PCCW Group are its revenues, the value of its fixed assets, headcount and levels of insured activity. For the year ended 31 December 2010, PCCW Risk Finance Limited recorded an income from insurance premiums receivable from companies of the PCCW Group of approximately HK\$24.5 million and approximately HK\$9.6 million was receivable from companies of the Remaining Group.

For the years ended 31 December 2008, 31 December 2009 and 31 December 2010, PCCW Risk Finance Limited recorded an income from insurance premiums receivable from companies of the PCCW Group of approximately HK\$4.4 million, HK\$25.6 million and HK\$24.5 million, respectively, with approximately HK\$1.3 million, HK\$9.2 million and HK\$9.6 million being received from companies of the Remaining Group.

CONNECTED TRANSACTIONS

The recharging of insurance premiums by PCCW Risk Finance Limited to companies within the Remaining Group constitutes a connected transaction, and one that continues on an annual basis given the recurring operation of the PCCW Group's captive insurance scheme.

By value, the recharging of the capped annual insurance premiums by PCCW Risk Finance Limited to companies in the Remaining Group represents less than 0.1% by reference to the Group's financial results for the years ended 31 December 2010 making the arrangement one that would, upon Listing, be exempt from the reporting, annual review, announcement and independent shareholders' approval requirements pursuant to Rule 14A.33(3) of the Listing Rules.

(20) Administrative support agreement

On 8 November 2011, HKT Services Limited and PCCW Services Limited entered into an administrative support agreement, pursuant to which the Company has agreed to provide, through service companies within the Group including HKT Services Limited, Hong Kong Telecommunications (HKT) Limited and HKT Secretaries Limited, certain administrative clerical support as and when requested by the Remaining Group to supplement the Remaining Group's own independent administrative teams. The agreement provides for the Remaining Group's access to additional administrative support in the following areas:

- legal and corporate secretariat support, corporate communications and human resources;
- security, fraud management and risk management support;
- treasury and taxation;
- regulatory affairs;
- accounting, finance and internal audit support;
- customer accounts management services (billing management, credit management and cash management), customer complaints handling support and procurement; and
- technology strategy and development support.

The services are shared on a cost basis and allocated to the Remaining Group according to time spent by relevant personnel on the businesses of the Remaining Group and related share of administration system costs.

The agreement is exempt from the reporting, annual review, announcement and independent shareholders' approval requirements pursuant to Rule 14A.33(2) of the Listing Rules.

(21) Private treaty grants

The Group uses the PTG Telephone Exchanges held by HKTC and, in one case, by HKTL. HKTC and HKTL are both companies in the Remaining Group. In the context of the 2008 Restructuring, and to the maximum extent permitted by the terms of those private treaty grants, HKTC and HKTL granted, pursuant to two licence agreements both dated 28 November 2008 (with the HKTC licence agreement being supplemented by a further agreement between the same parties dated 8 November 2011), to Hong Kong Telecommunications (HKT) Limited respective licences to install, store, operate and maintain equipment, machinery, chattels and installations at the PTG Telephone Exchanges and respective rights of pre-emption to purchase the PTG Telephone Exchanges for a nominal consideration if HKTC and HKTL, as the case may be, is successful in obtaining the relevant government consent. The validity and legality of these two licence agreements would not

CONNECTED TRANSACTIONS

be affected by the proposed spin-off and separate listing of the Group. HKTC or HKTL, as the case may be, continues to meet and defray all costs, expenses and outgoings of the PTG Telephone Exchanges (including but not limited to rates and Government rent) but Hong Kong Telecommunications (HKT) Limited is responsible for re-imbursing HKTC or HKTL, as the case may be, the outgoings on a periodic basis. HKTC or HKTL, as the case may be, is required to pay the amount of any income or profit received or to be received by HKTC or HKTL, as the case may be, to Hong Kong Telecommunications (HKT) Limited in respect of the PTG Telephone Exchanges. Moreover, in the event of a disposal of any of the PTG Telephone Exchanges to a third party, HKTC or HKTL, as the case may be, would pay the entire net proceeds from the disposal to Hong Kong Telecommunications (HKT) Limited. Thus, as regards independent third parties, there is a pass-through to Hong Kong Telecommunications (HKT) Limited of all costs and proceeds, in respect of the PTG Telephone Exchanges. In respect of some (but not all) of the PTG Telephone Exchanges, such licences exist in conjunction with additional licences from HKTC to members of the Solutions Group and the Media Group, granting them limited access rights to certain floor space within those PTG Telephone Exchanges. In this regard, the licence fees paid by the Solutions Group and the Media Group are passed on by HKTC to Hong Kong Telecommunications (HKT) Limited. In effect, therefore, these licensing arrangements are akin to direct arrangements between Hong Kong Telecommunications (HKT) Limited and the Media Group and the Solutions Group respectively. For the purposes of Chapter 14A of the Listing Rules, the licensing of access rights to these particular floor spaces to the Media Group and the Solutions Group is being treated as separate continuing connected transactions between Hong Kong Telecommunications (HKT) Limited and the Media Group (paragraph (4) above) and between Hong Kong Telecommunications (HKT) Limited and the Solutions Group (paragraph (11) above).

In a similar vein to the PTG Telephone Exchanges, the Group uses other properties let or licensed by the Government to HKTC or, as the case may be, HKTL, to which Hong Kong Telecommunications (HKT) Limited has licensed access rights and which are used as telephone exchanges, cable storage chambers, transmission sites and other engineering-related facilities.

Again, HKTC or HKTL, as the case may be, continues to meet and defray all costs, expenses and outgoings, payable under the leases or licences (including but not limited to rates and Government rent) but Hong Kong Telecommunications (HKT) Limited is responsible for re-imbursing HKTC or HKTL, as the case may be, on a dollar-for-dollar basis. Thus, there is a pass-through to Hong Kong Telecommunications (HKT) Limited of all costs in respect of the leases or licences.

(22) Other telephone exchange licensing arrangements

The Group uses certain properties let or licensed by independent third parties, including the Airport Authority, The Chinese University of Hong Kong and The Hong Kong Housing Authority, to HKTC and, in some cases, to HKTL. The properties, which are for the most part let or licensed on a rent-free basis, are used by the Group as telephone exchanges and Hong Kong Telecommunications (HKT) Limited has been afforded licensed access rights.

HKTC or HKTL, as the case may be, continues to meet and defray all costs, expenses and outgoings payable under the leases or licences (including but not limited to Government rent and rates) but Hong Kong Telecommunications (HKT) Limited is responsible for re-imbursing HKTC or HKTL, as the case may be, on a dollar-for-dollar basis. Thus, there is a pass-through to Hong Kong Telecommunications (HKT) Limited of all costs in respect of the leases or licences.

CONNECTED TRANSACTIONS

Right of first refusal concerning redevelopment of telephone exchanges

In the context of the listing of PCPD in 2004, PCCW gave to PCPD, in an agreement between the parties dated 5 March 2004, a right of first refusal pursuant to which, in circumstances where HKTC, HKTL, Hong Kong Telecommunications (HKT) Limited (or indeed any subsidiary of PCCW owning a premises used primarily as a telephone exchange) obtains rights to redevelop any telephone exchange (other than the Queen's Road Exchange referred to in paragraph (23)(i) below, which is already owned by PCPD), PCCW agreed to procure that PCPD would be afforded the right to participate in each joint venture established to effect the re-development of the relevant exchange (on terms no less favourable than the relevant exchange owning company would be prepared to enter into with an independent third party).

Accordingly, this right of first refusal would have an impact upon Hong Kong Telecommunications (HKT) Limited were Hong Kong Telecommunications (HKT) Limited ever minded to redevelop any of the telephone exchanges owned by Hong Kong Telecommunications (HKT) Limited and to secure the necessary approvals to do so, including as regards any of the PTG Telephone Exchanges to the extent that Hong Kong Telecommunications (HKT) Limited was ever able to exercise its right to purchase the PTG Telephone Exchanges. Hong Kong Telecommunications (HKT) Limited would be required to afford PCPD a 45-day right of first refusal, within which it could elect to participate in the redevelopment of any such telephone exchange on arm's length commercial terms. Any agreement reached concerning the redevelopment of any telephone exchange would, for so long as PCPD remains a subsidiary of PCCW, constitute a connected transaction for the Company and would be subject to the Listing Rules applicable at the relevant time.

(23) Other property leasing and licensing arrangements

(i) Tenancy agreement (Queen's Road Exchange)

Talent Master Investments Limited (a wholly-owned subsidiary of PCPD, and a company within the Remaining Group), as landlord, has leased portions of certain floors of the building located at No. 1 Wo Fung Street, Sheung Wan, Hong Kong to HKTC pursuant to a lease dated 10 May 2004, as supplemented and amended subsequently. On 8 November 2011, the lease was assigned and novated by HKTC to Hong Kong Telecommunications (HKT) Limited on the basis that Hong Kong Telecommunications (HKT) Limited would be the tenant and would assume all continuing obligations under the tenancy agreement.

Hong Kong Telecommunications (HKT) Limited is required to pay a monthly sum, inclusive of rent and management fees, of approximately HK\$0.1 million, equating to approximately HK\$1.3 million per annum. The lease is for a long-term expiring 24 June 2842. It is, however, terminable on 6 months' notice by the tenant, and 60 months' notice by the landlord.

As Talent Master Investments Limited is a subsidiary of PCCW, the Controlling Holder of Share Stapled Units, it is an associate of the Company and is therefore a connected person of the Company. The tenancy agreement therefore constitutes a continuing connected transaction for the Company in accordance with the Listing Rules.

As each of the percentage ratios (other than the profit ratios) for the annual amounts payable by Hong Kong Telecommunications (HKT) Limited is less than 0.1% by reference to the Group's financial results for the year ended 31 December 2010, this transaction would, upon listing, be exempt from the reporting, annual review, announcements and independent shareholders' approval requirement pursuant to Rule 14A.33(3) of the Listing Rules.

CONNECTED TRANSACTIONS

(ii) **Tenancy agreement (On Lok Exchange)**

Hong Kong Telecommunications (HKT) Limited, as landlord, licensed certain floors of the building located at 21 Lok Yip Road, On Lok Tsuen, Fanling, New Territories, Hong Kong to PCCW Solutions Limited, as tenant, pursuant to a licence agreement dated 8 November 2011, to be used as data centres.

Under the licence agreement, in aggregate, PCCW Solutions Limited is required to pay a monthly sum, inclusive of rent and management fees, of approximately HK\$0.5 million, equating to approximately HK\$6.4 million per annum to Hong Kong Telecommunications (HKT) Limited.

As PCCW Solutions Limited is a wholly-owned subsidiary of PCCW, the Controlling Holder of Share Stapled Units, it is an associate of the Company and is therefore a connected person of the Company. The licence agreement therefore constitutes a continuing connected transaction for the Company in accordance with the Listing Rules.

As each of the percentage ratios (other than the profits ratio) for the annual amounts payable by PCCW Solutions Limited is less than 0.1% by reference to the Group's financial results for the year ended 31 December 2010, this transaction would, upon listing, be exempt from the reporting, annual review, announcements and independent shareholders' approval requirements pursuant to Rule 14A.33(3) of the Listing Rules.

(iii) **Licensing agreement (Kam Shan Radio Site)**

On 19 July 2010, Hong Kong Telecommunications (HKT) Limited and the Government entered into a licence agreement pursuant to which, the Government, as licensor, has granted a non-exclusive licence to Hong Kong Telecommunications (HKT) Limited, as licensee, to use certain portions of the 1st floor and the roof of the Kam Shan Radio Site, Golden Hill, as a digital microwave reception station. The licence is for an initial term of three years commencing on 3 September 2008 and thereafter a quarterly periodical licence. On 8 November 2011, Hong Kong Telecommunications (HKT) Limited and PCCW Media Limited entered into a licence agreement pursuant to which PCCW Media Limited has been granted a licence to use the aforementioned portions of the Kam Shan Radio Site for an aggregate amount (inclusive of licence fees, rates, management fees and other charges) estimated at HK\$0.09 million per month, equating to HK\$1.1 million per annum.

As PCCW Media Limited is an indirect wholly-owned subsidiary of PCCW, the Controlling Holder of Share Stapled Units, it is a connected person of the Company. The licence agreement therefore constitutes a continuing connected transaction for the Company in accordance with the Listing Rules.

As each of the percentage ratios (other than profits ratio) for the estimated annual amount payable by PCCW Media Limited is less than 0.1% by reference to the Group's financial results for the year ended 31 December 2010, this transaction would, upon Listing, be exempt from the reporting, annual review, announcement and independent shareholders' approval requirements pursuant to Rule 14A.33(3) of the Listing Rules.

(iv) **Macau tenancy agreements**

PCCW Macau, a company within the Group, leased 3 premises located in Macau from independent third parties, for warehouse and office use. On 8 November 2011, an

CONNECTED TRANSACTIONS

agreement was entered into pursuant to which the Solutions Group has been granted a licence to occupy the above premises. The aggregate monthly sum payable by the Solutions Group to PCCW Macau under the licence agreement, inclusive of rent and management fees, is approximately HK\$0.05 million, equating to approximately HK\$0.6 million per annum.

As the Solutions Group is within the Remaining Group, the licence constitutes a continuing connected transaction for the Company in accordance with the Listing Rules.

As each of the percentage ratios (other than the profits ratio) for the annual amounts payable by the Solutions Group is less than 0.1% by reference to the Group's financial results for the year ended 31 December 2010, this transaction would, upon listing, be exempt from the reporting, annual review, announcements and independent shareholders' approval requirements pursuant to Rule 14A.33(3) of the Listing Rules.

(v) Lease and licence agreements with PCPD

電訊盈科科技(北京)有限公司 (PCCW Technology (Beijing) Limited[#]) and 廣州電訊盈科萃鋒科技有限公司 (PCCW Cascade Technology (Guangzhou) Limited), companies within the Group, leased or licensed 4 premises in Beijing, PRC from 北京京威房地產開發有限公司 (Beijing Jing Wei House and Land Estate Development Co. Ltd.[#]) ("**BJJW**"), a wholly-owned subsidiary of PCPD and a company within the Remaining Group. The aggregate monthly sum payable by the Group to BJJW, inclusive of rent, management and other fees, is approximately HK\$209,894, equating to approximately HK\$2.5 million per annum.

As BJJW is within the Remaining Group, the above agreements constitute continuing connected transactions for the Company in accordance with the Listing Rules.

As each of the percentage ratios (other than the profits ratio) for the annual amounts payable by the Group is less than 0.1% by reference to the Group's financial results for the year ended 31 December 2010, these transactions would, upon listing, be exempt from the reporting, annual review, announcements and independent shareholders' approval requirements pursuant to Rule 14A.33(3) of the Listing Rules.

(24) Intellectual property rights licensing arrangements

Pursuant to a licence agreement dated 8 November 2011 between PCCW Enterprises Limited, a company within the Remaining Group, and PCCW-HKT DataCom Services Limited, a company within the Group, members of the Group have been licensed, on a non-exclusive basis, by PCCW Enterprises Limited, to use certain intellectual property including trademarks (including the PCCW logo) and domain names which are used by both the PCCW Group and the Group. The annual licence fees payable are nominal. The term of the agreement is three years expiring on 31 December 2013.

Pursuant to a licence agreement dated 8 November 2011 between PCCW Enterprises Limited and PCCW-HKT DataCom Services Limited, members of the Remaining Group have been licensed, on a non-exclusive basis, by PCCW-HKT DataCom Services Limited, to use certain intellectual property including trademarks and domain names. The annual licence fees payable are nominal. The term of the agreement is three years expiring on 31 December 2013.

[#] For identification only

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Both licence agreements are terminable upon certain specified events, including the happening of the following events in respect of the licensee: consent to or the filing of a voluntary petition for winding up; the appointment of a receiver; the making of an order, judgment or decree by any court of competent jurisdiction on the application of a creditor adjudication that party as bankrupt or insolvent; or failure to perform or observe any of its obligations under the agreement. The licensor may terminate the agreement if the licensee uses the intellectual property other than in the manner and in accordance with the agreement.

Provisions for safeguarding the Group's use of the intellectual property after listing in both licence agreements include the licensor warranting that it will continue to have the right to use and to license the use of the intellectual property; that it is not aware that the intellectual property or the use of any of them has been proved to have infringed the rights of any third party; and that any registrations effected by it of the intellectual property are valid and that it will use all reasonable efforts to maintain those registrations.

(25) The provision of mobile telecommunications services

On 8 November 2011, PCCW Mobile HK Limited, a company within the Group, and PCCW Services Limited, a company within the Remaining Group, entered into a mobile telecommunications services agreement, pursuant to which PCCW Mobile HK Limited has agreed to provide mobile telecommunications services to PCCW Services Limited. The services are charged at market rates.

As PCCW Services Limited is a company within the Remaining Group, the mobile telecommunications services agreement constitutes a continuing connected transaction for the Company in accordance with the Listing Rules.

As each of the percentage ratios (other than the profits ratio) for the annual amounts payable is less than 0.1% by reference to the Group's financial results for the year ended 31 December 2010, this transaction would, upon Listing, be exempt from the reporting, annual review, announcement and independent shareholders' approval requirements pursuant to Rule 14A.33(3) of the Listing Rules.

(26) Information technology and telecommunications equipment and services

The Group provides PCPD (a company within the Remaining Group) and its subsidiaries (the "**PCPD Group**") equipment and services relating to information technology and telecommunications, including but not limited to fixed-line telephones and related services; mobile telephones and related services; integrated telecommunications equipment and related services; system hosting services and operation support services.

The PCPD Group paid in the order of HK\$4.0 million to the Group during the year ended 31 December 2010 for the provision of information technology and telecommunications equipment and services. As the value of the equipment and services provided by the Group represents an annual amount that results in each of the percentage ratios (other than the profits ratio) testing at less than 0.1% by reference to the Group's financial results for the year ended 31 December 2010, the provision of such equipment and services to the PCPD Group would, upon Listing, be exempt from the reporting, annual review, announcement and independent shareholders' approval requirements pursuant to Rule 14A.33(3) of the Listing Rules.

CONNECTED TRANSACTIONS

E. RECATEGORISING THE SAME CONTINUING CONNECTED TRANSACTIONS BY TYPE OF SERVICE PERFORMED

The information on the continuing connected transactions set out in sections A to D above has been categorised according to the providers of the relevant service (e.g. the Group to the Media Group, the Media Group to the Group etc.), and thereafter sub-categorised according to the service or transaction, as the Directors believe that this is the clearest way of presenting information on the on-going transactions between the Group and its connected persons.

The Directors understand that normal practice is for issuers to categorise the information by reference to the aggregation of like services provided (e.g. provision of telecommunications services, provision of marketing services etc.) and, as appropriate, to sub-categorise it according to provider or recipient. The Company felt that such an approach was not necessarily the best approach for the arrangements with its connected persons, for example, because telecommunications services supplied by Hong Kong Telecommunications (HKT) Limited to PCCW Media Limited to support delivery of the now TV network are not necessarily comparable with managed data centre services provided by Hong Kong Telecommunications (HKT) Limited to PCCW Solutions Limited; or because certain agreements for comparable services (e.g. property leasing or licensing arrangements with different parties) might be for different terms.

With a view to facilitating the reader's understanding of the continuing connected transactions, the following table re-classifies the same information set out in sections A to D above along service-based lines (with cross-references to the relevant paragraphs in the previous sections).

The table below demonstrates that the aggregation of the transactions along service-based lines (rather than by provider or recipient) would, by reference to the annual caps for the year ending 31 December 2011, still result in percentage ratios of less than 5% by reference to the Group's financial results for the year ended 31 December 2010. Accordingly, the transactions described in this way would still be exempted from the independent shareholders' approval requirement of the Listing Rules.

Category	Parties involved	Item no. in this prospectus	Description of transaction	Proposed annual cap for the year ending 31 December 2011 (HK\$ million)	As a percentage of total revenues for the year ended 31 December 2010
A. Services and floor space supplied by the Group to the Remaining Group:					
Carriage, connectivity and telecom related services	Supplied by the Group to the Media Group	(1)	Provision of carriage services	172.7	0.9%
	Supplied by the Group to the Media Group	(3)	Provision of internal (specialist telecom) services	26.0	0.1%
	Supplied by the Group to the Solutions Group	(10)	Provision of managed services and other telecommunications related services	44.4	0.2%

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Category	Parties involved	Item no. in this prospectus	Description of transaction	Proposed annual cap for the year ending 31 December 2011 (HK\$ million)	As a percentage of total revenues for the year ended 31 December 2010
	Supplied by the Group to the Solutions Group	(13)	Sub-contracting fee	1.5	0.0%
	Supplied by the Group to the Remaining Group	(18)	Provision of concessionary fixed telephone lines	1.6	0.0%
	Supplied by the Group to the Remaining Group	(25)	Provision of mobile telecommunications services	2.0	0.0%
	Supplied by the Group to the PCPD Group	(26)	Information technology and telecommunications equipment and services	8.9	0.0%
			Aggregation of items (1), (3), (10), (13), (18), (25) and (26)	257.1	1.4%
Marketing, sales and promotion related services	Supplied by the Group to the Media Group	(2)	Provision of marketing and sales services	170.6	0.9%
	Supplied by the Group to the Remaining Group	(15)	Provision of marketing and promotion services	48.5	0.3%
			Aggregation of items (2) and (15)	219.1	1.2%
Leasing, licensing and private treaty grants related	Supplied by the Group to the Media Group	(4)	Licensed access to floor space	17.2	0.1%
	Supplied by the Group to the Solutions Group	(11)	Licensed access to floor space	13.0	0.1%
	Supplied by the Group to the Solutions Group	(23)(ii)	Tenancy agreement (On Lok Exchange)	6.4	0.0%
	Supplied by the Group to the Media Group	(23)(iii)	Licensing agreement (Kam Shan Radio Site)	1.1	0.0%
	Supplied by the Group to the Solutions Group	(23)(iv)	Macau tenancy agreements	0.6	0.0%
			Aggregation of items (4), (11), (23)(ii), (23)(iii) and (23)(iv)	38.3	0.2%

CONNECTED TRANSACTIONS

Category	Parties involved	Item no. in this prospectus	Description of transaction	Proposed annual cap for the year ending 31 December 2011 (HK\$ million)	As a percentage of total revenues for the year ended 31 December 2010
Corporate and administrative support	Supplied by the Group to the Remaining Group	(14)	Provision of corporate shared services	156.9	0.8%
	Supplied by the Group to the Remaining Group	(20)	Administrative support agreement	N/A (qualifies for complete exemption under Listing Rule 14A.33(2))	N/A
	Aggregation of items (14) and (20)			<u>156.9</u>	<u>0.8%</u>
Recharge of insurance premiums	Supplied by the Group to the Remaining Group	(19)	The recharge of insurance premiums	<u>10.1</u>	<u>0.1%</u>
B. Services and floor space supplied by the Remaining Group to the Group:					
Service packaging, marketing, sales and promotion related services	Supplied by the Media Group to the Group	(5)	Service packaging arrangements	483.8	2.6%
	Supplied by the Media Group to the Group	(6)	The provision of marketing and sales services	<u>13.8</u>	<u>0.1%</u>
	Aggregation of items (5) and (6)			<u>497.6</u>	<u>2.7%</u>
Content provision	Supplied by the Media Group to the Group	(7)	Content provision arrangements	<u>378.4</u>	<u>2.0%</u>
Directories publishing	Supplied by the Media Group to the Group	(8)	Directories publishing arrangements	<u>2.0</u>	<u>0.0%</u>
Set-top-box access	Supplied by the Media Group to the Group	(9)	Pay TV set-top-box access agreement	<u>0.9</u>	<u>0.0%</u>

CONNECTED TRANSACTIONS

Category	Parties involved	Item no. in this prospectus	Description of transaction	Proposed annual cap for the year ending 31 December 2011 (HK\$ million)	As a percentage of total revenues for the year ended 31 December 2010
Solutions related services	Supplied by the Solutions Group to the Group	(12)	Solutions services	655.6	3.5%
	Supplied by the Solutions Group to the Group	(13)	Sub-contracting agreement	29.1	0.2%
	Aggregation of items (12) and (13)			<u>684.7</u>	<u>3.7%</u>
Leasing, licensing, private treaty grants and telephone exchange related	Supplied by the Remaining Group to the Group	(16)	Licensing agreement (PCCW Tower)	103.9	0.6%
	Supplied by the Remaining Group to the Group	(21)	Private treaty grants	—	0.0%
	Supplied by the Remaining Group to the Group	(22)	Other telephone exchange licensing arrangements	—	0.0%
	Supplied by the Remaining Group to the Group	(23)(i)	Tenancy agreement (Queen's Road Exchange)	1.3	0.0%
	Supplied by the Remaining Group to the Group	(23)(v)	Lease and licence agreements with PCPD	2.5	0.0%
Aggregation of items (16), (21), (22), (23)(i) and (23)(v)			<u>107.7</u>	<u>0.6%</u>	
Intellectual property rights licensing	Supplied by the Remaining Group to the Group (and vice versa)	(24)	Intellectual property rights licensing arrangements	—	0.0%
C. Others:					
Trustee-Manager expenses	Expenses paid to the Trustee-Manager	(17)	Expenses payable to the Trustee-Manager	1.0	0.0%

CONNECTED TRANSACTIONS

F. FINANCIAL ASSISTANCE

The PCCW Group provides certain financial assistance to the Group and vice versa, as described below:

Financial assistance by the PCCW Group for the benefit of the Group

(27) Note guarantees

HKTC, a company within the Remaining Group, continues to stand as a co-guarantor in respect of three series of notes issued by companies within the Group, as follows:-

- (i) In November 2001, PCCW-HKT Capital Limited, a company within the Group, issued US\$1,000 million 7.75% guaranteed notes due 2011 which are listed on the Luxembourg Stock Exchange. The interest rate payable on this series of notes is subject to adjustment from time to time if the relevant rating agencies downgrade the rating ascribed to the notes below a pre-agreed level. The interest rate payable on the notes has been adjusted to 8% based on the current ratings. The notes were unconditionally and irrevocably guaranteed by HKTC and, since completion of the 2008 Restructuring, by HKTC, Hong Kong Telecommunications (HKT) Limited and HKTGH (on a joint and several basis). The notes are scheduled to be redeemed on 15 November 2011.
- (ii) In July 2003, PCCW-HKT Capital No.2 Limited, a company within the Group, issued US\$500 million 6% guaranteed notes due 2013 which are listed on the Luxembourg Stock Exchange. The notes were unconditionally and irrevocably guaranteed by HKTC and, since completion of the 2008 Restructuring, by HKTC, Hong Kong Telecommunications (HKT) Limited and HKTGH (on a joint and several basis).
- (iii) In July 2005, PCCW-HKT Capital No.3 Limited, a company within the Group, issued US\$500 million 5.25% guaranteed notes due 2015 which are listed on the Singapore Exchange Securities Trading Limited. The notes were unconditionally and irrevocably guaranteed by HKTC and, since completion of the 2008 Restructuring, by HKTC, Hong Kong Telecommunications (HKT) Limited and HKTGH (on a joint and several basis).

The guarantee obligations of HKTC in respect of each of the above series of notes constitutes financial assistance provided by a connected person for the benefit of the Company on normal commercial terms (or better). On the basis that no security over its assets has been afforded by any member of the Group to HKTC in respect of these guarantees, the principal assistance is exempt from reporting, announcement and independent shareholders' approval requirements under Rule 14A.65(4) of the Listing Rules.

CONNECTED TRANSACTIONS

(28) Corporate guarantees in support of the obligations of the Group

In support of certain performance obligations of companies within the Group, HKTL and, in one case, HKTC has entered into certain guarantees in favour of independent third parties with whom companies within the Group has contracted for the supply of certain services or purchase of certain equipment. Brief details of these contracts and the related corporate guarantees are as follows:

Contract date	Contract particulars	Actual/expected expiry date	Guarantor	Estimated contingent liability under the guarantee (HK\$'000)
1. 20 November 2007	PCCW-HKT Network Services Limited providing IT system operation and maintenance services	30 November 2011	HKTL	300
2. 11 March 2008	PCCW Global Limited, PCCW Global (HK) Limited and PCCW Global, Inc. purchasing equipment	13 March 2013	HKTL	15,600
3. 7 November 2008	Hong Kong Telecommunications (HKT) Limited providing installation and maintenance of telecommunications networks services for third generation mobilization systems	31 December 2012	HKTC	7,803
4. 1 January 2009	PCCW-HKT Network Services Limited providing maintenance services for certain systems	31 December 2014	HKTL	25,995
Aggregate estimated contingent liability				49,698

So far as practicable, the Company will seek to work with PCCW and the relevant parties to seek to novate the relevant guarantee obligations to other entities within the Group. Moreover, on an ongoing basis following Listing, the Company does not intend that any member of the Remaining Group will issue any corporate guarantees for any members of the Group.

CONNECTED TRANSACTIONS

The corporate guarantees provided by HKTL and HKTC constitute financial assistance provided by a connected person for the benefit of the Company on normal commercial terms (or better). On the basis that no security over its assets has been afforded by any member of the Group to HKTL or HKTC in respect of these corporate guarantees, the principal assistance is exempt from reporting, announcement and independent shareholders' approval requirements under Rule 14A.65(4) of the Listing Rules.

To protect the Remaining Group from any liability in respect of these corporate guarantees, the Company has on 8 November 2011 entered into a back-to-back deed of indemnity in favour of PCCW for itself and on behalf of members of the PCCW Group pursuant to which the Group irrevocably agrees to act, so far as it can, as primary obligor, or otherwise indemnify PCCW and/or relevant member of the PCCW Group, on demand, against all losses, claims, damages, costs and liabilities which any of them may sustain in connection with any of the corporate guarantees referred to above.

Financial assistance by the Group for the benefit of the PCCW Group

(29) Use of bank facilities

Members of the Solutions Group and the Media Group have, historically, been able to benefit from certain banking facilities (for bank guarantees, performance bonds and letters of credit) entered into by members of the Group. As at the Latest Practicable Date, performance bonds in the aggregate amount of approximately HK\$138.9 million had been issued by the relevant banks to customers of the Solutions Group or the Media Group in respect of work being undertaken by the Solutions Group or the Media Group for those customers. Were the performance bonds to be called upon and were the Solutions Group or the Media Group not to re-imburse the bank(s) in full, the Group would be obliged to re-imburse the bank(s) as to any balance owing.

In preparation for Listing, the Solutions Group and the Media Group have ceased to be afforded the benefits of these banking facilities as regards any new bank guarantees, performance bonds or letters of credit and hence no further financial assistance will be given by the Group to the Solutions Group or the Media Group under the Group's banking facilities.

As each of the percentage ratios (other than the profits ratio) applicable to the HK\$138.9 million worth of aggregate financial assistance provided by the Group for the benefit of the Solutions Group or the Media Group represents less than 5% by reference to the Group's financial results for the year ended 31 December 2010, these arrangements, had they been entered into on Listing, would have been subject to the reporting and announcement requirements, but exempt from the independent shareholders' approval requirement pursuant to Rule 14A.66(2) of the Listing Rules. To protect the Group from any liability in respect of these facilities, PCCW has entered into a back-to-back deed of indemnity in favour of the Group for itself and on behalf of members of the Group, as referred to in paragraph (30) below.

(30) Corporate guarantees in support of the obligations of PCCW Solutions Limited

In support of certain performance obligations of PCCW Solutions Limited, a company within the Remaining Group, HKTGH and, in some cases, Hong Kong Telecommunications (HKT) Limited has entered into certain guarantees in favour of the independent third parties with whom PCCW

CONNECTED TRANSACTIONS

Solutions Limited has contracted for the supply of certain services or lease or licence of certain equipment or software. Brief details of these contracts and the related corporate guarantees are as follows:

Contract date	Contract particulars	Actual/expected expiry date	Guarantor	Estimated contingent liability under the guarantee (HK\$'000)
1. 22 May 2009	PCCW Solutions Limited providing an integrated solutions services	31 December 2012	HKTGH	251,800
2. 14 July 2009	PCCW Solutions Limited providing an integrated solutions services	30 April 2016	HKTGH	400
3. 14 August 2009	PCCW Solutions Limited leasing equipment	19 November 2012	HKTGH	15,600
4. 27 February 2009	PCCW Solutions Limited leasing equipment	30 September 2017	Hong Kong Telecommunications (HKT) Limited	158,200
5. 13 August 2009	PCCW Solutions Limited licensing workstation software	31 December 2011	Hong Kong Telecommunications (HKT) Limited	15,600 (being the equivalent of the US\$2 million guaranteed sum)
Aggregate estimated contingent liability				<u>441,600</u>

So far as practicable, the Company will seek to work with PCCW and the relevant parties to seek to novate the relevant guarantee obligations to other entities within the Solutions Group or the Remaining Group. Moreover, on an ongoing basis following Listing, the Company does not intend that any member of the Group will issue any corporate guarantees for any members of the Solutions Group or the Remaining Group.

As each of the percentage ratios (other than the profits ratio) applicable to the estimated aggregate contingent liability of HKTGH and Hong Kong Telecommunications (HKT) Limited in respect of all of the guarantees referred to above issued for the benefit of the Solutions Group, in the amount of approximately HK\$441.6 million represents less than 5% by reference to the Group's financial results for the year ended 31 December 2010, these guarantee arrangements, had they been entered into on Listing, would have been subject to the reporting and announcement requirements, but exempt from the independent shareholders' approval requirement pursuant to Rule 14A.66(2) of the Listing Rules.

CONNECTED TRANSACTIONS

To protect the Group from any liability in respect of these corporate guarantees (and the bank facilities referred to in paragraph (29) above), PCCW has on 8 November 2011 entered into a back-to-back deed of indemnity in favour of the Company for itself and on behalf of members of the Group pursuant to which PCCW irrevocably agrees to act, so far as it can, as primary obligor, or otherwise indemnify the Company and/or relevant member of the Group, on demand, against all losses, claims, damages, costs and liabilities which any of them may sustain in connection with any of the bank facilities or corporate guarantees referred to above.

G. WAIVERS

The transactions described in paragraphs (1) to (16) above constitute continuing connected transactions under Rule 14A.34 of the Listing Rules. The applicable percentage ratios as defined in Rule 14A.10 of the Listing Rules and calculated with reference to the proposed annual caps each year are in each case (or on an aggregated basis for 2011, as described above) less than 5%. As such, the continuing connected transactions in paragraphs (1) to (16) above would normally require to be announced and reported on but would be exempt from the independent shareholders' approval.

The Trustee-Manager and the Company have applied for, and the Stock Exchange has granted to the Trustee-Manager and the Company, a waiver from strict compliance with the announcement requirement of the Listing Rules in respect of each of the above transactions.

H. DIRECTORS' AND JOINT SPONSORS' VIEW

The Directors, including the INEDs, consider that all the continuing connected transactions in paragraphs (1) to (30) are conducted on normal commercial terms and are fair and reasonable and in the interests of the Holders of Share Stapled Units as a whole and are in the ordinary and usual course of business of the Group. The Directors, including the INEDs, are also of the view that the annual caps of all of the continuing connected transactions which are exempt from the independent shareholders' approval requirement in paragraphs (1) to (16) above are fair and reasonable and in the interests of the Holders of Share Stapled Units as a whole.

The Directors, including the INEDs, consider that the financial assistance afforded to the Group as described in paragraphs (27) and (28) above is on normal commercial terms (or better to the Company) and that the financial assistance afforded by the Group as described in paragraphs (29) to (30) above is, on the basis of the provision by PCCW of back-to-back indemnity referred to above, on normal commercial terms. In all cases, they believe that the instances of financial assistance are fair and reasonable.

The Joint Sponsors are of the view that the continuing connected transactions which are exempt from the independent shareholders' approval requirement described in this section have been entered into in the ordinary and usual course of business of the Group, are on normal commercial terms, are fair and reasonable and in the interests of the Holders of Share Stapled Units as a whole, and that the proposed annual caps for these transactions referred to in this section are fair and reasonable and in the interests of the Holders of Share Stapled Units as a whole.

THE CONSTITUTION OF THE HKT TRUST

The Trust Deed is a complex document and the following is a summary only and is qualified in its entirety by, and is subject to, the contents of the Trust Deed. Recipients of this prospectus and all prospective investors should refer to the Trust Deed itself to confirm specific information or for a detailed understanding of the HKT Trust. The Trust Deed is available for inspection without charge at the registered office of the Trustee-Manager at 39th Floor, PCCW Tower, TaiKoo Place, 979 King's Road, Quarry Bay, Hong Kong and on the website of the Company at www.hkt.com.

The HKT Trust was constituted as a trust on 7 November 2011 by a Hong Kong law governed Trust Deed entered into between HKT Management Limited, as Trustee-Manager of the HKT Trust, and the Company. The Trustee-Manager is a wholly-owned subsidiary of PCCW. This section of the prospectus summarises the key provisions of the Trust Deed.

Trust Property

The Trust Property will initially comprise (i) all rights arising out of agreements relating to the Authorised Business entered into by the Trustee-Manager acting in its capacity as trustee-manager of the HKT Trust in connection with the Pre-IPO Restructuring; (ii) the Ordinary Shares to be acquired by the Trustee-Manager pursuant to the agreements referred to in (i); and (iii) the proceeds to be received by the Trustee-Manager from the issue of Share Stapled Units. Under the Trust Deed, the Trustee-Manager is required to hold the Trust Property for the time being on trust for the benefit of the Registered Holders of Units pursuant to the Trust Deed, *pari passu* according to the number of Units held by each Registered Holder of Units.

Trust Deed binding on Holders of Share Stapled Units

The terms and conditions of the Trust Deed and all deeds supplemental to it shall be binding on each Holder of a Share Stapled Unit (and persons claiming through such Holder of a Share Stapled Unit) as if such Holder of a Share Stapled Unit had been a party to the Trust Deed and as if the Trust Deed and such supplemental deeds contain covenants by such Holder of a Share Stapled Unit to observe and be bound by the provisions of the Trust Deed and such supplemental deeds, and an authorisation by each Holder of a Share Stapled Unit to do all such acts and things as the Trust Deed and such supplemental deeds may require the Trustee-Manager and/or the Company to do.

The Trust Deed sets out certain rights, duties and obligations of the Trustee-Manager and Holders of Share Stapled Units.

Limited scope of activities

The HKT Trust is constituted, upon and subject to the terms and conditions of the Trust Deed, as a fixed single investment trust to engage solely in the Authorised Business. A fixed single investment trust in this context connotes that the trust may only invest in securities and other interests in a single entity, being the Company, and that the trust confers on the registered holders of its Units a beneficial interest in specifically identifiable property held by the trust (in this case, the Ordinary Shares held by the HKT Trust).

The HKT Trust may not carry on any activities other than engaging in the Authorised Business in accordance with the Trust Deed. The Trust Deed provides that "Authorised Business" of the HKT Trust means:

- (a) investing in the Company (including without limitation investment in securities and other interests in the Company);
- (b) the exercise of the Trustee-Manager's powers, authorities and rights, and the performance of its duties and obligations, under the Trust Deed; and

THE CONSTITUTION OF THE HKT TRUST

- (c) any thing or activity which is necessary or desirable for or in connection with the activities referred to in (a) and/or (b) above.

In summary, therefore, the scope of activity of the HKT Trust is limited to investing in the Company.

The Share Stapled Units and Holders of Share Stapled Units

The rights and interests of Holders of Share Stapled Units are contained in the Trust Deed. Under the Trust Deed, those rights and interests are safeguarded by the Trustee-Manager.

The beneficial interest in the HKT Trust is divided into Units. Each Unit represents an undivided interest in the HKT Trust, which confers the rights set out in the Trust Deed. Each Unit must be:

- (a) matched by and Linked to a specifically identified Ordinary Share issued or to be issued by the Company to the Trustee-Manager in its capacity as trustee-manager of the HKT Trust; and
- (b) Stapled to a specifically identified Preference Share issued or to be issued by the Company to the relevant Registered Holder of Share Stapled Units.

Each Unit confers on the Registered Holder of a Share Stapled Unit a beneficial interest, on and subject to the terms and conditions of the Trust Deed, in a specifically identified Ordinary Share registered in the Principal Register of Members in the name of the Trustee-Manager in its capacity as trustee-manager of the HKT Trust.

Subject to the exercise of the Exchange Right, a holder of a Share Stapled Unit is not entitled to have any part of the Trust Property transferred to the holder of a Share Stapled Unit. A Holder of a Share Stapled Unit's right is limited to the right to require due administration of the HKT Trust in accordance with the provisions of the Trust Deed, including, without limitation, by suit against the Trustee-Manager.

Unless otherwise expressly provided in the Trust Deed, a Holder of a Share Stapled Unit may not interfere or seek to interfere with the administration of the HKT Trust by the Trustee-Manager.

Subject to the granting of formal approval for the listing of, and permission to deal in, the Share Stapled Units on the Stock Exchange and compliance with the stock admission requirements of HKSCC, the Share Stapled Units will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Share Stapled Units on the Stock Exchange or any other date that HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for the Share Stapled Units to be admitted into CCASS.

Relationship between the Units, the Ordinary Shares and the Preference Shares

Subject to the exercise of the Exchange Right, at all times:

- (a) the number of Units in issue must be equal to the number of Ordinary Shares in issue (and vice versa);
- (b) the number of Units in issue must also be equal to the number of Preference Shares in issue (and vice versa); and
- (c) the number of Ordinary Shares in issue must be equal to the number of Preference Shares in issue (and vice versa).

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Linking arrangements

Subject to the exercise of the Exchange Right, all of the issued Ordinary Shares must be registered in the Principal Register of Members in the name of the Trustee-Manager in its capacity as trustee-manager of the HKT Trust. Each Unit issued or to be issued by the HKT Trust must be matched by and Linked to a specifically identified Ordinary Share issued or to be issued by the Company to the Trustee-Manager in its capacity as trustee-manager of the HKT Trust. The Trustee-Manager must not issue or sell any Units to any person unless an identical number of specifically identified Ordinary Shares is or has been issued by the Company to the Trustee-Manager in its capacity as trustee-manager of the HKT Trust before, or at substantially the same time as, the issue or sale of the relevant Units. The Company must not issue or sell any Ordinary Shares unless the Ordinary Shares are specifically identified and issued to the Trustee Manager in its capacity as trustee-manager of the HKT Trust and an identical number of Units in respect of the relevant specifically identified Ordinary Shares are or will be issued by the Trustee-Manager.

Each Unit confers on the Registered Holder of a Unit a beneficial interest, on and subject to the terms and conditions of the Trust Deed, in a specifically identified Ordinary Share registered in the Principal Register of Members in the name of the Trustee-Manager in its capacity as trustee-manager of the HKT Trust.

The Trustee-Manager shall distribute the proceeds of any and all dividends, distributions and other payments to be made in respect of the specifically identified Ordinary Shares registered in the Principal Register of Members in the name of the Trustee-Manager to the registered holders of the relevant Units which are matched with and Linked to those specifically identified Ordinary Shares, upon and subject to the terms and conditions of the Trust Deed (including, without limitation, those terms and conditions permitting certain payments and other deductions to be made out of the Trust Property).

Each Share Stapled Unit may be exchanged for the specifically identified Ordinary Share which is matched with and Linked to the Unit which is a component of the relevant Share Stapled Unit, in accordance with the Trust Deed.

Stapling arrangements

In addition to the requirements described above, for each Unit to be matched by and Linked to a specifically identified Ordinary Share held by the Trustee-Manager in its capacity as trustee-manager of the HKT Trust, at all times, subject to an exercise of the Exchange Right:

- (a) each Unit issued or to be issued by the HKT Trust must be Stapled to a specifically identified Preference Share issued or to be issued by the Company;
- (b) the Trustee-Manager must not issue or sell any Units to any person unless an identical number of specifically identified Preference Shares is or has been issued by the Company and those Preference Shares are issued or transferred to the same persons to whom the Units are issued or sold (and registered in the Principal Register of Members or the Hong Kong Register of Members in the names of the same persons in which the Units are registered in the Units Register), in the ratio of one specifically identified Preference Share for each Unit and on the basis that each specifically identified Preference Share is Stapled to a Unit so that one may not be dealt with without the other; and
- (c) the Company must not issue or sell any Preference Shares unless the Preference Shares are to be Stapled to Units as described above.

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Under the Trust Deed, the Trustee-Manager and the Company are required to use all their respective reasonable endeavours to maintain a listing on the Stock Exchange for:

- (i) all the issued Share Stapled Units for the time being; and
- (ii) each individual security which is a component of the Share Stapled Units; being all the issued Units, Ordinary Shares and Preference Shares for the time being,

provided that, for as long as the Share Stapled Units remain listed on the Stock Exchange there shall be a single price quotation for a Share Stapled Unit incorporating the three components described in the definition of Share Stapled Unit and there will not be separate published price quotations for the listed Units, listed Ordinary Shares or listed Preference Shares comprising the Share Stapled Units.

Units and Ordinary Shares to remain Linked and Units and Preference Shares to remain Stapled

Under the Trust Deed, the Trustee-Manager and the Company must ensure that, subject to the exercise of the Exchange Right, each Unit remains Linked to a specifically identified Ordinary Share registered in the Principal Register of Members in the name of the Trustee-Manager in its capacity as trustee-manager of the HKT Trust and that each Unit remains Stapled to a specifically identified Preference Share.

The Trust Deed contains provisions prohibiting the Trustee-Manager and the Company from taking any action which would result in the Units and the Ordinary Shares ceasing to be Linked or in the Units and the Preference Shares ceasing to be Stapled; or from refraining from doing any act required to maintain those relationships.

The Trust Deed also contains detailed provisions requiring that Units and Shares may only be offered for subscription and issued by the HKT Trust and the Company, and may only be transferred by their holders, in the form of Share Stapled Units; and not in the forms of the individual components of Units, Ordinary Shares and Preference Shares.

The Trust Deed also provides that, subject to the exercise of the Exchange Right, the Trustee-Manager must not consolidate, sub-divide, cancel, buy-back or redeem any Units and the Company must not consolidate, sub-divide, cancel, buy-back or redeem any Shares unless there is a corresponding consolidation, sub-division, cancellation, buy-back or redemption of the Units and of both the issued specifically identified Ordinary Shares which are Linked to the relevant Units and the issued specifically identified Preference Shares which are Stapled to the relevant Units.

Registers

The Trust Deed requires:

- (a) the Trustee-Manager and the Company to maintain, or ensure the maintenance of, the Share Stapled Units Register, showing details of those holding Share Stapled Units;
- (b) the Trustee-Manager to maintain, or ensure the maintenance of, the Units Register, showing details of those holding Units;
- (c) the Company to maintain, or ensure the maintenance of, the Register of Members (including the Principal Register of Members and the Hong Kong Register of Members); and
- (d) the Trustee-Manager and the Company to maintain, or ensure the maintenance of, the Register of Beneficial Interests, showing details of the beneficial interests of the registered holders of Units in the Ordinary Shares Linked to the Units.

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Prior to an exercise of the Exchange Right, all the issued Ordinary Shares of the Company will be registered in the Company's Principal Register of Members in the name of the Trustee-Manager. The Preference Shares will be registered in the Hong Kong Register of Members in the respective names of the Registered Holders of Share Stapled Units. A single registrar will be appointed as the common registrar to maintain all the registers, except that the Principal Register of Members which is maintained in the Cayman Islands and which will show the Trustee-Manager as the registered holder of all the issued Ordinary Shares may have a different registrar located in Cayman Islands.

The Trust Deed requires that the Trustee-Manager and the Company must ensure that the Share Stapled Units Register, the Units Register, the Hong Kong Register of Members (in so far as it relates to the Preference Shares) and the Register of Beneficial Interests are entirely consistent with one another.

Right to issue new Share Stapled Units vested in the Trustee-Manager and the Company jointly

Subject to complying with the provisions of the Trust Deed, the Trustee-Manager and the Company, acting jointly by mutual agreement between them, have the right to effect the creation and issue of Share Stapled Units and/or Convertible Instruments in accordance with the Trust Deed.

Units may only be issued in combination with a specifically identified Preference Share, as a component of a Share Stapled Unit. The Trustee-Manager and the Company must both agree to the issue of and agree the terms of issue, including the price, of any Share Stapled Units and each of the individual components (Units, Ordinary Shares and Preference Shares), or any Convertible Instruments to be issued, in each case, before any offer to issue or sell the relevant securities is made. If the Trustee-Manager and the Company jointly agree to issue Share Stapled Units:

- (a) the Trustee-Manager must cause the issue of an agreed number of Units; and
- (b) the Company must cause the issue of an identical number of specifically identified Ordinary Shares to the Trustee-Manager in its capacity as trustee-manager of the HKT Trust and an identical number of specifically identified Preference Shares in accordance with the Trust Deed, so that the specifically identified Preference Shares are issued, or sold or transferred, to (and registered in the respective names of) the same persons to whom the Units are issued.

The above provisions shall apply equally to any issue of Share Stapled Units pursuant to any Convertible Instruments.

The Company shall pay the expenses of the issue and delivery of, and all expenses of obtaining listing for, the Shares issued as components of Share Stapled Units. The Trustee-Manager shall pay the expenses of the issue and delivery of, and all expenses of obtaining listing for, the Units issued as components of Share Stapled Units. The obligations of the Company and the Trustee-Manager to issue Shares and Units are subject to the requirements of the relevant laws and regulations, the Trust Deed and any consent or other approval from any necessary authority.

Subject to an exercise of the Exchange Right, the Trustee-Manager and the Company must ensure that each Unit remains Linked to a specifically identified Ordinary Share registered in the Principal Register of Members in the name of the Trustee-Manager in its capacity as trustee-manager of the HKT Trust. Subject to an exercise of the Exchange Right, the Trustee-Manager and the Company must ensure that each Unit remains Stapled to a specifically identified Preference Share.

Lock-ups

The Company and Trustee-Manager have undertaken to the Stock Exchange not to issue any new Share Stapled Units within six months of the Listing Date and the Controlling Holder of Share Stapled Units has

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undertaken to the Stock Exchange and the Trustee-Manager not to dispose of Share Stapled Units within six months of the Listing Date, as summarised in the section headed “Overview of the Global Offering — Lock-ups” in this prospectus and described in more detail in the section headed “Underwriting - Undertakings to the Stock Exchange pursuant to the Listing Rules” in this prospectus.

New issue on pro rata basis

After the Listing Date, new Share Stapled Units and/or Convertible Instruments may be offered by the Trustee-Manager and the Company acting jointly by mutual agreement between them, on a pro rata basis as a Rights Issue (as defined below) without the prior approval of Registered Holders of Units or Registered Holders of Share Stapled Units other than where any such issue together with such Convertible Instruments (assuming their exercise in full), would increase the total number of issued Share Stapled Units by more than 50% (on its own or when aggregated with any other pro rata issue of Share Stapled Units under the Trust Deed or open offers announced, (1) within the 12-month period immediately preceding the announcement of the proposed Rights Issue; or (2) prior to such 12-month period where dealing in respect of Share Stapled Units issued pursuant thereto commenced within such 12-month period, together with any Convertible Instruments (assuming their exercise in full) granted or to be granted to Holders of Share Stapled Units as part of such pro rata issues or open offers), in which case such issue shall require the prior approval of an Ordinary Resolution of Registered Holders of Units in respect of which any Holder of Share Stapled Units holding not less than 30% of the issued Share Stapled Units, and the associate of any such Holder, or where there is no person holding 30% or more of the issued Share Stapled Units, directors of the Company and the Trustee-Manager (in each case, excluding independent non-executive directors), the chief executive of the Company and the associates of those directors and the chief executive, shall abstain from voting in favour. For such purposes, the effect on the total number of issued Share Stapled Units of any relevant issue under the Trust Deed (and the relevance and effect of any other issue within the relevant preceding 12-month period) shall be estimated and determined by the Trustee-Manager and the Company jointly, in good faith and using their respective best endeavors, having regard to the terms and conditions of the relevant offer(s) or issue(s) under the Trust Deed.

A “**Rights Issue**” means an offer of Share Stapled Units and/or Convertible Instruments to all existing Registered Holders of Share Stapled Units on a pro rata basis and an offer of Share Stapled Units and/or Convertible Instruments shall be considered and deemed to be made on a pro rata basis notwithstanding that (1) the Trustee-Manager and the Company acting jointly may, after making due enquiry regarding the applicable jurisdiction, determine that Share Stapled Units and/or Convertible Instruments are not to be offered to persons whose addresses are outside Hong Kong, and/or that the Share Stapled Units and/or Convertible Instruments shall be offered on a basis, or containing such other terms, providing for any such other exclusions or adjustments determined by the Trustee-Manager and the Company acting jointly, if the Trustee-Manager and the Company by mutual agreement between them consider such exclusions or adjustments to be necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws, or under the requirements of any recognised regulatory body or stock exchange, of any territory or jurisdiction outside Hong Kong and/or (2) where and to the extent that Registered Holders of Share Stapled Units do not accept any offer of Share Stapled Units and/or Convertible Instruments within the applicable period for acceptance (as determined by the Trustee-Manager and the Company acting jointly by mutual agreement between them), such Share Stapled Units and/or Convertible Instruments may be offered or made available to, and taken up by, other persons as determined by the Trustee-Manager and the Company acting jointly by mutual agreement between them, subject to compliance with the Relevant Laws and Regulations (including the applicable Listing Rules).

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New issue other than on a pro rata basis under general mandate

The Trust Deed provides that, subject to the lock-up provisions described above under the heading “Lock-ups,” any other applicable provisions of the Listing Rules, the provisions of the Trust Deed requiring that Units be Linked to Ordinary Shares and Stapled to Preference Shares and the provisions described under the heading “New issue to a connected person” below, Share Stapled Units may be issued or agreed (conditionally or unconditionally) to be issued, after the Listing Date and on or prior to the date of the first annual general meeting of Registered Holders of Units held after the Listing Date (whether directly or pursuant to any Convertible Instrument), otherwise than pursuant to a Rights Issue and without the approval of an Ordinary Resolution of Registered Holders of Units if the total number of new Share Stapled Units issued, or agreed (conditionally or unconditionally) to be issued, under this provision of the Trust Deed does not increase the number of Share Stapled Units outstanding immediately following the Listing Date by more than 20%.

Any issue of, or any agreement (whether conditional or unconditional) to issue, new Share Stapled Units exceeding the percentage threshold specified above shall require specific prior approval by an Ordinary Resolution of Registered Holders of Units or an Ordinary Resolution of the Shareholders, except that agreements to issue new Share Stapled Units exceeding such percentage threshold which are conditional upon specific prior approval by Ordinary Resolution of Registered Holders of Units may be entered into without first obtaining such prior approval.

The authority granted under the general mandate described above:

- (a) shall only be exercisable if and to the extent that following the issue of any new Share Stapled Units under the general mandate, PCCW shall continue to hold not less than 51% of the Share Stapled Units (on a fully diluted basis, taking into account and assuming full exercise of all rights, options (including but not limited to any options issued under any Share Stapled Units option scheme and any over allotment options in connection with the Global Offering) and other entitlements (in whatever nature or form) that may be exchanged or converted into or otherwise may result in further issuance or disposal of Share Stapled Units); and
- (b) shall only remain in effect until the conclusion of the first annual general meeting of Registered Holders of Units following the Listing Date, or the expiration of the period within which such annual general meeting is required to be held, or until revoked, renewed or varied by an Ordinary Resolution of Registered Holders of Units, whichever occurs first.

Issues other than on a pro rata basis

Any other issue of, or any agreement (whether conditional or unconditional) to issue, new Share Stapled Units or Convertible Instruments shall require specific prior approval by an Ordinary Resolution of Registered Holders of Units, except that agreements to issue new Share Stapled Units which are conditional upon specific prior approval of an Ordinary Resolution of Registered Holders of Units may be entered into without first obtaining such prior approval.

New issue under a duly adopted option scheme

The Trust Deed enables the Unitholders to adopt a scheme (equivalent to a share option scheme commonly adopted by listed companies) under which options to subscribe for Share Stapled Units may be granted to employees and officers of the Group and other eligible participants falling within defined categories of persons specified in the relevant scheme.

The Trust Deed provides that such an option scheme may be adopted by an Ordinary Resolution of Registered Holders of Units. In relation to any such scheme so adopted, notwithstanding other provisions

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in the Trust Deed, no further approval of Registered Holders of Share Stapled Units will be required for any issue of options to subscribe for new Share Stapled Units (including, if not so prohibited under such Share Stapled Units option scheme, to any connected person) pursuant to such option scheme (including, if not so prohibited under such option scheme, without any consideration) or any issue of Share Stapled Units pursuant to the exercise of such options (including, if not so prohibited under such option scheme, to any connected person and/or without any consideration).

The Trust Deed provides that the Trustee-Manager must not be an eligible participant under any such option scheme.

The 2011-2021 Option Scheme has been conditionally adopted as an option scheme by an Ordinary Resolution of Registered Holders of Units passed on 7 November 2011, pursuant to the provisions of the Trust Deed described above. The terms of the 2011-2021 Option Scheme, including the categories of eligible participants, are described in Appendix V to this prospectus.

New issue to a connected person

An issue or offer of new Share Stapled Units and/or Convertible Instruments to a connected person (other than (i) pursuant to a rights issue or as part of any offer made to all Registered Holders of Share Stapled Units on a pro rata basis or (ii) where the connected person receives a pro rata entitlement to Share Stapled Units and/or Convertible Instruments in its capacity as a Registered Holder of Share Stapled Units) shall require specific prior approval by an Ordinary Resolution of Registered Holders of Units in respect of which the connected person does not vote in favour of the Ordinary Resolution of Registered Holders of Units, except where such issue or offer is made under any of the following circumstances:

- a capitalisation issue (in so far as such issue is offered to the Registered Holders of Share Stapled Units on a pro rata basis);
- an issue of Share Stapled Units in respect of reinvestment of distributions to Registered Holders of Share Stapled Units; or
- an issue of Share Stapled Units and/or Convertible Instruments to a connected person made in accordance with the provisions of the Trust Deed relating to “Top-up placing” and “connected underwriting”, described below.

For the purpose of this provision under the Trust Deed, an offer of Share Stapled Units and/or Convertible Instruments shall be considered and deemed to be made on a *pro rata* basis notwithstanding that (i) the Trustee-Manager and the Company, acting jointly, may, after making due enquiry regarding the applicable jurisdiction, determine that Share Stapled Units and/or Convertible Instruments are not to be offered to persons whose addresses are outside Hong Kong, and/or that the Share Stapled Units and/or Convertible Instruments should be offered on a basis, or containing such other terms, providing for any such other exclusions or adjustment determined by the Trustee-Manager and the Company acting jointly, if the Trustee-Manager and the Company by mutual agreement between them consider such exclusions or adjustments to be necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws, or under the requirements of any recognised regulatory body or stock exchange, of any territory or jurisdiction outside Hong Kong; and/or (ii) where and to the extent that Registered Holders of Share Stapled Units do not accept any offer of Share Stapled Units and/or Convertible Instruments within the applicable period for acceptance (as determined by the Trustee-Manager and the Company acting jointly by mutual agreement between

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them), such Share Stapled Units and/or Convertible Instruments may be offered or made available to, and taken up by, other persons as determined by the Trustee-Manager and the Company acting jointly by mutual agreement between them, subject to compliance with the relevant laws and regulations (including the applicable Listing Rules).

Top-up placing

An issue of new Share Stapled Units and/or Convertible Instruments to a connected person may be made without specific prior approval of an Ordinary Resolution of Registered Holders of Units where the following requirements are complied with:

- (a) new Share Stapled Units and/or that class of Convertible Instruments are issued to a connected person within 14 days after such connected person has executed an agreement to reduce its holding of Share Stapled Units and/or that class of Convertible Instruments by placing such Share Stapled Units and/or class of Convertible Instruments to a third person or third persons who is/are not its associate(s);
- (b) such new Share Stapled Units and/or class of Convertible Instruments must be issued at a price not less than the placing price (which issue price may however be adjusted for the expenses of the placing); and
- (c) the number of new Share Stapled Units and/or that class of Convertible Instruments issued to the connected person must not exceed the number of Share Stapled Units and/or that class of Convertible Instruments placed by it.

Connected underwriting

An issue of new Share Stapled Units and/or Convertible Instruments to a connected person may be made without specific prior approval of an Ordinary Resolution of Registered Holders of Units where the connected person is acting as underwriter or sub-underwriter of an issue of new Share Stapled Units and/or Convertible Instruments and the following requirements are complied with:

- (a) a full disclosure of the terms and conditions of the underwriting or sub-underwriting shall be made in the listing document pursuant to which such new Share Stapled Units and/or Convertible Instruments may be issued;
- (b) if no arrangements or arrangements other than those described below are made for the disposal of Share Stapled Units and/or Convertible Instruments (in the case of a rights issue) not subscribed by the allottees under provisional letters of allotment or their renounces or (in the case of an open offer) not validly applied for, then the absence of such arrangements or the making of such other arrangements must be specifically approved by an Ordinary Resolution of Registered Holders of Units and those persons who have a material interest in such other arrangements must abstain from voting on the matter at the meeting and the circular to Registered Holders of Share Stapled Units must contain full details of the terms and conditions of that underwriting and/or sub-underwriting; and
- (c) any applicable provisions of the Listing Rules where a connected person is acting as an underwriter or sub-underwriter of any offer of shares or other securities by a listed company (with necessary changes being made), as if those provisions were applicable to the Share Stapled Units.

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Arrangements in connection with rights issue and open offer

In every rights issue, the Trustee-Manager and the Company may, by mutual agreement between them, make arrangements to:

- (a) dispose of Share Stapled Units and/or Convertible Instruments not subscribed by allottees under provisional letters of allotment or their renounees by means of excess application forms, in which case such Share Stapled Units and/or Convertible Instruments must be available for subscription by all Registered Holders of Share Stapled Units (provided that the Trustee-Manager and the Company acting jointly may, after making enquiry regarding the applicable law in any applicable jurisdiction other than Hong Kong, in their absolute discretion, elect to exclude those Registered Holders of Share Stapled Units whose addresses are outside Hong Kong if the Trustee-Manager and the Company jointly consider such exclusion to be necessary or expedient on account either of the legal restrictions or requirements of the regulatory bodies or stock exchanges in such jurisdiction(s)) and allocated on a fair basis; or
- (b) dispose of Share Stapled Units and/or Convertible Instruments not subscribed by allottees under provisional letters of allotment in the market, if possible, for the benefit of the persons to whom they were offered by way of rights,

and the offer of such securities must be fully disclosed in the rights issue announcement, listing document and any relevant circular.

In every open offer, the Trustee-Manager and the Company may jointly, by mutual agreement between them, make arrangements to dispose of Share Stapled Units and/or Convertible Instruments not validly applied for by Registered Holders of Share Stapled Units in excess of their assured allotments, in which case such Share Stapled Units and/or Convertible Instruments must be available for subscription by all Registered Holders of Share Stapled Units (provided that the Trustee-Manager and the Company may, after making enquiry regarding the applicable law in any applicable jurisdiction other than Hong Kong, in their absolute discretion, elect to exclude those Registered Holders of Share Stapled Units whose addresses are outside Hong Kong if the Trustee-Manager and the Company jointly consider such exclusion to be necessary or expedient on account either of the legal restrictions or requirements of the regulatory bodies or stock exchanges in such jurisdictions(s)) and allocated on a fair basis, and the offer of such securities must be fully disclosed in the open offer announcement, listing document and any relevant circular.

Fractions, board lots and timing of issue

No fraction or part of a Share Stapled Unit (or any component part thereof) shall be issued whether on an initial issue of Share Stapled Units or any subsequent issue. If any fraction of a Share Stapled Unit (or any component part thereof) arises, the Trustee-Manager and the Company acting jointly, shall in respect of each Registered Holder of Share Stapled Units' entitlement to Share Stapled Units round down (and not round up) to the nearest whole Share Stapled Unit and any balance of subscription monies arising from such rounding down of the Share Stapled Unit (or any component part thereof) shall be retained as part of the Trust Property. The Trustee-Manager and the Company shall not be bound to accept an application for an issue of Share Stapled Units pursuant to an initial public offering of Share

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Stapled Units giving rise to a holding of fewer than 1,000 Share Stapled Units (or such other number of Share Stapled Units as may be determined by the Trustee-Manager and the Company jointly by mutual agreement). Issues of Share Stapled Units shall only be made on a business day unless and to the extent that the Trustee-Manager and the Company otherwise jointly prescribe.

The Share Stapled Units are not re-purchasable or redeemable

Holders of Share Stapled Units have no right to demand for the repurchase or redemption of their Share Stapled Units. Except for the repurchase or redemption of Preference Share in accordance with the provisions of the Trust Deed and the Company's Articles, the Trust Deed does not permit the Trustee-Manager to repurchase or redeem any Share Stapled Units on behalf of the HKT Trust unless and until expressly permitted to do so by the relevant codes and guidelines issued by the SFC from time to time. Thereafter, the Trustee-Manager may repurchase or redeem Share Stapled Units but only to the extent permitted by, and in accordance with the provisions of, the relevant laws and regulations and applicable codes and guidelines as may be issued by the SFC from time to time; and only with the agreement of the Company and in circumstances where the Company repurchases or redeems the Ordinary Shares and the Preference Shares included in any Share Stapled Units to be repurchased or redeemed.

Transfers

If and for so long as the Share Stapled Units are listed on the Stock Exchange, transfers of Share Stapled Units between CCASS Participants shall be effected electronically through CCASS making an appropriate entry in its records in respect of the Share Stapled Units that have been transferred, in accordance with the CCASS Rules and Procedures.

In respect of Share Stapled Units which are not deposited with CCASS, every Registered Holder of Share Stapled Units shall be entitled to transfer any of the Share Stapled Units held by him or, in the case of Joint Registered Holders of Share Stapled Units, by them as follows:

- (a) a transfer of Share Stapled Units shall be effected (1) by an instrument of transfer in writing in such form as the Company and the Trustee-Manager may from time to time approve accompanied by the certificate(s) issued in respect of the relevant Share Stapled Units or (2) in any other manner as the Trustee-Manager and the Company may from time to time approve; and
- (b) every instrument of transfer relating to Share Stapled Units must be signed by the transferor and the transferee and the transferor shall be deemed to remain the holder of the Share Stapled Units transferred until the name of the transferee is entered in the Share Stapled Units Register in respect thereof. The instrument of transfer need not be a deed. The Trustee-Manager may also agree, upon request by the transferor or the transferee, to accept mechanically executed transfers. Instruments of transfer executed by machine imprinted signatures of a clearing house shall be acceptable.

Every instrument of transfer must be duly stamped (if required by law) and left with the Registrar (or where there is no Registrar, with the Trustee-Manager) for registration accompanied by the certificate(s) issued in respect of the relevant Share Stapled Units and any necessary declarations or other documents that may be required in consequence of any relevant laws and regulations and by such evidence as the Registrar or the Trustee-Manager may require to prove the title of the transferor or his right to transfer the Share Stapled Units. The Registrar (or where there is no Registrar, the Trustee-Manager) may dispense with the production of any certificate which shall have become lost, stolen or destroyed upon compliance by the transferor with the like requirements to those arising in the

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case of an application by him for the replacement thereof. In respect of Share Stapled Units which are not deposited with CCASS, the Trustee-Manager and the Company shall alter or cause to be altered the Share Stapled Units Register (and the other registers) to record the date of each transfer of Share Stapled Units and the name and address of the transferee.

No Registered Holder of a Share Stapled Unit may require the transfer of a Share Stapled Unit to be registered during any period for which the Share Stapled Units Register is closed.

Share Stapled Units shall only be transferable (i) in the form of Share Stapled Units and not as the individual components (Unit, beneficial interest in an Ordinary Share and a Preference Share) comprising a Share Stapled Unit; and (ii) in multiples of one Share Stapled Unit. No transfer shall be registered if the registration thereof would result in the transferor or the transferee being a registered holder of less than one Share Stapled Unit. Title to the Share Stapled Units passes only by transfer of Share Stapled Units, or by transmission of Share Stapled Units and registration of the transferee(s) in the Share Stapled Units Register in accordance with the Trust Deed. The entries in the Share Stapled Units Register shall (save in the case of manifest error) be conclusive evidence of the number of Share Stapled Units held by each Registered Holder of Share Stapled Units and the title of that Registered Holder of Share Stapled Units to those Share Stapled Units.

Exchange Right

The Registered Holders of Share Stapled Units have the right to exchange all the Share Stapled Units for Ordinary Shares at any time by passing an Extraordinary Resolution of Registered Holders of Units providing for the exchange of Share Stapled Units for Ordinary Shares. Please refer to the paragraph headed “Quorum and voting at meetings of Registered Holders of Units” below on the manner in which a Registered Holder of Share Stapled Units can call for an extraordinary general meeting and move a resolution to exercise the Exchange Right. The right of the Registered Holders of Share Stapled Units to exchange their Share Stapled Units for Ordinary Shares is called the “**Exchange Right**”. Any such Extraordinary Resolution of Registered Holders of Units, if duly passed, shall have the effect of exercising the Exchange Right in respect of all the issued and outstanding Share Stapled Units at the relevant time and shall be binding on all the Registered Holders of Share Stapled Units. Upon the exercise of the Exchange Right by passing an Extraordinary Resolution of Registered Holders of Units in accordance with the Trust Deed, the Units and the Preference Shares comprising the issued and outstanding Share Stapled Units shall be exchanged with the Trustee-Manager and cancelled, and in consideration and in exchange therefore the Trustee-Manager shall transfer the specifically identified Ordinary Shares held by the Trustee-Manager which are Linked to the Units comprising the Share Stapled Units so cancelled, to the persons registered in the Share Stapled Units Register as the Registered Holders of Share Stapled Units.

The number of Ordinary Shares to be transferred on exchange of Share Stapled Units is one Ordinary Share for each Unit which is a component of the Share Stapled Units. Therefore, because each Share Stapled Unit includes one Unit, the number of Ordinary Shares to be transferred on exchange of Share Stapled Units is one Ordinary Share for each Share Stapled Unit.

The Exchange Right may not be exercised following an Ordinary Resolution of Registered Holders of Units or Extraordinary Resolution of Registered Holders of Units directing the termination of the HKT Trust having been passed in accordance with the Trust Deed.

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No debt

The Trustee-Manager is not permitted under the Trust Deed to, either for itself or for the HKT Trust, borrow or raise moneys or to charge, mortgage or create security over all or any of the assets or rights of the HKT Trust or issue debentures or other debt securities. The HKT Trust shall not lend, assume, guarantee, endorse or otherwise become directly or contingently liable for or in connection with any obligation or indebtedness of any person.

Sub-division and consolidation of Units

Subject to the provisions of the Trust Deed and to the relevant laws and regulations, the Trustee-Manager and the Company may jointly, by mutual agreement between them, with the prior approval of an Ordinary Resolution of Registered Holders of Units determine that each Unit shall be sub-divided into two or more Units or consolidated with one or more other Units and the Registered Holder of Units shall be bound accordingly. The Trustee-Manager and the Company shall procure that the specifically identified Ordinary Shares held by the Trustee-Manager and Linked to the Units and the specifically identified Preference Shares Stapled to the Units shall each be sub-divided or consolidated (as the case may be) on the same terms, *mutatis mutandis*, as the Units which are being sub-divided or consolidated (as the case may be). The Units Register shall be altered accordingly to reflect the new number of Units held by each Registered Holder of Units as a result of such sub-division or consolidation. Corresponding alterations shall also be made to the Share Stapled Units Register, the Register of Members and the Register of Beneficial Interests to reflect the sub-division or consolidation of the Units, the specifically identified Ordinary Shares and the specifically identified Preference Shares (as applicable).

Rights of Registered Holders of Units

The Registered Holders of Units shall be entitled to enforce the rights of the Registered Holders of Units and the obligations of the Trustee-Manager and the Company to the Registered Holders of Units under the Trust Deed.

For so long as the Share Stapled Units are listed on the Stock Exchange, the Trustee-Manager and the Company shall use their respective reasonable endeavours to ensure that:

- (a) the Share Stapled Units are eligible for admission to CCASS;
- (b) the Trustee-Manager shall record HKSCC Nominees as the registered holder of all Share Stapled Units in issue which are deposited with CCASS and shall record a holder (other than HKSCC Nominees) as the registered holder of Share Stapled Units which are held by such holder and not deposited with CCASS;
- (c) a Share Stapled Unit represented by an entry in the Share Stapled Units Register in the name of the Registered Holder of a Share Stapled Unit (other than HKSCC Nominees) can be deposited in CCASS and registered in the Share Stapled Units Register in the name of HKSCC Nominees in accordance with the CCASS Requirements and otherwise on terms and conditions as may be prescribed by CCASS or the Trustee-Manager and the Company acting jointly; and
- (d) a Share Stapled Unit deposited in CCASS can be withdrawn from CCASS and be represented by an entry in the Share Stapled Units Register in the name of a Registered Holder of a Share Stapled Unit (other than HKSCC Nominees) in accordance with the CCASS Requirements and otherwise on terms and conditions as may be prescribed by CCASS or by the Trustee-Manager and the Company acting jointly.

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The information specified in the Trust Deed in respect of the Share Stapled Units and transfers of those Share Stapled Units must be entered in the Share Stapled Units Register. The information specified in the Trust Deed in respect of the Units and the Stapled Preference Shares which are components of the Share Stapled Units, and transfers of those Units and Stapled Preference Shares, must also be entered in the Units Register and the Hong Kong Register of Members, respectively; and the beneficial interests in the Linked Ordinary Shares component of the Share Stapled Units and transfers of those beneficial interests must be entered in the Register of Beneficial Interests. The registered holder(s) of a Share Stapled Unit shown in the Share Stapled Units Register, the registered holder(s) of the Unit which is a component of the relevant Share Stapled Unit, the holder of the beneficial interest in the specifically identified Ordinary Share which is Linked to that Unit and the registered holder(s) of the specifically identified Preference Share which is a component of the relevant Share Stapled Unit must, at all times, be the same person(s).

Certificates in respect of the Share Stapled Units will be printed in accordance with all applicable requirements of the Stock Exchange and will be in a form approved by the Trustee-Manager and the Company. Such certificates shall be prima facie evidence of the title of the person named in the certificate to the Share Stapled Units.

Distributions

The Trust Deed requires the HKT Trust to distribute 100% of its cashflows from dividends, other distributions and any other amounts received (in each case net of applicable taxes and expenses) by the HKT Trust from the Group, after such cashflows have been applied to pay the operating expenses of the HKT Trust, including the Trustee-Manager's expenses (the "**Distributable Income**").

The distributions received by the HKT Trust from the Group will come from the Group's Annual Adjusted Funds Flow, after adjusting for potential debt repayment, if required, for each financial year. Please note that the Group's Annual Adjusted Funds Flow is an amount derived from the Company's annual financial results only.

The Trust Deed and the Company's Articles state the current intention of the Company Directors to declare and distribute 100% of the Group's Annual Adjusted Funds Flow, after adjusting for potential debt repayment, if required, for each financial year, to the HKT Trust to fund distributions in respect of the Share Stapled Units to be made by the HKT Trust. It is the current intention of the Company Directors that the Group will declare and make distributions to the HKT Trust on a semi-annual basis, with the interim and final distributions in respect of a full financial year being equal, in aggregate, to 100% of the Group's Annual Adjusted Funds Flow in respect of the relevant financial year, after adjusting for potential debt repayment, if required, in respect of that financial year. The respective proportions of the aggregate annual distribution to be paid as an interim distribution and a final distribution shall be determined by the Company Board in its discretion; and the amount of the interim distribution need not be equal to the amount of the Group's Adjusted Funds Flow (after adjusting for potential debt repayment, if required) in respect of the first six months of the financial year (or other period in respect of which the distribution is made) or proportionate to the Annual Adjusted Funds Flow (after adjusting for potential debt repayment, if required) in respect of the relevant financial year.

The Company may make distributions out of its distributable reserves (including share premium) to the HKT Trust which in turn is required under the Trust Deed to make distributions to the Registered Holders of Share Stapled Units. The Trustee-Manager, in its capacity as trustee-manager of the HKT Trust, is not subject to restrictions relating to profits available for distribution, in respect of the amounts that it can distribute to Holders of Share Stapled Units.

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After the HKT Trust has been admitted to the Main Board of the Stock Exchange, the HKT Trust will make distributions to Holders of Share Stapled Units on a semi-annual basis, from the interim and final distributions to be made by the Group to the HKT Trust, referred to in the paragraph immediately above. The Trustee-Manager will pay the interim distribution within four months after 30 June and the final distribution within six months after 31 December of each year. The Trustee-Manager will distribute 100% of its Distributable Income in respect of each financial year, by way of the interim and final distributions described above in this paragraph.

The statement in the Trust Deed and the Company's Articles of the Company Directors' current intention to declare and distribute 100% of the Group's Annual Adjusted Funds Flow, after adjusting for potential debt repayment, if required, in respect of each financial year, to the Trustee-Manager to fund distributions in respect of the Share Stapled Units is a distribution policy only and is a statement of the Company Directors' current intention only. It is not a legally binding obligation of the Company Directors, the Company, the Trustee-Manager or the HKT Trust and is subject to change.

The form, frequency and amount of future distributions (if any) will depend on the earnings, financial position and results of operations of the Group, as well as contractual restrictions (including existing limitations on borrowings under the Trust Deed and compliance with financial undertakings imposed under the Group's loan facilities agreements such as the ratio of EBITDA to interest and the ratio of net debt to EBITDA), provisions of applicable law and regulations and other factors including but not limited to funding requirements with reference to the prevailing business environment and operations, and expansion plans, other capital management considerations, the overall stability of distributions and prevailing industry practice (if the distribution policy were to be changed in the future, the Trustee-Manager and the Company would issue an announcement describing the relevant change).

The HKT Trust may not be able to make distributions to Holders of Share Stapled Units at all or the level of distributions may fall. If the Group's businesses do not generate sufficient income, the Group's cash flow and the Group's (and therefore the HKT Trust's) ability to make distributions will be adversely affected. See the risk factor headed "The HKT Trust may not be able to make distributions to Holders of Share Stapled Units at all or the level of distributions may fall" in the section headed "Risk factors — Risks relating to the investment in the Share Stapled Units" in this prospectus for further information.

The Trustee-Manager shall inform the Stock Exchange immediately of:

- (i) any decision to declare, recommend or pay any distribution and the rate and amount thereof;
- (ii) any decision not to declare, recommend or pay any distribution which would otherwise have been expected to be declared, recommended or paid in due course; and
- (iii) any preliminary announcement of profits or losses for any year, half year or other period.

The Trustee-Manager shall inform the Registered Holders of Share Stapled Units of any decision referred to above, by way of an announcement. The announcement must be made as soon as possible after the decision. An announcement made in respect of a decision to declare, recommend or pay any distribution must include:

- (i) the amount of the distribution and the Distribution entitlement per Unit of the Registered Holders of Units;

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- (ii) the record date and approximate payment date for the distribution;
- (iii) confirmation that the auditor has reviewed and verified the Trustee-Manager's calculation of the distribution entitlement per Unit, in accordance with the Trust Deed; and
- (iv) confirmation by the Trustee-Manager Board that, having made all reasonable enquiries, immediately after making the relevant distribution to the Registered Holders of Units, the Trustee-Manager will be able to fulfil, from the Trust Property, the liabilities of the HKT Trust as they fall due.

All distributions are paid pro rata among Registered Holders of Units in proportion to the number of fully-paid up Units held by the relevant Registered Holders of Units. In the case where any Unit is not fully paid up, the distribution declared shall be allocated and paid in such proportions as provided for in the terms of issue of such partially paid up Units, and failing such provision, in such proportions as the Trustee-Manager may think fit.

Upon declaration of any distribution per Unit made by the Trustee-Manager on behalf of the HKT Trust, the HKT Trust shall be obliged to pay such distribution per Unit regardless of the number of Units in issue as at the record date for the relevant distribution, save where there is any consolidation or sub-division of Units in which case appropriate adjustments shall be made accordingly.

If new Units (in the form of Share Stapled Units) are issued after the declaration of a distribution but on or before the record date for such distribution, the total amount to be distributed by the Trustee-Manager shall be proportionately increased such that Registered Holders of Units at the record date for the distribution will all receive the distribution per Unit as declared. Notwithstanding the foregoing, where the HKT Trust does not have sufficient cashflow to meet payments of distributions to Registered Holders of Units, as a result of new Units having been issued after declaration of a distribution, or if a payment of distribution to Registered Holders of Units, if made, will breach any applicable covenants to which the HKT Trust or the Group is subject, such unpaid distributions shall be accrued and shall be paid to the persons entitled thereto as soon as practicable after the HKT Trust has sufficient cash flow to meet the payment obligations or is able to meet the payment obligations without breaching any applicable covenant (as the case may be) provided that no interest shall be paid on Registered Holders of Units' distributions entitlement accrued but not paid and that Registered Holders of Units shall be notified of the suspension of payments.

Any monies payable to Registered Holders of Units which remain unclaimed shall be accumulated in the Unclaimed Monies Account from which the Trustee-Manager may, from time to time, make payments to Registered Holders of Units claiming any such monies. The Trustee-Manager may, at its absolute discretion and if practicable, cause such sums which represent monies remaining in the Unclaimed Monies Account for six years after the date on which such unclaimed monies are due to be paid, to be forfeited. For the avoidance of doubt, the moneys so forfeited shall revert to the HKT Trust and form part of the Trust Property and the relevant Registered Holders of Units shall not have any right or claim in respect of such moneys against the HKT Trust or the Trustee-Manager if a period of six years has elapsed from the date such moneys are first payable.

Quorum and voting at meetings of Registered Holders of Units

The Trustee-Manager shall at least once in every calendar year convene a general meeting of the Registered Holders of Units as the annual general meeting thereof in addition to any other meetings in that year and shall specify the meeting as such in the notice calling it. The annual general meeting shall be held at such time and place as the Trustee-Manager shall appoint and not less than twenty-one days' notice (exclusive of the day on which the notice is served or deemed to be served and of the day for which the notice is given) in writing thereof shall be given to the Registered Holders of Units.

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The Trustee-Manager may (and the Trustee-Manager shall at the request in writing of the Registered Holders of Units holding not less than 5% of the Units for the time being in issue and outstanding) at any time convene a meeting of Registered Holders of Units at such time or place in Hong Kong (subject as hereinafter provided) as the party convening the meeting may think fit and propose resolutions for consideration at such meeting.

At any meeting of Registered Holders of Units, the Trustee-Manager or a person nominated by the Trustee-Manager shall be the Chairman of the meeting. A declaration by the Chairman that a resolution has been carried or carried unanimously or by a particular majority or lost shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against such resolution.

At least fourteen days' notice (exclusive of the day on which the notice is served or deemed to be served and of the day for which the notice is given) of every meeting shall be given to the Registered Holders of Units in the manner provided in the Trust Deed, except that at least twenty-one days' notice (exclusive of the day on which the notice is served or deemed to be served and of the day for which the notice is given) of the meeting shall be given to the Registered Holders of Units where an Extraordinary Resolution of Registered Holders of Units is proposed for consideration at such meeting. The notice shall specify the place, day and hour of meeting and the terms of any resolution to be proposed thereat. The accidental omission to give notice to or the non-receipt of notice by any of the Registered Holders of Units shall not invalidate any resolution passed or any proceedings at any meeting.

Notwithstanding that a meeting of Registered Holders of Units is called by shorter notice than that referred to above, it shall be deemed to have been duly called if it is so agreed:

- (a) in the case of a meeting called as an annual general meeting, by all the Registered Holders of Units entitled to attend and vote thereat or their proxies; and
- (b) in the case of any other meeting, by a majority in number of the Registered Holders of Units having a right to attend and vote at the meeting, being a majority together holding not less than 95% of the Units giving that right.

At any meeting of Registered Holders of Units, two or more Registered Holders of Units present in person, by corporate representative or by proxy shall form a quorum for the transaction of business. No business shall be transacted at any meeting unless the requisite quorum is present at the commencement of business. Split proxies (whereby a Registered Holders of Units may vote some of the Units registered in his name in favour of a resolution and some of them against) shall, for the avoidance of doubt, be permitted, provided that the provisions of the Trust Deed must be complied with in relation to a meeting of Registered Holders of Units and a meeting of Shareholders (or a combined meeting characterised as a meeting of Registered Holders of Share Stapled Units) convened to consider the same, or substantially the same, matter.

A Registered Holder of Units is entitled to attend, speak and vote at any general meeting of the Registered Holders of Units in person or by proxy and a Registered Holder of Units may appoint more than one proxy to attend and vote at the same general meeting. The instrument appointing a proxy and (if required by the Trustee-Manager) the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority shall be deposited at the place specified in the notice convening the meeting or in any notice of any adjournment or, in each case, in any document sent therewith (or, if no such place is specified, at the registered office of the Registrar) not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote, or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, not less than 48 hours before the time

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appointed for the taking of the poll, and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of twelve (12) months from the date stated in it as the date of its execution. Delivery of any instrument appointing a proxy shall not preclude a Registered Holder of Units from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked. A person appointed to act as a proxy need not be a Registered Holder of Units.

At any meeting a resolution put to the vote of the meeting shall be decided by poll and the result of the poll shall be deemed to be the resolution of the meeting. A poll shall be taken in such manner (including the use of ballot or voting papers or tickets) as the Chairman may direct and the result of the poll shall be deemed to be the resolution of the general meeting at which the poll was demanded. The Chairman may (and if so directed by the meeting shall) appoint scrutineers and may adjourn the meeting to some place and time fixed by him for the purpose of declaring the result of the poll. A poll shall be taken at such time and place as the Chairman directs. A poll shall not prevent the continuance of a meeting for the transaction of any business other than the question on which the poll has been demanded. Under the Trust Deed, on a poll, every Registered Holder of Units who is present in person or by proxy shall have one vote for every Unit which he or she holds or represents provided such Units are fully paid up. Votes cast by a Registered Holder of Units in contravention of the applicable provisions of the Listing Rules shall not be counted.

HKSCC Nominees (or any successor thereto) may appoint more than one proxy or corporate representative to attend and vote at any meetings of Registered Holders of Units as if they were individual Registered Holders of Units and such representatives shall not be required to produce any documents of title or notarised authorisation in respect of such appointment. Where a Registered Holder of Units is a recognised clearing house (within the meaning of the SFO) or its nominee(s), it may authorise such person or persons as it thinks fit to act as its representative(s) or proxy(ies) at any meeting of Registered Holders of Units provided that, if more than one person is so authorised, the authorisation or proxy form must specify the number of Units in respect of which each such person is so authorised. Each person so authorised will be entitled to exercise the same power on behalf of the recognised clearing house as that clearing house or its nominee(s) could exercise if it were an individual Registered Holder of Units.

Co-ordinate meetings of Registered Holders of Units and Shareholders

The Trust Deed provides that matters requiring approval by a resolution of Registered Holders of Units under the Trust Deed must also be approved by an equivalent resolution of Shareholders. If a meeting of Registered Holders of Units is convened, a meeting of Shareholders must also be convened and vice versa.

The Trust Deed provides that, to the extent permitted under relevant laws and regulations, meetings of Registered Holders of Units and meetings of Shareholders shall be held on a combined basis as a single meeting (characterised as a meeting of Registered Holders of Share Stapled Units) or, if that is not possible, the meetings shall be held separately but concurrently or, where necessary, consecutively (with the meeting of Shareholders being held immediately after the meeting of Registered Holders of Units in the case of consecutive meetings).

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A holder of a Share Stapled Unit will be entitled to exercise the following voting rights conferred by the Share Stapled Unit:

- (a) a vote of the Unit which is a component of the Share Stapled Unit, at meetings of Unitholders convened and held in accordance with the provisions of the Trust Deed; and
- (b) two votes at meetings of Shareholders of the Company convened and held in accordance with the provisions of the Company's Articles and the Trust Deed. Those votes are:
 - (i) a vote in respect of the Preference Share which is Stapled to the Unit and registered in the name of the Registered Holder of the Share Stapled Unit in respect of any required resolution of Shareholders; and
 - (ii) a vote in respect of the Ordinary Share which is Linked to the Unit and registered in the name of the Trustee-Manager. The vote conferred by the Ordinary Share which is Linked to the Unit is exercised by the Registered Holder of the Share Stapled Unit giving a direction to the Trustee-Manager to vote that Ordinary Share at meetings of Shareholders of the Company, as described under the paragraph headed "Requirements for the exercise by the Trustee-Manager of the voting rights conferred by the Ordinary Shares" below.

In relation to a combined meeting of Unitholders and Shareholders characterised under the Trust Deed as a meeting of Registered Holders of Share Stapled Units, to the extent practicable, a single resolution shall be proposed to approve the matter to be considered by the Registered Holders of Units and the Shareholders, which resolution shall be characterised as a resolution of Registered Holders of Share Stapled Units and shall serve as both a resolution of Registered Holders of Units and a resolution of Shareholders.

In relation to meetings of Registered Holders of Units and Shareholders to be held separately but concurrently or consecutively in accordance with the Trust Deed, to the extent practicable, the same or a substantially similar resolution (with any modifications which are necessary or desirable to reflect the manner in which the matter being considered affects the HKT Trust or the Company differently) shall be proposed for consideration at each meeting.

In relation to both combined meetings of Unitholders and Shareholders characterised under the Trust Deed as a meeting of Registered Holders of Share Stapled Units and meetings of Unitholders and Shareholders held separately but concurrently or consecutively:

- (i) in respect of each individual Share Stapled Unit, the voting rights conferred by a Unit and the specifically identified Preference Share which is Stapled to it, which are components of the relevant Share Stapled Unit, can only be exercised in the same way (either for or against) in respect of (as the case may be) (1) a single resolution proposed at a meeting characterised as a meeting of Registered Holders of Share Stapled Units, or (2) a resolution of Registered Holders of Units and a resolution of Shareholders dealing with the same, or substantially the same, matter proposed at separate meetings of Unitholders and Shareholders held concurrently or consecutively; and
- (ii) a Registered Holder of a Share Stapled Unit shall cast a single vote in respect of that Share Stapled Unit, which shall serve as a vote in respect of both the Unit and the Preference Share constituting that Share Stapled Unit, either for or against (as the case may be) in respect of (as the case may be) (1) a single resolution proposed at a meeting characterised as a meeting of Registered Holders of Share Stapled Units, or (2) a resolution of Registered Holders of Units and a resolution of Shareholders proposed at separate meetings of Unitholders and Shareholders (held concurrently or consecutively) which deal with the same, or substantially the same, matter.

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A Registered Holder of Share Stapled Units holding more than one Share Stapled Unit may vote some of the Share Stapled Units registered in his name in favour of a resolution proposed at a combined meeting of Unitholders and Shareholders characterised under the Trust Deed as a meeting of Registered Holders of Share Stapled Units and some of them against the relevant resolution, provided that the provisions of the Trust Deed described in sub-paragraph (i) above are complied with in respect of each individual Share Stapled Unit registered in his name. Similarly, a Registered Holder of Share Stapled Units holding more than one Share Stapled Unit may vote some of the Share Stapled Units registered in his name in favour of both resolutions dealing with the same, or substantially the same, matter proposed at separate meetings of Registered Holders of Units and Shareholders held concurrently or consecutively, and some of them against both those resolutions, provided that the provisions described in sub-paragraph (ii) above are complied with in respect of each individual Share Stapled Unit registered in his name.

To the extent permitted by the relevant laws and regulations and the Company's Articles, a combined meeting of Unitholders and Shareholders characterised under the Trust Deed as a meeting of Registered Holders of Share Stapled Units shall constitute:

- (a) a meeting of the Registered Holders of Units; and
- (b) a meeting of Shareholders.

Requirements for the exercise by the Trustee-Manager of the voting rights conferred by the Ordinary Shares

The Trustee-Manager shall exercise the voting rights conferred by the Ordinary Shares held by it in respect of a resolution of Shareholders proposed at a combined meeting of Registered Holders of Units and Shareholders characterised under the Trust Deed as a meeting of Registered Holders of Share Stapled Units in the same way (either for or against the relevant resolution) as the votes conferred by the Units to which those Ordinary Shares are Linked are or have been exercised in respect of the same resolution.

In relation to any resolution to be proposed at a meeting of Shareholders to be held concurrently or consecutively with a meeting of Registered Holders of Units in accordance with the provisions of the Trust Deed, a corresponding resolution shall either first or concurrently be proposed at a meeting of Registered Holders of Units. This is to enable Registered Holders of Units, by exercising the voting rights conferred by the Units held by them, to give directions to the Trustee-Manager as to how to vote the specially identified Ordinary Shares held by the Trustee-Manager which are Linked to those Units, in respect of the resolution(s) to be proposed at the meeting of Shareholder.

Subject to the arrangements described above which apply in respect of meetings of Unitholders and Shareholders held on a combined basis and characterised under the Trust Deed as a meeting of Registered Holders of Share Stapled Units (in which case the Trustee-Manager is required to exercise to voting rights conferred by the Ordinary Shares held by it in the same way as the votes conferred by the Units to which those Ordinary Shares are Linked are or have been exercised in respect of the same resolution), the Trustee-Manager shall only exercise the voting rights conferred by the Ordinary Shares held by it in respect of a resolution proposed at a meeting of Shareholders:

- (a) if a meeting of Registered Holders of Units is or has been convened and held to consider the same, or substantially the same, matter or to determine how the Trustee-Manager should exercise the voting rights conferred by the Ordinary Shares at a meeting of Shareholders; and

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- (b) in the same way (either for or against the relevant resolution) as the votes conferred by the Units to which those Ordinary Shares are Linked are or have been exercised in respect of the resolution of Registered Holders of Units.

In respect of a resolution of Shareholders to be proposed at a combined meeting of Unitholders and Shareholders characterised under the Trust Deed as a meeting of Registered Holders of Share Stapled Units, the Trustee-Manager shall not exercise the voting rights conferred by the Ordinary Shares held by it which are Linked to Units in respect of which no voting rights are or have been exercised at the relevant combined meeting characterised under the Trust Deed as a meeting of Registered Holders of Share Stapled Units.

Similarly, in respect of a resolution of Shareholders to be proposed at a separate but concurrent or consecutive meeting of Shareholders held in accordance with the Trust Deed, the Trustee-Manager shall not exercise the voting rights conferred by the Ordinary Shares held by it which are Linked to Units in respect of which no voting rights have been exercised at a meeting of Registered Holders of Units convened under the Trust Deed to consider the same or substantially the same matter or to determine how the Trustee-Manager should exercise the voting rights conferred by the Ordinary Shares.

Forms of proxy and voting papers

To the extent permitted by the relevant laws and regulations, in the case of a combined meeting of Unitholders and Shareholders characterised under the Trust Deed as a meeting of Registered Holders of Share Stapled Units, the form of proxy to be provided to Registered Holders of Share Stapled Units, and the form of voting paper, will, in each case, be a single, composite, form. Unless otherwise expressly stated in the form of proxy or the form of voting paper provided for use in respect of the meeting, the effect of completing a form of proxy or voting paper (as the case may be) indicating a vote either for or against a resolution characterised in the form of proxy or voting paper as a resolution of Registered Holders of Share Stapled Units to be proposed at a meeting characterised by the Trust Deed as a meeting of Registered Holders of Share Stapled Units shall be that the vote given in respect of the Share Stapled Units in question shall constitute:

- (a) a vote of the Units included in the Share Stapled Units in respect of any required resolution of Registered Holders of Units;
- (b) a vote of the Preference Shares Stapled to those Units in respect of any required resolution of Shareholders; and
- (c) an instruction to the Trustee-Manager to vote the number of Ordinary Shares Linked to the relevant Units in the same way (either for or against) in respect of any required resolution of Shareholders.

To the extent permitted by the relevant laws and regulations, in the case of meetings of Unitholders and Shareholders held concurrently or consecutively under the Trust Deed to consider the same, or substantially the same, resolution (with any modifications which are necessary or desirable to reflect the manner in which the matter being considered affects the Trust or the Company differently), the form of proxy and the form of voting paper provided for use in respect of the meeting of Registered Holders of Units shall, unless expressly stated otherwise in the relevant form, have the effect that the vote given in respect of Units either for or against a resolution shall also constitute an instruction to the Trustee-Manager to vote the same number of Ordinary Shares which are Linked to the Units in the same way (either for or against) in respect of the resolution dealing with the same, or substantially the same, matter at the separate but concurrent or consecutive meeting of Shareholders.

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The forms of proxy and voting paper provided for use in respect of both types of meetings referred to above shall contain prominent statements detailing the effect of completing the relevant form indicating a vote either for or against the relevant resolution(s).

Modification of the Trust Deed

The Trustee-Manager and the Company shall jointly, by mutual agreement between them and, subject to the relevant laws and regulations, be entitled by supplemental deed to modify, amend, alter or add to the provisions of the Trust Deed if and to the extent that such modification, amendment, alteration or addition:

- (a) either does not prejudice the interests of the Unitholders or any prejudice is immaterial; and does not operate to release to any material extent the Trustee-Manager from any responsibility to the Unitholders; and does not increase the costs or charges payable from the Trust Property (other than charges, fees and expenses incurred in connection with the supplemental deed); or
- (b) is necessary in order to comply with applicable fiscal, statutory or official requirements (whether or not having the force of law), including without limitation, requirements under applicable laws and regulations; or
- (c) is made to correct a manifest error; or
- (d) is made to reflect any changes made to applicable laws and regulations after the Listing Date provided that the relevant modification, amendment, alteration or addition is consistent with the changes made to such laws and regulations and is approved by an Extraordinary Resolution of Registered Holders of Units. This provision would permit the Trustee-Manager and the Company, acting jointly by mutual agreement between them and subject to prior approval by an Extraordinary Resolution of Registered Holders of Units, to modify, amend, alter or add to the provisions of the Trust Deed to change the arrangements set out in the Trust Deed to make them consistent with a structure which complies with any future relevant laws and regulations which are introduced in Hong Kong to specifically govern the listing, operation and management of listed trusts which hold an operating business (including holding such a business by holding shares in one or more companies conducting an operating business) as the sole or principal asset of the trust (“**New Specific Regulations**”). If such New Specific Regulations are introduced in the future the Trustee-Manager and the Company would have the authority, subject to prior approval by an Extraordinary Resolution of Registered Holders of Units, to change the arrangements set out in the Trust Deed to a structure which is authorised under, and fully compliant with, the New Specific Regulations and to dispense with those aspects of the arrangements set out in the Trust Deed which are not required under such New Specific Regulations, provided that the New Specific Regulations are fully complied with in respect of any changed structure and any modifications, amendments, alterations or additions to the provisions of the Trust Deed.

The Trustee-Manager shall certify in writing that, in its opinion, the relevant modification, amendment, alteration or addition falls within one or more of the descriptions above.

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The Trust Deed provides that, subject to the foregoing, no modification, amendment, alteration or addition of or to any of the following provisions of the Trust Deed shall be made:

- Clause 2 (*Constitution of the Trust*), which deals with, among other matters, the declaration of trust in respect of the Trust Property; the establishment of the HKT Trust as a fixed investment trust with activities limited to engaging in the Authorised Business; appointment of the Trustee-Manager; application of the Trustee Ordinance; and certain duties of the Trustee-Manager;
- Clause 3 (*Units Linked to Underlying Ordinary Shares and Stapled to Preference Shares*), which deals with the matters described in the paragraph headed “Relationship between the Units, the Ordinary Shares and the Preference Shares” above;
- Clause 4 (*Co-operation and Consultation*), which deals with, among other matters, the requirement for the Trustee-Manager and the Company to co-operate in order to give effect to the provisions of the Trust Deed, including the Linking and Stapling provisions, and the provisions relating to the coordination of meetings of Unitholders and Shareholders;
- Clause 5.11 (*Purchase or Redemption of Share Stapled Units*), which deals with the matters summarised in the paragraph headed “The Share Stapled Units are not re-purchasable or redeemable” above;
- Clause 7 (*Compliance with the Listing Rules and other Relevant Laws and Regulations*), which provides, among other things, that the Trustee-Manager and the Company must co-operate to ensure compliance by the HKT Trust and the Company with the Listing Rules respectively applicable to them;
- Clause 9 (*Share Stapled Units Register and Transfer of Share Stapled Units*), which deals with, among other matters, the obligations of the Trustee-Manager and the Company to maintain the Share Stapled Units Register and provisions in respect of transfers of Share Stapled Units described in the paragraph headed “Transfers” above;
- Clause 10 (*Units Register and Transfers of Units*), which deals with, among other matters, the obligation of the Trustee-Manager to maintain the Units Register and provisions in respect of transfers of Units;
- Clause 11 (*Register of Members, Transfers of Beneficial Interests in Ordinary Shares and Register of Beneficial Interests*), which deals with, among other matters, the maintenance of the Register of Members and the Register of Beneficial Interests and provisions in respect of transfers of beneficial interests in Ordinary Shares;
- Clause 12 (*Exchange*), which deals with the Exchange Right summarised in the paragraph headed “Exchange Right” above;
- Clause 13 (*Object and Purpose of the Trust*), which deals with, among other matters, the scheme of investment of the HKT Trust and restrictions on the Trustee-Manager’s scope of business;
- Clause 14.1(b), which provides that the Trustee-Manager shall ensure that all amounts distributed or paid to the Trustee-Manager by the Company in respect of the Ordinary Shares are distributed to the Registered Holders of Units, subject to the deduction of any and all amounts permitted to be deducted or paid from the Trust Property under the Trust Deed but excluding (for the avoidance of doubt) all other provisions of clause 14 of the Trust Deed;

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- Clauses 18.1 to 18.5, related to the safe custody of the Trust Property and the segregated accounts described in the paragraph headed “Segregated accounts” below, but excluding (for the avoidance of doubt) all the other provisions of clause 18 of the Trust Deed;
- Clause 20.1, providing that Registered Holders of Units shall receive all notices in respect of both the HKT Trust and the Company, but excluding (for the avoidance of doubt) all the other provisions of clause 20 of the Trust Deed;
- Clause 23 (*Appointment, Removal or Resignation of Trustee-Manager*), which deals with, among other matters, the provisions summarised in the paragraphs headed “Appointment, removal or resignation of the Trustee-Manager”, “Insolvency of the Trustee-Manager” and “Effects of change of the Trustee-Manager” below;
- Clause 26 (*Modification of Trust Deed*), which deals with the circumstances in which the Trust Deed can be modified and the requirements for making, and restrictions in respect of, such modifications, as described in the paragraph headed “Modification of the Trust Deed” above;
- Clause 29 (*Directors of the Trustee-Manager*), which deals with, among other matters, the requirement that the boards of directors of the Trustee-Manager and the Company be the same, the duties of directors of the Trustee-Manager and the prohibition of loans by the Trustee-Manager to its directors;
- Clause 32 (*No Acceptance of an Offer for the Ordinary Shares or Other Disposal of Ordinary Shares*), providing that the Trustee-Manager shall not be permitted to accept any offer to sell the Ordinary Shares held by the Trustee-Manager or to otherwise dispose of those Ordinary Shares; and
- Clause 36 (*Governing Law*).

In addition, the Trust Deed provides that there can be no modification, amendment, alteration or addition of or to clause 23.1(i) of the Trust Deed which provides that for as long as the Trustee Manager is a subsidiary of PCCW it must remain a wholly-owned subsidiary of PCCW.

Subject to the above, any other modification, amendment, alteration or addition to the provisions of the Trust Deed may only be made with the sanction of an Extraordinary Resolution of Registered Holders of Units.

No modification, amendment, alteration or addition to the provisions of the Trust Deed shall impose upon (i) any Unitholder any obligation to make further payments in respect of the Units included in his holding of Share Stapled Units (where the issue price of such Units has already been fully paid) or to accept any liability in respect thereof; or (ii) any holder of Preference Shares or Ordinary Shares any obligation to make further payments in respect of the Shares included in his holding of Share Stapled Units (where the issue price of such Shares has already been fully paid).

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The Trustee-Manager shall as soon as practicable after any modification, amendment, alteration or addition to the provisions of the Trust Deed give notice of the relevant modification, amendment, alteration or addition to the Registered Holders of Units, unless the relevant modification, amendment, alteration or addition is not, in the opinion of the Trustee-Manager, of material significance. All fees, costs and expenses incurred by the Trustee-Manager in connection with any such document supplemental to the Trust Deed (including expenses incurred in the holding of a meeting of Registered Holders of Units, if necessary) shall be charged against the Trust Property.

The Trust Deed also requires that the structure be disclosed in the listing documents and annual reports to be issued by the HKT Trust and the Company and that any proposed changes to the structure be disclosed by way of announcement published in accordance with the Listing Rules.

Limitation of liability of Holders of Share Stapled Units

The Trust Deed contains provisions that are designed to limit the liability of a Holder of a Share Stapled Unit to the amount paid or payable for any Share Stapled Unit. The provisions seek to ensure that if the issue price of the Share Stapled Unit held by a Holder of Share Stapled Units has been fully paid, no such Holder of Share Stapled Units, by reason alone of being a Holder of Share Stapled Units or a Unitholder, will be personally liable to indemnify the Trustee-Manager or any creditor of the HKT Trust in the event that the Trust Property is insufficient for the purposes of indemnifying the Trustee-Manager as provided in the Trust Deed.

Powers of the Trustee-Manager to administer the HKT Trust

The Trustee-Manager has the necessary powers under the Trust Deed to perform its function of administering the HKT Trust.

Powers of the Trustee-Manager in relation to the Listing

Under the Trust Deed, the Trustee-Manager has been granted the powers necessary for the Listing and the issue and sale of the Share Stapled Units pursuant to the Global Offering.

Duties of the Trustee-Manager under the Trust Deed

The Trustee-Manager shall at all times act honestly and exercise the degree of care and diligence required of the Trustee-Manager under Hong Kong law and the Trust Deed in relation to the administration of the HKT Trust. The Trustee-Manager shall (a) act honestly and in good faith in the best interest of all the Registered Holders of Units as a whole; (b) give priority to the interests of all the Registered Holders of Units as a whole over its own interests in the event of a conflict between the interests of all the Registered Holders of Units as a whole and its own interests; (c) treat all Registered Holders of Units fairly and equally; (d) ensure that the Trust Property is properly accounted for and be answerable to the Registered Holders of Units for the application or misapplication of any Trust Property; (e) act for proper purpose; (f) avoid actual and potential conflicts of interest and duty; and (g) disclose fully to the Registered Holders of Units its interests in contracts with the HKT Trust and/or the Group. The Trustee-Manager shall not make improper use of any information acquired by virtue of its position as trustee or manager of the HKT Trust to gain, directly or indirectly, an advantage for itself or for any other person to the detriment of the Registered Holders of Units.

The Trustee-Manager shall have the fiduciary duty to hold the Trust Property on trust for the benefit of the Registered Holders of Units, and to comply with the Trust Deed and the relevant laws and regulations.

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Segregated accounts

The Trustee-Manager shall be responsible for the safe custody of the Trust Property and shall comply with the following provisions:

- (a) all or any amount of cash received by the Trustee-Manager from the Group for the purpose of making distributions to the Unitholders must be deposited in a segregated distributions account pending the relevant distribution to Unitholders. Amounts standing to the credit of the distributions account shall be held on trust for the Registered Holders of Units upon and subject to the terms and conditions of the Trust Deed. The distribution account shall be opened and maintained with a licensed bank in Hong Kong in the joint names of the Trustee-Manager and the Company and shall be operated by joint authorised signatories, at least one of whom shall be designated by the Trustee-Manager and at least one of whom shall be designated by the Company;
- (b) all of the Ordinary Shares held by the Trustee-Manager under the Trust Deed must be held in a custody account opened and maintained with a licensed bank in Hong Kong in the joint names of the Trustee-Manager and the Company. The custody account shall be operated by joint authorised signatories, at least one of whom shall be designated by the Trustee-Manager and at least one of whom shall be designated by the Company. Securities held in the custody account shall be held on trust for the Registered Holders of Units upon and subject to the terms and conditions of the Trust Deed; and
- (c) all or any amount of cash received by the Trustee-Manager as the proceeds of subscriptions for the issue and/or sale of Share Stapled Units shall be deposited in a subscriptions account pending the issue of the Share Stapled Units subscribed for by investors and completion of the relevant investment in the Company by way of subscription for Shares. The subscriptions account shall be opened and maintained with a licensed bank in Hong Kong in the joint names of the Trustee-Manager and the Company and operated by joint authorised signatories, at least one of whom shall be designated by the Trustee-Manager and at least one of whom shall be designated by the Company. Amounts standing to the credit of the subscriptions account shall be held on trust for the Registered Holders of Units pending the acceptance of their subscription applications for Share Stapled Units and the issue of their Share Stapled Units; and thereafter shall be held on trust for the Company; in each case, upon and subject to the terms and conditions of the Trust Deed.

Save where the Trustee-Manager is fraudulent, in wilful default or negligent, the Trustee-Manager shall not incur any liability to the Unitholders in respect of or be responsible for losses incurred through the insolvency of, or any act or omission of, any of the licensed banks in Hong Kong with which the distributions account, the custody account and/or the subscriptions account are opened.

The duties of the Trustee-Manager specified in the Trust Deed include duties to:

- ensure that the Trust Property is properly segregated and held for the benefit of the Unitholders in accordance with the provisions of the Trust Deed;
- give priority to the interests of the Unitholders as a whole over its own interests in the event of a conflict of interests of Unitholders as a whole and its own interest;
- administer the HKT Trust in a proper and efficient manner in accordance with the relevant laws and regulations and the Trust Deed;

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- send to Registered Holders of Share Stapled Units such reports, within the time limits and disclosing the matters, as required by the Trust Deed and the relevant laws and regulations;
- keep or cause to be kept such books as will sufficiently explain the transactions and financial position of the HKT Trust and of the Trustee-Manager and enable true and fair accounts to be prepared from time to time and in such manner as will enable such books to be conveniently and properly audited;
- ensure that the Trust Deed and the Company's Articles are made available for inspection by the public in Hong Kong, free of charge, at all times during business hours at the place of business of the Trustee-Manager and ensure that copies of such documents are available upon request by any person upon the payment of a reasonable fee; and
- keep or cause to be kept such books that accurately record and minute the proceedings of all general meetings of Registered Holders of Units and the resolutions passed at those general meetings of Registered Holder of Units.

Financial statements and reports

The Trustee-Manager shall prepare and publish (at the expense of the HKT Trust):

- (a) annual reports and accounts of the HKT Trust to be published and distributed to Registered Holders of Share Stapled Units within the period prescribed by the Listing Rules for the publication of the annual reports and accounts of the HKT Trust;
- (b) semi-annual reports and accounts of the HKT Trust to be published and distributed to Registered Holders of Share Stapled Units within the period prescribed by the Listing Rules for the publication of the semi-annual reports and accounts of the HKT Trust; and
- (c) the financial statements, preliminary announcements of results and other reports, circulars and information required to be provided under the Listing Rules applicable to the HKT Trust and other relevant laws and regulations, within any relevant prescribed time periods.

The Company shall prepare and publish:

- (a) annual reports and accounts of the Company to be published and distributed to Registered Holders of Share Stapled Units within the period prescribed by the Listing Rules for the publication of the annual reports and accounts of the Company;
- (b) semi-annual reports and accounts of the Company to be published and distributed to Registered Holders of Share Stapled Units within the period prescribed by the Listing Rules for the publication of the semi-annual reports and accounts of the Company; and
- (c) the financial statements, preliminary announcements of results and other reports, circulars and information required to be provided under the Listing Rules applicable to the Company and other relevant laws and regulations, within any relevant prescribed time periods.

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The Trustee-Manager shall prepare and publish (at the expense of the HKT Trust):

- (a) annual accounts of the Trustee-Manager to be published and distributed to Registered Holders of Share Stapled Units within the period prescribed by the Listing Rules for the publication of the annual reports and accounts of the HKT Trust; and
- (b) semi-annual accounts of the Trustee-Manager to be published and distributed to Registered Holders of Share Stapled Units within the period prescribed by the Listing Rules for the publication of the semi-annual reports and accounts of the HKT Trust.

The financial statements of the HKT Trust and the Company referred to above shall be prepared on a consolidated basis. The financial statements of the Trustee-Manager referred to above shall be prepared on an unconsolidated basis, unless the Trustee-Manager has any subsidiaries, in which case those financial statements shall be prepared on a consolidated basis.

The Trustee-Manager and the Company shall prepare and publish their respective reports referred to above in the form of a combined document which shall be sent to the Registered Holders of Share Stapled Units within the applicable period(s) referred to above. The combined document shall also include the accounts of the Trustee-Manager in respect of the relevant period.

The financial statements of the HKT Trust, the Company and the Trustee-Manager referred to above shall include:

- (a) a balance sheet, income statement and cashflow statement;
- (b) a distributions statement (in respect of the HKT Trust and the Company only);
- (c) comparative figures for each of the foregoing for the corresponding previous period;
- (d) accounting policies and explanatory notes;
- (e) in respect of the annual accounts for a full financial year, an auditor's report; and
- (f) such other information as may be prescribed by the Listing Rules, including but not limited to any and all corporate governance reports required by the Listing Rules.

The Trustee-Manager's corporate governance report referred to above in paragraph (f) shall include a description of the policies and measures taken by the Trustee-Manager to manage conflicts and potential conflicts of interests between (1) the HKT Trust and (2) any Unitholder holding 30% or more of the Units in issue, or any director or shareholder of the Trustee-Manager holding 30% or more of the issued shares in the Trustee-Manager.

Subject to relevant laws and regulations and unless otherwise agreed by the Trustee-Manager and the Company, the Trustee-Manager and the Company shall procure that the financial statements of the HKT Trust, the Company and the Trustee-Manager are prepared under the same accounting standards and using substantially the same accounting policies. The financial statements of the HKT Trust, the Company and the Trustee-Manager referred to above shall each be prepared in accordance with the relevant laws and regulations and either (1) HKFRS or (2) International Financial Reporting Standards as promulgated from time to time by the International Accounting Standards Board.

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The annual accounts of the HKT Trust, the Company and the Trustee-Manager, covering a full financial year, shall each be audited by the same auditor and shall be accompanied by a report of the auditor.

The annual accounts of the HKT Trust, the Company and the Trustee-Manager, covering a full financial year, shall be laid before the Registered Holders of Units in each annual general meeting of Registered Holders of Units and accompanied by a copy of the report of the auditor thereon and a report made by the directors of the Trustee-Manager.

Announcements, circulars and other documents

The Trustee-Manager and the Company shall ensure that Registered Holders of Share Stapled Units are sent:

- (a) all announcements, circulars and other documents required to be issued (including but not limited to those required to be issued under the Listing Rules) to Shareholders or which are otherwise issued to Shareholders for any reason; and
- (b) all announcements, circulars and other documents required to be issued (including, but not limited to those required to be issued under the Listing Rules) to Registered Holders of Units, or which are otherwise issued to Registered Holders of Units for any reason.

Trustee-Manager Board and Company Board to be the same

The board of directors of the Trustee-Manager shall at all times comprise the same individuals who serve as Company Directors. No person shall serve as a Trustee-Manager Director unless he also serves as a Company Director at the same time. No person shall serve as a Company Director unless he also serves as a Trustee-Manager Director at the same time. The office of a Trustee-Manager Director shall be vacated if he ceases to be a Company Director. The office of a Company Director shall be vacated if he ceases to be a Trustee-Manager Director.

The Trustee-Manager's Articles shall contain provisions to the effect set out above and the Company's Articles shall contain provisions to the effect set out above. No person shall be appointed or serve as an alternate in respect of a Trustee-Manager Director unless he is also appointed and serves as an alternate of the same person in his capacity as a Company Director. No person shall be appointed or serve as an alternate in respect of a Company Director unless he is also appointed and serves as an alternate of the same person in his capacity as a Trustee-Manager Director.

Duties of the Trustee-Manager Directors under the Trust Deed

A Trustee-Manager Director shall:

- act honestly and in good faith and exercise such degree of skill, care and diligence as may reasonably be expected of a person of his knowledge and experience holding his office with the Trustee-Manager in the discharge of the duties of his office and, in particular, shall take all reasonable steps to ensure that the Trustee-Manager discharges its duties under the Trust Deed;
- give priority to the interest of all the Registered Holders of Units as a whole over the interest of the Trustee-Manager in the event of a conflict between the interest of all the Registered Holders of Units as a whole and the interest of the Trustee-Manager;
- act for proper purpose;

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- be answerable to the Trustee-Manager and the Registered Holders of Units for the application or misapplication of any Trust Property;
- avoid actual and potential conflicts of interest and duty; and
- disclose fully and fairly his interest in contracts with the Trustee-Manager and/or the Group.

An officer or agent of the Trustee-Manager shall not make improper use of any information acquired by virtue of his position as an officer or agent of the Trustee-Manager to gain, directly or indirectly, an advantage for himself or for any other person to the detriment of the Registered Holders of Units. The duty of a Trustee-Manager Director under the Trust Deed shall be paramount and override any conflicting duty of such director to the shareholders of the Trustee-Manager. The memorandum of association and articles of association of the Trustee-Manager shall contain provisions to that effect and a company shall not be eligible to be appointed, or to continue, as a trustee-manager of the HKT Trust if either its memorandum of association or articles of association do not contain those provisions.

Expenses of the HKT Trust

Subject to the relevant laws and regulations, the Trustee-Manager is entitled to apply, or to be reimbursed from, the Trust Property (at such times and over such periods as the Trustee-Manager may determine in any particular case) for all liabilities, fees, costs, charges and expenses that may be properly suffered or incurred by the Trustee-Manager in the performance of its obligations or the exercise of its powers under the Trust Deed, or otherwise arising out of or in connection with the Trust Deed, including but not limited to the amounts specified in schedule 2 to the Trust Deed.

Disposal of Ordinary Shares held by the Trustee-Manager Prohibited

Subject to the Exchange Right and termination provisions in the Trust Deed, the Trustee-Manager shall not be permitted to accept any offer to sell the Ordinary Shares which are held by the Trustee-Manager upon and subject to the terms and conditions of the Trust Deed, or otherwise dispose of those Ordinary Shares. Any offer made under the Takeovers Code in respect of the securities of the HKT Trust and/or the Company must be made, and may only be accepted, in respect of the Share Stapled Units and (if applicable) any Convertible Instruments (and shall not be made, or accepted, only in respect of the Ordinary Shares).

Circumstances under which the Trustee-Manager may be indemnified out of the Trust Property of the HKT Trust

In general, subject to any express provision under the Trust Deed and without prejudice to any right of indemnity at law given to the Trustee-Manager, (or to any director, employee, servant or agent of the Trustee-Manager), the Trustee-Manager and any director, employee, servant and agent of the Trustee-Manager shall be indemnified out of, and shall be entitled for the purpose of indemnity to have recourse to, the Trust Property or any part thereof against any actions, costs, claims, damages, expenses, penalties or demands to which it or he/she may be put as the HKT Trust's Trustee-Manager and as director, employee, servant or agent of the Trustee-Manager, save where such action, cost, claim, damage, expense, penalty or demand is occasioned by the fraud, wilful default or negligence by the Trustee-Manager or any director, employee, servant, agent or delegate of the Trustee-Manager.

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Circumstances under which the Trustee-Manager may exclude liability in relation to carrying out of its duties with respect to the HKT Trust

In the absence of fraud, wilful default, negligence or breach of the Trust Deed by the Trustee-Manager (including its directors, employees, agents or delegates), the Trustee-Manager (including its directors, employees, agents or delegates), shall not be in any way responsible to the HKT Trust, the Unitholders, the Holders of Share Stapled Units or any other person for any loss, costs, damage or inconvenience that may result from the exercise or non exercise of its powers.

Save to the extent where the resulting loss or damage arises out of or is caused by or is attributable to the fraud, wilful default, negligence or breach of the Trust Deed, the Trustee-Manager (including its directors, employees, agents and delegates) shall have no liability for any act or omission of the Registrar or any directors, employees, agents or delegates of the Registrar, provided that any such liability of the Trustee-Manager shall not exculpate the Registrar or any directors, employees, agents or delegates of the Registrar from their own liabilities to the HKT Trust for any act or omission.

In the absence of fraud, wilful default or negligence by the Trustee-Manager (including its directors, employees, agents and delegates) any liability incurred and any indemnity to be given by the Trustee-Manager shall be limited to the Trust Property over which the Trustee-Manager has recourse.

In the absence of fraud, wilful default or negligence by the Trustee-Manager, the Trustee-Manager shall not incur any liability by reason of any error of judgment or any matter or thing done or suffered or omitted to be done by it in good faith under the Trust Deed.

Subject to the provisions of the Trust Deed, the Trustee-Manager shall not incur any liability in respect of or be responsible for losses incurred through the insolvency of or any act or omission of any depository or clearing system with which Trust Property may be deposited or of the Hong Kong licensed banks with which the distribution account, the custody account and the subscription account are opened pursuant to the Trust Deed, or any broker, financial institution or other person with whom Trust Property is deposited, except where such broker, financial institution or other person is an associated company of the Trustee-Manager.

Appointment, removal or resignation of the Trustee-Manager

(a) *Procedures for appointment and removal of Trustee-Manager*

The Trust Deed provides that appointment and removal of the Trustee-Manager shall only be in accordance with the Trust Deed and applicable laws and regulations. Under the Listing Rules, the Stock Exchange would normally expect the Trustee-Manager to be a company which has not carried on any business other than the management and operation of the HKT Trust as its trustee-manager. The Registered Holders of Units may remove the Trustee-Manager only by an Ordinary Resolution of Registered Holders of Units. A replacement Trustee-Manager may be appointed by an Ordinary Resolution of Registered Holders of Units. The Registered Holders of Units may requisition a meeting to vote on a resolution to remove the Trustee-Manager if the Registered Holders of Units requisitioning the meeting hold at the date of the requisition not less than 5% of the total voting rights of all Registered Holders of Units of the HKT Trust having on that date a right to vote. Within 7 days of receiving a requisition, the incumbent original trustee-manager shall give to the Registered Holders of Units notice of the requisition ("**Requisition Notice**") and, in that notice, inform the Registered Holders of Units of their right to nominate a replacement trustee-manager in accordance with the Trust Deed.

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Registered Holders of Units may nominate a company which has consented in writing to serve as the replacement trustee-manager for appointment by the Registered Holders of Units, by Ordinary Resolution of Registered Holders of Units to be proposed at a meeting of Registered Holders of Units to be convened pursuant to the Trust Deed, if those Registered Holders of Units hold, at the date of nomination, not less than 5% of the total voting rights of all Registered Holders of Units of the HKT Trust having on that date a right to vote, and the nomination by those Registered Holders of Units is served on the incumbent trustee-manager not more than 21 days after the date of the Requisition Notice.

Upon the expiry of 21 days of the date of the Requisition Notice, the incumbent trustee-manager shall call a general meeting of Registered Holders of Units within 28 days and give to Registered Holders of Units notice of the meeting and any resolutions to be proposed at that meeting not less than 14 days before the meeting. The resolutions to be proposed shall include resolution(s) for the appointment as the replacement trustee-manager of the HKT Trust of one of the eligible candidates for appointment nominated for appointment by the Registered Holders of Units under the Trust Deed. All of the eligible candidates so nominated shall be included in the list of candidates to be specified in the resolution(s) to be proposed at the meeting of Registered Holders of Units. If, within 21 days of receipt of a Requisition Notice, the incumbent trustee-manager has not received a nomination of a company to serve as trustee-manager, Registered Holders of Units representing not less than 5% of the total voting rights of all Registered Holders of Units may apply to the court to make an order under section 42 of the Trustee Ordinance appointing a company to act as trustee-manager with effect from the date fixed for the meeting to be convened in accordance with the Trust Deed, provided that the resolution to remove the original trustee-manager is passed as an Ordinary Resolution of Registered Holders of Units at such meeting.

Any resolution to remove the incumbent trustee-manager shall not take effect until a replacement trustee-manager is appointed and a replacement trustee-manager shall only be appointed by an Ordinary Resolution of the Registered Holders of Units. The removal of the Trustee-Manager shall only be effective upon the incumbent Trustee-Manager which is being removed having taken all necessary steps to transfer legal title to all Trust Property to the replacement Trustee-Manager, including but not limited to the Ordinary Shares. The responsibilities and obligations of the Trustee-Manager which is being removed will only cease, and the responsibilities and obligations of the replacement trustee-manager will only commence, on all those necessary steps having been completed.

(b) ***Procedures for resignation of Trustee-Manager***

The Trustee-Manager ("**Resigning Trustee-Manager**") may resign by giving notice ("**Resignation Notice**") of its intention to all Registered Holders of Units and shall nominate another company, which has consented in writing to serve as the replacement trustee-manager. The resignation of the Trustee-Manager shall only be effective upon the appointment of another corporation as the Trustee-Manager of the HKT Trust and subject to such corporation entering into a supplemental Trust Deed providing for such appointment. The resignation of the Resigning Trustee-Manager shall only be effective upon the Resigning Trustee-Manager having taken all necessary steps to transfer legal title to all Trust Property to the replacement Trustee-Manager, including but not limited to the Ordinary Shares. The responsibilities and obligations of the Resigning Trustee-Manager will only cease, and the responsibilities and obligations of the replacement Trustee-Manager will only commence, on all those necessary steps having been completed.

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The Resigning Trustee-Manager shall also inform the Registered Holders of Units of their right to nominate a company as the replacement trustee-manager in accordance with the Trust Deed. The Registered Holders of Units may nominate a company which has consented in writing to serve as the replacement trustee-manager for approval to be appointed by the Registered Holders of Units, by Ordinary Resolution of Registered Holders of Units to be proposed at a meeting of Registered Holders of Units to be convened as described below, if those Registered Holders of Units hold, at the date of nomination not less than 5% of the total voting rights of all Registered Holders of Units having on that date a right to vote, and the nomination by those Registered Holders of Units is served on the Resigning Trustee-Manager not more than 21 days after the date of the Resignation Notice.

Upon the expiry of 21 days of the date of the Resignation Notice, the Resigning Trustee-Manager shall call a general meeting within 28 days and give to Registered Holders of Units notice of the meeting and any resolutions to be proposed at that meeting not less than 14 days before the meeting. The resolutions to be proposed shall include resolutions for the appointment as the replacement trustee-manager of the HKT Trust of one of the candidates nominated for appointment by the Registered Holders of Units as stated above. All of the eligible candidates so nominated shall be included in the list of candidates to be specified in the resolution(s) to be proposed at the meeting of Registered Holders of Units. If, within 21 days of the date of the Resignation Notice, no nomination of a company to serve as the replacement Trustee-Manager has been made, Registered Holders of Units representing not less than 5% of the total voting rights of all Registered Holders of Units may apply to the court to make an order under section 42 of the Trustee Ordinance appointing a company to act as Trustee-Manager with effect from the date fixed for the meeting to be convened in accordance with the Trust Deed. Except in the case of a Trustee-Manager appointed by the court, a replacement trustee-manager shall only be appointed with the approval of the Registered Holders of Units by an Ordinary Resolution of Registered Holders of Units.

The Resignation Notice shall (i) state the reasons for resignation; (ii) nominate a company to replace the Resigning Trustee-Manager as trustee-manager of the HKT Trust; and (iii) inform the Registered Holders of Units of their right to nominate a new Trustee-Manager of their choice.

Any costs and expenses incurred in connection with the appointment, removal or resignation of the Trustee-Manager under the Trust Deed may be paid out of the Trust Property. For the avoidance of doubt, such costs and expenses may include the costs and expenses of organising a general meeting of Registered Holders of Units or applying for a court order in connection with the appointment, removal or resignation of the Trustee-Manager, but shall not include (i) the costs and expenses incurred in connection with the winding up of the Trustee-Manager, and (ii) any remuneration or compensation payable upon the termination of the service contract of any officer of the Trustee-Manager.

Ownership of the Trustee-Manager

The Trust Deed and the articles of association of the Trustee-Manager provide that for so long as the Trustee-Manager is a subsidiary of PCCW, it must remain a wholly-owned subsidiary of PCCW.

Insolvency of the Trustee-Manager

If the Trustee-Manager goes into liquidation (except a voluntary liquidation for the purpose of reconstruction or amalgamation upon terms previously approved by an Ordinary Resolution of Registered Holders of Units) or if a receiver is appointed over any of its assets or if a judicial manager is appointed in respect of the Trustee-Manager (or any such analogous process occurs or any analogous person is appointed in respect of the Trustee-Manager) or if the Trustee-Manager ceases to carry on business, the Trustee-Manager must immediately give a Resignation Notice and the above provisions shall apply. If the Trustee-Manager fails to give a Resignation Notice within 5 business days of the

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relevant event referred to above having occurred, any Registered Holder of Units may make an application to the court to make an order pursuant to section 42 of the Trustee Ordinance to appoint a temporary trustee-manager who will act as trustee-manager until a trustee-manager is appointed by an Ordinary Resolution of Registered Holders of Units.

Effects of change of the Trustee-Manager

The removal or resignation of the Trustee-Manager shall only be effective upon the incumbent trustee-manager which is being removed, or the Resigning Trustee-Manager (as the case may be), having taken all necessary steps to transfer legal title to all Trust Property to the incoming trustee-manager, including but not limited to the Ordinary Shares. The responsibilities and obligations of the Trustee-Manager which is being removed or is resigning will only cease, and the responsibilities and obligations of the incoming trustee-manager will only commence, on all those necessary steps having been completed. On removal or resignation or retirement, the removed or resigning or retiring trustee-manager shall vest the Trust Property in the new trustee-manager, and give the new trustee-manager all books, documents, records and any other property held by or on behalf of the removed or resigning or retiring trustee-manager relating to the HKT Trust. All costs and expenses reasonably incurred in vesting the Trust Property in any new Trustee-Manager shall be borne out of the Trust Property by the HKT Trust.

On effective removal or retirement hereunder, the Resigning Trustee-Manager (or the trustee-manager being removed or retiring) shall be discharged and shall no longer be liable in any matter hereunder except as to acts or occasions occurring prior to such removal, resignation or retirement and except as provided below, and the new Trustee-Manager shall thereupon undertake and perform all duties and be entitled to all rights and compensations as the Trustee-Manager under the Trust Deed or any other supplemental trust deed. The successor Trustee-Manager shall not be under any liability hereunder for any default by the predecessor and shall be indemnified out of the Trust Property against all such liability.

Upon effective removal or retirement hereunder, the Resigning Trustee-Manager (or the Trustee-Manager being removed or retiring), shall assign or novate to the new Trustee-Manager on terms reasonably acceptable to the successor Trustee-Manager (and obtain the written consent of the counterparties thereto) all agreements of which it, as trustee and/or manager, is a party concerning the HKT Trust.

Upon the removal or resignation or retirement of the Trustee-Manager:

- (a) all obligations entered into and liabilities incurred by the Trustee-Manager in its capacity as trustee and/or manager or otherwise for the account of the HKT Trust shall survive the removal, resignation or retirement of the Trustee-Manager as obligations and liabilities enforceable against the successor Trustee-Manager and/or the Trust Property as the case may be;
- (b) any claims (actual or contingent) which any person may have against the Trust Property howsoever arising shall not in any way be prejudiced or otherwise affected by the removal, resignation or retirement of the Trustee-Manager; and
- (c) the successor Trustee-Manager shall be under the same obligations with respect to the performance and discharge of any obligations entered into or liabilities incurred by the Resigning Trustee-Manager (or the Trustee-Manager being removed or retiring) in its capacity as trustee and/or manager or otherwise for the account of the HKT Trust as the Resigning Trustee-Manager (or the Trustee-Manager being removed or retiring) was or would have been but for its resignation, removal or retirement.

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Any Trust Property and other rights and obligations entered into by the Trustee-Manager in its capacity as trustee and/or manager of the HKT Trust not otherwise transferred to and assumed by a newly appointed Trustee-Manager shall vest in the new Trustee-Manager as if section 41 of the Trustee Ordinance applied to such Trust Property and other rights and obligations. The following rights and obligations shall remain with the Trustee-Manager which has been removed or is retiring, or the Resigning Trustee-Manager, as the case may be:

- (a) any right to be indemnified for expenses it had incurred before it ceased to be the Trustee-Manager; and
- (b) any liability in respect of which it would have no claim of indemnification out of the Trust Property if it had remained the Trustee-Manager.

The Trustee-Manager which is being removed or is retiring, or the Resigning Trustee-Manager, as the case may be, shall provide reasonable assistance to an incoming Trustee-Manager to enable it to assume its role as Trustee-Manager of the HKT Trust. The provision on indemnity given to the Trustee-Manager shall continue to be in full force and effect as regards to the Trustee-Manager notwithstanding the retirement, resignation or removal of the Trustee-Manager.

Termination of the HKT Trust

The duration of the trust constituted by the Trust Deed is of 80 years less one day. However, the HKT Trust may, without prejudice to the provisions of relevant laws and regulations, be terminated by the Trustee-Manager (i) in the event that any law is passed which renders it illegal or, in the opinion of the Trustee-Manager, impracticable or inadvisable to continue the HKT Trust and approval for winding up has been given by way of an Ordinary Resolution of Registered Holders of Units in accordance with the Trust Deed; or (ii) any time if approval for the termination has been given by way of an Extraordinary Resolution of Registered Holders of Units in accordance with the Trust Deed.

The HKT Trust shall terminate upon completion of the exercise of the Exchange Right by Registered Holders of Units in accordance with the Trust Deed. In addition, in the event that the Trustee-Manager is removed under the Trust Deed and no new trustee-manager is willing to take the place of the existing Trustee-Manager within 60 days of the removal of the Trustee-Manager (or such longer period as the Trustee-Manager considers appropriate), any Registered Holder of Units may apply to the court to make an order under the Trustee Ordinance or under the court's inherent jurisdiction to either appoint a company to act as Trustee-Manager or terminate the HKT Trust.

The HKT Trust shall also terminate on the expiry of the period of 80 years less one day from the date of the Trust Deed.

The Trustee-Manager shall have no liabilities for any consequence arising out of any termination of the HKT Trust which has been approved by an Ordinary Resolution of Registered Holders of Units or Extraordinary Resolution of Registered Holders of Units or which results from completion of the exercise of the Exchange Right, in each case in the absence of fraud, wilful default or negligence. The Trustee-Manager shall have no liabilities for any consequence arising out of the termination of the HKT Trust on the expiry of the period of 80 years less one day.

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In the event that the HKT Trust is to be terminated or terminates on the expiry of the period of 80 years less one day, the Trustee-Manager shall, subject to authorisations or directions (if any) given to it by the Ordinary Resolution of Registered Holders of Units referred to above or the Extraordinary Resolution of Registered Holders of Units referred to above (if applicable), proceed as follows:

- (a) The Trustee-Manager shall distribute the Ordinary Shares to the Registered Holders of Units *in specie* and distribute the remaining Trust Property (if any) to the Registered Holders of Units in proportion to the number of fully paid up Units held by each of them; provided that, the Trustee-Manager shall be entitled to retain out of any monies in its hands as part of the Trust Property full provision for all fees, costs, charges, expenses, claims and demands incurred, made or apprehended by the Trustee-Manager in connection with or arising out of the termination of the HKT Trust and the distribution and/or realisation of the Trust Property and out of the monies so retained to be indemnified and saved harmless against any such costs, charges, expenses, claims and demands.
- (b) The Trustee-Manager shall effect the distribution referred to above in such manner and within such period after the termination of the HKT Trust as the Trustee-Manager in its absolute discretion deems advisable and shall ensure the proper discharge of any obligations and liabilities of the HKT Trust and adequate provisions for such obligations and liabilities; provided that such period may not exceed six months.

In the event that the HKT Trust is to be terminated or terminates on the expiry of the period of 80 years less one day:

- (i) The Company shall redeem all the issued Preference Shares in accordance with the Company's Articles (the redemption price payable by the Company on the redemption of the Preference Shares as a result of the termination of the HKT Trust is an amount per Preference Share equal to the par value of the Preference Share); and
- (ii) following completion of the distribution to be made to the Registered Holders of Units referred to in (a) above, the Units shall be cancelled.

Upon the completion of the liquidation of the HKT Trust, the following shall be prepared:

- (a) financial statements of the HKT Trust which shall be distributed to Registered Holders of Units within three months of completion of the liquidation of the assets of the HKT Trust; and
- (b) an auditor's report in relation to those financial statements.

Upon completion of the liquidation of the HKT Trust, the Trust Deed shall terminate and the HKT Trust will cease to exist. The Trust Deed shall also terminate, and the HKT Trust will cease to exist, upon completion of the exercise of the Exchange Right under the Trust Deed.

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Matters requiring the approval of Registered Holders of Units

The Trust Deed requires that the following matters may only be effected with prior approval by an Ordinary Resolution of Registered Holders of Units:

- (a) the listing of the Share Stapled Units on an alternative stock exchange;
- (b) offers of new Share Stapled Units and/or Convertible Instruments on a pro rata basis as a rights issue where any such issue together with such Convertible Instruments (assuming full conversion), would increase the total number of issued Share Stapled Units by more than 50%;
- (c) any issue of or any agreement to issue new Share Stapled Units or Convertible Instruments other than on a pro rata basis (a limited general mandate to issue Share Stapled Units was conditionally approved prior to the Listing Date);
- (d) adoption of a Share Stapled Units option scheme, pursuant to which Share Stapled Units and/or Convertible Instruments are to be issued (the 2011-2021 Option Scheme was conditionally adopted prior to the Listing Date);
- (e) any issue of Share Stapled Units or Convertible Instruments to a connected person (as defined in the Listing Rules) (other than (i) pursuant to a rights issue on a pro rata basis or (ii) where the connected person receives a pro rata entitlement to Share Stapled Units and/or Convertible Instruments in its capacity as a Registered Holder of Share Stapled Units) which does not fall within the exempted issues under the Trust Deed;
- (f) issue of new Share Stapled Units at an issue price that is at a discount of more than 20% (or such other percentage as may, from time to time, be prescribed by the Listing Rules) to the market price;
- (g) sub-division or consolidation of Units/Preference Shares;
- (h) declaration by the Trustee-Manager/the Company of a distribution to the Registered Holders of Units other than in cash (for the avoidance of doubt, distributions are only declared in respect of the Units and no distributions may be declared in respect of the Preference Shares except in the case of the winding up of the Company);
- (i) the appointment and removal of an auditor;
- (j) the fixing of the auditor's remuneration;
- (k) removal and appointment of the Trustee-Manager;
- (l) termination of the HKT Trust in the event that any law is passed which renders the HKT Trust illegal, or in the reasonable opinion of the Trustee-Manager, impracticable or inadvisable to continue the HKT Trust;
- (m) a transaction which is a connected transaction for the HKT Trust or the Company under the Listing Rules and which is not exempt from independent shareholders approval requirements under the Listing Rules; and
- (n) a transaction which is a major transaction, very substantial disposal or very substantial acquisition under the Listing Rules, provided that if the Listing Rules permit approval for the transaction to be given by written shareholders approval from a shareholder or closely allied group of shareholders who together hold more than 50% in nominal value of the securities giving the right to attend and vote at a general meeting to approve the transaction (in lieu of holding a general meeting of

THE CONSTITUTION OF THE HKT TRUST

shareholders), the transaction can be effected with the written approval from a Registered Holder of Units or a closely allied group of Registered Holders of Units together holding more than 50% of the total number of Units in issue at the relevant time, provided that any other applicable requirements imposed under the Listing Rules in order for the transaction to be approved in that manner are also satisfied.

The Trust Deed requires that the following matters may only be effected with prior approval by an Extraordinary Resolution of Registered Holders of Units:

- (a) change of name of the HKT Trust;
- (b) exchange of Share Stapled Units for Ordinary Shares pursuant to the Exchange Right;
- (c) termination of the HKT Trust by the Trustee-Manager; and
- (d) modification of the Trust Deed.

The Trust Deed requires that, notwithstanding anything expressed or implied to the contrary in the Trust Deed, the following matters may only be effected with prior approval by an Ordinary Resolution of Registered Holders of Units and resolutions of the board of directors of the Trustee-Manager and the board of directors of the Company, in each case, passed by an affirmative vote of not less than 90% of the directors of the Trustee-Manager and the Company, as the case may be, present and voting at the relevant board meeting (including by way of an alternate):

- (a) any disposal (including creation of encumbrances or third party rights) of any assets and business owned and operated by Hong Kong Telecommunications (HKT) Limited and its subsidiaries as at the Listing Date (collectively, the “**Existing Telecom Assets**”), to the extent that (i) the total or net asset value of the Existing Telecom Assets subject to such disposal and all prior disposals made after the Listing Date (if any), will in aggregate represent 10% or more of the total or net asset value (as the case may be) of the Existing Telecom Assets as at the Listing Date or (ii) any of the percentage ratios calculated under Chapter 14 of the Listing Rules would, when applied to such disposal and all prior disposals of Existing Telecom Assets made after the Listing Date (if any), be 10% or more;
- (b) any disposal (including creation of encumbrances or third party rights) of any shares, securities or voting interest in Hong Kong Telecommunications (HKT) Limited;
- (c) an issue of any new securities or convertible securities not on a pro-rata basis by the HKT Trust, the Company or Hong Kong Telecommunications (HKT) Limited (or a grant of a mandate to any of the boards of the Trustee-Manager, the Company or Hong Kong Telecommunications (HKT) Limited to do so); and
- (d) any amendment to the provisions of the Trust Deed referred to in (a) to (c) above.

References to Hong Kong Telecommunications (HKT) Limited in the Trust Deed and the paragraph above are applicable to any successor of Hong Kong Telecommunications (HKT) Limited or transferee of the Existing Telecom Assets which is a member of the Group.

THE CONSTITUTION OF THE HKT TRUST

Modification of class rights

If at any time the Units in the HKT Trust are divided into different classes of Units, rights attached to any class of Units in the HKT Trust may only be modified with prior approval by an Extraordinary Resolution of the Registered Holders of Units of the relevant class passed at a separate meeting of the Registered Holders of Units of that class. The rights conferred upon the Registered Holders of Units of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such Units, be deemed to be varied by the creation or issue of further Units ranking *pari passu* therewith. Notwithstanding anything to the contrary in the Trust Deed, the quorum for a separate meeting of Registered Holders of Units is the holders of at least one-third of the units of that class.

Power to acquire Share Stapled Units of dissenting Registered Holders of Share Stapled Units

- (a) Where a scheme or contract involving the transfer of Share Stapled Units to another person (the “**Transferee**”) has, within four months after the making of the offer in that behalf by the Transferee, been approved by the holders of not less than 90% in value of Share Stapled Units affected, the Transferee may, at any time within two months after the expiration of the said four months, give notice to any Registered Holder of Share Stapled Units who has not assented to the scheme or contract and any Registered Holder of Share Stapled Units who has failed or refused to transfer his Share Stapled Units to the Transferee in accordance with the scheme or contract (each a “**Dissenting Holder**”) that the Transferee desires to acquire the Dissenting Holder’s Share Stapled Units, and where such notice is given the Transferee shall, unless on application made to the courts in Hong Kong (in respect of the Units) and/or the courts in the Cayman Islands (in respect of the Preference Shares) by the Dissenting Holder within one month from the date on which the notice was given, the relevant court thinks fit to order otherwise, be entitled and bound to acquire those Share Stapled Units on the terms on which under the scheme or contract the Share Stapled Units of the approving Registered Holders of Share Stapled Units are to be transferred to the Transferee.
- (b) Where a notice has been given by the Transferee in accordance with the Trust Deed and the relevant court(s) has or have not, on an application made by Dissenting Holders, ordered to the contrary, the Transferee shall, on the expiration of one month from the date on which the notice was given or, if an application to the court(s) by the Dissenting Holder is then pending, after that application has been disposed of, transmit a copy of the notice to the Company and the Trustee-Manager and pay or transfer to the Trustee-Manager the amount or other consideration representing the price payable by the Transferee for the Share Stapled Units which by virtue of this provision the Transferee is entitled to acquire, and the Company and the Trustee-Manager shall thereupon register the Transferee as the Registered Holder of those Share Stapled Units.
- (c) Any sums received by the Trustee-Manager under this provision shall be paid into a separate bank account, and any such sums and other consideration so received shall be held by the Trustee-Manager on trust for the several persons entitled to the Share Stapled Units in respect of which the said sum or other consideration was respectively received.

WAIVERS FROM COMPLIANCE WITH THE LISTING RULES AND EXEMPTIONS FROM THE COMPANIES ORDINANCE

In connection with the Listing of the HKT Trust and the Company, the Trustee-Manager and/or the Company have applied to:

- (a) the Stock Exchange and the Stock Exchange has granted waivers from strict compliance with certain requirements of the Listing Rules;
- (b) the SFC and the SFC has granted a certificate of exemption from strict compliance with paragraph 34(2) to the Third Schedule to the Companies Ordinance regarding the requirement to include in a prospectus, valuation and information with respect to all the company's interests in lands and buildings.

A summary of such waivers is set out below.

CONNECTED TRANSACTIONS

Certain members of the Group have entered into and are expected to continue certain transactions, which will constitute continuing connected transactions which are exempt from the independent shareholders' approval requirement of the HKT Trust and the Company under the Listing Rules upon the Listing. The Trustee-Manager and the Company have applied to the Stock Exchange for a waiver from strict compliance with the announcement requirement in respect of such continuing connected transactions under Chapter 14A of the Listing Rules. The details of such waivers are set out in the section headed "Connected transactions" of this prospectus.

The Stock Exchange has granted a waiver from strict compliance with the applicable announcement requirement under the Listing Rules. The HKT Trust and the Company should comply with the annual review requirements and the reporting requirements under Rules 14A.37 to 14A.41 and Rules 14A.45 to 14A.46 of the Listing Rules, subject to the respective annual caps for each of the continuing connected transactions.

DISPENSATION WITH THE REQUIREMENTS TO INCLUDE PROPERTY VALUATION REPORT IN THE PROSPECTUS FOR PROPERTY INTERESTS OF THE GROUP

The Group has entered into a large number of leases in Hong Kong for telephone exchanges, cell sites, retail shops, head office, storage of telecommunications equipment, cable storage chambers, transmission sites and other engineering-related facilities, equipment storage and for ancillary telephone exchange-related functions, call centres, storage space or office space from third parties. The Group also leased properties overseas as regional offices, storage, call centre, residential use for the benefit of employees. These leases are short-term in nature and of no commercial value. In addition, the Group owns a number of holiday houses in the New Territories, Hong Kong.

Strict compliance with Rule 5.01, 5.06, paragraph 3(a) of Practice Note 16 of the Listing Rules and Rule 5.06(9), paragraphs 5.1 and 5.2(a) and (b) of Practice Note 12 in respect of the properties leased in the PRC and paragraph 34 to the Third Schedule to the Companies Ordinance would require a full valuation report containing all the Group's properties interests to be included in the prospectus.

WAIVERS FROM COMPLIANCE WITH THE LISTING RULES AND EXEMPTIONS FROM THE COMPANIES ORDINANCE

Based on the reasons stated below, the Trustee-Manager has applied to (i) the SFC for, and the SFC has granted a certificate of exemption pursuant to Section 342A(1) of the Companies Ordinance from strict compliance with the valuation report requirements contained in paragraph 34(2) to the Third Schedule of the Companies Ordinance on the grounds that compliance with such requirement will be unduly burdensome and irrelevant; and (ii) the Stock Exchange for, and the Stock Exchange has granted a waiver from strict compliance with Rule 5.01, 5.06, paragraph 3(a) of Practice Note 16 of the Listing Rules and Rule 5.06(9), paragraphs 5.1 and 5.2(a) and (b) of Practice Note 12 in respect of the properties leased in the PRC:

- (a) the Trustee-Manager and the Company have confirmed that the Group is not engaged in any property investment or development activities and only owns and leases properties for its own use in carrying on its business operations;
- (b) due to the significant number of properties involved, it would be impracticable and unduly burdensome to require the property valuation report to include full particulars on each property interest in the traditional format required by the Listing Rules;
- (c) since the Trustee-Manager and the Company would have to obtain valuations of approximately 83 owned properties in Hong Kong and more than 2,100 leased properties in 13 countries (with Hong Kong, Macau and the PRC counted as one for this purpose), each valuation would have to comply with the requirements of the relevant parts of the Listing Rules and paragraph 34(2) to the Third Schedule to the Companies Ordinance and detailed contents to be included as well as requirements as to qualification of the valuer. Conducting valuations of so many property interests in different geographical locations would pose significant practical difficulties because of the different logistical procedures, valuer qualifications, approach and experience and land title systems involved and would involve considerable extra time and expense on the part of the Trustee-Manager and the Company, with no meaningful benefit to those investing in the Share Stapled Units;
- (d) the Trustee-Manager and the Company have confirmed that as at 30 June 2011, no single property interest owned or leased by the Group had a carrying amount of 15% or more of total assets of the Group;
- (e) the Trustee-Manager and the Company have confirmed that all leasehold interests held by the Group are “operating leases” as defined in Practice Note 16, and the Trustee-Manager and the Company do not purport to attach any commercial value to these leases;
- (f) since both the owned and leased properties are insignificant in value to the Group and thus irrelevant and immaterial to investors, it would be unduly onerous and burdensome, and unnecessary and inappropriate, for the Trustee-Manager and the Company to obtain a full valuation of each such property in compliance with the requirements of the relevant parts of the Listing Rules and the Companies Ordinance;
- (g) having regard to the nature of the business of the Group, to include in the prospectus excessive details about its properties would be immaterial and irrelevant to the investors in their assessment of the activities, assets and liabilities, profits and losses, financial position, management and prospects of the HKT Trust and the Group and, at the same time, unduly burdensome for the Trustee-Manager and the Company;

WAIVERS FROM COMPLIANCE WITH THE LISTING RULES AND EXEMPTIONS FROM THE COMPANIES ORDINANCE

- (h) investors' main focus in relation to the property interests of the Group would be information of the type set out in the section headed "The Business of the Group — Property, plant and equipment" in the prospectus, and in respect of the leased properties, the total annual operating rental cost as a percentage of the Group's overall annual operating cost, as opposed to the rental cost of any individual leased property which is immaterial to the Group's overall rental cost or revenue in any period of time;
- (i) the annual operating rental cost applicable to the leased properties is insignificant compared to the total costs of the Group. The Group's total annual operating costs are included under "Operating lease rental — other assets (including property rentals)" in Note 11(b) in the Accountant's Report in Appendix I to this prospectus. Therefore, investors will not be prejudiced by not having a full valuation of the Group's property interests as information of total annual rental costs are disclosed in the prospectus;
- (j) as regards information in relation to the Group's network infrastructure, including the detailed locations of its Cell Sites, the Trustee-Manager and the Company submit that it would be prejudicial to the interests of the Group to disclose such information as such information is both highly confidential and commercially sensitive;
- (k) the Trustee-Manager and the Company confirm that they would expect the Group to be able to replace any of its leased properties, including any of the Cell Sites, without material disruption to its operations and without incurring significant incremental costs; and
- (l) the Trustee-Manager and the Company confirm that the breakdown of the operating lease rental on land and buildings held by the Group for the year ended 31 December 2010 and for the six months ended 30 June 2011 is as follows:

	For the year ended 31 December 2010		For the six months ended 30 June 2011	
	Operating rental expense	Percentage of total costs ^{(1),(2)}	Operating rental expense	Percentage of total costs ^{(1),(2)}
	(HK\$ million)	(%)	(HK\$ million)	(%)
Shops	70	0.4	31	0.4
Cell sites	227	1.5	121	1.5
Office/others	198	1.3	131	1.6
Total	495	3.2	283	3.5

Notes:

1. Total costs represent the total of "cost of sales" and general and administrative expenses.
2. Total costs for the year ended 31 December 2010 and the six months ended 30 June 2011 were HK\$15,582 million and HK\$8,045 million, respectively.

WAIVERS FROM COMPLIANCE WITH THE LISTING RULES AND EXEMPTIONS FROM THE COMPANIES ORDINANCE

The SFC has granted the certificate of exemption pursuant to Section 342A(1) of the Companies Ordinance subject to the following conditions:

- (a) an overview of the Group's property interests including information on geographical location, number of properties, approximate size range, use and whether the properties are owned or leased;
- (b) a statement that as at 30 June 2011, no single property interest owned or leased by the Group has a carrying amount of 15% or above of the total assets of the Group;
- (c) the confirmation of the Trustee-Manager and the Company that:
 - (i) none of the properties of the Group, either individually or collectively, during the three years ended 31 December 2010 and six months ended 30 June 2011 or up to the Latest Practicable Date, has made, is or is expected to make, a significant contribution to the Group's overall revenue and operating cost;
 - (ii) none of the properties of the Group individually is material to the Group in terms of total annual rental expense; and
 - (iii) there has been no significant acquisition or disposal from the portfolio of properties of the Group during the three years ended 31 December 2010 and six months ended 30 June 2011 and up to the Latest Practicable Date;
- (d) the percentage of the Group's property interests to total assets as at 31 December 2010 and for the six months ended 30 June 2011; and
- (e) a breakdown of the operating lease rental on land and buildings held by the Group for the year ended 31 December 2010 and for the six months ended 30 June 2011. Please refer to sub-paragraph (l) above in the paragraph immediately above in this section.

Please refer to the section headed "The Business of the Group — Property, plant and equipment" in the prospectus for the relevant disclosure required under sub-paragraphs (a) to (d) above.

EXEMPTION IN RELATION TO THE DISCLOSURE OF THE RESIDENTIAL ADDRESS

The Trustee-Manager and the Company have applied for, and the SFC has granted, an exemption pursuant to Section 342A(1) of the Companies Ordinance from strict compliance with paragraph 6 of Part I of the Third Schedule to the Companies Ordinance in relation to the disclosure of the residential addresses of all the executive Directors, being Mr. LI Tzar Kai, Richard, Mr. Alexander Anthony ARENA and Ms. HUI Hon Hing, Susanna, on the basis that such disclosure would be unduly burdensome on the directors concerned. All three executive Directors are resident in Hong Kong and are concerned that, in agreeing to take up directorship of so prominent a public company, the business of which touches upon the daily lives of an extremely broad cross-section of Hong Kong society (and a wide range of overseas residents communicating via the Company's telecommunications network), their exposure is to a profile far wider than just the Holders of Share Stapled Units. Living in Hong Kong and being high profile figures, each is concerned for his/her personal safety (and that of his/her family).

In this regard, the business addresses of the executive Directors, being Mr. LI Tzar Kai, Richard, Mr. Alexander Anthony ARENA and Ms. HUI Hon Hing, Susanna, are disclosed in place of their residential addresses.

WAIVERS FROM COMPLIANCE WITH THE LISTING RULES AND EXEMPTIONS FROM THE COMPANIES ORDINANCE

The Directors do not consider that the exemption would prejudice the interests of the investing public as a whole.

PERMISSION FOR ALLOCATIONS OF SHARE STAPLED UNITS TO DIRECTORS

In order to enable Qualifying PCCW Shareholders to participate in the Global Offering on a preferential basis as to allocation only, Qualifying PCCW Shareholders are being invited to apply for an aggregate of 207,780,000 Reserved Share Stapled Units in the Preferential Offering, representing approximately 10% of the Offer Share Stapled Units initially available under the Global Offering and approximately 3.2% of the total Share Stapled Units in issue immediately following the completion of the Global Offering, on the basis of an Assured Entitlement of one Reserved Share Stapled Unit for every integral multiple of 35 PCCW Shares held by the Qualifying PCCW Shareholders as at 4:30 p.m. on the Record Date. The Qualifying PCCW Shareholders include certain of the Directors and/or their associates. In the absence of a written consent from the Stock Exchange, participation by the Directors and/or their associates who are Qualifying PCCW Shareholders in the Preferential Offering would be prohibited by paragraph 5(2) of Appendix 6 to the Listing Rules which restricts share allocations to directors or existing shareholders of the listing applicant or their associates, whether in their own names or through nominees, unless the conditions set out in Rule 10.03 and Rule 10.04 of the Listing Rules are fulfilled.

Rule 10.03 of the Listing Rules provides that directors of the listing applicant and their associates may only subscribe for or purchase securities for which listing is sought which are being marketed by or on behalf of a new applicant if no securities are offered to them on a preferential basis and no preferential treatment is given to them in the allocation of the securities. The Reserved Share Stapled Units offered to the Directors (and/or their associates) who are Qualifying PCCW Shareholders are to be offered on a preferential basis pursuant to the Preferential Offering; therefore the condition set out in Rule 10.03(1) is not fulfilled. However, the Directors (and/or their associates) who are eligible to participate in the Preferential Offering will be participating in their capacity as Qualifying PCCW Shareholders (rather than in their capacity as Directors or the associates of Directors), on the same terms as all other Qualifying PCCW Shareholders, and not on a basis of preferential treatment given to them in their capacity as Directors (or associates of Directors).

In view of the above, the Trustee-Manager and the Company have sought the Stock Exchange's consent and the Stock Exchange has consented for the inclusion of the Directors and/or their associates in the Preferential Offering notwithstanding the requirements under paragraph 5(2) of Appendix 6 to the Listing Rules and the requirements under Rule 10.03 of the Listing Rules, subject to the condition that public float requirement will be complied with.

Waiver in Relation to Public Offering Without Listing in Japan

As part of the International Offering, the Trustee-Manager and the Company are conducting a public offering without listing in Japan (the "POWL"). In this connection, the Trustee-Manager and the Company have applied to the Stock Exchange for, and the Stock Exchange has granted, waivers in relation to the requirement under Rule 9.11(35)(b) of and Paragraph 11 of Appendix 6 to the Listing Rules for each placing broker to provide a list setting out the names, addresses and identity card or passport numbers of placees and beneficial owners in the POWL and the amount of shares taken up by each of the placees in the POWL. The application was made on the grounds that:

WAIVERS FROM COMPLIANCE WITH THE LISTING RULES AND EXEMPTIONS FROM THE COMPANIES ORDINANCE

- The Offer Share Stapled Units will be sold in Japan in a public offering governed by the applicable laws and regulations of Japan. Under the POWL, the Share Stapled Units will be offered to independent investors in the public and there is no mechanism for placees to be preferred.
- The POWL syndicate members will make reasonable efforts to establish mechanisms to record details of placees to comply with Rule 9.11(35)(b) and Paragraph 11 of Appendix 6 of the Listing Rules in good faith. However, such mechanisms are only fully practicable if the POWL is limited to a small number of placees. Currently, the number of placees proposed to be involved in the POWL is estimated to be in the thousands. Given the nature and mechanics of the distribution to the public under the POWL, and the POWL syndicate members have made a demonstrable effort to comply with the placee list requirement in good faith, it would be impracticable and unduly burdensome for the POWL syndicate members to provide a complete list of investors in compliance with Listing Rule 9.11(35)(b) and Paragraph 11 of Appendix 6 of the Listing Rules to the Stock Exchange.
- The POWL syndicate members will confirm in writing to the Stock Exchange on customary terms that the investors obtaining the Offer Share Stapled Units sold in the POWL are independent of the Trustee-Manager, the Trust and the Company, and are not connected persons or their associates, nor existing shareholders, of the Trustee-Manager, the Trust or the Company, nor “connected clients” (as defined in the Listing Rules) of the lead broker or of any distributors (as defined in Appendix 6 to the Listing Rules), whether in the investor’s own name or through a nominee.
- Under the regulatory regime in Japan, securities firms in Japan owe a duty of confidentiality to the placees and cannot disclose the placees’ information. All members of the Japan Securities Dealers Association (“**JSDA**”) (including the Japanese participants for the POWL) are subject to the regulations issued by JSDA. Pursuant to JSDA’s Self-regulatory Rules (Regulations regarding Solicitation and Customer Management by Member Securities Companies), a member is prohibited from disclosing its customers’ information (including the name, address, age, details of assets, etc.) to any third party. Even if the Japanese participants were permitted to disclose the customers’ information, such information might not be sufficient to fill out all columns of the placees’ list.

OVERVIEW OF THE RELEVANT LAWS AND REGULATIONS IN HONG KONG

REGULATIONS AFFECTING THE GROUP

The Government's telecommunications regulatory regime is rooted in the approach that competition can maximise consumer benefits. The Telecommunications Authority is a public officer appointed by the Chief Executive of the Government under the Telecommunications Ordinance. The Telecommunications Authority is supported by OFTA, the executive arm of the Telecommunications Authority.

The Telecommunications Ordinance, together with the Telecommunications Regulations and administrative orders, applicable licence conditions and various statements, guidelines and codes of practice issued by the Telecommunications Authority, operate to form the overall regulatory landscape of Hong Kong's telecommunications industry. The Communications and Technology Branch of the Commerce and Economic Development Bureau ("**CEDB**") is responsible for developing the telecommunication policies for Hong Kong and monitors the overall regulatory regime. The industry itself also plays a role in the development of the regulatory environment. OFTA regularly issues consultation papers to solicit views of the public and industry in respect of proposed guidelines and regulations that would subsequently form part of the regulatory framework governing Hong Kong's telecommunications market.

In Hong Kong, competition regulations currently only exist on a sector-specific basis. So far, only the telecommunications sector and the broadcasting sector are subject to competition regulations. The governing competition provisions for the telecommunications sector are Sections 7K, L and N of the Telecommunications Ordinance, which prohibit anti-competitive conduct, abuse of dominance and discriminatory practices. The Telecommunications Authority has recently published "Guidelines to assist licensees to comply with the competition provisions under the Telecommunications Ordinance."

Mergers and acquisitions of telecommunications carriers in Hong Kong are also subject to the sector-specific merger control rules that are embodied in Section 7P of the Telecommunications Ordinance. The merger control rules are administered by the Telecommunications Authority based on his assessment as to whether the acquisition or merger transaction has, or is likely to have, the effect of substantially lessening competition in the relevant telecommunications market.

A general Competition Bill was gazetted in July 2010 and is currently being debated within the Legislative Council ("**LegCo**"). The primary objectives of the bill are to prohibit multi-lateral conduct (e.g. agreements and concerted actions) or unilateral conduct (i.e. abuse of a substantial degree of market power) which prevents, restricts or distorts competition in Hong Kong. The bill also would prohibit mergers that substantially lessen competition in Hong Kong. The merger provision appears to be drafted to only apply, initially, at least, to transactions involving carrier licensees in the telecommunications sector. The bill includes transition arrangements relevant to the existing sector-specific competition laws. By these arrangements, the proposed Competition Commission would possess concurrent jurisdiction with the Telecommunications Authority to enforce the conduct and merger rules under the bill.

Separately, a bill is now before LegCo that would merge the Broadcasting Authority and the Telecommunications Authority into a single regulator, the Communications Authority. This legislative proposal is intended to reflect the convergence of the two industries and to follow global best practices. The bill would merge the personnel of the two agencies. Consequential changes to the Telecommunications Ordinance and Broadcasting Ordinance would follow that merger in due course.

OVERVIEW OF THE RELEVANT LAWS AND REGULATIONS IN HONG KONG

SPECIFIC POLICIES AND REGULATIONS

Licensing framework

The Telecommunications Ordinance sets out the overall licensing framework for Hong Kong's telecommunications market. Essentially, no person may establish or maintain any means of telecommunications or offer any telecommunications services in the course of business without an appropriate licence. The Telecommunications Regulations and the Telecommunications (Carrier Licences) Regulation set out the prescribed licences and provide for the licence conditions that may be issued under the Telecommunications Ordinance. Since August 2008, the Telecommunications Authority has created and started using the Unified Carrier Licence (“**UCL**”) as the single licensing vehicle for the provision of fixed-line, mobile and/or converged services, in lieu of the existing fixed-line and mobile carrier licences. Service providers who do not have their own network facilities but wish to provide telecommunications services may seek to be hosted by a UCL holder and offer service under a Services-Based Operator (“**SBO**”) licence.

Spectrum allocation

The Telecommunications Authority has the power to allocate frequencies and bands of frequencies in all parts of the radio spectrum used in Hong Kong, and he is obliged to promote the efficient allocation and use of the radio spectrum as a public resource of Hong Kong. The title to all radio frequencies remains with the Government, and while spectrum trading is under evaluation by the Government, at the Latest Practicable Date it is not permitted.

After concluding its review of the Government's spectrum policy, CEDB in April 2007 issued a statement promulgating the “Radio Spectrum Policy Framework” for future spectrum management. The framework stated that the Government would employ, as far as possible, a market-based approach in future spectrum management. As a general guideline, spectrum that may be available to the market will be assigned by way of auction or other open bidding process. Spectrum use for non-government use would be subject to payment of spectrum utilisation fees.

Government's spectrum release plan

Pursuant to the above-mentioned “Radio Spectrum Policy Framework”, the Government annually publishes, on a non-binding basis, a spectrum release plan to inform the industry and the public of the potential supply of spectrum through an open competitive bidding or tendering process for the following 3 years. The current spectrum release plan was published by the Telecommunications Authority in April 2011 and covered the period from 2011/12 to 2013/14.

Pursuant to this current spectrum release plan, the Government has announced that it will (subject to the negative vetting process of the LegCo) release spectrum in the 2300 to 2390 MHz frequency band for auction in the second half of 2011. Previously, in the Telecommunications Authority's March 2011 Statement concerning *Assignment of the Available Radio Spectrum in the 2.3 GHz Band for Provision of Broadband Wireless Access Services*, he had announced that three spectrum blocks of 30 MHz each would be made available under the auction.

Review of fixed-mobile convergence

In view of the growing convergence of fixed and mobile services, the Telecommunications Authority has, since 2005, been continually reviewing the existing regulatory framework by way of public consultation

OVERVIEW OF THE RELEVANT LAWS AND REGULATIONS IN HONG KONG

with respect to fixed-mobile convergence (“**FMC**”) with the objective of rendering the regulatory regime conducive to the development of FMC. Topics reviewed have included the fixed-mobile interconnection regime and its charging arrangements, unified licensing for fixed, mobile and convergent services, fixed-mobile number portability and LAC for origination and termination of international calls.

With respect to the fixed-mobile interconnection regime and its charging arrangement, the Telecommunications Authority concluded in its Statement entitled “Deregulation for Fixed-Mobile Convergence” dated 27 April 2007 (“**FMC Statement**”) that the existing regulatory guidance for fixed and mobile interconnection arrangement (whereby mobile telecommunications operators are required to pay fixed-mobile interconnection charges (“**FMIC**”) to fixed operators in respect of calls originated from or terminated at mobile networks, i.e. the so-called “Mobile Party’s Network Pays” model) would be withdrawn on 27 April 2009 after a two year transition period commencing from 27 April 2007. Since 27 April 2009, the obligation to pay interconnection charges for interconnection between fixed and mobile networks has been subject to the parties’ commercial negotiation and agreement, failing which a determination may be made by the Telecommunications Authority. As at the Latest Practicable Date, the Group has not yet been able to successfully agree FMIC with certain other fixed-line or mobile operators. However, as operators are subject to a regulatory obligation to deliver calls even though no commercial agreement has been signed, traffic continues to be passed between networks.

To facilitate the provision of converged fixed-mobile telecommunications services, the Telecommunications Authority introduced a UCL in August 2008 as the single licensing vehicle for the provision of fixed-line, mobile and/or converged services. From August 2008, no new fixed-line or mobile carrier licences have been issued.

With respect to fixed-mobile number portability, as a result of a public consultation exercise, the Telecommunications Authority concluded in his Statement on Fixed Mobile Number Portability issued in July 2009 that fixed-mobile number portability may be implemented by operators on a voluntary basis. Operators co-operating on fixed-mobile number portability are free to agree commercial terms for portability, subject to submitting proposals addressing the technical and operational aspects of the arrangements for portability to the Telecommunications Authority for approval.

In December 2009, the Telecommunications Authority issued a consultation paper entitled Review of LAC to solicit views on the way forward for the LAC regime. OFTA currently administers a LAC framework under which local fixed network operators may charge ETS providers for origination and termination of ETS traffic on local networks. Under the current LAC regime, OFTA fixes these interconnection charges. In this consultation paper, the Telecommunications Authority proposed 4 possible options as to how LAC should be dealt with in the future. These were: (i) maintain the status quo, *viz.* LAC would continue to be payable to fixed-line operators only for origination and termination of international calls; (ii) extend the obligation to pay LAC to mobile operators for calls originating and terminating on mobile networks; (iii) extend the obligation to mobile networks but deregulate the level of the LAC payable; and (iv) fully deregulate the LAC regime. After considering the submissions from the industry, the Telecommunications Authority released a second consultation paper in March 2011 proposing that option (iii) be adopted (after an 18 month transition period) such that both fixed-line and mobile operators would be entitled to charge for LAC but the rate levels were to be commercially agreed between the interconnecting parties. This consultation is still in progress.

OVERVIEW OF THE RELEVANT LAWS AND REGULATIONS IN HONG KONG

LICENCES

Fixed-line services (local, international, data, Internet)

The Group currently holds a UCL for the provision of fixed-line services which comprise of local and international voice (i.e. IDD), data services and broadband Internet access services. Previously, the Group operated under a Fixed Carrier (“**FC**”) Licence. The UCL was granted in June 2010 upon expiry of the FC Licence and is valid for 15 years.

Prior to the opening up of the local telecommunications market by the Government in 1995, the Group was the monopoly local fixed-line voice and data services provider. In June 1995, besides the Group, Fixed Telecommunications Network Services (“**FTNS**”) licences were also awarded to 3 other operators: Hutchison Global Communications Limited; Wharf T&T Limited; and New World Telecommunications Limited, permitting them to provide local fixed-line voice and data telecommunications services.

The Group was also the monopoly provider of international telecommunications services. Then, in January 1998, the Group signed an agreement with the Government to prematurely end its exclusive right to provide international telecommunications services with effect from 31 March 1998. The market for international services was therefore liberalised, starting with services-based competition in January 1999, followed by facilities-based competition in January 2000. As a result, today, besides the Group, international telecommunications services are provided by other network operators licensed under the FTNS/FC/UCL regime as well as many service providers holding ETS licences.

The Group provides broadband Internet access services via its UCL. Internet access services were first offered by the Group as dial-up Internet access services in 1996 under its NETVIGATOR brand.

Mobile services

The Group currently uses W-CDMA network technology for its 3G mobile telecommunications service. It is licensed to provide 3G service in the 1900-2200 MHz radio spectrum band (“**3G Spectrum**” which is made up of a paired spectrum of 14.8MHz x 2 plus 5 MHz unpaired spectrum), which is licensed for 15 years up to October 2016. Under special condition 37 of its UCL for mobile services, the Group (as in the case of other 3G licensees) is subject to open network access requirements to make available up to 30% of the capacity of its networks for use by non-affiliated Mobile Virtual Network Operators (“**MVNOs**”) on a commercial basis. The network capacity is determined as the sum of the capacities of the installed base station equipment plus the extra capacity that can reasonably be deployed through the addition or reconfiguration of base station equipment in a prescribed period of time. However, this does not impose an obligation on the licensees to deploy additional carrier frequency or base station sites.

The 3G Spectrum is subject to an annual spectrum utilisation fee, which is set at 5% of network turnover or a progressively increasing prescribed flat fee (which was set at HK\$100,622,000 for 2011 up to HK\$151,243,000 for 2016), whichever is higher. The governing licence conditions require 3G licensees to adopt separate accounts for their network and service operations in accordance with a prescribed accounting manual.

The Group currently uses GSM network technologies for its 2G mobile operations in the 1700/1800 MHz radio frequency band (using paired spectrum of 13.2 MHz x 2) (“**1700/1800 MHz Spectrum**”). The 1700/1800 MHz Spectrum is licensed for 15 years up to September 2021.

The 1700/1800 MHz Spectrum is subject to payment of spectrum utilisation fees, which is set at the rate of HK\$145,000 per MHz per annum for the initial five years. Thereafter, it is set at HK\$1,450,000 per MHz per annum or 5% of the annual network turnover in respect of the spectrum, whichever is higher.

OVERVIEW OF THE RELEVANT LAWS AND REGULATIONS IN HONG KONG

Special condition 37 of the Group's UCL also provides for open network access requirements to make available up to 30% of the capacity of the group's networks for use by non-affiliated MVNOs.

In November 2008, the Group was awarded a Mobile Carrier Licence to operate a CDMA2000 mobile network in the 850 MHz band (using paired spectrum of 7.5 MHz x 2) ("**850 MHz Spectrum**"). The 850 MHz Spectrum is licensed for 15 years up to November 2023. The spectrum is principally used to provide a mobile inbound roaming service. The spectrum utilisation fee of HK\$76,000,000 was fully paid up front as one lump sum in November 2007. There is no open network access requirement for the CDMA2000 mobile service provided by the Group.

Through a jointly controlled company, the Group also holds a licence to use spectrum in the 2500/2600 MHz band (paired spectrum of 15 MHz x 2) ("**2500/2600 MHz Spectrum**") for broadband wireless access services. The 2500/2600 MHz Spectrum is licensed for 15 years up to March 2024. Under the UCL held by a jointly controlled company of the HKT Trust, service and network roll out are to be ready by March 2014. The spectrum utilisation fee of HK\$518,000,000 was fully paid up front as one lump sum in March 2009. There is no open network access requirement for the broadband wireless access service to be offered by the Group.

SBO Licence

In January 2006, OFTA introduced a new SBO licence for the provision of telephony services offered by service providers who do not have their own network facilities and hence need to be hosted by an FTNS/FC licensee or UCL holder. An SBO licence presently operates under a three-class (Class 1, Class 2 and Class 3) structure. Class 1 services are those services that have all the attributes of conventional telephone services, and licensees under Class 1 are required to fulfil the licensing conditions of the FTNS/FC licences or UCL relevant to the provision of local voice telephony services. Class 2 services are those services that do not have all the attributes of conventional telephone services, and Class 2 licensees are only subject to minimal licensing conditions that serve to protect consumer interests and safeguard competition. Class 1 and Class 2 SBO licences were introduced in January 2006. Subsequently, in October 2009, a Class 3 was added to the SBO licensing regime. The Class 3 SBO licence replaced the Public Non-Exclusive Telecommunications Service ("**PNETS**") licences that were in use up until that time. From October 2009 onwards, no new PNETS licences have been issued. An SBO licence is valid for one year, and is renewable on an annual basis.

Existing FTNS/FC licensees and UCL holders are allowed to provide Class 1 services with their existing licences. Consequently, the Group does not have any SBO licences as it provides such services under its pre-existing licences.

KEY INDUSTRY REGULATORY ISSUES

Interconnection in general

All carrier licensees have the obligation to:

- Interconnect their network with other licensees' networks and such other licensed telecommunications networks and services as directed by the Telecommunications Authority;
- Use all reasonable endeavours to ensure interconnection is carried out promptly, efficiently and at charges that are based on reasonable, relevant costs incurred by the licensee so as to fairly compensate the licensee for those costs; and
- Provide facilities and services reasonably necessary for prompt and efficient interconnection.

OVERVIEW OF THE RELEVANT LAWS AND REGULATIONS IN HONG KONG

The Group's interconnection arrangements have been entered into on customary terms, negotiated on an arm's length basis and in the ordinary course of business, and do not contain any material terms which are unusual having regard to the industry practice prevailing at the relevant time.

OFTA has provided statements setting out configuration and principles for interconnection arrangements. The Telecommunications Authority also has the power to determine the terms and conditions of interconnection which may include any technical, commercial and financial terms and conditions as the Telecommunications Authority considers fair and reasonable.

Fixed and mobile carrier licensees are free to come to commercial agreement on fixed fixed-mobile, fixed-fixed and mobile-mobile interconnection charges, subject to the observance of the regulatory guidance given from time to time by the Telecommunications Authority.

Fixed-line interconnection

Fixed-line interconnection is divided into two types based upon the physical modes of interconnection as follows:

- Type I - interconnection between network gateways; and
- Type II - interconnection at a point on the local loop.

The charges for Type I interconnection are commercially agreed between the fixed-line operators. The Telecommunications Authority determined the Type I interconnection charge rate between the Group and Wharf T&T Limited in February 2003 specifying the rates to be applied for the period from July 1999 to June 2003. Since expiry of the determination, the Telecommunications Business and Wharf T&T Limited have continued to adopt the last determined rate for their traffic. Other fixed-line operators have tended to use the determined rate as reference and are charging around the same rate. As the Type I related traffic is essentially balanced the Local Interconnection Charge revenue flows are essentially a wash.

The mandatory requirement of Type II interconnection (i.e. unbundled local loops) for local fixed-line telecommunications services at the telephone exchange level was withdrawn in June 2008. Type II interconnection is now provided per commercial agreements. The number of Type II lines provided to competitors has fallen over time.

Mobile interconnection

Ever since mobile services were commercially available in Hong Kong in the 1980s, the mobile operators have agreed to interconnect their networks with each other on a Bill-And-Keep ("BAK") charging basis. Under BAK, each mobile operator agrees to terminate calls from the other mobile network at no charge. Interconnection costs are recovered via retail prices.

Operator Number Portability (ONP) and Mobile Number Portability (MNP)

All licensees are subject to the mandatory obligation to implement ONP between and among fixed-line operators, and MNP, between and among mobile telecommunications operators. There is no mandatory number portability between fixed and mobile operators.

OVERVIEW OF THE RELEVANT LAWS AND REGULATIONS IN HONG KONG

Tariff setting

The Telecommunications Ordinance does not contain any express provisions regulating retail tariffs or setting principles as to initial tariffs except that under section 7G of the Telecommunications Ordinance, the Secretary may impose price controls on a fixed carrier licensee who is in a dominant position in a telecommunications market. It does, however, require licensees to publish tariffs in accordance with the requirements of their respective licence or directions issued in writing by the Telecommunications Authority.

Prior to January 2005, HKTC was the only fixed-line carrier in Hong Kong deemed to be dominant. OFTA issued a statement in January 2005 that revoked the tariff approval requirements applicable to HKTC and converted HKTC's FTNS licence to a new FC licence. Under the new FC licence, HKTC is no longer presumed to be dominant in any market sector and any alleged abuse of dominant position will be assessed on a case-by-case basis on an ex-post manner. Along with the removal of the presumption of dominance, the FC licence also allows HKTC to offer discounts to its published tariffs subject to a 24-hour advance notification to OFTA. HKTC replaced its FC licence with a UCL upon expiry of its FC licence in June 2010.

Universal Service Obligation

Under the terms of the UCL, the Group is required to ensure that, subject to any exemption granted by the Telecommunications Authority, its Basic Service is made reasonably available to all persons in Hong Kong on the terms of its applicable published tariff. Basic Service is defined in the Telecommunications Ordinance as comprising, amongst other things, a public switched telephone service, public payphones, a directory enquiry service and various weather-related information services. In return for assuming the role of a Universal Service Provider, the Group is entitled to receive a Universal Service Contribution from the other operators.

Regulatory enforcement

If a licensee breaches any of its licence conditions, any provision of the Telecommunications Ordinance or any regulation made thereunder or any direction issued in respect of the licensee by the Telecommunications Authority, the Telecommunications Authority may revoke, suspend or cancel a licence or vary the conditions thereof by a notice served in writing on the licensee or by public notice. Additionally, the Telecommunications Authority may impose a financial penalty on a licensee. Upon application to a court, a financial penalty may be as high as 10% of the turnover of the licensee in the relevant telecommunications market in the period of the breach, or HK\$10 million, whichever is higher. If any person is aggrieved by an opinion, determination, direction or decision of the Telecommunications Authority with regards to competition matters, an appeal may be made to the Telecommunications (Competition Provisions) Appeal Board.

Industry self regulation

The industry has also taken steps to self regulate where appropriate, and particularly in relation to consumer issues. This is primarily accomplished through the adoption of voluntary codes of practice. In the 2010 year alone the following consumer protection measures were adopted by the industry:

- An industry Code of Practice for the Provisions of Chargeable Mobile Content Services (to ensure that consumers are better informed of the charges of mobile content services);
- An industry Code of Practice for Telecommunications Service Contracts (including cooling-off periods, meeting consumer requests for termination of services, and many other consumer protection clauses);

OVERVIEW OF THE RELEVANT LAWS AND REGULATIONS IN HONG KONG

- Best Practice Indicators on Representations on Mobile Broadband Services (to prevent misleading or deceptive conduct in the promotion of mobile broadband services);
- Publication of measures to prevent consumers from incurring unexpected charges for data supplied via SMS messages;
- Publication of the measures adopted by mobile operators to prevent unintentional incurring of mobile charges; and
- Publication of performance pledges by mobile operators in respect of mobile broadband services (to increase the transparency of the service performance).

TAXATION

The following summary of certain BVI, Cayman Islands, The Bahamas, Hong Kong and the PRC tax consequences of the purchase, ownership and disposition of the Share Stapled Units is based upon laws, regulations, rulings and decisions now in effect, all of which are subject to change (possibly with retroactive effect). The summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Share Stapled Units and does not purport to apply to all categories of prospective investors, some of whom may be subject to special rules. Prospective investors should consult their own tax advisers concerning the application of BVI, Cayman Islands, The Bahamas, Hong Kong and the PRC tax laws to their particular situation as well as any consequences of the purchase, ownership and disposition of the Share Stapled Units arising under the laws of any other taxing jurisdiction.

The taxation of the HKT Trust, the Company, Trustee-Manager and that of the Holders of Share Stapled Units is described below. Where BVI, Cayman Islands, The Bahamas, Hong Kong and the PRC tax laws are discussed, these are merely an outline of the implications of such laws.

Investors should note that the following statements are based on advice received by the Trustee-Manager regarding taxation law, regulation and practice in force as at the date of this prospectus, which may be subject to change.

OUTLINE OF TAX IMPLICATIONS OF HONG KONG

A. Hong Kong taxation of the HKT Trust

Profits tax

Profits arising in or derived from Hong Kong by the HKT Trust will generally be chargeable to Hong Kong profits tax at the current profits tax rate of 16.5%. Dividend income derived by the HKT Trust from the Company will be excluded from Hong Kong profits tax.

Stamp duty

No Hong Kong stamp duty is payable by the HKT Trust on the issue of new Share Stapled Units.

B. Hong Kong taxation of the Company

Profits tax

The Company will be subject to Hong Kong profits tax in respect of profits arising in or derived from Hong Kong at the current rate of 16.5%. Dividend income derived by the Company from its subsidiaries will be excluded from Hong Kong profits tax.

C. Hong Kong taxation of the Trustee-Manager

Profits tax

The Trustee-Manager will be subject to Hong Kong profits tax in respect of the profits derived from the provision of management and operational services to the HKT Trust at the current profits tax rate of 16.5%.

D. Hong Kong taxation of Holders of Share Stapled Units

Profits tax

Pursuant to a legal opinion obtained by the Company from its tax counsel, it is understood that under the IRD's current practice, Hong Kong profits tax is generally not payable by unitholders on distributions from other Hong Kong-listed unit trusts. Holders of Share Stapled Units should take advice from their own professional advisers as to their particular tax position.

TAXATION

Hong Kong profits tax will not be payable by any Holders of Share Stapled Units (other than Holders of Share Stapled Units carrying on a trade, profession or business in Hong Kong and holding the Share Stapled Units for trading purposes) on any capital gains made on the sale or other disposal of the Share Stapled Units.

Stamp duty

No Hong Kong stamp duty is payable by Holders of Share Stapled Units in relation to the issue of Share Stapled Units to them by the HKT Trust.

Based on the understanding obtained from the IRD, Hong Kong stamp duty will be charged on the sale and purchase of Share Stapled Units (each of which comprises a Unit, an Ordinary Share and a Preference Share) only, at the current rate of 0.2% of the consideration for, or (if greater) the value of, the Share Stapled Units being sold or purchased, whether or not the sale or purchase is on or off the Stock Exchange. The Holder of Share Stapled Units selling the Share Stapled Units and the purchaser will each be liable for one-half of the amount of Hong Kong stamp duty payable upon such transfer. In addition, a fixed duty of HK\$5 is currently payable on any instrument of transfer of Share Stapled Units.

Estate duty

Hong Kong estate duty was abolished effective from 11 February 2006. No Hong Kong estate duty is payable by Holders of Share Stapled Units in relation to the Share Stapled Units owned by them upon death.

OUTLINE OF TAX IMPLICATIONS OF VARIOUS JURISDICTIONS

E. BVI taxation

No taxes are payable in the BVI in respect of income or gains of the BVI companies or on distributions from these companies.

F. Cayman Islands taxation

No taxes are payable in Cayman Islands in respect of income or capital gains or on distributions from the operating, investment holding or inactive companies in Cayman Islands.

G. The Bahamas taxation

No taxes are payable in the Bahamas in respect of income or capital gains or on distributions from the operating, investment holding or inactive companies in the Bahamas.

H. PRC taxation

Corporate income tax (CIT)

Foreign investment enterprises and domestic companies are subject to a uniform income tax rate of 25%. The corporate income tax (CIT) Law provides a five-year transition period commencing from its effective date for those enterprises which were established before the promulgation date of the CIT Law and which were entitled to a preferential lower income tax rate under the then effective tax laws or regulations.

TAXATION

According to a Notice of the State Council on the Implementation of the Transitional Preferential Policies in respect of Corporate Income Tax dated 26 December 2007, the income tax rate of the enterprises which have been entitled to an income tax rate of 15% will be increased to 18% for 2008, 20% for 2009, 22% for 2010, 24% for 2011 and 25% thereafter. For those enterprises which are enjoying tax holidays, these tax holidays may continue until they expire in accordance with the original tax regulations, but where the tax holiday has not yet started because of losses, the tax holiday will be deemed to commence from the first effective year of the CIT Law.

According to the CIT Law and its Implementation Rules, dividends payable to foreign investors will be subject to PRC withholding tax of 10% unless the foreign investor's country of residence has a tax treaty with the PRC that provides for a different withholding arrangement.

According to the Arrangement between the Mainland and Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion with Respect to Taxes on Income signed by the two parties on August 21, 2006, a company incorporated in Hong Kong will be subject to withholding tax of 5% on dividends it receives from a company incorporated in the PRC if other relevant criteria are met.

In addition, the PRC State Administration of Taxation promulgated a Notice of Taxation on "How to understand and determine the beneficial owners in tax agreements" ("**Circular 601**") on 27 October 2009. This Circular provides that tax treaty benefits will be denied to conduit or shell companies without business substance, and a beneficial ownership analysis will be used based on a "substance-over-form" principle to determine whether or not to grant tax treaty benefits.

The beneficial ownership analysis is undertaken at the local PRC tax authorities level. Due to differing interpretations of Circular 601, the application by the local PRC tax authorities of tax treaty benefits under the double taxation arrangement to the beneficial owner may result in different outcomes by location.

Capital gains

Capital gains derived from the transfer of the shares of PRC resident companies by non-residents are normally subject to a withholding tax of 10%. In contrast, transfers of shares or equity interests in a non-resident enterprise *prima facie* do not give rise to any PRC tax implications, if certain criteria are met.

Interest expenses

Interest expense is deductible for CIT purposes provided that certain requirements are met. According to the CIT Law and the Implementation Rules, interest expense payable to a non-resident enterprise will be subject to PRC withholding tax of 10% unless a tax treaty provides differently. In addition, interest income is also subject to Business Tax and surtaxes.

Business tax

A business that provides services (except an entertainment business), assigns intangible assets or sells immovable property, is liable to business tax at rates ranging from 3% to 5% of the charges for the services provided, intangible assets assigned or immovable property sold, as the case may be.

The business tax rate of 3% is applicable on taxable services relating to communications, construction culture and sports and transportation (i.e. loading and unloading of containers, transportation, etc). Other services generally attract a business tax rate of 5%.

In addition, business tax is payable on the gross amount of all billings with respect to services rendered within the PRC unless specific rules stipulate the use of a net amount.

TAXATION

Value-added tax (VAT)

The Provisional Regulations of the PRC Concerning VAT promulgated by the State Council came into effect on January 1, 2009. Under these regulations and the Implementing Rules of the Provisional Regulations of the People's Republic of China Concerning VAT, VAT is imposed on goods sold in or imported into the PRC and on processing, repair and replacement services provided within the PRC.

A VAT rate of 17% is applicable on taxable items encompassing the sale of most tangible goods and the provision of certain labour in respect of processing goods, repair and replacement services undertaken in the PRC.

Stamp tax

All enterprises are subject to stamp tax on all taxable documents listed in the Stamp Tax Regulations. Stamp tax is levied on the execution or receipt in the PRC of certain documents, including contracts for the sale of goods, the undertaking of processing work, the contracting of construction and engineering projects, leases, loans, and agency and other non-trade contracts. Stamp tax is also levied on documentation effecting the transfer of property, business account books and certification of rights and licences.

The rates of stamp tax vary, but the maximum rate is 0.1%.

Recent developments — Guo Shui Han 2009 No. 698 (“Circular 698”)

On 10 December 2009, Circular 698 was issued by the State Administration of Taxation, which stipulates the PRC tax treatment and reporting obligations on “indirect” equity transfers undertaken by non-resident enterprises (“**offshore investors**”). Under certain circumstances, specified documentation should be provided to the PRC tax authorities in charge of the PRC enterprise whose equity interests have been indirectly transferred (within 30 days from the date of signing the share transfer agreement).

Circular 698 also introduces anti-abuse and anti-avoidance rules where the dominant purpose of using the offshore entities is to avoid PRC tax obligations. In such a case, the PRC tax authorities can adopt a “look-through” approach and disregard the interposing offshore entities, and consequently apply a 10% withholding tax on capital gains derived by the offshore investor on the indirect transfer. However, Circular 698 does not provide for clear guidance on how the capital gains withholding tax of 10% is to be applied in practice in connection to indirect transfer.

UNDERWRITING

HONG KONG UNDERWRITERS

China International Capital Corporation Hong Kong Securities Limited
Deutsche Bank AG, Hong Kong Branch
Goldman Sachs (Asia) L.L.C.
The Hongkong and Shanghai Banking Corporation Limited
Standard Chartered Securities (Hong Kong) Limited
DBS Asia Capital Limited
J.P. Morgan Securities (Asia Pacific) Limited
Mizuho Securities Asia Limited
BOCOM International Securities Limited
China Everbright Securities (HK) Limited
China Merchants Securities (HK) Co., Limited
Essence International Securities (Hong Kong) Limited
GuocoCapital Limited
Guotai Junan Securities (Hong Kong) Limited
Sun Hung Kai International Limited
UOB Kay Hian (Hong Kong) Limited

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a conditional basis. The International Offering (which includes the Preferential Offering) is expected to be fully underwritten by the International Underwriters. If, for any reason, the Offer Price is not agreed between the Trustee-Manager, the Company and the Joint Sponsors (on behalf of the Underwriters), the Global Offering will not proceed and will lapse.

The Global Offering comprises the Hong Kong Public Offering of initially 205,336,000 Hong Kong Offer Share Stapled Units and the International Offering of initially 1,848,018,000 International Offer Share Stapled Units (including the Preferential Offering), subject, in each case, to reallocation on the basis as described in the section headed “Structure of the Global Offering” in this prospectus as well as to the Over-Allotment Option in the case of the International Offering.

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Public Offering, the Trustee-Manager and the Company are offering the Hong Kong Offer Share Stapled Units for subscription by the public in Hong Kong in accordance with the terms and conditions set out in this prospectus and the **WHITE**, **YELLOW** and **GREEN** Application Forms relating thereto.

Subject to the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Share Stapled Units in issue and to be issued pursuant to the Global Offering, and to certain other conditions set out in the Hong Kong Underwriting Agreement (including the Joint Sponsors (on behalf of the Underwriters), the Trustee-Manager and the Company agreeing upon the Offer Price), the Hong

UNDERWRITING

Kong Underwriters have agreed severally and not jointly to subscribe or procure subscribers for their respective applicable proportions of the Hong Kong Offer Share Stapled Units now being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions set out in this prospectus and the Application Forms relating thereto and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on and subject to the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for termination

If any of the events set out below shall occur at any time prior to 8:00 a.m. on the Listing Date, the Joint Sponsors (on behalf of the Hong Kong Underwriters) in their absolute discretion may, by giving notice to the Trustee-Manager and the Company, terminate the Hong Kong Underwriting Agreement with immediate effect:

- (a) there develops, occurs, exists or comes into force:
 - (i) any event, or series of events, in the nature of force majeure (including, without limitation, any acts of government, declaration of a national or international emergency or war, calamity, crisis, epidemic, pandemic, outbreak or escalations of disease, economic sanctions, strikes, labour disputes, lock-outs, fire, explosion, flooding, earthquake, civil commotion, riots, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism (whether or not responsibility has been claimed) in or affecting Hong Kong, the Cayman Islands, the PRC, the United States, the European Union (or any member thereof), Japan or Singapore (the “**Relevant Jurisdictions**”);
 - (ii) any change or development involving a prospective change, or any event or series of events likely to result in any change or development involving a prospective change, in local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions, equity securities or other financial markets (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets), in or affecting any of the Relevant Jurisdictions;
 - (iii) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Shanghai Stock Exchange or the Tokyo Stock Exchange;
 - (iv) any general moratorium on commercial banking activities in any of the Relevant Jurisdictions or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in any of the Relevant Jurisdictions;
 - (v) any new law or regulation or any change or development involving a prospective change in existing laws or regulations or any change or development involving a prospective change in the interpretation or application thereof by any governmental authority in or affecting any of the Relevant Jurisdictions;
 - (vi) the imposition of economic sanctions, in whatever form, directly or indirectly, by, or for, any of the Relevant Jurisdictions;

UNDERWRITING

- (vii) a change or development involving a prospective change or amendment in taxation or exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a devaluation of the Hong Kong dollar against any foreign currencies or a change in the system under which the value of the Hong Kong dollar is linked to that of the United States dollar), or the implementation of any exchange control, in any of the Relevant Jurisdictions,
- (viii) any litigation or claim of any third party being threatened or instigated against any member of the Group;
- (ix) any Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company;
- (x) the chairman of the board of Directors or the group managing director of the Company vacating his office;
- (xi) any governmental authority or a political body or organisation in any Relevant Jurisdiction commencing any investigation or other action, or announcing an intention to investigate or take other action, against any Director;
- (xii) any contravention by the Trustee-Manager or any member of the Group of the Listing Rules or applicable laws;
- (xiii) any prohibition on the Trustee-Manager or the Company for whatever reason from allotting or selling the Offer Share Stapled Units pursuant to the terms of the Global Offering;
- (xiv) any non-compliance of this prospectus (or any other documents used in connection with the Global Offering) or any aspect of the Global Offering with the Listing Rules or any other applicable laws; or
- (xv) any order or petition for the winding-up of the Trustee-Manager, any member of the Group or PCCW (as the case may be) or any composition or arrangement made by the Trustee-Manager, any member of the Group or PCCW (as the case may be) with its creditors or a scheme of arrangement entered into by the Trustee-Manager, any member of the Group or PCCW (as the case may be) or any resolution for the winding-up of any member of the Trustee-Manager, any member of the Group or PCCW (as the case may be) or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of the Trustee-Manager, any member of the Group or PCCW (as the case may be) or anything analogous thereto occurring in respect of the Trustee-Manager, any member of the Group or PCCW (as the case may be),

which, individually or in the aggregate, in the sole opinion of the Joint Sponsors (for themselves and on behalf of the Hong Kong Underwriters) (1) has or will or may have a material adverse effect on the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of the Group as a whole, (2) has or will have or may have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering, (3) makes or will make or may make it inadvisable or inexpedient or impracticable for the Hong Kong Public Offering and/or the Global Offering to proceed or to market the Hong Kong Public Offering and/or the Global Offering or (4) has or will or

UNDERWRITING

may have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

- (b) there has come to the notice of the Joint Sponsors or any of the Hong Kong Underwriters:
- (i) that any statement contained in this prospectus, the Application Forms, the formal notice and/or any notices, announcements, advertisements, communications or other documents (including any announcement, circular, document or other communication pursuant to the Hong Kong Underwriting Agreement) issued or used by or on behalf of the HKT Trust and/or the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was, when it was issued, or has become, untrue, incorrect, inaccurate or misleading in any material respect, or that any estimate, forecast, expression of opinion, intention or expectation contained in any of such documents is not fair and honest and based on reasonable assumptions;
 - (ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a material omission from this prospectus, the Application Forms, the formal notice and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of the HKT Trust or the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto);
 - (iii) any material breach of any of the obligations imposed upon any party to the Hong Kong Underwriting Agreement or the International Underwriting Agreement (other than, in each case, a breach by any of the Joint Global Coordinators, the Joint Sponsors or the Underwriters);
 - (iv) any event, act or omission which gives or is likely to give rise to any material liability of any of the Trustee-Manager, the Company and PCCW pursuant to the indemnities given by any of them under the Hong Kong Underwriting Agreement;
 - (v) any material adverse change or development or any prospective material adverse change or development in the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of the Group taken as a whole;
 - (vi) any breach of, or any event rendering untrue or incorrect in any respect, any of the warranties given by any of the Trustee-Manager, the Company and PCCW in the Hong Kong Underwriting Agreement which, in the absolute opinion of the Joint Sponsors, has or will have or may have a material adverse effect on the marketing, implementation or success of the Global Offering;
 - (vii) that the approval by the Listing Committee of the listing of, and permission to deal in, the Share Stapled Units in issue and to be issued pursuant to the Global Offering is refused or not granted, other than subject to customary conditions, on or before the date of the listing, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld;
 - (viii) that the HKT Trust and/or the Company withdraws this prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering;

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- (ix) the issue or the requirement to issue by the HKT Trust and the Company of any supplement or amendment to this prospectus (or to any other documents used in connection with the Global Offering) pursuant to the Companies Ordinance or the Listing Rules or any requirement of the Stock Exchange and/or the SFC in circumstances where the matter to be disclosed, in the absolute opinion of the Joint Sponsors, has or will have or may have a material adverse effect on the marketing, implementation or success of the Global Offering; or
- (x) any person (other than any of the Hong Kong Underwriters) has withdrawn or sought to withdraw its consent to being named in any of this prospectus, the Application Forms and the formal notice, the preliminary offering circular and the final offering circular relating to the International Offering, and any announcements, circulars, offer awareness materials and summary disclosure materials in the agreed form issued by the HKT Trust and the Company and/or PCCW in connection with the Preferential Offering (including any supplement or amendment thereto) or to the issue of any of such documents.

Undertakings to the Stock Exchange pursuant to the Listing Rules

(A) Undertakings by the Trustee-Manager and the Company

Pursuant to Rule 10.08 of the Listing Rules, each of the Trustee-Manager and the Company has undertaken to the Stock Exchange that it will not exercise its power to issue any further Share Stapled Units or securities convertible into Share Stapled Units (whether or not of a class already listed) or enter into any agreement to such an issue within six months from the Listing Date (whether or not such issue of Share Stapled Units or securities will be completed within six months from the commencement of dealing), except pursuant to the Global Offering or any of the circumstances provided under Rule 10.08 of the Listing Rules.

(B) Undertakings by PCCW

Pursuant to Rule 10.07 of the Listing Rules, PCCW, as the Controlling Holder of Share Stapled Units, has undertaken to the Stock Exchange, the Trustee-Manager and the Company that, except pursuant to any lending of Share Stapled Units by CAS Holding No. 1 Limited pursuant to the Share Stapled Units Borrowing Agreement, it will not and will procure that the relevant registered holder(s) will not:

- (a) in the period commencing on the date by reference to which disclosure of its Share Stapled Unit holding is made in this prospectus and ending on the date which is six months from the date on which dealings in the Share Stapled Units commence on the Stock Exchange, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Share Stapled Units in respect of which it is shown by this prospectus to be the beneficial owner; and
- (b) in the period of six months commencing on the date on which the period referred to in paragraph (a) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights interests or encumbrances in respect of, any of the Share Stapled Units referred to in paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it would cease to be the Controlling Holder of Share Stapled Units.

Pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, PCCW has undertaken to the Stock Exchange, the Trustee-Manager and the Company that within the period commencing on the date by reference to which disclosure of its Share Stapled Unit holding is made in this prospectus and ending on the date which is 12 months from the date on which dealings in the Share Stapled Units commence on the Stock Exchange, it will:

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- (i) when it pledges or charges any Share Stapled Units beneficially owned by it in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform the Trustee-Manager and the Company of such pledge or charge together with the number of Share Stapled Units so pledged or charged; and
- (ii) when it receives indications, either verbal or written, from the pledgee or chargee of any Share Stapled Units that any of the pledged or charged Share Stapled Units will be disposed of, immediately inform the Trustee-Manager and the Company of such indications.

Undertakings pursuant to the Hong Kong Underwriting Agreement

(A) Undertakings by the Trustee-Manager and the Company

Each of the Trustee-Manager and the Company has undertaken to each of the Joint Global Coordinators, the Joint Sponsors and the Hong Kong Underwriters that at any time from the date of the Hong Kong Underwriting Agreement until the expiry of six months from the Listing Date (the “**First Six-Month Period**”), it shall not, without the prior written consent of the Joint Sponsors (on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

- (a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, grant or sell any option, warrant, contract or right to subscribe for or purchase, either directly or indirectly, conditionally or unconditionally, any Share Stapled Units, Preference Shares, Ordinary Shares or any other equity securities of the Company or interests in the HKT Trust or any interest in any of the foregoing (including, without limitation, any securities which are convertible into or exchangeable or exercisable for, or represent the right to receive, or any warrants or other rights to purchase, any Share Stapled Units, Preference Shares or Ordinary Shares);
- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Share Stapled Units, Preference Shares, Ordinary Shares or any other equity securities of the Company or interests in the HKT Trust or any interest in any of the foregoing (including, without limitation, any securities which are convertible into or exchangeable or exercisable for, or represent the right to receive, or any warrants or other rights to purchase, any Share Stapled Units, Preference Shares or Ordinary Shares);
- (c) enter into any transaction with the same economic effect as any transaction specified in paragraph (a) or (b) above; or
- (d) offer or agree to or announce any intention to effect any transaction specified in paragraph (a), (b) or (c) above,

in each case, whether any of the transactions specified in paragraph (a), (b) or (c) above is to be settled by delivery of Share Stapled Units, Preference Shares, Ordinary Shares or such other equity securities of the Company or interests in the HKT Trust, or in cash or otherwise (whether or not the issue of the Share Stapled Units, Preference Shares, Ordinary Shares or such other securities will be completed within the aforesaid period), provided that the foregoing restrictions shall not apply to (i) the issue of Share Stapled Units (including the Units, Preference Shares and Ordinary Shares which are components of the Share Stapled Units), Preference Shares and/or Ordinary Shares by the HKT Trust and/or the Company pursuant to (A) the exercise of the Over-allotment Option, (B) the exercise of any options granted or which may be granted under the 2011-2021 Option Scheme or (C) or the exercise of any awards made or which may be made under the Share Stapled Units Awards Schemes or (ii) the grant of any options under the 2011-2021 Option Scheme or the grant of any awards under the Share Stapled Units Awards Scheme.

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In the event that, during the period of six months commencing on the date on which the First Six-Month Period expires (the “**Second Six-Month Period**”), the Trustee-Manager or the Company enters into any of the transactions specified in paragraph (a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction, the Trustee-Manager and the Company shall take all reasonable steps to ensure that such transaction, agreement or, as the case may be, announcement will not create a disorderly or false market in the interests in the HKT Trust, the Share Stapled Units (including the Units, Preference Shares and Ordinary Shares which are components of the Share Stapled Units) or other equity securities of the Company or interests in the HKT Trust.

(B) Undertakings by PCCW

PCCW has undertaken to each of the Trustee-Manager, the Company, the Joint Sponsors, the Joint Global Coordinators and the Hong Kong Underwriters that, without the prior written consent of the Joint Sponsors (on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

- (a) it will not, and will procure that the relevant registered holder(s) will not, at any time during the First Six-Month Period:
 - (i) sell, offer to sell, contract or agree to sell, lend, grant or sell any option, warrant, contract or right to purchase, purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Share Stapled Units, Preference Shares, Ordinary Shares or any other equity securities of the Company or interests in the HKT Trust or any interest in any of the foregoing (including, without limitation, any securities which are convertible into or exchangeable or exercisable for, or represent the right to receive, or any warrants or other rights to purchase, any Share Stapled Units, Preference Shares or Ordinary Shares); or
 - (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Share Stapled Units, Preference Shares, Ordinary Shares or any other equity securities of the Company or interests in the HKT Trust or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for, or represent the right to receive, or any warrants or other rights to purchase, any Share Stapled Units, Preference Shares or Ordinary Shares); or
 - (iii) enter into any transaction with the same economic effect as any transaction specified in sub-paragraph (i) or (ii) above; or
 - (iv) offer to or agree to or announce any intention to effect any transaction specified in sub-paragraph (i), (ii) or (iii) above,

in each case, whether any of the transactions specified in sub-paragraph (i), (ii) or (iii) above is to be settled by delivery of Share Stapled Units or any other equity securities of the Company or interests in the HKT Trust, or in cash or otherwise, provided that the foregoing restrictions shall not apply to any lending of Share Stapled Units by CAS Holding No. 1 Limited pursuant to the Share Stapled Units Borrowing Agreement and shall also not apply to any distributions and transfers of Share Stapled Units pursuant to the Distributions in Specie;

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- (b) it will not, during the Second Six-Month Period, enter into any of the transactions specified in paragraph (a)(i) and (a)(ii) above or offer to or agree to or publicly announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right or interest pursuant to such transaction, PCCW ceases to hold not less than 51% of the Share Stapled Units; and
- (c) until the expiry of the Second Six-Month Period, in the event that it enters into any of the transactions specified in paragraph (a)(i), (a)(ii) or (a)(iii) above or offer to or agrees to or publicly announce any intention to effect any such transaction, it will take all reasonable steps to ensure that it will not create a disorderly or false market in the Share Stapled Units.

PCCW has further undertaken to each of the Trustee-Manager, the Company, the Joint Sponsors, the Joint Global Coordinators and the Hong Kong Underwriters that it will, at any time within the period commencing on the date of the Hong Kong Underwriting Agreement and ending on the date which is 12 months after the Listing Date:

- (a) upon any pledge or charge in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) of any interests in the HKT Trust, any Share Stapled Units, Preference Shares, Ordinary Shares or other equity securities of the Company or interests in the HKT Trust beneficially owned by it for a bona fide commercial loan, immediately inform the Trustee-Manager, the Company and the Joint Sponsors in writing of such pledge or charge together with the amount of interests in the HKT Trust or the number of Share Stapled Units, Preference Shares, Ordinary Shares or other equity securities or interests in the HKT Trust which are so pledged or charged; and
- (b) upon any indication received by it, either verbal or written, from any pledgee or chargee that any of the pledged or charged interests in the HKT Trust, Share Stapled Units, Preference Shares, Ordinary Shares or other equity securities of the Company or interests in the HKT Trust will be disposed of, immediately inform the Trustee-Manager, the Company and the Joint Sponsors in writing of such indications.

The Trustee-Manager and the Company have agreed and undertaken to each of the Joint Sponsors, the Joint Global Coordinators and the Hong Kong Underwriters that, upon receiving such information in writing from PCCW, the Trustee-Manager and the Company will, as soon as possible, notify the Stock Exchange and make a public announcement in relation to such information in accordance with the Listing Rules.

Hong Kong Underwriters' interests in the HKT Trust and the Group

Save for their obligations under the Hong Kong Underwriting Agreement, as at the Latest Practicable Date, none of the Hong Kong Underwriters is interested, legally or beneficially, directly or indirectly, in any Share Stapled Units or securities of the HKT Trust, the Trustee-Manager or any member of the Group or has any right (save in their respective capacities as Qualifying PCCW Shareholders, if applicable) or option (whether legally enforceable or not) to subscribe for, or to nominate persons to subscribe for, any Share Stapled Units or securities of the HKT Trust, the Trustee-Manager or any member of the Group.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Share Stapled Units as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement.

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International Offering

International Underwriting Agreement

In connection with the International Offering, the Trustee-Manager, the Company and the Controlling Holder of Share Stapled Units expect to enter into the International Underwriting Agreement with, among others, the International Underwriters. Under the International Underwriting Agreement, the International Underwriters would, subject to certain conditions set out therein, severally agree to purchase the International Offer Share Stapled Units or procure purchasers for the International Offer Share Stapled Units initially being offered pursuant to the International Offering. Please refer to the section headed “Structure of the Global Offering — The International Offering” in this prospectus for further details.

Over-Allotment Option

The HKT Trust and the Company expect to grant to the International Underwriters the Over-Allotment Option, which will be exercisable by the Joint Sponsors (on behalf of the International Underwriters) in whole or in part at one or more times from the Listing Date until 30 days after the last day for the lodging of applications under the Hong Kong Public Offering and the Preferential Offering. Pursuant to the Over-Allotment Option, the HKT Trust and the Company may be required to jointly issue up to an aggregate of 308,003,000 additional Share Stapled Units, representing not more than approximately 15% of the number of Offer Share Stapled Units initially available under the Global Offering, at the Offer Price, to cover, among other things, over-allocations in the International Offering, if any.

Commissions and expenses

The Underwriters will receive an underwriting commission of 2.5% of the aggregate Offer Price of all the Offer Share Stapled Units (including the Offer Share Stapled Units issued pursuant to the exercise of the Over-allotment Option but excluding any Offer Share Stapled Units allocated to PCRD, Pacific Century Diversified Limited, Pacific Century Group Holdings Limited and China Netcom Corporation (BVI) Limited pursuant to the Preferential Offering) (the “**Relevant Offer Share Stapled Units**”), out of which they will pay any sub-underwriting commissions. In addition, the Trustee-Manager and the Company may, at their sole discretion, pay the Underwriters (or any of them) an incentive fee of up to 1.25% of the aggregate Offer Price of all the Relevant Offer Share Stapled Units.

For unsubscribed Hong Kong Offer Share Stapled Units reallocated to the International Offering, if any, the underwriting commission will not be paid to the Hong Kong Underwriters but will instead be paid, at the rate applicable to the International Offering, to the International Underwriters.

The underwriting fees and commissions and estimated expenses of the Global Offering, including the Stock Exchange listing fee, SFC transaction levy, the Stock Exchange trading fee, legal and other professional fees, printing and other fees and expenses relating to the Global Offering, are estimated to amount in aggregate to approximately HK\$544 million (assuming the Over-Allotment Option is not exercised, an Offer Price of HK\$4.96 per Offer Share Stapled Unit, being the mid-point of the indicative Offer Price range stated in this prospectus and the payment of the estimated incentive fee), and are payable by the Trustee-Manager and the Company.

Indemnity

The Trustee-Manager, the Company and PCCW have agreed to jointly and severally indemnify the Hong Kong Underwriters for certain losses which they may suffer, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by them of the Hong Kong Underwriting Agreement.

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INDEPENDENCE OF THE JOINT SPONSORS

Each of the Joint Sponsors satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Offering (together, the “**Syndicate Members**”) and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilising process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In relation to the Share Stapled Units, those activities could include acting as agent for buyers and sellers of the Share Stapled Units, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in the Share Stapled Units, and entering into over the counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the Share Stapled Units. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the Share Stapled Units. All such activity could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Share Stapled Units, in baskets of securities or indices including the Share Stapled Units, in units of funds that may purchase the Share Stapled Units, or in derivatives related to any of the foregoing.

In relation to issues by the Syndicate Members or their affiliates of any listed securities having the Share Stapled Units as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Share Stapled Units in most cases.

All such activities may occur both during and after the end of the stabilising period described in the section headed “Structure of the Global Offering” in this prospectus. Such activities may affect the market price or value of the Share Stapled Units, the liquidity or trading volume in the Share Stapled Units and the volatility of the price of the Share Stapled Units, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

- (a) the Syndicate Members (other than the Stabilising Manager or any person acting for it) must not, in connection with the distribution of the Offer Share Stapled Units, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Share Stapled Units), whether in the open market or otherwise, with a view to stabilising or maintaining the market price of any of the Offer Share Stapled Units at levels other than those which might otherwise prevail in the open market; and
- (b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

STRUCTURE OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

The Global Offering comprises the Hong Kong Public Offering, the International Offering and the Preferential Offering. The Trustee-Manager and the Company will initially make available 2,053,354,000 Offer Share Stapled Units under the Global Offering. Of the 2,053,354,000 Offer Share Stapled Units made available under the Global Offering, approximately 90% of the Offer Share Stapled Units initially available under the Global Offering will initially be conditionally placed pursuant to the International Offering (of which approximately 10% of the Offer Share Stapled Units initially available under the Global Offering and up to a maximum of approximately 30% of the Share Stapled Units initially available under the Global Offering will be offered to Qualifying PCCW Shareholders pursuant to the Preferential Offering) and the remaining Offer Share Stapled Units will initially be offered to the public in Hong Kong under the Hong Kong Public Offering (subject, in each case, to reallocation on the basis described in the section headed “Structure of the Global Offering — The Hong Kong Public Offering — Reallocation” below). The Offer Share Stapled Units in the International Offering will be offered outside the United States (including to professional and institutional investors within Hong Kong) in offshore transactions in accordance with Regulation S (including Offer Share Stapled Units to be offered under a public offering without listing in Japan) and in the United States to QIBs only in reliance on Rule 144A or another available exemption from, or transactions not subject to, the registration requirements under the U.S. Securities Act.

Investors may apply for the Share Stapled Units under the Hong Kong Public Offering or indicate an interest, if qualified to do so, for the Share Stapled Units under the International Offering, but may not do both (except those eligible to apply for the Reserved Share Stapled Units in the Preferential Offering may also either apply for the Hong Kong Offer Share Stapled Units under the Hong Kong Public Offering, if eligible, or indicate an interest for the Share Stapled Units under the International Offering, if qualified to do so). The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong. The International Offering will involve selective marketing of the Share Stapled Units to professional, institutional, corporate and other investors anticipated to have a sizeable demand for such Share Stapled Units in Hong Kong and other jurisdictions outside the United States. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities, and corporate entities which regularly invest in shares and other securities. Prospective professional, institutional, corporate and other investors will be asked to specify the number of Share Stapled Units under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to the Price Determination Date. The International Offering will also include a public offering without listing of the Offer Share Stapled Units in Japan. The Preferential Offering is open only to Qualifying PCCW Shareholders.

Allocation of the Share Stapled Units pursuant to the International Offering will be determined by the Joint Sponsors and will be based on a number of factors including the level and timing of demand, total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Share Stapled Units and/or hold or sell the Share Stapled Units after the Listing. Such allocation is intended to result in a distribution of the Share Stapled Units on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of the HKT Trust and the Holders of Share Stapled Units as a whole.

Allocation of Hong Kong Offer Share Stapled Units to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Share Stapled Units validly applied for by applicants, although the allocation of Hong Kong Offer Share Stapled Units could, where

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appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Share Stapled Units, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Share Stapled Units.

In connection with the Global Offering, the HKT Trust and the Company expect to grant the Over-Allotment Option to the International Underwriters, exercisable by the Joint Sponsors (on behalf of the International Underwriters). Further details are set out in the section headed “Structure of the Global Offering — The International Offering — Over-Allotment Option” below.

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters and the International Offering is expected to be fully underwritten by the International Underwriters, in each case on a several basis, each being subject to the conditions set out in the section headed “Structure of the Global Offering — Conditions of the Global Offering” below. The Trustee-Manager and the Company entered into the Hong Kong Underwriting Agreement on 14 November 2011, subject to agreement on the Offer Price between the Trustee-Manager, the Company and the Joint Sponsors (on behalf of the Underwriters), and expect to enter into the International Underwriting Agreement on the Price Determination Date. The Hong Kong Underwriting Agreement and the International Underwriting Agreement are expected to be conditional upon each other.

References in this prospectus to applications, Application Forms, application or subscription monies or the procedure for application relate solely to the Hong Kong Public Offering and the Preferential Offering.

PRICE PAYABLE ON APPLICATION

The Offer Price will not be more than HK\$5.38 and is expected to be not less than HK\$4.53. Applicants for the Hong Kong Offer Share Stapled Units under the Hong Kong Public Offering and for the Reserved Share Stapled Units under the Preferential Offering should pay, on application, the maximum price of HK\$5.38 per Offer Share Stapled Unit plus the brokerage fee of 1.0%, the SFC transaction levy of 0.003% and the Stock Exchange trading fee of 0.005% thereon, amounting to a total of HK\$5,434.23 for one board lot of 1,000 Share Stapled Units.

If the Offer Price, as finally determined in the manner described below, is lower than HK\$5.38, being the maximum price, the Trustee-Manager and/or the Company will refund the respective difference (including the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) to successful applicants, without interest. Further details are set out in the section headed “How to apply for Hong Kong Offer Share Stapled Units and Reserved Share Stapled Units” in this prospectus.

DETERMINING THE OFFER PRICE

The Offer Price is expected to be determined by agreement between the Trustee-Manager, the Company and the Joint Sponsors (on behalf of the Underwriters) on or before the Price Determination Date, when market demand for the Offer Share Stapled Units will be determined. The Price Determination Date is expected to be on or about Tuesday, 22 November 2011 and, in any event, no later than Friday, 25 November 2011.

The Offer Price will not be more than HK\$5.38 per Offer Share Stapled Units and is expected to be not less than HK\$4.53 per Offer Share Stapled Unit. The Offer Price will fall within the Offer Price range as stated in this prospectus unless otherwise announced, as further explained below, not later than the

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morning of the last day for lodging applications under the Hong Kong Public Offering and the Preferential Offering. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

The Joint Sponsors, on behalf of the Underwriters, may, where considered appropriate, based on the level of interest expressed by prospective professional, institutional, corporate and other investors during the book-building process, and with the consent of the Trustee-Manager and the Company, reduce the number of Offer Share Stapled Units and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering and the Preferential Offering. In such a case, the Trustee-Manager and the Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering and the Preferential Offering, cause to be published in The Standard (in English) and the Hong Kong Economic Journal (in Chinese) and on the website of the Stock Exchange at www.hkexnews.hk and on the website of the Company at www.hkt.com notices of the reduction in the number of Offer Share Stapled Units and/or the indicative Offer Price range. Upon issue of such a notice, the revised number of Offer Share Stapled Units and/or Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Joint Sponsors (on behalf of the Underwriters), the Trustee-Manager and the Company, will be fixed within such revised Offer Price range. Applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Share Stapled Units and/or the indicative Offer Price Range may not be made until the last day for lodging application under the Hong Kong Public Offering. Such notice will also include confirmation or revision, as appropriate, of the working capital statement, the Global Offering statistics as currently set out in the section headed "Overview" in this prospectus and any other financial information which may change materially as a result of such reduction.

In the absence of any such notice being so published, the number of Offer Share Stapled Units and/or the Offer Price, if agreed upon between the Trustee-Manager, the Company and the Joint Sponsors, will under no circumstances be less than the number of Offer Share Stapled Units initially offered under the Global Offering or be set outside the Offer Price range as stated in this prospectus.

In the event of a reduction in the number of Offer Share Stapled Units, the Joint Sponsors may, at its discretion, reallocate the number of Offer Share Stapled Units to be offered in the Hong Kong Public Offering and the International Offering, provided that the number of Offer Share Stapled Units available under the Hong Kong Public Offering shall not be less than 10% of the total number of Offer Share Stapled Units available under the Global Offering (assuming the Over-Allotment Option is not exercised). The Offer Share Stapled Units to be offered in the Hong Kong Public Offering and the Offer Share Stapled Units to be offered in the International Offering may, in certain circumstances, be reallocated between these offerings at the discretion of the Joint Sponsors. Further details are set out in this section headed "Structure of the Global Offering — The Hong Kong Public Offering — Reallocation" below.

If the Joint Sponsors (on behalf of the Underwriters), the Trustee-Manager and the Company are unable to reach agreement on the Offer Price, the Global Offering will not become unconditional and will lapse immediately.

The final Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the Preferential Offering, and the basis of allocation

STRUCTURE OF THE GLOBAL OFFERING

of Offer Share Stapled Units under the Hong Kong Public Offering and the Preferential Offering are expected to be announced on Monday, 28 November 2011 in The Standard (in English) and the Hong Kong Economic Journal (in Chinese), on the website of the Stock Exchange at www.hkexnews.hk and on the website of the Company at www.hkt.com.

THE HONG KONG PUBLIC OFFERING

Number of Share Stapled Units initially offered

The Hong Kong Public Offering is a fully underwritten public offer (subject to agreement as to pricing and satisfaction or waiver of the other conditions set out in the Hong Kong Underwriting Agreement) for the subscription in Hong Kong of, initially, 205,336,000 Share Stapled Units at the Offer Price representing 10% of the total number of Share Stapled Units initially available under the Global Offering. Subject to the reallocation of Share Stapled Units between the International Offering and the Hong Kong Public Offering, the Hong Kong Offer Share Stapled Units will represent approximately 10% of the total Share Stapled Units in issue immediately following the completion of the Global Offering.

Allocation

The total number of Offer Share Stapled Units available under the Hong Kong Public Offering (after taking account of any reallocation referred to below) is to be divided into two pools for allocation purposes (subject to adjustment of odd lot size): pool A and pool B. The Hong Kong Offer Share Stapled Units in pool A will consist of 102,668,000 Hong Kong Offer Share Stapled Units and will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Share Stapled Units with an aggregate subscription price of HK\$5,000,000 (excluding the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable) or less. The Hong Kong Offer Share Stapled Units in pool B will consist of 102,668,000 Hong Kong Offer Share Stapled Units and will be allocated on an equitable basis to applicants who have applied for the Hong Kong Offer Share Stapled Units with an aggregate subscription price of more than HK\$5,000,000 and up to the total value of pool B (excluding the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable). Applicants should be aware that applications in pool A and in pool B may receive different allocation ratios. If the Hong Kong Offer Share Stapled Units in one (but not both) of the pools are undersubscribed, the surplus Hong Kong Offer Share Stapled Units will be transferred to the other pool to satisfy demand in that pool and be allocated accordingly. Applicants can only receive an allocation of the Hong Kong Offer Share Stapled Units from either pool A or pool B but not from both pools. Multiple or suspected multiple applications and any application for more than 50% of the Hong Kong Offer Share Stapled Units initially included in the Hong Kong Public Offering will be rejected. Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application has not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Share Stapled Units under the International Offering, and such applicant's application will be rejected if the said undertaking and/or confirmation is breached and/or the confirmation is untrue (as the case may be) or if such applicant has been or will be placed or allocated Offer Share Stapled Units under the International Offering.

Reallocation

The allocation of Offer Share Stapled Units between the Hong Kong Public Offering and the International Offering is subject to adjustment on the following basis:

- if the number of Offer Share Stapled Units validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of the Offer Share

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Stapled Units initially available for subscription under the Hong Kong Public Offering, then Offer Share Stapled Units will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Offer Share Stapled Units available under the Hong Kong Public Offering will be 616,008,000 Offer Share Stapled Units, representing 30% of the Offer Share Stapled Units initially available under the Global Offering;

- if the number of Offer Share Stapled Units validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of the Offer Share Stapled Units initially available for subscription under the Hong Kong Public Offering, then the number of Offer Share Stapled Units to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of Offer Share Stapled Units available under the Hong Kong Public Offering will be 821,342,000 Offer Share Stapled Units, representing 40% of the Offer Share Stapled Units initially available under the Global Offering; and
- if the number of Offer Share Stapled Units validly applied for under the Hong Kong Public Offering represents 100 times or more the number of the Offer Share Stapled Units initially available for subscription under the Hong Kong Public Offering, then the number of Offer Share Stapled Units to be reallocated to the Hong Kong Public Offering from the International Offering will be increased, so that the total number of Offer Share Stapled Units available under the Hong Kong Public Offering will be 1,026,678,000 Offer Share Stapled Units, representing 50% of the Offer Share Stapled Units initially available under the Global Offering.

In each such case, the additional Offer Share Stapled Units reallocated to the Hong Kong Public Offering will be allocated equally (subject to adjustment of odd lot size) between pool A and pool B and the number of Offer Share Stapled Units allocated to the International Offering will be correspondingly reduced in such manner as the Joint Sponsors deem appropriate.

In addition, the Joint Sponsors may at their discretion reallocate Offer Share Stapled Units from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering. Conversely, if the Hong Kong Public Offering is not fully subscribed, the Joint Sponsors will have the authority and discretion (but shall not be under any obligation) to reallocate to the International Offering all or any unsubscribed Hong Kong Offer Share Stapled Units in such proportion and amounts as they deem appropriate.

The Preferential Offering will not be subject to reallocation between the Hong Kong Public Offering and the International Offering.

THE PREFERENTIAL OFFERING

Basis of the Assured Entitlement

In order to enable PCCW Shareholders to participate in the Global Offering on a preferential basis as to allocation only, subject to the Stock Exchange granting approval for the listing of, and permission to deal in, the Share Stapled Units on the Main Board of the Stock Exchange and the Proposed Spin-off becoming unconditional, Qualifying PCCW Shareholders are being invited to apply for an aggregate of 207,780,000 Reserved Share Stapled Units in the Preferential Offering, representing approximately 10% of the Share Stapled Units to be initially available under the Global Offering as Assured Entitlement. The Reserved Share Stapled Units are being offered out of the International Offer Share Stapled Units under the International Offering and are not subject to reallocation.

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The basis of the Assured Entitlement is one Reserved Share Stapled Unit for every integral multiple of 35 PCCW Shares held by Qualifying PCCW Shareholders as at 4:30 p.m. on the Record Date.

The Reserved Share Stapled Units are being offered out of the International Offer Share Stapled Units under the International Offering and are not subject to the reallocation as described in the section headed “Structure of the Global Offering — The Hong Kong Public Offering — Reallocation” above.

Qualifying PCCW Shareholders should note that Assured Entitlement to Reserved Share Stapled Units may not represent a number of a full board lot of 1,000 Share Stapled Units. Further, the Reserved Share Stapled Units allocated to the Qualifying PCCW Shareholders will be rounded down to the closest whole number if required, and dealings in odd lots of the Share Stapled Units may be at a price below the prevailing market price for full board lots.

Assured Entitlement of Qualifying PCCW Shareholders to Reserved Share Stapled Units are not transferable and there will be no trading in nil-paid entitlements on the Stock Exchange.

PCRD, Pacific Century Diversified Limited and Pacific Century Group Holdings Limited, which held approximately 21.29%, 3.27% and 2.13%, respectively, of the PCCW Shares in issue as at the Latest Practicable Date, have informed PCCW of their intention to take up their Assured Entitlement to the Reserved Share Stapled Units in full in the Preferential Offering.

China Netcom Corporation (BVI) Limited (an indirect wholly-owned subsidiary of 中國聯合網絡通信集團有限公司 (China United Network Communications Group Company Limited[#])), which held approximately 18.48% of the PCCW Shares in issue as at the Latest Practicable Date, has informed PCCW of their intention to take up their Assured Entitlement to the Reserved Share Stapled Units in full in the Preferential Offering, subject to the relevant domestic regulatory process (if any).

Basis of allocation for applications for Reserved Share Stapled Units

Qualifying PCCW Shareholders may apply for a number of Reserved Share Stapled Units which is greater than, less than or equal to their Assured Entitlement under the Preferential Offering. A valid application for a number of Reserved Share Stapled Units which is less than or equal to a Qualifying PCCW Shareholder’s Assured Entitlement under the Preferential Offering will be accepted in full, subject to the terms and conditions set out in the **BLUE** Application Form and assuming the conditions of the Preferential Offering are satisfied.

Where a Qualifying PCCW Shareholder applies for a number of Reserved Share Stapled Units which is greater than the Qualifying PCCW Shareholder’s Assured Entitlement under the Preferential Offering, the relevant Assured Entitlement will be satisfied in full, subject as mentioned above, but the excess portion of such application will only be met to the extent that there are sufficient Available Reserved Share Stapled Units and Additional Reserved Share Stapled Units as described below.

Qualifying PCCW Shareholders (other than HKSCC Nominees) who intend to apply for more than their Assured Entitlement must apply for a minimum of 1,000 excess Reserved Share Stapled Units that are equal to one trading board lot, or in one of the numbers set out in the table of numbers and payments in the **BLUE** Application Form (subject to a maximum of 207,780,000 Reserved Share Stapled Units); applications for a number not set out in the table of numbers and payments in the **BLUE** Application Form are liable to be rejected.

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To the extent that excess applications for the Reserved Share Stapled Units are:

- (i) less than the Assured Entitlement not taken up by the Qualifying PCCW Shareholders (the “**Available Reserved Share Stapled Units**”), the Available Reserved Share Stapled Units will first be allocated to satisfy such excess applications for the Reserved Share Stapled Units in full and thereafter will be allocated, at the discretion of the Joint Sponsors, to the International Offering;
- (ii) equal to the Available Reserved Share Stapled Units, the Available Reserved Share Stapled Units will be allocated to satisfy such excess applications for the Reserved Shares Stapled Units in full;
- (iii) more than the Available Reserved Share Stapled Units but the total number of Reserved Share Stapled Units applied for is less than 30% of the Offer Share Stapled Units initially available under the Global Offering, the Trustee-Manager and the Company will make available up to an additional 408,227,000 Share Stapled Units (the “**Additional Reserved Share Stapled Units**”), representing up to approximately 20% of the Offer Share Stapled Units initially available under the Global Offering, to satisfy the application for excess Reserved Share Stapled Units, so that the excess applications for the Reserved Share Stapled Units will be satisfied in full; or
- (iv) more than the Available Reserved Share Stapled Units and the total number of Reserved Share Stapled Units applied for is more than 30% of the Offer Share Stapled Units initially available under the Global Offering, the Additional Reserved Share Stapled Units will be allocated on a pro rata basis with reference made to the number of excess Reserved Share Stapled Units applied for, and in multiples of board lots or in the numbers set out in the table of numbers and payments in the **BLUE** Application Form. If there is an odd lot number of Shares Stapled Units left after satisfying the excess applications, such number of odd lot shares stapled units will be re-allocated, at the discretion of the Joint Sponsors, to the International Offering.

Save for the above, the Preferential Offering will not be subject to the clawback arrangement between the International Offering and the Hong Kong Public Offering.

Beneficial PCCW Shareholders whose PCCW Shares are held by a nominee company should note that the Trustee-Manager and the Company will regard the nominee company as a single PCCW Shareholder according to the register of members of PCCW. Accordingly, Beneficial PCCW Shareholders whose PCCW Shares are held by a nominee company should note that the arrangement under paragraph (iv) above will not apply to them individually. Any Beneficial PCCW Shareholders whose PCCW Shares are registered in the name of a nominee, trustee or registered holder in any other capacity should make arrangements with such nominee, trustee or registered holder in relation to applications for Reserved Share Stapled Units under the Preferential Offering. Any such person is advised to consider whether it wishes to arrange for the registration of the relevant PCCW Shares in the name of the beneficial owner prior to the Record Date.

Applications by Qualifying PCCW Shareholders for Hong Kong Offer Share Stapled Units

In addition to any application for Reserved Share Stapled Units on a **BLUE** Application Form, Qualifying PCCW Shareholders will be entitled to make one application for Hong Kong Offer Share Stapled Units on **WHITE** or **YELLOW** Application Forms or by giving **electronic application instructions** to HKSCC via CCASS or to the designated **WHITE** Form eIPO Service Provider through the **WHITE Form eIPO** service. Qualifying PCCW Shareholders will receive no preference as to entitlement or allocation in respect of applications for Hong Kong Offer Share Stapled Units made on **WHITE** or **YELLOW** Application Forms or by giving **electronic application instructions** to HKSCC or to the designated **WHITE** Form eIPO Service Provider through the **WHITE Form eIPO** service under the Hong Kong Public Offering.

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Qualifying PCCW Shareholders and Non-Qualifying PCCW Shareholders

Only PCCW Shareholders whose names appeared on the register of members of PCCW on the Record Date and who are not Non-Qualifying PCCW Shareholders are entitled to subscribe for the Reserved Share Stapled Units under the Preferential Offering.

Non-Qualifying PCCW Shareholders are those PCCW Shareholders with registered addresses in, or who are otherwise known by PCCW to be residents of, jurisdictions outside Hong Kong on the Record Date and in respect of whom the directors of PCCW and the Trustee-Manager and the Company, based on enquiries made by the directors of PCCW and the Trustee-Manager and the Company, consider it necessary or expedient to exclude them from the Preferential Offering on account either of the legal restrictions under the laws of the relevant jurisdiction in which the relevant PCCW Shareholder is located or the requirements of the relevant regulatory body or stock exchange in that jurisdiction.

The directors of PCCW and the Trustee-Manager and the Company have made enquiries regarding the legal restrictions under the applicable securities legislation of the Specified Territories and the requirements of the relevant regulatory bodies or stock exchanges with respect to the offer of the Reserved Share Stapled Units to the PCCW Shareholders in the Specified Territories. Having considered the circumstances, the directors of PCCW and the Trustee-Manager and the Company have formed the view that it is necessary or expedient to restrict the ability of PCCW Shareholders in the Specified Territories to take up their Assured Entitlement to the Reserved Share Stapled Units under the Preferential Offering due to the time and costs involved in the registration or filing of this prospectus and/or approval required by the relevant authorities in those territories and/or additional steps which the Trustee-Manager, the Company and the PCCW Shareholders would need to take to comply with the local legal and/or other requirements which would need to be satisfied in order to comply with the relevant local or regulatory requirements in those territories.

Accordingly, for the purposes of the Preferential Offering, the Non-Qualifying PCCW Shareholders are:

- (a) Shareholders whose names appeared in the register of members of PCCW at 4:30 p.m. on the Record Date and whose addresses as shown in such register is/are in any of the Specified Territories, except for those Shareholders whose address(es) as shown in the register is/are in any of the Specified Territories but who satisfy the conditions to participate in the Preferential Offering set out in the section headed “How to apply for Hong Kong Offer Share Stapled Units and Reserved Share Stapled Units — Applications for Reserved Share Stapled Units — Who can apply for Reserved Share Stapled Units” in this prospectus; and
- (b) Shareholders or Beneficial Owners at 4:30 p.m. on the Record Date who are otherwise known by PCCW to be resident in any of the Specified Territories, except for those Shareholders or Beneficial Owners whose address(es) as shown in the register is/are in any of the Specified Territories but who satisfy the conditions to participate in the Preferential Offering set out in the section headed “How to apply for Hong Kong Offer Share Stapled Units and Reserved Share Stapled Units — Applications for Reserved Share Stapled Units — Who can apply for Reserved Share Stapled Units” in this prospectus.

Notwithstanding any other provision in this prospectus or the **BLUE** Application Forms, the Trustee-Manager and the Company reserve the right to permit any PCCW Shareholder to take up his/her/its Assured Entitlement to the Reserved Share Stapled Units if the Trustee-Manager and the Company, in their absolute discretion, are satisfied that the transaction in question is exempt from or not subject to the legislation or regulations giving rise to the restrictions described above.

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Distribution of this Prospectus on CD-ROM and the BLUE Application Forms

A **BLUE** Application Form has been despatched to each Qualifying PCCW Shareholder with an Assured Entitlement together with an electronic copy of this prospectus on CD-ROM.

Distribution of this prospectus on CD-ROM and/or the **BLUE** Application Forms into any jurisdiction other than Hong Kong may be restricted by law. Persons into whose possession the CD-ROM and/or the **BLUE** Application Forms come (including, without limitation, agents, custodians, nominees and trustees) should inform themselves of, and observe, any such restriction. Any failure to comply with such restriction may constitute a violation of the securities laws of any such jurisdiction. In particular, the CD-ROM should not be distributed, forwarded or transmitted in, into or from any of the Specified Territories with or without the **BLUE** Application Forms, except to Qualifying PCCW Shareholders as specified in this prospectus.

Receipt of this prospectus on CD-ROM and/or the **BLUE** Application Form does not and will not constitute an offer in those jurisdictions in which it would be illegal to make an offer and, in those circumstances, this prospectus on CD-ROM and/or the **BLUE** Application Form must be treated as sent for information only and should not be copied or redistributed. Persons (including, without limitation, agents, custodians, nominees and trustees) who receive a copy of this prospectus on CD-ROM and/or the **BLUE** Application Forms should not, in connection with the Preferential Offering, distribute or send the same in, into or from, any of the Specified Territories. If the **BLUE** Application Form is received by any person in any such territory, or by his/her/its agent or nominee, he/she/it should not apply for any Reserved Share Stapled Units unless the directors of PCCW and the Trustee-Manager and the Company determine that such actions would not violate applicable legal or regulatory requirements. Any person (including, without limitation, agents, custodians, nominees and trustees) who forwards this prospectus on CD-ROM and/or the **BLUE** Application Form(s) in, into or from any Specified Territory (whether under a contractual or legal obligation or otherwise) should draw the recipient's attention to the contents of this section.

Application procedures

The procedures for application under and the terms and conditions of the Preferential Offering are set out in the section headed "How to apply for Hong Kong Offer Share Stapled Units and Reserved Share Stapled Units" in this prospectus and on the **BLUE** Application Forms.

THE PCCW DISTRIBUTIONS

The first distribution in specie (the "**First PCCW Distribution**") will be a distribution by PCCW to the First PCCW Distribution Qualifying Shareholders of Share Stapled Units representing not more than an aggregate of 160,418,270 Share Stapled Units, representing approximately 2.5% of the Share Stapled Units in issue immediately following the completion of the Global Offering assuming the Over-Allotment Option is not exercised, in proportion to their shareholdings in PCCW as at 4:30 p.m. on Friday, 30 December 2011, being the First PCCW Distribution Record Date.

The second distribution in specie (the "**Second PCCW Distribution**") will be a distribution by PCCW to the Second PCCW Distribution Qualifying Shareholders of Share Stapled Units representing not more than an aggregate of 160,418,270 Share Stapled Units, representing approximately 2.5% of the Share Stapled Units in issue immediately following the completion of the Global Offering assuming the Over-Allotment Option is not exercised, in proportion to their shareholdings in PCCW as at 4:30 p.m. on Tuesday, 20 March 2012, being the Second PCCW Distribution Record Date.

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The two distributions in specie with different distribution record dates act as a reward for loyal PCCW Shareholders that continue to hold on to their PCCW Shares through the First PCCW Distribution Date and Second PCCW Distribution Date by distributing additional bonus Share Stapled Units to these PCCW Shareholders.

The PCCW Distributions are conditional upon the Global Offering becoming unconditional in all respects.

Subject to the PCCW Distributions becoming unconditional, the Trustee-Manager and the Company expect to despatch certificates in respect of the Share Stapled Units to the First PCCW Distribution Qualifying Shareholders who are entitled to receive Share Stapled Units under the First PCCW Distribution on or before Friday, 2 March 2012 and to the Second PCCW Distribution Qualifying Shareholders who are entitled to receive Share Stapled Units under the Second PCCW Distribution on or before Tuesday, 22 May 2012.

Overseas PCCW Shareholders will not receive Share Stapled Units under the PCCW Distributions. Instead, the Share Stapled Units which they would otherwise have received pursuant to the PCCW Distributions will be sold by PCCW on their behalf as soon as reasonably practicable after the First PCCW Distribution Record Date or the Second PCCW Distribution Record Date (as the case may be) and they will receive a cash amount equal to the net proceeds of such sale. The proceeds of such sale, net of expenses, will be paid to the Overseas PCCW Shareholders in Hong Kong dollars. Such payment is expected to be made to Overseas PCCW Shareholders on or before Wednesday, 14 March 2012 in respect of the First PCCW Distribution and on or before Friday, 1 June 2012 in respect of the Second PCCW Distribution.

PCCW will send a letter to CCASS Participants (other than CCASS Investor Participants) notifying such CCASS Participants that, in light of applicable laws and regulations of the Specified Territories, Underlying Overseas PCCW Shareholders may not receive the PCCW Distributions. To the extent CCASS Participants hold any PCCW Shares on behalf of any Underlying Overseas PCCW Shareholders, they should sell the Share Stapled Units which they receive under the PCCW Distributions on behalf of such Underlying Overseas PCCW Shareholders and pay the net proceeds of such sale to such Underlying Overseas PCCW Shareholders. None of the Trustee-Manager, the Company, the HKT Trust, the Joint Sponsors, any of the Underwriters, any of their respective directors, officers or representatives or any other person involved in the Global Offering takes any responsibility for the sale of such Share Stapled Units or the payment of the net proceeds of the sale of such Share Stapled Units to any Underlying Overseas PCCW Shareholders.

THE INTERNATIONAL OFFERING

Number of Offer Share Stapled Units initially offered

The number of Offer Share Stapled Units to be initially offered for subscription under the International Offering will be 1,848,018,000 Share Stapled Units, representing in aggregate approximately 90% of the Offer Share Stapled Units initially available under the Global Offering. The International Offering is subject to the Hong Kong Public Offering being unconditional.

Pursuant to the International Offering, the International Offer Share Stapled Units will be conditionally placed by the International Underwriters, or through selling agents appointed by them, in Hong Kong and other jurisdictions outside the United States with professional, institutional, corporate and other investors anticipated to have a sizeable demand for Share Stapled Units in offshore transactions in accordance with Regulation S (including Offer Share Stapled Units to be offered under a public offering without listing in Japan) and in the United States with QIBs in reliance on Rule 144A or another available exemption from, or transactions not subject to, the registration requirements under the U.S. Securities Act.

STRUCTURE OF THE GLOBAL OFFERING

The Joint Sponsors (on behalf of the Underwriters) may require any investor who has been offered Offer Share Stapled Units under the International Offering and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Joint Sponsors so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that such investor is excluded from any application for Offer Share Stapled Units under the Hong Kong Public Offering.

Over-Allotment Option

The HKT Trust and the Company expect to grant to the International Underwriters, the Over-Allotment Option, exercisable by the Joint Sponsors (on behalf of the International Underwriters) in whole or in part at one or more times from the Listing Date until 30 days after the last day for the lodging of applications under the Hong Kong Public Offering and the Preferential Offering. Pursuant to the Over-Allotment Option, the HKT Trust and the Company may be required to issue up to an aggregate of 308,003,000 additional Share Stapled Units, representing approximately 15% of the number of Offer Share Stapled Units initially being offered under the Global Offering, at the Offer Price, to, among other things, cover over-allocations in the International Offering, if any. The Joint Sponsors may also cover such over-allocations by purchasing Share Stapled Units in the secondary market or by a combination of purchase(s) in the secondary market and a partial exercise of the Over-Allotment Option. Any such secondary market purchase(s) will be made in compliance with all applicable laws, rules and regulations. If the Over-Allotment Option is exercised in full, the number of Share Stapled Units being offered in the Global Offering will increase to 2,361,357,000 Share Stapled Units, representing approximately 35.1% of the total Share Stapled Units in issue immediately following the completion of the Global Offering and the full exercise of the Over-Allotment Option. The Over-Allotment Option can only be exercised to the extent that PCCW's holding of Share Stapled Units remains at not less than 51% of the Share Stapled Units in issue following the exercise of the Over-Allotment Option. This is because of the terms of the consent of 中國聯合網絡通信集團有限公司 (China United Network Communications Group Company Limited[#]), which permits the disposal of up to 49% of the Group's voting interest in Hong Kong Telecommunications (HKT) Limited. In the event that the Over-Allotment Option is exercised, a public announcement will be made.

SHARE STAPLED UNITS BORROWING AGREEMENT

In order to facilitate the settlement of over-allocations in connection with the International Offering, the Stabilising Manager (or its affiliate) may choose to borrow Share Stapled Units from CAS Holding No. 1 Limited under the Share Stapled Units Borrowing Agreement or acquire Share Stapled Units from other sources. The Share Stapled Units Borrowing Agreement will not be subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules provided that the requirements set out in Rule 10.07(3) are complied with. Furthermore, (a) Share Stapled Units so borrowed will only be used for settlement of over-allocations in the International Offering prior to the exercise of the Over-Allotment Option, (b) the maximum number of Share Stapled Units to be borrowed from CAS Holding No. 1 Limited will be limited to the maximum number of Share Stapled Units which may be issued upon full exercise of the Over-Allotment Option, which is limited to 308,003,000 Share Stapled Units or approximately 15% of the Share Stapled Units initially available under the Global Offering, (c) the same number of Share Stapled Units so borrowed must be returned to CAS Holding No. 1 Limited on or before the third business day following the earlier of (i) the last date on which the Over-Allotment Option may be exercised and (ii) the day on which the Over-Allotment

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Option is exercised in full, (d) borrowing of Share Stapled Units pursuant to the Share Stapled Units Borrowing Agreement will be effected in compliance with all applicable listing rules, laws and other regulatory requirements and (e) no payment will be made to CAS Holding No. 1 Limited in relation to the Share Stapled Units Borrowing Agreement.

STABILISING ACTION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to minimise and, if possible, prevent a decline in the prices of the securities. In Hong Kong and certain other jurisdictions, activity aimed at reducing the market price is prohibited, and the price at which stabilisation is effected is not permitted to exceed the Offer Price.

In connection with the Global Offering, Goldman Sachs (Asia) L.L.C., as the Stabilising Manager, its affiliates or any other person acting for it, on behalf of the Underwriters, may over-allot or effect transactions with a view to stabilising or supporting the market price of the Share Stapled Units at a level higher than that which might otherwise prevail in the open market for a limited period commencing on the Listing Date. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements including those of Hong Kong. However, there is no obligation on the Stabilising Manager, its affiliates or any other person acting for it to conduct any such stabilising action. Such stabilisation, if commenced, will be conducted at the absolute discretion of the Stabilising Manager, its affiliates or any other person acting for it and may be discontinued at any time, and must be brought to an end within 30 days of the last day for lodging of applications under the Hong Kong Public Offering and the Preferential Offering. Stabilisation activities will only be entered into in accordance with the laws, rules and regulations in place in Hong Kong on stabilisation. The Stabilising Manager, its affiliates or any other person acting for it may take all or any of the following stabilisation actions permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong), including:

- (a) purchasing, or agreeing to purchase, any of the Share Stapled Units for the sole purpose of preventing or minimising any reduction in the market price of the Share Stapled Units;
- (b) offering or attempting to do anything as described in paragraph (a) above for the sole purpose of preventing or minimising any reduction in the market price of the Share Stapled Units;
- (c) over-allocating for the purpose of preventing or minimising any reduction in the market price of the Share Stapled Units;
- (d) selling or agreeing to sell the Share Stapled Units so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price of the Share Stapled Units;
- (e) purchasing or subscribing for, or agreeing to purchase or subscribe for, the Share Stapled Units pursuant to the Over-Allotment Option in order to close out any position established under paragraph (c) or (d) above;
- (f) selling or agreeing to sell any Share Stapled Units acquired in the course of conducting stabilising activities under paragraphs (a) and (b) above in order to liquidate any position established as a result of those activities; and
- (g) offering or attempting to do anything as described in paragraphs (d), (e) or (f) above.

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The Stabilising Manager, its affiliates or any other person acting for it, may, in connection with the stabilising action, maintain a long position in the Share Stapled Units, and there is no certainty as to the extent to which and the time period for which it will maintain such a position. Investors should be warned of the possible impact of any liquidation of the long position by the Stabilising Manager, its affiliates or any other person acting for it, which may include a decline in the market price of the Share Stapled Units.

Stabilisation cannot be used to support the price of the Share Stapled Units for longer than the stabilisation period, which begins on the Listing Date and ends on the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering and the Preferential Offering. The stabilisation period is expected to expire on 21 December 2011. After this date, when no further stabilising action may be taken, demand for the Share Stapled Units, and therefore their market price, could fall. A public announcement will be made within seven days after the end of the stabilising period in accordance with the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong).

Investors should be aware that any stabilising action taken by the Stabilising Manager, its affiliates or any other person acting for it, may not necessarily result in the market price of the Share Stapled Units staying at or above the Offer Price either during or after the stabilisation period. Stabilisation bids or transactions effected in the course of the stabilising action may be made at any price at or below the Offer Price and can, therefore, be done at a price below the price paid by applicants for, or investors in, the Share Stapled Units.

Following any over-allocation of Share Stapled Units in connection with the Global Offering resulting in a short position, the Stabilising Manager, its affiliates or any other person acting for it may cover such short position by, among other methods, using Share Stapled Units purchased by the Stabilising Manager, its affiliates or any other person acting for it in the secondary market or by exercising the Over-Allotment Option in full or in part during the period when stabilisation activities are permitted and any such purchases or exercise will be made in accordance with the laws, rules and regulations in place in Hong Kong, including in relation to stabilisation, the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong). The covered short position will not exceed the number of Share Stapled Units which may be issued upon the exercise of the Over-Allotment Option, being 308,003,000 Share Stapled Units, representing approximately 15% of the Offer Share Stapled Units initially offered under the Global Offering.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for the Offer Share Stapled Units will be conditional on:

- (a) the Listing Committee granting approval for the listing of, and permission to deal in, the Share Stapled Units in issue and to be issued pursuant to the Global Offering (including the Share Stapled Units which may be issued pursuant to the exercise of the Over-Allotment Option and Share Stapled Units which may fall to be issued pursuant to the exercise of options granted under the 2011-2021 Option Scheme) and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the Share Stapled Units on the Stock Exchange;
- (b) the Offer Price having been duly agreed between the Trustee-Manager, the Company and the Joint Sponsors (on behalf of the Underwriters);
- (c) the execution and delivery of the International Underwriting Agreement on or about the Price Determination Date; and

STRUCTURE OF THE GLOBAL OFFERING

- (d) the obligations of the Underwriters under each of the respective Underwriting Agreements becoming and remaining unconditional (including, if relevant, as a result of the waiver of any conditions by the Joint Sponsors, on behalf of the Underwriters) and such obligations not being terminated in accordance with the terms of the respective Underwriting Agreements,

in each case, on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times).

If, for any reason, the Offer Price is not agreed between the Trustee-Manager, the Company and the Joint Sponsors (on behalf of the Underwriters) on or before Friday, 25 November 2011, the Global Offering will not proceed and will lapse.

The consummation of the Hong Kong Public Offering is conditional upon, among other things, the International Offering and the Hong Kong Public Offering becoming unconditional and not having been terminated in accordance with their respective terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. The Trustee-Manager and the Company will as soon as possible publish or cause to be published a notice of the lapse of the Hong Kong Public Offering in The Standard (in English) and the Hong Kong Economic Journal (in Chinese), on the website of the Stock Exchange at www.hkexnews.hk and on the website of the Company at www.hkt.com.

In case the Hong Kong Public Offering lapses, the Trustee-Manager and/or the Company will return all application monies to the applicants, without interest, and on the terms set out under in the section headed "How to apply for Hong Kong Offer Share Stapled Units and Reserved Share Stapled Units" in this prospectus. In the meantime, all application monies will be held in a separate bank account or separate bank accounts with the receiving banker(s) or other bank(s) licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Tuesday, 29 November 2011, it is expected that dealings in the Share Stapled Units on the Stock Exchange will commence at 9:00 a.m. on Tuesday, 29 November 2011. The Share Stapled Units will be traded on the Main Board in board lots of 1,000 Share Stapled Units each.

HOW TO APPLY FOR HONG KONG OFFER SHARE STAPLED UNITS AND RESERVED SHARE STAPLED UNITS

IMPORTANT

The HKT Trust and the Company will be relying on Section 9A of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong) and will be issuing the **WHITE** and **YELLOW** Application Forms without them being accompanied by a printed prospectus. The contents of the printed prospectus are identical to the electronic form of the prospectus which can be accessed and downloaded from the websites of the Company at www.hkt.com and the Stock Exchange at www.hkexnews.hk, under the “HKExnews > Listed Company Information > Latest Listed Company Information” section, respectively.

Members of the public who wish to obtain a copy of the printed prospectus may obtain a copy, free of charge, upon request during normal business hours from 9:00 a.m. on Wednesday, 16 November 2011 until 12:00 noon on Monday, 21 November 2011 at the following locations:

1. any of the following branches of the receiving banks for the Hong Kong Public Offering:

(a) **The Hongkong and Shanghai Banking Corporation Limited**

	<u>Branch name</u>	<u>Address</u>
Hong Kong Island	Hong Kong Office	Level 3, 1 Queen’s Road Central, Hong Kong
Kowloon	Mong Kok Branch	Basement & U/G, 673 Nathan Road, Mong Kok, Kowloon

(b) **Bank of China (Hong Kong) Limited**

	<u>Branch name</u>	<u>Address</u>
Hong Kong Island	Connaught Road Central Branch	13-14 Connaught Road Central
New Territories	Yuen Long (Hang Fat Mansion) Branch	8-18 Castle Peak Road, Yuen Long

(c) **Standard Chartered Bank (Hong Kong) Limited**

	<u>Branch name</u>	<u>Address</u>
Hong Kong Island	Hennessy Road Branch	399 Hennessy Road, Wanchai
Kowloon	Kwun Tong Hoi Yuen Road Branch	G/F, Fook Cheong Building, No. 63 Hoi Yuen Road, Kwun Tong, Kowloon

HOW TO APPLY FOR HONG KONG OFFER SHARE STAPLED UNITS AND RESERVED SHARE STAPLED UNITS

2. any of the following addresses of:
 - (a) **China International Capital Corporation Hong Kong Securities Limited**, 29th Floor, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong;
 - (b) **Deutsche Bank AG, Hong Kong Branch**, Level 52, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong; and
 - (c) **Goldman Sachs (Asia) L.L.C.**, 68th Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong; and
3. the Depository Counter of HKSCC at 2nd Floor, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong.

Details of where printed prospectuses may be obtained will be displayed prominently at every branch of The Hongkong and Shanghai Banking Corporation Limited, Bank of China (Hong Kong) Limited and Standard Chartered Bank (Hong Kong) Limited where WHITE Application Forms are distributed.

During normal business hours from 9:00 a.m. on Wednesday, 16 November 2011 until 12:00 noon on Monday, 21 November 2011, at least three copies of the printed prospectus will be available for inspection at every location where the **WHITE** and **YELLOW** Application Forms are distributed as set out in this section.

A. APPLICATIONS FOR HONG KONG OFFER SHARE STAPLED UNITS

There are three channels to make an application for the Hong Kong Offer Share Stapled Units. You may either (i) use a **WHITE** or **YELLOW** Application Form, (ii) apply online through the designated website of the White Form eIPO Service Provider, referred to herein as the "**White Form eIPO**" service or (iii) give **electronic application instructions** to instruct HKSCC to cause HKSCC Nominees to apply for the Hong Kong Offer Share Stapled Units on your behalf.

Except where you are a nominee and provide the required information in your application, you or your joint applicant(s) may not make more than one application (whether individually or jointly) by applying on a **WHITE** or **YELLOW** Application Form or applying online through the **White Form eIPO** service or by giving **electronic application instructions** to HKSCC.

I. HOW TO APPLY FOR HONG KONG OFFER SHARE STAPLED UNITS

1. Who can apply for Hong Kong Offer Share Stapled Units

You can apply for the Hong Kong Offer Share Stapled Units available for subscription by the public on a **WHITE** or **YELLOW** Application Form if you, or any person(s) for whose benefit you are applying, if any, are an individual, and:

- are 18 years of age or older;
- have a Hong Kong address;
- are not within the United States (within the meaning of Regulation S) or are a person described in paragraph h(3) of Rule 902 of Regulation S; and
- are not a legal or natural person of the PRC (except qualified domestic institutional investors).

HOW TO APPLY FOR HONG KONG OFFER SHARE STAPLED UNITS AND RESERVED SHARE STAPLED UNITS

If you wish to apply for Hong Kong Offer Share Stapled Units online through the **White Form eIPO** service, in addition to the above you must also:

- have a valid Hong Kong identity card number; and
- be willing to provide a valid e-mail address and a contact telephone number.

If the applicant is a firm, the application must be in the names of the individual members, not in the name of the firm. If the applicant is a body corporate, the application form must be signed by a duly authorised officer, who must state his or her representative capacity.

If an application is made by a person duly authorised under a valid power of attorney, the Trustee-Manager, the Company and the Joint Sponsors, as the Trustee-Manager's and the Company's agents, may accept it at their discretion, and subject to any conditions they think fit, including production of evidence of the authority of the attorney. The Trustee-Manager, the Company and the Joint Sponsors, as the Trustee-Manager's and the Company's agents, will have full discretion to reject or accept any application, in full or in part, without giving any reason.

The number of joint applicants may not exceed four.

You may only apply by means of the **White Form eIPO service if you are an individual applicant. Corporations or joint applicants may not apply by means of White Form eIPO.**

The Trustee-Manager, the Company, the Joint Sponsors, the White Form eIPO Service Provider (where applicable) and their respective agents have full discretion to reject or accept any application, in full or in part, without giving any reason.

The Hong Kong Offer Share Stapled Units are not available to the existing beneficial owner of Share Stapled Units, the existing beneficial owners of Shares, the Directors, the chief executive of the Trustee-Manager or the chief executive of the Company, or their respective associates or any other connected persons of the Trustee-Manager, the HKT Trust or the Company, or persons who will become connected persons of the Trustee-Manager, the HKT Trust or the Company immediately upon completion of the Global Offering (except the Directors and/or their associates who are Qualifying PCCW Shareholders who may apply for Reserved Share Stapled Units pursuant to the Preferential Offering) or are within the United States (within the meaning of Regulation S) (other than a person described in paragraph h(3) of Rule 902 of Regulation S) or persons who do not have a Hong Kong address or legal or natural persons of the PRC (except qualified domestic institutional investors).

2. Applying by using an Application Form

Which Application Form to use

Use a **WHITE** Application Form if you want the Hong Kong Offer Share Stapled Units issued in your own name.

Use a **YELLOW** Application Form if you want the Hong Kong Offer Share Stapled Units issued in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account.

HOW TO APPLY FOR HONG KONG OFFER SHARE STAPLED UNITS AND RESERVED SHARE STAPLED UNITS

Where to collect the Application Forms

You can collect a **WHITE** Application Form during normal business hours from 9:00 a.m. on Wednesday, 16 November 2011 until 12:00 noon on Monday, 21 November 2011 from:

**China International Capital
Corporation Hong Kong
Securities Limited**
29th Floor
One International Finance Centre
1 Harbour View Street
Central
Hong Kong

**Deutsche Bank AG,
Hong Kong Branch**
Level 52
International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

**Goldman Sachs (Asia)
L.L.C.**
68th Floor
Cheung Kong Center
2 Queen's Road Central
Hong Kong

or any of the following branches of The Hongkong and Shanghai Banking Corporation Limited, Bank of China (Hong Kong) Limited and Standard Chartered Bank (Hong Kong) Limited:

(a) **The Hongkong and Shanghai Banking Corporation Limited**

	<u>Branch name</u>	<u>Address</u>
Hong Kong Island	Hong Kong Office	Level 3, 1 Queen's Road Central, Hong Kong
Hong Kong Island	North Point Branch	G/F, Winner House, 306-316 King's Road, North Point, Hong Kong
Kowloon	Kwun Tong Branch	No. 1, Yue Man Square, Kwun Tong, Kowloon
Kowloon	Mong Kok Branch	Basement & U/G, 673 Nathan Road, Mong Kok, Kowloon
Kowloon	Waterloo Road Branch	71 Waterloo Road, Ho Man Tin, Kowloon
New Territories	Citywalk Branch	Shops G21-22, Citywalk, 1 Yeung Uk Road, Tsuen Wan, New Territories
New Territories	Tuen Mun Town Plaza Branch	Shop 1, UG/F, Shopping Arcade Phase II, Tuen Mun Town Plaza, Tuen Mun, New Territories
New Territories	Tai Wai Branch	Shops 42-44, MTR Tai Wai Station, Sha Tin, New Territories

HOW TO APPLY FOR HONG KONG OFFER SHARE STAPLED UNITS AND RESERVED SHARE STAPLED UNITS

(b) **Bank of China (Hong Kong) Limited**

	<u>Branch name</u>	<u>Address</u>
Hong Kong Island	Bank of China Tower Branch	3/F, 1 Garden Road
Hong Kong Island	Connaught Road Central Branch	13-14 Connaught Road Central
Hong Kong Island	Wan Chai (Wu Chung House) Branch	213 Queen's Road East, Wanchai
Kowloon	Wang Kwun Road Branch	Unit G1, Nan Fung Commercial Centre, Wang Kwun Road, Kowloon Bay
Kowloon	Mei Foo Mount Sterling Mall Branch	Shop N47-49 Mount Sterling Mall, Mei Foo Sun Chuen
New Territories	Yuen Long (Hang Fat Mansion) Branch	8-18 Castle Peak Road, Yuen Long
New Territories	Citywalk Branch	Shop 65, G/F, Citywalk, 1 Yeung Uk Road, Tsuen Wan

(c) **Standard Chartered Bank (Hong Kong) Limited**

	<u>Branch name</u>	<u>Address</u>
Hong Kong Island	88 Des Voeux Road Branch	88 Des Voeux Road Central, Central
Hong Kong Island	Hennessy Road Branch	399 Hennessy Road, Wanchai
Hong Kong Island	Quarry Bay Branch	G/F, Westlands Gardens, 1027 King's Road, Quarry Bay
Kowloon	Kwun Tong Hoi Yuen Road	G/F, Fook Cheong Building, No. 63 Hoi Yuen Road, Kwun Tong, Kowloon
Kowloon	Tsimshatsui Branch	G/F, 10 Granville Road, Tsimshatsui
New Territories	Metroplaza Branch	Shop No. 175 - 176, Level 1, Metroplaza, 223 Hing Fong Road, Kwai Chung
New Territories	Tai Po Branch	23 & 25 Kwong Fuk Road, Tai Po Market, Tai Po

HOW TO APPLY FOR HONG KONG OFFER SHARE STAPLED UNITS AND RESERVED SHARE STAPLED UNITS

You can collect a **YELLOW** Application Form and this prospectus during normal business hours from 9:00 a.m. on Wednesday, 16 November 2011 until 12:00 noon on Monday, 21 November 2011 from:

- the Depository Counter of HKSCC at 2nd Floor, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong; or
- your stockbroker, who may have such Application Forms and this prospectus available.

During normal business hours from 9:00 a.m. on Wednesday, 16 November 2011 until 12:00 noon on Monday, 21 November 2011, at least three copies of this printed prospectus will be available for inspection at every location where the **WHITE** and **YELLOW** Application Forms are distributed.

How to complete the Application Form

- (i) Obtain an Application Form as described in the paragraph headed “— Applications for Hong Kong Offer Share Stapled Units — How to apply for Hong Kong Offer Share Stapled Units — Applying by using an Application Form — Where to collect the Application Forms” above.
- (ii) Complete the Application Form in ink and sign it. There are detailed instructions on each Application Form. You should read these instructions carefully. If you do not follow the instructions your application may be rejected and returned by ordinary post together with the accompanying cheque or banker’s cashier order to you (or the first-named applicant in the case of joint applicants) at your own risk to the address stated in the Application Form.
- (iii) Each Application Form must be accompanied by payment, in the form of either one cheque or one banker’s cashier order. You should read the detailed instructions set out in the Application Form carefully as an application is liable to be rejected if the cheque or banker’s cashier order does not meet the requirements set out in the Application Form.
- (iv) Lodge the **WHITE** or **YELLOW** Application Form in one of the collection boxes by the time and at one of the locations as described in the paragraph headed “— Applications for Hong Kong Offer Share Stapled Units — When may applications be made — Applications on **WHITE** or **YELLOW** Forms” below.

In order for the **YELLOW** Application Forms to be valid:

- (i) **If the application is made through a designated CCASS Participant (other than a CCASS Investor Participant):**
 - the designated CCASS Participant must endorse the form with its company chop (bearing its company name) and insert its participant I.D. in the appropriate box in the Application Form.
- (ii) **If the application is made by an individual CCASS Investor Participant:**
 - the Application Form must contain the CCASS Investor Participant’s name and Hong Kong identity card number; and
 - the CCASS Investor Participant must insert its participant I.D. in the appropriate box in the Application Form.

HOW TO APPLY FOR HONG KONG OFFER SHARE STAPLED UNITS AND RESERVED SHARE STAPLED UNITS

(iii) **If the application is made by a joint individual CCASS Investor Participant:**

- the Application Form must contain all joint CCASS Investor Participants' names and the Hong Kong identity card numbers; and
- the participant I.D. must be inserted in the appropriate box in the Application Form.

(iv) **If the application is made by a corporate CCASS Investor Participant:**

- the Application Form must contain the CCASS Investor Participant's company name and Hong Kong business registration number; and
- the participant I.D. and company chop (bearing its company name) must be inserted in the appropriate box in the Application Form.

Incorrect or incomplete details of the CCASS Participant or the omission or inadequacy of participant I.D. or other similar matters may render the application invalid.

Nominees who wish to submit separate applications in their names on behalf of different beneficial owners are requested to designate on each Application Form in the box marked "For nominees" account numbers or other identification codes for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner.

If your application is made through a duly authorised attorney, the Trustee-Manager, the Company and the Joint Sponsors, as the Trustee-Manager's and the Company's agents, may accept it at the Trustee-Manager's and the Company's discretion, and subject to any conditions the Trustee-Manager and the Company think fit, including evidence of the authority of your attorney. The Trustee-Manager, the Company and the Joint Sponsors, as the Trustee-Manager's and the Company's agents, will have full discretion to reject or accept any application, in full or in part, without giving any reason.

3. Applying through White Form eIPO

General

- (a) If you are an individual and meet the criteria set out in the paragraph headed "— Applications for Hong Kong Offer Share Stapled Units — How to apply for Hong Kong Offer Share Stapled Units — Who can apply for Hong Kong Offer Share Stapled Units" above, you may apply through **White Form eIPO** by submitting an application through the designated website at www.eipo.com.hk. If you apply through **White Form eIPO**, the Offer Share Stapled Units will be issued in your own name.
- (b) Detailed instructions for application through the **White Form eIPO** service are set out on the designated website at www.eipo.com.hk. You should read these instructions carefully. If you do not follow the instructions, your application may be rejected by the White Form eIPO Service Provider and may not be submitted to the Trustee-Manager and the Company.
- (c) In addition to the terms and conditions set out in this prospectus, the White Form eIPO Service Provider may impose additional terms and conditions upon you for the use of the **White Form eIPO** service. Such terms and conditions are set out on the designated website at www.eipo.com.hk. You will be required to read, understand and agree to such terms and conditions in full prior to making any application.

HOW TO APPLY FOR HONG KONG OFFER SHARE STAPLED UNITS AND RESERVED SHARE STAPLED UNITS

- (d) By submitting an application to the White Form eIPO Service Provider through the **White Form eIPO** service, you are deemed to have authorised the White Form eIPO Service Provider to transfer the details of your application to the Trustee-Manager, the Company and the Share Stapled Units Registrar.
- (e) You may submit an application through the **White Form eIPO** service in respect of a minimum of 1,000 Hong Kong Offer Share Stapled Units. Each **electronic application instruction** in respect of more than 1,000 Hong Kong Offer Share Stapled Units must be in one of the numbers set out in the table in the Application Forms, or as otherwise specified on the designated website at www.eipo.com.hk.
- (f) You may submit your application to the White Form eIPO Service Provider through the designated website at www.eipo.com.hk from 9:00 a.m. on Wednesday, 16 November 2011 until 11:30 a.m. on Monday, 21 November 2011 or such later time as described in the paragraph headed “— Applications for Hong Kong Offer Share Stapled Units — When may applications be made — Effect of bad weather on the opening and closing of the application lists” below (24 hours daily, except on the last application day). The latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Monday, 21 November 2011, the last application day, or, if the application lists are not open on that day, then by the time and date stated in the paragraph headed “— Applications for Hong Kong Offer Share Stapled Units — When may applications be made — Effect of bad weather on the opening and closing of the application lists” below.
- (g) You will not be permitted to submit your application to the White Form eIPO Service Provider through the designated website at www.eipo.com.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the website prior to 11:30 a.m. on Monday, 21 November 2011, you will be permitted to continue the application process (by completing full payment of application monies) until 12:00 noon on the last day for submitting applications (that is Monday, 21 November 2011), when the application lists close. If you do not make complete payment of the application monies (including any related fees) on or before 12:00 noon on Monday, 21 November 2011, or such later time as described in the paragraph headed “— Applications for Hong Kong Offer Share Stapled Units — When may applications be made — Effect of bad weather on the opening and closing of the application lists” below, the White Form eIPO Service Provider will reject your application and your application monies will be returned to you in the manner described in the designated website at www.eipo.com.hk.
- (h) Warning: The application for Hong Kong Offer Share Stapled Units through the **White Form eIPO** service is only a facility provided by the White Form eIPO Service Provider to public investors. The Trustee-Manager, the Company, the Directors, the Joint Global Coordinators, the Joint Sponsors, the Underwriters and the White Form eIPO Service Provider take no responsibility for such applications, and provide no assurance that applications through the **White Form eIPO** service will be submitted to the Trustee-Manager or that you will be allotted any Hong Kong Offer Share Stapled Units.

HOW TO APPLY FOR HONG KONG OFFER SHARE STAPLED UNITS AND RESERVED SHARE STAPLED UNITS

Environmental protection

The advantage of **White Form eIPO** is that it saves paper via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated White Form eIPO Service Provider, has indicated that it will contribute HK\$2 for each “HKT” **White Form eIPO** application submitted via www.eipo.com.hk to support the funding of “Source of DongJiang — Hong Kong Forest” project initiated by Friends of the Earth (HK).

Please note that Internet services may have capacity limitations and/or be subject to service interruptions from time to time. To ensure that you can submit your applications through the **White Form eIPO** service, you are advised not to wait until the last day for submitting applications in the Hong Kong Public Offering to submit your electronic application instructions. In the event that you have problems connecting to the designated website for the **White Form eIPO** service, you should submit a **WHITE** Application Form. However, once you have submitted electronic application instructions and completed payment in full using the application reference number provided to you on the designated website, you will be deemed to have made an actual application and should not submit a **WHITE** Application Form. See the paragraph headed “— Applications for Hong Kong Offer Share Stapled Units — How many applications you may make” below.

Additional information

For the purposes of allocating Hong Kong Offer Share Stapled Units, each applicant giving electronic application instructions through **White Form eIPO** service to the White Form eIPO Service Provider through the designated website at www.eipo.com.hk will be treated as an applicant.

If your payment of application monies is insufficient, or in excess of the required amount, having regard to the number of Hong Kong Offer Share Stapled Units for which you have applied, or if your application is otherwise rejected by the White Form eIPO Service Provider, the White Form eIPO Service Provider may adopt alternative arrangements for the refund of monies to you. Please refer to the additional information provided by the White Form eIPO Service Provider on the designated website at www.eipo.com.hk.

4. Applying by giving electronic application instructions to HKSCC

General

CCASS Participants may give **electronic application instructions** via CCASS to HKSCC to apply for the Hong Kong Offer Share Stapled Units and to arrange payment of the monies due on application and payment of refunds. This will be in accordance with their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a **CCASS Investor Participant**, you may give **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures contained in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time).

HOW TO APPLY FOR HONG KONG OFFER SHARE STAPLED UNITS AND RESERVED SHARE STAPLED UNITS

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre
2/F, Infinitus Plaza
199 Des Voeux Road Central
Hong Kong

and complete an input request form. Prospectuses are available for collection from the above address.

If you are **not a CCASS Investor Participant**, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Share Stapled Units on your behalf.

You are deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application, whether submitted by you or through your broker or custodian, to the Trustee-Manager, the Company and the Share Stapled Units Registrar.

Application for Hong Kong Offer Share Stapled Units by HKSCC Nominees on your behalf

Where a **WHITE** Application Form is signed by HKSCC Nominees on behalf of persons who have given electronic application instructions to apply for the Hong Kong Offer Share Stapled Units:

- (i) HKSCC Nominees is only acting as a nominee for those persons and shall not be liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees does the following things on behalf of each such person:
 - agrees that the Hong Kong Offer Share Stapled Units to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the stock account of the CCASS Participant who has inputted **electronic application instructions** on that person's behalf or that person's CCASS Investor Participant stock account;
 - undertakes and agrees to accept the Hong Kong Offer Share Stapled Units in respect of which that person has given **electronic application instructions** or any lesser number;
 - undertakes and confirms that that person has not applied for or taken up any Offer Share Stapled Units under the International Offering nor otherwise participated in the International Offering;
 - (if the **electronic application instructions** are given for that person's own benefit) declares that only one set of **electronic application instructions** has been given for that person's benefit;
 - (if that person is an agent for another person) declares that that person has only given one set of **electronic application instructions** for the benefit of that other person and that that person is duly authorised to give those instructions as that other person's agent;

HOW TO APPLY FOR HONG KONG OFFER SHARE STAPLED UNITS AND RESERVED SHARE STAPLED UNITS

- understands that the above declaration will be relied upon by the Trustee-Manager, the Company, the Directors and the Joint Sponsors in deciding whether or not to make any allotment of Hong Kong Offer Share Stapled Units in respect of the **electronic application instructions** given by that person and that that person may be prosecuted if he makes a false declaration;
- authorises the Trustee-Manager and the Company to place the name of HKSCC Nominees on the Share Stapled Units Register as the holder of the Hong Kong Offer Share Stapled Units allotted in respect of that person's **electronic application instructions** and such other registers as required under the Trust Deed, and despatch Share Stapled Unit certificate(s) and/or refund monies in accordance with the arrangements separately agreed between the Trustee-Manager, the Company and HKSCC;
- confirms that that person has read the terms and conditions and application procedures set out in this prospectus and agrees to be bound by them;
- confirms that that person has only relied on the information and representations in this prospectus in giving that person's **electronic application instructions** or instructing that person's broker or custodian to give **electronic application instructions** on that person's behalf and will not rely on any other information and representations, save as set out in any supplement to this prospectus, and that person agrees that none of the Trustee-Manager, the Company, the Directors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Sponsors, the Underwriters and any of the parties involved in the Global Offering will have any liability for any such other information or representation;
- agrees that the Trustee-Manager, the Company, the Joint Global Coordinators, the Joint Bookrunners, the Joint Sponsors, the Underwriters and any of their respective directors, officers, employees, partners, agents or advisers are liable only for the information and representations contained in this prospectus and any supplement thereto;
- agrees to disclose that person's personal data to the Trustee-Manager, the Company, the Share Stapled Units Registrar, the receiving bankers, the Joint Global Coordinators, the Joint Bookrunners, the Joint Sponsors, the Underwriters and any of their respective advisers and agents and any information which they may require about that person for whose benefit the application is made;
- agrees (without prejudice to any other rights which that person may have) that once the application of HKSCC Nominees is accepted, the application cannot be rescinded for innocent misrepresentation;
- agrees that any application made by HKSCC Nominees on behalf of that person pursuant to the electronic application instructions given by that person is irrevocable before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is not a business day), such agreement to take effect as a collateral contract with the Trustee-Manager and the Company, and to become binding when that person gives the electronic application instructions and such collateral contract to be in consideration of the Trustee-Manager and the Company agreeing that the Trustee-Manager and the Company will not offer any Hong Kong Offer Share Stapled Units to any person before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is not a business day), except by means of one of the procedures referred to in this prospectus. However, HKSCC

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Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is not a business day) if a person responsible for this prospectus under section 40 of the Companies Ordinance gives a public notice which excludes or limits the responsibility of that person for this prospectus;

- agrees that once the application of HKSCC Nominees is accepted, neither that application nor that person's **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the announcement of the results of the Hong Kong Public Offering published by the Trustee-Manager and the Company;
- agrees to the arrangements, undertakings and warranties specified in the participant agreement between that person and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, in respect of the giving of **electronic application instructions** relating to Hong Kong Offer Share Stapled Units;
- agrees with the Trustee-Manager and the Company, for the Trust and the Company, respectively, and for the benefit of each Holder of Share Stapled Units (and so that the Trustee-Manager and the Company will be deemed by their acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for the Trust and the Company and on behalf of each Holder of Share Stapled Units, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Trust Deed, the Cayman Companies Law and the memorandum and articles of the Company; and
- agrees that that person's application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong.

Effect of giving electronic application instructions to HKSCC

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and if you are joint applicants, each of you jointly and severally) are deemed to have done the following things:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participant) to apply for the Hong Kong Offer Share Stapled Units on your behalf;
- instructed and authorised HKSCC to arrange payment of the Maximum Offer Price, brokerage, SFC transaction levy and Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or the Offer Price is less than the initial price per Offer Share Stapled Unit paid on application, refund of the application monies, in each case including brokerage, SFC transaction levy and Stock Exchange trading fee, by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things which it is stated to do on your behalf in the **WHITE** Application Form.

Neither HKSCC nor HKSCC Nominees shall be liable to the Trustee-Manager, the Company or any other person in respect of the things mentioned above.

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Minimum subscription amount and permitted numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** in respect of a minimum of 1,000 Hong Kong Offer Share Stapled Units. Such instructions in respect of more than 1,000 Hong Kong Offer Share Stapled Units must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Share Stapled Units will be considered and any such application may be rejected.

Allocation of Hong Kong Offer Share Stapled Units

For the purposes of allocating Hong Kong Offer Share Stapled Units, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit each such instructions is given will be treated as an applicant.

Section 40 of the Companies Ordinance

For the avoidance of doubt, the Trustee-Manager and the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies Ordinance.

Personal data

The section of the Application Form headed “Personal data” applies to any personal data held by the Trustee-Manager, the Company, the Share Stapled Units Registrar, the receiving bankers, the Joint Global Coordinators, the Joint Bookrunners, the Joint Sponsors, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

Warning

The application for the Hong Kong Offer Share Stapled Units by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. The Trustee-Manager, the Company, the Directors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Sponsors and the Underwriters take no responsibility for the application and provide no assurance that any CCASS Participant will be allotted any Hong Kong Offer Share Stapled Units.

To ensure that CCASS Investor Participants can give their **electronic application instructions** to HKSCC through the CCASS Phone System or the CCASS Internet System, CCASS Investor Participants are advised not to wait until the last minute to input their **electronic application instructions** to the systems. In the event that CCASS Investor Participants have problems connecting to the CCASS Phone System or the CCASS Internet System to submit their **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form or (ii) go to HKSCC’s Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Monday, 21 November 2011 or such later time as described in the paragraph headed “— Applications for Hong Kong Offer Share Stapled Units — When may applications be made — Effect of bad weather on the opening and closing of the application lists” below.

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II. WHEN MAY APPLICATIONS BE MADE

1. Application on WHITE or YELLOW Application Forms

Completed **WHITE** or **YELLOW** Application Forms, together with payment attached, must be lodged by 12:00 noon on Monday, 21 November 2011, or, if the application lists are not open on that day, then by the time and date stated in the paragraph headed “— Applications for Hong Kong Offer Share Stapled Units — When may applications be made — Effect of bad weather on the opening and closing of the application lists” below.

Your completed Application Form, together with payment attached, should be deposited in the special collection boxes provided at any of the branches of The Hongkong and Shanghai Banking Corporation Limited, Bank of China (Hong Kong) Limited and Standard Chartered Bank (Hong Kong) Limited listed above in the paragraph headed “— Applications for Hong Kong Offer Share Stapled Units — How to apply for Hong Kong Offer Share Stapled Units — Applying by using an Application Form — Where to collect the Application Forms” at the specified times on the following dates:

Wednesday, 16 November 2011 — 9:00 a.m. to 4:30 p.m.

Thursday, 17 November 2011 — 9:00 a.m. to 4:30 p.m.

Friday, 18 November 2011 — 9:00 a.m. to 4:30 p.m.

Saturday, 19 November 2011 — 9:00 a.m. to 1:00 p.m.

Monday, 21 November 2011 — 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Monday, 21 November 2011.

No proceedings will be taken on applications for the Hong Kong Offer Share Stapled Units and no allotment of any such Hong Kong Offer Share Stapled Units will be made until after the closing of the application lists.

2. White Form eIPO

You may submit your application to the White Form eIPO Service Provider through the designated website at www.eipo.com.hk from 9:00 a.m. Wednesday, 16 November 2011 until 11:30 a.m. on Monday, 21 November 2011 or such later time as described in the paragraph headed “— Applications for Hong Kong Offer Share Stapled Units — How to apply for Hong Kong Offer Share Stapled Units — Effect of bad weather on the opening and closing of the application lists” below (24 hours daily, except on the last application day). The latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Monday, 21 November 2011, the last application day, or, if the application lists are not open on that day, then by the time and date stated in the paragraph headed “— Applications for Hong Kong Offer Share Stapled Units — How to apply for Hong Kong Offer Share Stapled Units — Effect of bad weather on the opening and closing of the application lists” below. You will not be permitted to submit your application to the White Form eIPO Service Provider through the designated website at www.eipo.com.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

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3. Electronic application instructions to HKSCC via CCASS

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Wednesday, 16 November 2011 — 9:00 a.m. to 8:30 p.m.⁽¹⁾
Thursday, 17 November 2011 — 8:00 a.m. to 8:30 p.m.⁽¹⁾
Friday, 18 November 2011 — 8:00 a.m. to 8:30 p.m.⁽¹⁾
Saturday, 19 November 2011 — 8:00 a.m. to 1:00 p.m.⁽¹⁾
Monday, 21 November 2011 — 8:00 a.m.⁽¹⁾ to 12:00 noon

Note:

- (1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Wednesday, 16 November 2011 until 12:00 noon on Monday, 21 November 2011 (24 hours daily, except on the last application day).

The latest time for inputting **electronic application instructions** via CCASS will be 12:00 noon on Monday, 21 November 2011, the last application day, or, if the application lists are not open on that day, then by the time and date stated in the paragraph headed “— Applications for Hong Kong Offer Share Stapled Units — How to apply for Hong Kong Offer Share Stapled Units — Effect of bad weather on the opening and closing of the application lists” below.

4. Effect of bad weather on the opening and closing of the application lists

The application lists will not open or close if there is:

- a tropical cyclone warning signal number 8 or above, or
- a “black” rainstorm warning

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, 21 November 2011. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon.

If the application lists of the Hong Kong Public Offering do not open and close on Monday, 21 November 2011 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong on the other dates mentioned in the section headed “Expected timetable” in this prospectus, such dates mentioned in the section headed “Expected timetable” in this prospectus may be affected. An announcement will be made in such event.

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III. HOW MANY APPLICATIONS MAY YOU MAKE

Multiple applications or suspected multiple applications are liable to be rejected.

You may make more than one application for the Hong Kong Offer Share Stapled Units only if you are a nominee, in which case you may give both electronic application instructions to HKSCC (if you are a CCASS Participant) and lodge more than one Application Form in your own name on behalf of different beneficial owners. In the box on the Application Form marked “For nominees” you must include:

- an account number; or
- some other identification code

for **each** beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

If you are a Qualifying PCCW Shareholder applying for Reserved Share Stapled Units under the Preferential Offering on a **BLUE** Application Form, you may also make one application for Hong Kong Offer Share Stapled Units either on a **WHITE** or **YELLOW** Application Form or electronically through CCASS (if you are a CCASS Investor Participant or act through a CCASS Clearing or Custodian Participant) or submit an application to the White Form eIPO Service Provider through the designated website at www.eipo.com.hk. However, in respect of any application for Hong Kong Offer Share Stapled Units using the abovementioned methods, you will not enjoy the preferential treatment accorded to you under the Preferential Offering as described in the section headed “Structure of the Global Offering — The Preferential Offering” in this prospectus.

Otherwise, multiple applications are not allowed and will be rejected.

If you have made an application by giving **electronic application instructions** to HKSCC and you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Share Stapled Units applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Share Stapled Units in respect of which you have given such instructions and/or in respect of which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for Hong Kong Offer Share Stapled Units given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made. No application for any other number of Hong Kong Offer Share Stapled Units will be considered and any such application is liable to be rejected.

If you apply by means of the **White Form eIPO**, once you complete payment in respect of any electronic application instruction given by you or for your benefit to the White Form eIPO Service Provider to make an application for Hong Kong Offer Share Stapled Units, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under the **White Form eIPO** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** service by giving electronic application instructions through the designated website at www.eipo.com.hk and completing payment in respect of such electronic application instructions, or of submitting one application through the **White Form eIPO** service and one or more applications by any other means (other than an application (if any) made on a **BLUE** Application Form in your capacity as a Qualifying PCCW Shareholder), all of your applications are liable to be rejected.

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It will be a term and condition of all applications that by completing and delivering a **WHITE** or **YELLOW** Application Form or submitting an **electronic application instruction**, you:

- (if the application is made for your own benefit) warrant that the application made pursuant to a **WHITE** or **YELLOW** Application Form or by **electronic application instructions** is the only application which will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the White Form eIPO Service Provider through the **White Form eIPO** service; or
- (if you are an agent for another person) warrant that reasonable enquiries have been made of that other person that such application is the only application which will be made for the benefit of that other person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the White Form eIPO Service Provider through the **White Form eIPO** service, and that you are duly authorised to sign the Application Form or give **electronic application instructions** as that other person's agent.

Save as referred to above, all of your applications will be rejected as multiple applications if you, or you and your joint applicant(s) together:

- make more than one application (whether individually or jointly) on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the White Form eIPO Service Provider through the **White Form eIPO** service; or
- both apply (whether individually or jointly) on one **WHITE** Application Form and one **YELLOW** Application Form or on one **WHITE** or **YELLOW** Application Form and give **electronic application instructions** to HKSCC or to the White Form eIPO Service Provider through the **White Form eIPO** service; or
- apply on one **WHITE** or **YELLOW** Application Form (whether individually or jointly) or by giving **electronic application instructions** to HKSCC or to the White Form eIPO Service Provider through the **White Form eIPO** service for more than 102,668,000 Hong Kong Offer Share Stapled Units (being 50% of the 205,336,000 Hong Kong Offer Share Stapled Units initially available under the Hong Kong Public Offering); or
- have indicated an interest for or have been or will be placed any of the International Offer Share Stapled Units under the International Offering (except in respect of Reserved Share Stapled Units applied for pursuant to the Preferential Offering).

All of your applications will also be rejected as multiple applications if more than one application is made for your **benefit** (including the part of an application made by HKSCC Nominees acting on **electronic application instructions**) (other than any application(s) made on a **BLUE** Application Form in your capacity as a Qualifying PCCW Shareholder). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being made for your benefit.

“**Unlisted company**” means a company with no equity securities listed on the Stock Exchange.

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“Statutory control” means you:

- control the composition of the board of directors of the company; or
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

IV. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED HONG KONG OFFER SHARE STAPLED UNITS

Full details of the circumstances in which you will not be allotted the Hong Kong Offer Share Stapled Units are set out in the notes attached to the Application Forms (whether you are making your application by an Application Form or giving electronic application instruction to HKSCC to cause HKSCC Nominees to apply on your behalf), and you should read them carefully. You should note in particular the following situations in which the Share Stapled Units will not be allotted to you:

- **If your application is revoked:**

By completing and submitting an Application Form or submitting an **electronic application instruction**, you agree that your application or the application made by HKSCC Nominees or to the White Form eIPO Service Provider through **White Form eIPO** service on your behalf cannot be revoked before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is not a business day), unless a person responsible for this prospectus under section 40 of the Companies Ordinance gives a public notice which excludes or limits the responsibility of that person for this prospectus.

This agreement will take effect as a collateral contract with the Trustee-Manager and the Company, and will become binding when you lodge your Application Form or give your electronic application instruction to HKSCC or the White Form eIPO Service Provider and an application has been made by HKSCC Nominees on your behalf. This collateral contract will be in consideration of the Trustee-Manager and the Company agreeing that the Trustee-Manager and the Company will not offer any Hong Kong Offer Share Stapled Units to any person on or before Tuesday, 29 November 2011, except by means of one of the procedures referred to in this prospectus.

If any supplement to this prospectus is issued, applicant(s) who have already submitted an application may or may not (depending on the information contained in the supplement) be notified that they are required to confirm their applications. If applicant(s) have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will not be valid. Subject to the above, an application once made is irrevocable and applicants shall be deemed to have applied on the basis of this prospectus as supplemented.

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If your application or the application made by HKSCC Nominees on your behalf or to the White Form eIPO Service Provider through the **White Form eIPO** service has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot, respectively.

- **Full discretion of the Trustee-Manager, the Company, the Joint Sponsors and the White Form eIPO Service Provider, and their respective agents or nominees to reject or accept any application:**

The Trustee-Manager, the Company, the Joint Sponsors and the White Form eIPO Service Provider, and their respective agents or nominees have full discretion to reject or accept any application, or to accept only part of any application. No reasons have to be given for any rejection or acceptance.

- **If your allotment of Hong Kong Offer Share Stapled Units is void:**

The allotment of Hong Kong Offer Share Stapled Units to you or to HKSCC Nominees (if you give **electronic application instructions** to HKSCC or apply by a **YELLOW** Application Form) will be void if the Listing Committee does not grant permission to list the Share Stapled Units either:

- within three weeks from the closing of the applications lists; or
 - within a longer period of up to six weeks if the Listing Committee notifies the Trustee-Manager and/or the Company of that longer period within three weeks of the closing date of the application lists.
- **You will not receive any allotment if:**
 - you make multiple applications or are suspected of making multiple applications (other than an application (if any) made on a **BLUE** Application Form in your capacity as a Qualifying PCCW Shareholder);
 - you or the person for whose benefit you apply for have taken up or indicated an interest or applied for or received or has been or will be placed or allocated (including conditionally and/or provisionally) International Offer Share Stapled Units under the International Offering (except in respect of Reserved Share Stapled Units applied for pursuant to the Preferential Offering). By filling in any of the Application Forms or submitting an electronic application instruction to HKSCC via CCASS or applying by **White Form eIPO** via the White Form eIPO Service Provider, you agree not to apply for or indicate an interest for Offer Share Stapled Units in the International Offering (other than an application (if any) made on a **BLUE** Application Form in your capacity as a Qualifying PCCW Shareholder). Reasonable steps will be taken to identify and reject applications in the Hong Kong Public Offering from investors who have received Offer Share Stapled Units in the International Offering (except in respect of Reserved Share

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Stapled Units applied for pursuant to the Preferential Offering), and to identify and reject indications of interest in the International Offering (except in respect of Reserved Share Stapled Units applied for pursuant to the Preferential Offering) from investors who have received Hong Kong Offer Share Stapled Units in the Hong Kong Public Offering;

- your payment is not made correctly or you pay by cheque or banker's cashier order and the cheque or banker's cashier order is dishonoured upon its first presentation;
- your Application Form is not completed in accordance with the instructions as stated in the Application Form (if you apply by an Application Form);
- your electronic application instructions through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions set out in the designated website at www.eipo.com.hk (if you apply through **White Form eIPO**);
- you apply for more than 102,668,000 Hong Kong Offer Share Stapled Units, being 50% of the 205,336,000 Hong Kong Offer Share Stapled Units initially available under the Hong Kong Public Offering;
- the Trustee-Manager and the Company believe that by accepting your application, the Trustee-Manager and/or the Company would violate the applicable securities or other laws, rules or regulations of the jurisdiction in which your application is received or your address is located;
- the Underwriting Agreements do not become unconditional; or
- the Hong Kong Underwriting Agreement and/or the International Underwriting Agreement are/is terminated in accordance with their respective terms.

You should also note that you may apply for Offer Share Stapled Units under the Hong Kong Public Offering or indicate an interest for Offer Share Stapled Units under the International Offering, but may not do both (except in respect of Reserved Share Stapled Units applied for pursuant to the Preferential Offering).

B. APPLICATIONS FOR RESERVED SHARE STAPLED UNITS

1. Who can apply for Reserved Share Stapled Units

Only PCCW Shareholders whose names appeared on the register of members of PCCW at 4:30 p.m. on the Record Date, and who are not Non-Qualifying PCCW Shareholders are entitled to subscribe for the Reserved Share Stapled Units under the Preferential Offering.

Non-Qualifying PCCW Shareholders are those PCCW Shareholders with registered addresses in, or who are otherwise known by PCCW to be residents of, jurisdictions outside Hong Kong on the Record Date and in respect of whom the PCCW directors, the Trustee-Manager and the Company, based on enquiries made by the PCCW directors, consider it necessary or expedient to exclude them from the Preferential Offering on account either of the legal restrictions under the laws of the relevant jurisdiction in which the relevant PCCW Shareholder is located or the requirements of the relevant regulatory body or stock exchange in that jurisdiction.

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The PCCW directors, the Trustee-Manager and the Company have made enquiries regarding the legal restrictions under the applicable securities legislation of the Specified Territories and the requirements of the relevant regulatory bodies or stock exchanges with respect to the offer of the Reserved Share Stapled Units to the PCCW Shareholders in the Specified Territories. Having considered the circumstances, the PCCW directors, the Trustee-Manager and the Company have formed the view that, other than certain limited exceptions as described below, it is necessary or expedient to restrict the ability of PCCW Shareholders in the Specified Territories to take up their Assured Entitlement to the Reserved Units under the Preferential Offering due to the time and costs involved in the registration or filing of this prospectus and/or compliance with relevant local legal or regulatory requirements in those territories.

Accordingly, for the purposes of the Preferential Offering, the Non-Qualifying PCCW Shareholders are:

- (i) PCCW Shareholders whose names appeared in the register of members of PCCW on the Record Date and whose addresses as shown in such register are in any of the Specified Territories, except for those PCCW Shareholders who satisfy the conditions to participate in the Preferential Offering set out below; and
- (ii) PCCW Shareholders or Beneficial PCCW Shareholders on the Record Date who are otherwise known by PCCW to be resident in any of the Specified Territories, except for those PCCW Shareholders or Beneficial PCCW Shareholders who satisfy the conditions to participate in the Preferential Offering set out below.

Notwithstanding any other provision in this prospectus or the **BLUE** Application Forms, the Trustee-Manager and the Company reserve the right to permit any PCCW Shareholder to take up his/her/its Assured Entitlement to the Reserved Share Stapled Units if the Trustee-Manager and the Company, in their absolute discretion, are satisfied that the transaction in question is exempt from or not subject to the legislation or regulations giving rise to the restrictions described above.

PCCW Shareholders or Beneficial PCCW Shareholders in the United States are generally Non-Qualifying PCCW Shareholders; however, notwithstanding what is stated above, the following limited categories of persons in the Specified Territories may be able to subscribe for the Share Staple Units under the Preferential Offering:

PCCW Shareholders or Beneficial PCCW Owners in the United States whom PCCW reasonably believes are QIBs may be able to subscribe for the Reserved Share Stapled Units under the Preferential Offering by way of a private placement pursuant to an applicable exemption from registration under the U.S. Securities Act, provided that they have provided a signed investor representation letter in the form obtainable from PCCW by contacting the share registrar of PCCW, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, which form will also contain restrictions and procedures regarding the transfer of Share Stapled Units.

Duly completed and signed investor representation letters should have been received by the share registrar of PCCW, Computershare Hong Kong Investor Services Limited, by fax or email at the contact details for PCCW specified below in this section, **by no later than 5:00 p.m. on Thursday, 3 November 2011 (Hong Kong time)**.

The Trustee-Manager and the Company reserves the absolute discretion in determining whether to allow such participation as well as the identity of the persons who may be allowed to do so.

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The contact details of the share registrar of PCCW for the purposes of obtaining investor representation letters are as follows:

Telephone: +852 2862 8633

Email: pccwqib@computershare.com.hk

The above telephone number and email address were available during the normal business hours of the share registrar of PCCW from 9:00 a.m. (Hong Kong time) on 20 October 2011 to 5:00 p.m. (Hong Kong time) on Thursday, 3 November 2011.

A PCCW Shareholder or Beneficial PCCW Owner who fulfils, to the satisfaction of PCCW, the requirements referred to above may obtain a prospectus and a **BLUE** Application form if they have already contacted the share registrar of PCCW **by no later than 5:00 p.m. on Thursday, 3 November 2011 (Hong Kong time)**. Shareholders or Beneficial Owners located in the U.S. who are QIBs should have returned their duly completed and signed investor representation letters to PCCW by fax or email, to be received by PCCW by no later than 5:00 p.m. on Thursday, 3 November 2011 (Hong Kong time), following receipt of which PCCW will provide the relevant PCCW Shareholder with a prospectus and **BLUE** Application Form (for registered PCCW Shareholders), or permit such Beneficial PCCW Shareholder to participate in the Preferential Offering and subscribe for Share Stapled Units (for Beneficial PCCW Owners holding interests in PCCW Shares through CCASS).

Qualifying PCCW Shareholders are entitled to apply on the basis of an Assured Entitlement of one Reserved Share Stapled Unit for every integral multiple of 35 PCCW Shares held by them as at 4:30 p.m. on the Record Date. Any Qualifying PCCW Shareholder holding less than 35 PCCW Shares as at 4:30 p.m. on the Record Date will not be entitled to apply for the Reserved Share Stapled Units.

If the applicant is a firm, the application must be in the names of the individual members, not in the name of the firm. If the applicant is a body corporate, the application form must be signed by a duly authorised officer, who must state his or her representative capacity.

If an application is made by a person duly authorised under a valid power of attorney, the Trustee-Manager, the Company and the Joint Sponsors, as the Trustee-Manager's and the Company's agents, may accept it at their discretion, and subject to any conditions they think fit, including production of evidence of the authority of the attorney. The Trustee-Manager, the Company and the Joint Sponsors, as the Trustee-Manager's and the Company's agents, will have full discretion to reject or accept any application, in full or in part, without giving any reason.

The Reserved Share Stapled Units are not available to the existing beneficial owner of Share Stapled Units, or their respective associates or any other connected persons of the Trustee-Manager, the HKT Trust or the Company, or persons who will become connected persons of the Trustee-Manager, the HKT Trust or the Company, immediately upon completion of the Global Offering or are within the United States (within the meaning of Regulation S) (other than a person described in paragraph h(3) of Rule 902 of Regulation S) or persons who do not have a Hong Kong address or legal or natural persons of the PRC (except qualified domestic institutional investors).

2. Channel for applying for the Reserved Share Stapled Units

An application for Reserved Share Stapled Units under the Preferential Offering may only be made by Qualifying PCCW Shareholders using **BLUE** Application Forms which are being despatched to Qualifying PCCW Shareholders by the Trustee-Manager and the Company together with electronic

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copies of this prospectus on CD-ROM. Qualifying PCCW Shareholders may apply on an assured basis for a number of Reserved Share Stapled Units less than or equal to their Assured Entitlement, which will be specified on their individual **BLUE** Application Forms. Qualifying PCCW Shareholders may also apply for excess Reserved Share Stapled Units using the same **BLUE** Application Form.

a) If you intend to apply for a number of Reserved Share Stapled Units that is equal to your Assured Entitlement

A valid application made on a **BLUE** Application Form for a number of Reserved Share Stapled Units that is equal to a Qualifying PCCW Shareholder's Assured Entitlement will be accepted in full, subject to the terms and conditions set out in the **BLUE** Application Form and this prospectus and assuming that the conditions of the Preferential Offering are satisfied.

The applicant needs to complete and sign the **BLUE** Application Form and submit one cheque (or banker's cashier order) for the exact amount of remittance printed in Box B of the **BLUE** Application Form.

b) If you intend to apply for a number of Reserved Share Stapled Units that is greater than your Assured Entitlement

If an application is made on a **BLUE** Application Form for a number of Reserved Share Stapled Units that is greater than a Qualifying PCCW Shareholder's Assured Entitlement, the relevant Assured Entitlement will be satisfied in full, but the excess portion of such application will only be met to the extent that there are sufficient Available Reserved Share Stapled Units and/or Additional Reserved Share Stapled Units. Such application will be subject to the terms and conditions set out in the **BLUE** Application Form and this prospectus and assuming that the conditions of the Preferential Offering are satisfied.

The number of excess Reserved Share Stapled Units that the applicant (other than HKSCC Nominees) intends to apply must be in a minimum of 1,000 Reserved Shares Stapled Units that equals to one trading board lot, or in one of the numbers set out in the table of numbers and payments in the **BLUE** Application Form; applications for a number not set out in the table of numbers and payments in the **BLUE** Application Form are liable to be rejected.

The applicant (other than HKSCC Nominees) should (i) put the excess number of Reserved Share Stapled Units applied for and the amount payable (as selected from the table of numbers and payments in the **BLUE** Application Form) in Box C; (ii) add the Assured Entitlement and excess Reserved Share Stapled Units, together with the corresponding total amount payable (sum of the amount printed in Box B and the amount put in Box C) and put the total in Box D; and (iii) submit the total application monies in one cheque (or banker's cashier order).

c) If you intend to apply for a number of Reserved Share Stapled Units that is less than your Assured Entitlement

A valid application made on a **BLUE** Application Form for a number of Reserved Share Stapled Units less than a Qualifying PCCW Shareholder's Assured Entitlement will be accepted in full, subject to the terms and conditions set out in the **BLUE** Application Form assuming that the conditions of the Preferential Offering are satisfied.

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If an application is made for a number of Reserved Share Stapled Units that is less than the Assured Entitlement of a Qualifying PCCW Shareholder, the applicant should apply for a number in one of the numbers set out in the table of numbers and payments in the **BLUE** Application Form. Otherwise the applicant must calculate the correct amount of remittance payable on application for the number of Reserved Share Stapled Units applied for by using the special formula set out in the **BLUE** Application Form.

To the extent that excess applications for the Reserved Share Stapled Units are:

- (i) less than the Available Reserved Share Stapled Units, the Available Reserved Share Stapled Units will first be allocated to satisfy such excess applications for the Reserved Share Stapled Units in full and thereafter will be allocated, at the discretion of the Joint Sponsors, to the International Offering;
- (ii) equal to the Available Reserved Share Stapled Units, the Available Reserved Share Stapled Units will be allocated to satisfy such excess applications for the Reserved Share Stapled Units in full;
- (iii) more than the Available Reserved Share Stapled Units but the total number of Reserved Share Stapled Units applied for is less than 30% of the Offer Share Stapled Units initially available under the Global Offering, the Trustee-Manager and the Company will make available the Additional Reserved Share Stapled Units, representing up to approximately 20% of the Offer Share Stapled Units initially available under the Global Offering, to satisfy the applications for excess Reserved Share Stapled Units, so that the excess applications for the Reserved Share Stapled Units will be satisfied in full; or
- (iv) more than the Available Reserved Share Stapled Units and the total application number of Reserved Share Stapled Units applied for is more than 30% of the Offer Share Stapled Units initially available under the Global Offering, the Additional Reserved Share Stapled Units will be allocated on a pro rata basis with reference made to the number of excess Reserved Share Stapled Units applied for, and in multiples of board lots or in the numbers set out in the table of numbers and payments in the **BLUE** Application Form. If there is an odd lot number of Shares Stapled Units left after satisfying the excess applications, such number of odd lot shares stapled units will be re-allocated, at the discretion of the Joint Sponsors, to the International Offering.

Save for the above, the Preferential Offering will not be subject to the clawback arrangement between the International Offering and the Hong Kong Public Offering.

Any application not accompanied by the correct amount of application monies will be treated as invalid in its entirety and no Reserved Share Stapled Units will be allotted to such applicant.

Qualifying PCCW Shareholders who have applied for Reserved Share Stapled Units under the Preferential Offering on a **BLUE** Application Form, may also make one application either on a **WHITE** or **YELLOW** Application Form, or by giving **electronic application instructions** to HKSCC via CCASS (if you are a CCASS Investor Participant or act through a CCASS Clearing or Custodian Participant) or through the **White Form eIPO** service for the Hong Kong Offer Share Stapled Units in the Hong Kong Public Offering. However, Qualifying PCCW Shareholders will receive no preference as to entitlement or allocation in respect of applications for Hong Kong Offer Share Stapled Units made on **WHITE** or **YELLOW** Application Forms or by giving **electronic application instructions** to HKSCC or to the designated White Form eIPO Service Provider through the **WHITE Form eIPO** service under the Hong Kong Public Offering.

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3. Despatch of the prospectus and the BLUE Application Forms

The **BLUE** Application Form, together with an electronic copy of this prospectus on CD-ROM, are being despatched to you by the Trustee-Manager and the Company if you are a Qualifying PCCW Shareholder with an Assured Entitlement to your address recorded on PCCW's register of members as at 4:30 p.m. on the Record Date. Persons who held their PCCW Shares as at 4:30 p.m. on the Record Date in CCASS indirectly through a broker or custodian, and wish to participate in the Preferential Offering, should instruct their broker or custodian to apply for the Reserved Share Stapled Units on their behalf by no later than the deadline set by HKSCC or HKSCC Nominees. In order to meet the deadline set by HKSCC, such persons should check with their broker/custodian for the timing on the processing of their instructions, and submit their instructions to their broker/custodian as required by them. Persons who held their PCCW Shares as at 4:30 p.m. on the Record Date in CCASS directly as a CCASS Investor Participant, and wish to participate in the Preferential Offering, should give their instruction to HKSCC via the CCASS Phone System or CCASS Internet System by no later than the deadline set by HKSCC or HKSCC Nominees. Qualifying PCCW Shareholders who require a replacement **BLUE** Application Form and/or electronic copy of this prospectus on CD-ROM should contact Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong or on its hotline 2862 8555.

4. Applying by using BLUE Application Form

- (a) Complete the **BLUE** Application Form in English in ink, and sign it. There are detailed instructions on the **BLUE** Application Form. You should read these instructions carefully. If you do not follow the instructions, your application may be rejected and returned by ordinary post together with the accompanying cheque or banker's cashier order to you (or the first-named applicant in the case of joint applicants) at your own risk at the address stated in the **BLUE** Application Form.
- (b) The **BLUE** Application Form must be accompanied by payment, in the form of either one cheque or one banker's cashier order. You should read the detailed instructions set out on the Application Form carefully, as an application is liable to be rejected if the cheque or banker's cashier order does not meet the requirements set out on the Application Form.
- (c) Lodge the **BLUE** Application Form(s) in one of the collection boxes by the time and at one of the locations as described in the paragraph headed "— Applications for Reserved Share Stapled Units — When may applications be made" below.

5. When may applications be made

(a) Applications on BLUE Application Form(s)

Your completed **BLUE** Application Form, together with payment attached, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed in the paragraph headed "— Applications for Hong Kong Offer Share Stapled Units — When may applications be made

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— Applications on **WHITE** or **YELLOW** Forms” or at Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong at the specified times on the following dates:

Wednesday, 16 November 2011 — 9:00 a.m. to 4:30 p.m.

Thursday, 17 November 2011 — 9:00 a.m. to 4:30 p.m.

Friday, 18 November 2011 — 9:00 a.m. to 4:30 p.m.

Saturday, 19 November 2011 — 9:00 a.m. to 1:00 p.m.

Monday, 21 November 2011 — 9:00 a.m. to 12:00 noon

Completed **BLUE** Application Forms, together with payment attached, must be lodged by 12:00 noon on Monday, 21 November 2011 or, if the application lists are not open on that day, then by the time and date stated in the paragraph headed “— Applications for Reserved Share Stapled Units — When may applications be made — Effect of bad weather conditions on the opening and closing of the application lists” below.

(b) Application lists

The application lists will be open from 11:45 a.m. to 12:00 noon on Monday, 21 November 2011, except as provided in the paragraph headed “— Applications for Reserved Share Stapled Units — When may applications be made — Effect of bad weather conditions on the opening and closing of the application lists” below.

No proceedings will be taken on applications for Reserved Share Stapled Units and no allotment of any such Reserved Share Stapled Units will be made until after the closing of the application lists.

(c) Effect of bad weather conditions on the opening and closing of the application lists

The application lists will not open and close if there is:

- a tropical cyclone warning signal number 8 or above, or
- a “black” rainstorm warning

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, 21 November 2011. Instead they will open at 11:45 a.m. and close at 12:00 noon on the next business day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Monday, 21 November 2011 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong on the other dates mentioned in the section headed “Expected timetable” in this prospectus, such dates mentioned in the section headed “Expected timetable” in this prospectus may be affected. An announcement will be made in such event.

6. How many application may be made

You should refer to the paragraph headed “— Applications for Hong Kong Offer Share Stapled Units — How many application may you make” above for the situations where you may make an application for Hong Kong Offer Share Stapled Units under the Hong Kong Public Offering in addition to application(s) for Reserved Share Stapled Units under the Preferential Offering.

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C. HOW MUCH ARE THE HONG KONG OFFER SHARE STAPLED UNITS AND THE RESERVED SHARE STAPLED UNITS

The Maximum Offer Price is HK\$5.38 per Offer Share Stapled Unit. You must also pay brokerage of 1.0%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%. This means that for one board lot of 1,000 Hong Kong Offer Share Stapled Units or Reserved Share Stapled Units you will pay HK\$5,434.23. The Application Forms have tables showing the exact amount payable for the numbers of Offer Share Stapled Units that may be applied for.

When you apply for the Hong Kong Offer Share Stapled Units or the Reserved Share Stapled Units, you must pay the Maximum Offer Price, together with brokerage, SFC transaction levy and Stock Exchange trading fee in full. You must pay the amount payable upon application for the Hong Kong Offer Share Stapled Units or the Reserved Share Stapled Units by one cheque or one banker's cashier order for each Application Form in accordance with the terms set out in the Application Form (if you apply by an Application Form) or this prospectus. Any application not accompanied by the correct amount of application monies will be treated as invalid in its entirety and no Hong Kong Offer Share Stapled Units and/or Reserved Share Stapled Units will be allotted to such applicant.

If your application is successful, brokerage is paid to the Stock Exchange or its participants (as the case may be), the SFC transaction levy is paid to the Stock Exchange collecting on behalf of the SFC and the Stock Exchange trading fee is paid to the Stock Exchange.

D. PUBLICATION OF RESULTS

The Trustee-Manager and the Company expect to announce the Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the Preferential Offering and the basis of allocation of the Hong Kong Offer Share Stapled Units and the Reserved Share Stapled Units on Monday, 28 November 2011 in The Standard (in English) and the Hong Kong Economic Journal (in Chinese), on the website of the Stock Exchange at www.hkexnews.hk and on the website of the Company at www.hkt.com.

In addition, the Trustee-Manager and the Company expect to announce the results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering and the Preferential Offering at the times and dates and in the manner specified below:

- results of allocations for the Hong Kong Public Offering and the Preferential Offering will be available from the designated results of allocations website at www.iporesults.com.hk on a 24-hour basis from 8:00 a.m. on Monday, 28 November 2011 to 12:00 midnight on Sunday, 4 December 2011. The user will be required to key in the Hong Kong identity card/passport/Hong Kong business registration number provided in his/her/its application to search for his/her/its own allocation result;
- results of allocations will be available from the Hong Kong Public Offering and the Preferential Offering allocation results telephone enquiry line. Applicants may find out whether or not their applications have been successful and the number of Hong Kong Offer Share Stapled Units and/or Reserved Share Stapled Units allocated to them, if any, by calling 2862 8669 between 9:00 a.m. and 10:00 p.m. from Monday, 28 November 2011 to Thursday, 1 December 2011; and

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- special allocation results booklets setting out the results of allocations will be available for inspection during the opening hours of the individual receiving bank branches and sub-branches from Monday, 28 November 2011 to Wednesday, 30 November 2011 at the addresses set out in the paragraph headed “— Applications for Hong Kong Offer Share Stapled Units — How to apply for Hong Kong Offer Share Stapled Units — Applying by using an Application Form — Where to collect the Application Forms” above.

E. DESPATCH/COLLECTION OF SHARE STAPLED UNIT CERTIFICATES/e-REFUND PAYMENT INSTRUCTIONS/REFUND CHEQUES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the initial price per Offer Share Stapled Units (excluding brokerage, SFC transaction levy and Stock Exchange trading fee payable thereon) paid on application, or if the conditions of the Global Offering as set out in the section headed “Structure of the Global Offering — Conditions of the Global Offering” in this prospectus are not fulfilled or if any application is revoked or any allocation pursuant thereto has become void, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and Stock Exchange trading fee, will be refunded without interest. It is intended that special efforts will be made to avoid any undue delay in refunding application monies where appropriate.

No temporary documents of title will be issued in respect of the Offer Share Stapled Units. No receipt will be issued for sums paid on application.

If you apply by **WHITE**, **YELLOW** or **BLUE** Application Form(s), subject as mentioned below, in due course, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified in the application:

- (a) (i) Share Stapled Unit certificate(s) for all the Offer Share Stapled Units and/or Reserved Share Stapled Units applied for, if the application is wholly successful or (ii) Share Stapled Unit certificate(s) for the number of Offer Share Stapled Units and/or Reserved Share Stapled Units successfully applied for, if the application is partially successful (for wholly and partially successful applicants on **YELLOW** Application Forms, Share Stapled Unit certificate(s) for the Offer Share Stapled Units and/or Reserved Share Stapled Units successfully applied for will be deposited into CCASS as described below); and/or
- (b) refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) the surplus application monies for the Offer Share Stapled Units and/or Reserved Share Stapled Units unsuccessfully applied for, if the application is partially unsuccessful or (ii) all the application monies, if the application is wholly unsuccessful and/or (iii) the difference between the Offer Price and the initial price per Offer Share Stapled Unit or per Reserved Share Stapled Unit paid on application in the event that the Offer Price is less than the initial price per Offer Share Stapled Unit or per Reserved Share Stapled Unit paid on application, in each case including brokerage of 1.0%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%, without interest.

Part of your Hong Kong identity card number/passport number, or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of or may invalidate your refund cheque.

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Subject as mentioned below, refund cheques for surplus application monies (if any) in respect of wholly and partially unsuccessful applications and the difference between the Offer Price and the initial price per Offer Share Stapled Unit or per Reserved Share Stapled Unit paid on application in the event that the Offer Price is less than the initial price per Offer Share Stapled Unit or per Reserved Share Stapled Unit paid on application and Share Stapled Unit certificate(s) for successful applicants under **WHITE** or **BLUE** Application Forms or **White Form eIPO** service are expected to be posted on or before Monday, 28 November 2011. The right is reserved to retain any Share Stapled Unit certificate(s) and any surplus application monies pending clearance of cheque(s).

If you apply by giving **electronic application instructions** to HKSCC, and your application is wholly or partially successful:

- (a) your Share Stapled Unit certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of the stock account of the CCASS Participant which you have instructed to give **electronic application instructions** on your behalf or your CCASS Investor Participant stock account on Monday, 28 November 2011 or, in the event of a contingency, on any other date as shall be determined by HKSCC or HKSCC Nominees; and
- (b) refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the initial price per Hong Kong Offer Share Stapled Unit or per Reserved Share Stapled Unit paid on application, in each case including the related brokerage of 1.0%, SFC transaction levy of 0.003%, and Stock Exchange trading fee of 0.005%, will be credited to your designated bank account or the designated bank account of your broker or custodian on Monday, 28 November 2011. No interest will be paid thereon.

If you apply using a **WHITE** or **BLUE** Application Form:

- If you apply for 1,000,000 Hong Kong Offer Share Stapled Units or more on a **WHITE** Application Form or 1,000,000 Reserved Share Stapled Units or more on a **BLUE** Application Form and have indicated in your Application Form that you wish to collect refund cheque(s) (where applicable) and/or Share Stapled Units certificate(s) (where applicable) in person, you may collect your refund cheque(s) (where applicable) and/or Share Stapled Unit certificate(s) (where applicable) from the Share Stapled Units Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Monday, 28 November 2011, or any other place or date notified by the Trustee-Manager and the Company in the newspapers as the place or date of despatch/collection of Share Stapled Unit certificates/e-Refund payment instructions/refund cheques.
- If you are an individual who opts for personal collection, you must not authorise any other person to make collection on your behalf. If you are a corporate applicant which opts for personal collection, your authorised representative must attend by your authorised representative bearing a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to Computershare Hong Kong Investor Services Limited.

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- If you do not collect your refund cheque(s) (where applicable) and/or Share Stapled Unit certificate(s) (where applicable) personally within the time period specified for collection, they will be despatched promptly to you by ordinary post to the address as specified in your Application Form at your own risk.
- If you apply for less than 1,000,000 Hong Kong Offer Share Stapled Units or less than 1,000,000 Reserved Share Stapled Units or if you have applied for 1,000,000 Hong Kong Offer Share Stapled Units or more or 1,000,000 Reserved Share Stapled Units or more but have not indicated in your Application Form that you wish to collect your Share Stapled Unit certificate(s) (where applicable) and/or refund cheque(s) (where applicable) in person, or if your application is rejected, nor accepted or accepted in part only, or if the conditions of the Global Offering as set out in the section headed “Structure of the Global Offering — Conditions of the Global Offering” in this prospectus are not fulfilled, or if your application is revoked or any allotment pursuant thereto has become void, your Share Stapled Unit certificate(s) (where applicable) and/or refund cheque(s) (where applicable) will be sent to the address on your Application Form on Monday, 28 November 2011 by ordinary post and at your own risk.

If you apply using a **YELLOW** Application Form:

- If you apply for Hong Kong Offer Share Stapled Units using a **YELLOW** Application Form and your application is wholly or partially successful, your Share Stapled Unit certificate(s) will be issued in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant as instructed by you in your Application Form on Monday, 28 November 2011 or, in the event of a contingency, on any other date as shall be determined by HKSCC or HKSCC Nominees.
- If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant), for Hong Kong Offer Share Stapled Units credited to the stock account of your designated CCASS Participant (other than a CCASS Investor Participant), you can check the number of Hong Kong Offer Share Stapled Units allocated to you with that CCASS Participant.
- If you are applying as a CCASS Investor Participant, the Trustee-Manager and the Company expect to announce the results of CCASS Investor Participants’ applications together with the results of the Hong Kong Public Offering and the Preferential Offering on Monday, 28 November 2011 in the manner as described in the paragraph headed “— Publication of results” above. You should check the announcement made by us and report any discrepancies to HKSCC before 5:00 p.m. on Monday, 28 November 2011 or such other date as shall be determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Share Stapled Units to your CCASS Investor Participant stock account, you can check the number of Hong Kong Offer Share Stapled Units allocated to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time). HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Share Stapled Units credited to your CCASS Investor Participant stock account.

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- If you apply for 1,000,000 Hong Kong Offer Share Stapled Units or more and you have elected on your **YELLOW** Application Form to collect your refund cheque (where applicable) in person, please follow the same instructions as those for **WHITE** and **BLUE** Application Form applicants as described above.
- If you apply for 1,000,000 Hong Kong Offer Share Stapled Units or more and have not indicated on your **YELLOW** Application Form that you will collect your refund cheque(s) (if any) in person, or if you have applied for less than 1,000,000 Hong Kong Offer Share Stapled Units, or if your application is rejected, nor accepted or accepted in part only, or if the conditions of the Global Offering as set out in the section headed “Structure of the Global Offering — Conditions of the Global Offering” in this prospectus are not fulfilled, or if your application is revoked or any allotment pursuant thereto has become void your refund cheque(s) (if any) will be sent to the address on your **YELLOW** Application Form by ordinary post and at your own risk on Monday, 28 November 2011.

If you apply through **White Form eIPO**:

- If you apply for 1,000,000 Hong Kong Offer Share Stapled Units or more through the **White Form eIPO** service by submitting an electronic application to the White Form eIPO Service Provider through the designated website at www.eipo.com.hk and your application is wholly or partially successful, you may collect your Stapled Unit certificate(s) (where applicable) in person from the Share Stapled Units Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Monday, 28 November 2011, or any other date notified by the Trustee-Manager and the Company in the newspapers as the date of despatch/collection of Share Stapled Unit certificates/e-Refund payment instructions/refund cheques.
- If you are an individual who opts for personal collection, you must not authorise any other person to make collection on your behalf. If you are a corporate applicant which opts for personal collection, your authorised representative must attend by your authorised representative bearing a letter of authorisation from your corporation stamped with your corporation’s chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to Computershare Hong Kong Investor Services Limited.
- If you do not collect your Share Stapled Unit certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions to the White Form eIPO Service Provider promptly thereafter by ordinary post and at your own risk.
- If you apply for less than 1,000,000 Hong Kong Offer Share Stapled Units, your Share Stapled Unit certificate(s) (where applicable) will be sent to the address specified in your application instructions to the White Form eIPO Service Provider on Monday, 28 November 2011, by ordinary post and at your own risk.

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- If you apply through the **White Form eIPO** service and paid the application monies from a single bank account, refund monies (if any) will be despatched to the application payment account in the form of e-Refund payment instructions. If you apply through **White Form eIPO** service and paid the application monies from multiple bank accounts, refund monies (if any) will be despatched to the address as specified on the your **White Form eIPO** application in the form of refund cheque(s), by ordinary post at your own risk.
- Please also note the additional information relating to refund of application monies overpaid, application money underpaid or applications rejected by the White Form eIPO Service Provider set out in the paragraph headed “— Applications for Hong Kong Offer Share Stapled Units — How to apply for Hong Kong Offer Share Stapled Units — Applying through White Form eIPO — Additional information” above.

If you apply by giving **electronic application instructions** to HKSCC via CCASS:

- The Company and the Trustee-Manager expect to publish the application results of the Hong Kong Public Offering and the Preferential Offering including the results of CCASS Participants’ applications (and in the case of CCASS Clearing Participants and CCASS Custodian Participants, the Company and the Trustee-Manager shall include information relating to the beneficial owner, if supplied), your Hong Kong identity card/passport/Hong Kong business registration number or other identification code (Hong Kong business registration number for corporations) and the basis of allocation of the Hong Kong Offer Share Stapled Units and the Reserved Share Stapled Units in the manner as described in the paragraph headed “— Publication of results” above on Monday, 28 November 2011. You should check the announcement made by us and report any discrepancies to HKSCC before 5:00 p.m. on Monday, 28 November 2011 or such other date as shall be determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Share Stapled Units allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Share Stapled Units allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time) on Monday, 28 November 2011. Immediately after the credit of the Hong Kong Offer Share Stapled Units to your stock account and the credit of the refund monies (if any) to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Share Stapled Units credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

F. REFUND OF APPLICATION MONIES

If you do not receive any Hong Kong Offer Share Stapled Units or Reserved Share Stapled Units for any reason, the Trustee-Manager and/or the Company will refund your application monies, including brokerage of 1.0%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%. No interest will be paid thereon.

HOW TO APPLY FOR HONG KONG OFFER SHARE STAPLED UNITS AND RESERVED SHARE STAPLED UNITS

If your application is accepted only in part, the Trustee-Manager and/or the Company will refund to you the appropriate portion of your application monies (including the related brokerage of 1.0%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%) without interest.

If the Offer Price as finally determined is less than the Maximum Offer Price per Offer Share Stapled Unit (excluding brokerage, SFC transaction levy and Stock Exchange trading fee thereon) paid on application, the Trustee-Manager and/or the Company will refund to you the surplus application monies, together with the related brokerage of 1.0%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%, without interest.

All such interest accrued prior to the date of despatch of e-Refund payment instructions/refund cheques will be retained for the Trustee-Manager's and the Company's benefit.

In a contingency situation involving a substantial over-subscription, at the discretion of the Trustee-Manager, the Company and the Joint Sponsors, cheques for applications (on Application Forms) for certain small denominations of Hong Kong Offer Share Stapled Units or Reserved Share Stapled Units (apart from successful applications) may not be cleared.

Refund of your application monies (if any) will be made on Monday, 28 November 2011 in accordance with the various arrangements as described above.

G. DEALINGS AND SETTLEMENT

Commencement of dealings in the Share Stapled Units

Dealings in the Share Stapled Units on the Stock Exchange are expected to commence on Tuesday, 29 November 2011.

The Share Stapled Units will be traded in board lots of 1,000 each. The stock code of the Share Stapled Units is 6823.

Share Stapled Units will be eligible for admission into CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Share Stapled Units and the Trustee-Manager and the Company comply with the stock admission requirements of HKSCC, the Share Stapled Units will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Share Stapled Units on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangements as such arrangements will affect their rights and interests.

All necessary arrangements have been made for the Share Stapled Units to be admitted into CCASS.

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, the reporting accountant of the HKT Trust and the Company, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Trustee-Manager and the Company and to the Joint Sponsors pursuant to the requirements of Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants.



羅兵咸永道

16 November 2011

The Directors
HKT Management Limited
(in its capacity as Trustee-Manager of HKT Trust)
HKT Limited

China International Capital Corporation Hong Kong Securities Limited
Deutsche Bank AG, Hong Kong Branch
Goldman Sachs (Asia) L.L.C.

Dear Sirs,

We report on the financial information (the "**Combined Financial Information**") of HKT Trust (the "**HKT Trust**"), HKT Limited (the "**Company**") and its subsidiaries (together, the "**Trust Group**"), which comprises the combined balance sheets as at 31 December 2008, 2009 and 2010 and 30 June 2011 and the combined income statements, the combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows for the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011 (the "**Relevant Periods**"), and a summary of significant accounting policies and other explanatory information. This financial information has been prepared by the directors of HKT Management Limited (the "**Trustee-Manager**") and the Company, and is set out in Sections I to III below for inclusion in Appendix I to the prospectus of the HKT Trust and the Company dated 16 November 2011 (the "**Prospectus**") in connection with the initial listing of share stapled units of the HKT Trust and the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Listing**").

The HKT Trust is a trust constituted by a trust deed dated 7 November 2011 entered into between the Trustee-Manager and the Company under the laws of Hong Kong. The Company was incorporated in the Cayman Islands on 14 June 2011 as an exempted company with limited liability under the Companies Law Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to a group reorganisation as described in Note 2(b) of Section II headed "Corporate reorganisation in connection with the Listing" below, which will complete immediately before the Listing, the Company will become the holding company of the companies set out in Note 40 of Section II below (the "**Reorganisation**").

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Immediately before the Listing, the HKT Trust will have direct and indirect interests in the subsidiaries as set out in Note 40 of Section II below.

No audited financial information has been prepared by the Trustee-Manager as the HKT Trust has not been involved in any significant business transactions since its date of establishment, other than the Reorganisation. The audited financial information of the other companies set out in Note 40 of Section II as at the date of this report for which there are statutory audit requirements have been prepared in accordance with the relevant accounting principles generally accepted in their place of incorporation. The details of the statutory auditors of these companies are set out in Note 40 of Section II.

The directors of the Trustee-Manager and the Company have prepared the combined financial statements of the companies that will become the subsidiaries of the Trust Group as set out in Note 40 of Section II for the Relevant Periods, in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) (the “**Underlying Financial Statements**”). We have audited the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing (the “HKSA”) issued by the HKICPA pursuant to the separate terms of engagement with the Trustee-Manager and the Company.

The directors of the Trustee-Manager and the Company are responsible for the preparation of the Underlying Financial Statements in order to give a true and fair view in accordance with HKFRSs.

The Combined Financial Information has been prepared based on the Underlying Financial Statements, with no adjustment made thereon, and on the basis set out in Note 3 of Section II below.

Directors' responsibility for the financial information

The directors of the Trustee-Manager and the Company are responsible for the preparation of the Combined Financial Information that gives a true and fair view in accordance with the basis of presentation set out in Note 3 of Section II below and in accordance with HKFRSs, and for such internal control as the directors determine is necessary to enable the preparation of the Combined Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountant's responsibility

Our responsibility is to express an opinion on the Combined Financial Information and to report our opinion to you. We carried out our procedures in accordance with the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” issued by the HKICPA.

Opinion

In our opinion, the Combined Financial Information gives, for the purpose of this report and presented on the basis set out in Note 3 of Section II below, a true and fair view of the combined state of affairs of the Trust Group as at 31 December 2008, 2009 and 2010 and 30 June 2011, and of the Trust Group's combined results and cash flows for the Relevant Periods then ended.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information set out in Sections I to II below included in Appendix I to the Prospectus which comprises the combined income statement, the combined statement of comprehensive income, the combined statement of changes in equity and the combined statement of cash flows for the six months ended 30 June 2010 and a summary of significant accounting policies and other explanatory information (the “**Stub Period Comparative Financial Information**”).

The directors of the Trustee-Manager and the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of presentation set out in Note 3 of Section II below and the accounting policies set out in Note 4 of Section II below.

Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review of the Stub Period Comparative Financial Information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with HKSA and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purpose of this report and presented on the basis set out in Note 3 of Section II below, has not been prepared, in all material respects, in accordance with the accounting policies set out in Note 4 of Section II below.

I. FINANCIAL INFORMATION OF THE TRUST GROUP

The following is the Combined Financial Information of the Trust Group prepared by the directors of the Trustee-Manager and the Company for each of the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2010 and 2011 and as at 31 December 2008, 2009 and 2010 and 30 June 2011, presented on the basis set out in Note 3 of Section II below:

COMBINED INCOME STATEMENTS

	Note	Year ended 31 December			Six months ended 30 June	
		2008	2009	2010	2010	2011
		HK\$ million	HK\$ million	HK\$ million	HK\$ million (unaudited)	HK\$ million
Turnover	7	7,201	17,947	18,527	9,206	9,537
Cost of sales		(2,306)	(6,642)	(7,451)	(3,635)	(3,758)
General and administrative expenses		(4,309)	(7,981)	(8,131)	(4,171)	(4,287)
Other gains/(losses), net	9	63	—	40	—	(28)
Losses on property, plant and equipment	10	—	(25)	—	—	—
Finance costs, net	12	(240)	(1,468)	(1,562)	(793)	(733)
Share of results of jointly controlled companies	21	—	—	(73)	(5)	(5)
Profit before income tax	11	409	1,831	1,350	602	726
Income tax	14(a)	(132)	(480)	(378)	(180)	(168)
Profit for the year/period		<u>277</u>	<u>1,351</u>	<u>972</u>	<u>422</u>	<u>558</u>
Attributable to:						
Holders of share stapled units		274	1,316	925	400	537
Non-controlling interests		<u>3</u>	<u>35</u>	<u>47</u>	<u>22</u>	<u>21</u>
		<u>277</u>	<u>1,351</u>	<u>972</u>	<u>422</u>	<u>558</u>

COMBINED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
	HK\$ million	HK\$ million	HK\$ million	HK\$ million (unaudited)	HK\$ million
Profit for the year/period	277	1,351	972	422	558
Other comprehensive income/(loss)					
Translation exchange differences:					
- exchange differences on translating foreign operations	3	208	147	9	72
Available-for-sale financial asset:					
- changes in fair value	—	—	(6)	(9)	27
Cash flow hedges:					
- effective portion of changes in fair value	358	(120)	25	91	(34)
- transfer from equity to combined income statements	5	(8)	(52)	(53)	(9)
Other comprehensive income for the year/period	<u>366</u>	<u>80</u>	<u>114</u>	<u>38</u>	<u>56</u>
Total comprehensive income for the year/period	<u>643</u>	<u>1,431</u>	<u>1,086</u>	<u>460</u>	<u>614</u>
Attributable to:					
- Holders of share stapled units	639	1,396	1,037	438	594
- Non-controlling interests	<u>4</u>	<u>35</u>	<u>49</u>	<u>22</u>	<u>20</u>
	<u>643</u>	<u>1,431</u>	<u>1,086</u>	<u>460</u>	<u>614</u>

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Attributable to holders of share stapled units	Non- controlling interests	Total equity
	HK\$ million	HK\$ million	HK\$ million
At 1 January 2008	724	—	724
Total comprehensive income for the year	639	4	643
Capital contribution	16,639	—	16,639
Distribution to equity owner	(1,053)	—	(1,053)
Increase in non-controlling interests arising from business combination	—	135	135
At 31 December 2008	<u>16,949</u>	<u>139</u>	<u>17,088</u>
At 1 January 2009	16,949	139	17,088
Total comprehensive income for the year	1,396	35	1,431
Dividend declared and paid to non-controlling shareholders of a subsidiary	—	(19)	(19)
Increase in non-controlling interests arising from acquisition of subsidiaries	—	3	3
At 31 December 2009	<u>18,345</u>	<u>158</u>	<u>18,503</u>
At 1 January 2010	18,345	158	18,503
Total comprehensive income for the year	1,037	49	1,086
Dividend declared and paid to non-controlling shareholders of a subsidiary	—	(45)	(45)
Increase in ownership interest in a subsidiary (Note 38)	(31)	—	(31)
At 31 December 2010	<u>19,351</u>	<u>162</u>	<u>19,513</u>

COMBINED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

	Attributable to holders of share stapled units	Non- controlling interests	Total equity
	HK\$ million	HK\$ million	HK\$ million
At 1 January 2011	19,351	162	19,513
Total comprehensive income for the period	594	20	614
Distribution to equity owner	(8)	—	(8)
Dividend declared and paid to non-controlling shareholders of a subsidiary	<u>—</u>	<u>(35)</u>	<u>(35)</u>
At 30 June 2011	<u>19,937</u>	<u>147</u>	<u>20,084</u>
(Unaudited)			
At 1 January 2010	18,345	158	18,503
Total comprehensive income for the period	438	22	460
Dividend declared and paid to non-controlling shareholders of a subsidiary	<u>—</u>	<u>(42)</u>	<u>(42)</u>
At 30 June 2010	<u>18,783</u>	<u>138</u>	<u>18,921</u>

COMBINED BALANCE SHEETS

	Note	As at 31 December			As at 30 June
		2008	2009	2010	2011
		HK\$ million	HK\$ million	HK\$ million	HK\$ million
ASSETS AND LIABILITIES					
Non-current assets					
Property, plant and equipment	16	15,717	15,068	14,322	14,564
Investment properties	17	6	7	—	—
Interests in leasehold land	18	389	376	329	323
Goodwill	19	35,688	35,877	35,892	35,895
Intangible assets	20	6,789	6,045	5,545	5,158
Interests in jointly controlled companies	21	—	259	474	461
Available-for-sale financial asset	22	—	—	48	75
Derivative financial instruments	25	—	—	152	113
Deferred income tax assets	28	—	4	3	3
Other non-current assets		371	420	448	481
		<u>58,960</u>	<u>58,056</u>	<u>57,213</u>	<u>57,073</u>
Current assets					
Prepayments, deposits and other current assets		466	1,085	2,045	1,346
Inventories	23(a)	938	849	832	986
Derivative financial instruments	25	230	108	17	3
Trade receivables, net	23(b)	2,076	1,945	2,104	2,202
Tax recoverable		2	—	—	—
Cash and cash equivalents	30(d)	1,507	2,227	5,456	5,229
		<u>5,219</u>	<u>6,214</u>	<u>10,454</u>	<u>9,766</u>
Current liabilities					
Short-term borrowings	23(c)	—	46	7,800	7,823
Trade payables	23(d)	1,369	1,433	1,568	1,433
Accruals and other payables		2,453	2,215	2,019	2,090
Carrier licence fee liabilities	29	78	87	146	146
Amounts due to related companies	6(f)	35	38	58	99
Amounts due to fellow subsidiaries and the ultimate holding company	6(f)	7,240	2,774	4,045	2,697
Advances from customers		1,605	1,521	1,583	1,325
Current income tax liabilities		28	20	14	194
		<u>12,808</u>	<u>8,134</u>	<u>17,233</u>	<u>15,807</u>
Net current liabilities		<u>(7,589)</u>	<u>(1,920)</u>	<u>(6,779)</u>	<u>(6,041)</u>
Total assets less current liabilities		<u>51,371</u>	<u>56,136</u>	<u>50,434</u>	<u>51,032</u>

COMBINED BALANCE SHEETS (CONTINUED)

	Note	As at 31 December			As at 30 June
		2008	2009	2010	2011
		HK\$ million	HK\$ million	HK\$ million	HK\$ million
Non-current liabilities					
Long-term borrowings	24	31,745	34,656	27,029	27,148
Derivative financial instruments	25	—	—	102	7
Deferred income tax liabilities	28	1,283	1,745	2,081	2,045
Deferred income		667	651	728	784
Carrier licence fee liabilities	29	551	515	924	908
Other long-term liabilities		37	66	57	56
		<u>34,283</u>	<u>37,633</u>	<u>30,921</u>	<u>30,948</u>
Net assets		<u>17,088</u>	<u>18,503</u>	<u>19,513</u>	<u>20,084</u>
Capital and reserves					
Retained profits	27	612	1,928	2,853	3,382
Other reserves	27	<u>16,337</u>	<u>16,417</u>	<u>16,498</u>	<u>16,555</u>
Equity attributable to holders of share stapled units		16,949	18,345	19,351	19,937
Non-controlling interests		<u>139</u>	<u>158</u>	<u>162</u>	<u>147</u>
Total equity		<u>17,088</u>	<u>18,503</u>	<u>19,513</u>	<u>20,084</u>

COMBINED STATEMENTS OF CASH FLOWS

	Note	Year ended 31 December			Six months ended 30 June	
		2008	2009	2010	2010	2011
		HK\$ million	HK\$ million	HK\$ million	HK\$ million (unaudited)	HK\$ million
Net cash generated from operating activities	30(a)	<u>4,223</u>	<u>6,240</u>	<u>6,239</u>	<u>3,099</u>	<u>3,352</u>
Investing activities						
Proceeds from disposal of property, plant and equipment		248	2	6	2	1
Purchases of property, plant and equipment		(2,254)	(1,450)	(1,564)	(623)	(721)
Purchases of intangible assets		(179)	(907)	(1,058)	(365)	(613)
Acquisition of businesses and subsidiaries (net of cash and cash equivalents acquired)	30(b)	(12,473)	(81)	—	—	—
Contingent consideration paid for acquisition of a subsidiary		—	—	(85)	—	—
Loan to a jointly controlled company		—	(259)	(1)	(2)	(3)
Settlement of an amount due to a fellow subsidiary in relation to the 2008 Restructuring		—	(7,200)	—	—	—
Consideration paid to non-controlling interests for an increase in ownership interest in a subsidiary		—	—	(31)	—	—
Net cash used in investing activities		<u>(14,658)</u>	<u>(9,895)</u>	<u>(2,733)</u>	<u>(988)</u>	<u>(1,336)</u>

COMBINED STATEMENTS OF CASH FLOWS (CONTINUED)

Note	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
	HK\$ million	HK\$ million	HK\$ million	HK\$ million (unaudited)	HK\$ million
Financing activities					
Finance fees paid for new borrowings raised	(237)	—	(302)	(227)	—
New borrowings raised	16,600	7,200	15,557	9,652	43
Interest paid	(219)	(1,432)	(1,296)	(661)	(678)
Repayments of borrowings	—	(4,401)	(15,311)	(12,446)	(28)
Loans from/(to) fellow subsidiaries and the ultimate holding company	—	3,013	1,133	727	(1,479)
Dividend paid to non-controlling shareholders of a subsidiary	—	(19)	(45)	(42)	(35)
Transfer of funds to fellow subsidiaries	(3,161)	—	—	—	—
Distribution to equity owner	(1,053)	—	—	—	(8)
Net cash generated from/(used in) financing activities	<u>11,930</u>	<u>4,361</u>	<u>(264)</u>	<u>(2,997)</u>	<u>(2,185)</u>
Net increase/(decrease) in cash and cash equivalents	1,495	706	3,242	(886)	(169)
Exchange differences	12	14	(13)	(8)	(58)
Cash and cash equivalents					
Beginning of year/period	—	1,507	2,227	2,227	5,456
End of year/period	30(d) <u>1,507</u>	<u>2,227</u>	<u>5,456</u>	<u>1,333</u>	<u>5,229</u>

II. NOTES TO THE COMBINED FINANCIAL INFORMATION

1 GENERAL INFORMATION

HKT Limited (the “**Company**”) was incorporated in the Cayman Islands on 14 June 2011 as an exempted company with limited liability under the Companies Law Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The addresses of the Company’s registered office and principal place of business in Hong Kong are PO Box 309, Uglan House, Grand Cayman, KY1-1104, Cayman Islands and 39th Floor, PCCW Tower, TaiKoo Place, 979 King’s Road, Quarry Bay, Hong Kong respectively.

HKT Trust (the “**HKT Trust**”), a trust constituted by the Trust Deed under the laws of Hong Kong, which has been established as a fixed single investment trust, with its activities being limited to investment in the Company and related matters.

The Company is an investment holding company and the companies set out in Note 40 are principally engaged in the provision of fixed core, mobile, local and international telecommunications services, Internet access services and the sale and rental of telecommunications equipment primarily in Hong Kong, and also in Mainland China (the “**PRC**”) and elsewhere in the Asia Pacific region (together the “**Telecommunications Business**”). The ultimate holding company of the Company is PCCW Limited (“**PCCW**”), a company incorporated in Hong Kong with its shares listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and traded in the form of American Depositary Receipts on the OTC Markets Group Inc. in the United States.

The combined financial information of the HKT Trust, the Company and its subsidiaries (together as the “**Trust Group**”) comprise the combined balance sheets of the Trust Group as at 31 December 2008, 2009 and 2010 and 30 June 2011, and the combined income statements, the combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows for the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011 (the “**Relevant Periods**”) then ended, and a summary of significant accounting policies and other explanatory information (the “**Combined Financial Information**”). The Combined Financial Information has been prepared for inclusion in the prospectus to be issued in connection with the proposed listing (the “**Listing**”) of the HKT Trust and the Company on the Main Board of the Stock Exchange (the “**Prospectus**”).

These financial information is presented in millions of units of Hong Kong dollars (HK\$ million), unless otherwise stated.

2 SIGNIFICANT EVENTS

(a) Formation of HKT Group Holdings Limited (“**HKTGH**”)

HKTGH was incorporated on 18 January 2008 as an indirect wholly-owned subsidiary of PCCW and its immediate holding company is CAS Holding No. 1 Limited (“**CAS No. 1**”). During the year ended 31 December 2008, HKTGH through its indirect wholly-owned subsidiaries acquired the Telecommunications Business of several indirect wholly-owned subsidiaries of PCCW and also acquired the share capital of certain entities (the “**Acquired Businesses**”) (the transaction is hereinafter referred as the “**2008 Restructuring**”). The 2008 Restructuring was completed in the fourth quarter of 2008. In this Combined Financial Information, the part of PCCW which provides connectivity services to PCCW’s Telecommunications Business and to certain third parties, the “**Fixed Network Operations**” was identified as the accounting acquirer of the 2008 Restructuring whereas the other components, namely the Commercial and Consumer telecommunications business, the PCCW Global Business, the PCCW Mobile Business, the PCCW Media Business and the PCCW Solutions Business, of the Telecommunications Business being combined in the 2008 Restructuring were identified as the accounting acquirees. As such, the Combined Financial Information includes the post-acquisition results of the Telecommunications Business of the accounting acquirees in the 2008 Restructuring and the results prior to the completion of the 2008 Restructuring represent the operating results of the Fixed Network Operations on a standalone basis.

(b) Corporate reorganisation in connection with the Listing

In the preparation for the spin-off and separate listing of the Telecommunications Business, a group reorganisation (the “**Reorganisation**”) is being implemented by the Company and the companies comprising the Trust Group in the manner described below:

- (i) HKTGH agreed to transfer HKT Network Services Limited and its three subsidiaries, namely PCCW-HKT Business Services Limited, PCCW-HKT Technical Services Limited and Pacific Century CyberWorks Solutions (Macau) Limited (together, the “**Network Services Group**”), to PCCW Network Services (China) Limited at a consideration equal to the fair market value of HKT Network Services Limited. Accordingly, the results, assets and liabilities of the Network Services Group have not been included in the Combined Financial Information.

- (ii) 電訊盈科(北京)有限公司 (unofficial name: PCCW (Beijing) Limited) (“**PCCW Beijing**”), an indirect wholly-owned subsidiary of HKTGH, agreed to transfer employees and assets relevant to the Telecommunications Business to certain subsidiaries of the Trust Group at carrying cost. PCCW Holding Company (Beijing) Limited, an indirect wholly-owned subsidiary of HKTGH, agreed to transfer the entire registered capital of PCCW Beijing to PCCW Services Limited, a wholly-owned subsidiary of PCCW at a consideration equal to the fair market value of PCCW Beijing and will be settled on the basis of an inter-company balance left outstanding. Accordingly, only the results, assets and liabilities of such businesses related to and managed by the Trust Group have been included in the Combined Financial Information.
- (iii) Solutions Group agreed to transfer its 76.43% interest in Unihub Global Network Technology (China) Limited which in turn owns 50% interest in 中盈優創資訊科技有限公司 (Unihub China Information Technology Company Limited) (“**ZhongYing JV**”), to PCCW Holding Company (China) Limited, an indirect wholly-owned subsidiary of HKTGH, at a consideration of the fair market value of PCCW Network Services (China) Limited’s 76.43% stake in Unihub Global Network Technology (China) Limited. Accordingly, the results, assets and liabilities of the ZhongYing JV have been included in the Combined Financial Information.
- (iv) HKTGH agreed to transfer HKT Media Holdings Limited, and thereby its subsidiaries (the “**Media Group**”) to a new wholly-owned subsidiary of CAS No. 1, by way of distribution in specie of the shares of HKT Media Holdings Limited. Accordingly, the results, assets and liabilities of the Media Group have not been included in the Combined Financial Information.
- (v) HKTGH agreed to transfer HKT Solutions Holdings Limited, and thereby its subsidiaries (the “**Solutions Group**”) to a new wholly-owned subsidiary of CAS No. 1 by way of distribution in specie of the shares of HKT Solutions Holdings Limited. Accordingly, the results, assets and liabilities of the Solutions Group have not been included in the Combined Financial Information.
- (vi) Hong Kong Telecommunications (HKT) Limited agreed to assign the benefit of two technical services agreements related to business managed by the Solutions Group to PCCW Solutions Limited, a member of the Solutions Group. Accordingly, the results, assets and liabilities related to these agreements have been excluded from the Combined Financial Information.
- (vii) PCCW-HKT DataCom Services Limited and other relevant companies, the indirect wholly-owned subsidiaries of HKTGH, agreed to transfer the trademarks used by the Media Group and the Solutions Group to the subsidiaries of the Trust Group’s fellow subsidiaries at a nominal consideration. Accordingly, these trademarks have not been included in the Combined Financial Information.
- (viii) All inter-company balances between the Trust Group and the ultimate holding company and the Trust Group’s fellow subsidiaries, including the Solutions Group and the Media Group, will be assigned or novated with a net balance between HKTGH and CAS No. 1. The net amount owing from HKTGH to CAS No. 1 would be capitalised by way of HKTGH issuing one new ordinary share to CAS No. 1 (see note 39(i)).
- (ix) The Company agreed to issue new ordinary and preference shares, and a promissory note to CAS No. 1 in consideration of the transfer of all the shares in HKTGH held by CAS No. 1, representing 100% interest in HKTGH, to the Company (the “**HKTGH Share Swap**”). The transfer will complete shortly before the date of Listing and HKTGH would become a direct wholly-owned subsidiary of the Company upon completion of this transaction (see note 39(iii)).
- (x) The Company and the HKT Trust agreed to jointly issue share stapled units to CAS No. 1 in consideration of the transfer the entire interest in the Company, to the Trustee-Manager in its capacity as the trustee and manager of the HKT Trust (the “**Share Swap**”). The transfer will complete shortly before the date of Listing.

Immediately prior to and after the Reorganisation, the Telecommunications Business is held by HKTGH. The Telecommunications Business is mainly conducted through Hong Kong Telecommunications (HKT) Limited which is an indirect wholly-owned subsidiary of HKTGH. Pursuant to the Reorganisation, HKTGH and the Telecommunications Business are transferred to and held by the Company. The HKT Trust and the Company have not been involved in any other business prior to the Reorganisation and do not meet the definition of a business combination. The Reorganisation is merely a reorganisation of the Telecommunications Business with no change in the management of such business and the ultimate owners of the Telecommunications Business. Accordingly, the Combined Financial Information of the companies and the HKT Trust comprising the Trust Group is presented using the carrying values of the Telecommunications Business under HKTGH for the Relevant Periods presented.

3 BASIS OF PRESENTATION AND PREPARATION OF THE COMBINED FINANCIAL INFORMATION

For the purpose of this report, the Combined Financial Information of the Trust Group has been prepared on a basis in accordance with the principles of the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA. The combined income statements, combined statements of comprehensive income, combined statements of cash flows and combined statements of changes in equity of the Trust Group for each of the Relevant Periods have been prepared using the financial information of the companies engaged in the Telecommunications Business, under the common control of HKTGH and comprising the Trust Group, as if the Trust Group structure had been in existence throughout each of the Relevant Periods, or since the respective dates of incorporation/establishment of the combining companies, or since the date when the combining companies first came under the control of HKTGH, whichever is a shorter period. The combined balance sheets of the Trust Group as at 31 December 2008, 2009 and 2010 and 30 June 2011 have been prepared to present the assets and liabilities of the companies comprising the Trust Group at these dates, as if the Trust Group structure had been in existence as at these dates. The net assets and results of the Trust Group were combined using the existing book values from HKTGH's perspective.

Companies acquired from or disposed of during each of the Relevant Periods are included in or excluded from the financial information of the Trust Group from the date of the acquisitions or disposals.

Inter-company transactions, balances and unrealised gains/losses on transactions between group companies are eliminated on combination.

4 SIGNIFICANT ACCOUNTING POLICIES

The Combined Financial Information has been prepared in accordance with the basis set out in Note 3 above and 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"), and accounting principles generally accepted in Hong Kong. The Combined Financial Information has been prepared under the historical cost convention except for certain financial instruments which are stated at fair values, as explained in the significant accounting policies set out below.

(a) Basis of combination

The Combined Financial Information includes the financial information of the Trust Group for the Relevant Periods, which include all its direct and indirect subsidiaries and also incorporate the interest in jointly controlled companies on the basis set out in Note 4(c) & (d) below. Other than the Reorganisation, the results of subsidiaries and jointly controlled companies acquired or disposed of during the periods are included as from their effective dates of acquisition to 30 June 2011 or up to the dates of disposal as the case may be.

(b) Business Combinations

Prior to 31 December 2009, acquisitions are accounted for using the purchase method under HKFRS 3, "Business Combinations" (2004). Accordingly;

- (i) the assets and liabilities of the accounting acquirer are recognised and measured at the acquisition date at their historical carrying amounts; the identifiable assets, liabilities and contingent liabilities of the acquiree that meet the conditions for recognition under HKFRS 3 "Business Combinations" (2004) are recognised at their fair values at the acquisition date; and
- (ii) the results of the acquiree are fully consolidated from the date on which control is transferred to the Trust Group.

The cost of an acquisition is measured as the aggregate fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interests. The excess of the cost of acquisition over the fair value of the Trust Group's share of identifiable net assets acquired is recorded as goodwill (see Note 4(i)). If the cost of acquisition is less than the fair value of the Trust Group's share of identifiable net assets of the subsidiary acquired, the difference (i.e. negative goodwill) is recognised directly in the combined income statements.

From 1 January 2010, the Trust Group adopted HKFRS 3 (revised), "Business Combinations". The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Trust Group. The cost of an acquisition is measured as the aggregate fair value of the assets transferred, equity instruments issued and liabilities incurred or assumed at the date of exchange. The consideration transferred includes the fair value of any asset, liability or equity resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Trust Group recognises any non-controlling interest (formerly known as minority interests prior to the adoption of HKFRS 3 (revised), "Business Combinations") in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill (see Note 4(i)). If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the combined income statements. When businesses are acquired and fair values of the net assets of the acquired businesses are finalised within 12 months of the acquisition date, all fair value adjustments are recorded with effect from the date of acquisition and consequently may result in the adjustments of previously reported financial results.

(c) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Trust Group. Control exists when the Trust Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the Combined Financial information from the date that control commences until the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Trust Group (see Note 4(b)).

Non-controlling interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Trust Group, whether directly or indirectly through subsidiaries, and in respect of which the Trust Group has not agreed any additional terms with the holders of those interests which would result in the Trust Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Non-controlling interests are presented within equity in the combined balance sheets and combined statements of changes in equity, separately from equity attributable to the holders of share stapled units. Non-controlling interests in the results of the Trust Group are presented on the face of the combined income statements as an allocation of the total profit or loss for the year between non-controlling interests and the holders of share stapled units.

The Trust Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Trust Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals of equity interests to non-controlling interests are also recorded in equity.

Where losses applicable to the non-controlling interests exceed the non-controlling shareholder's interest in the equity of a subsidiary, the excess, and any further losses applicable to the non-controlling interests, are charged against the Trust Group's interest except to the extent that the non-controlling shareholder has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Trust Group's interest is allocated all such profits until the non-controlling shareholder's share of losses previously absorbed by the Trust Group has been recovered.

For subsidiaries which have accounting year ends different from the Trust Group, the subsidiaries prepare, for the purpose of consolidation, financial information up to and as at the same date as the Trust Group.

Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the Combined Financial Information. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment of the asset transferred.

(d) Jointly controlled companies

A jointly controlled company is an entity which operates under a contractual arrangement between the Trust Group and other parties, where the contractual arrangement establishes that the Trust Group and one or more of the other parties share joint control over the economic activity of the entity. The Trust Group has made investments in jointly controlled companies in the PRC 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.

Investments made by means of joint venture structures where the Trust Group controls the composition of the board of directors or equivalent governing body and/or is in a position to exercise control over the financial and operating policies of the jointly controlled companies are accounted for as subsidiaries.

Investments in jointly controlled companies are accounted for in the Combined Financial Information under the equity method and are initially recorded at cost. The Trust Group's investment in jointly controlled companies includes goodwill identified on acquisition, net of any accumulated impairment loss and adjusted thereafter for the post-acquisition change in the Trust Group's share of the jointly controlled companies' net assets. The combined income statements include the Trust Group's share of post-acquisition, post-tax results of the jointly controlled companies and any impairment losses for the years. The combined statements of comprehensive income include the Trust Group's share of the post-acquisition, post-tax items of the jointly controlled companies' other comprehensive income.

When the Trust Group's share of losses exceeds its interest in the jointly controlled company, the Trust Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Trust Group has incurred legal or constructive obligations or made payments on behalf of the jointly controlled company. For this purpose, the Trust Group's interest in the jointly controlled company is the carrying amount of the investment under the equity method together with the Trust Group's long-term interests that in substance form part of the Trust Group's net investment in the jointly controlled company.

Unrealised profits and losses resulting from transactions between the Trust Group and its jointly controlled companies are eliminated to the extent of the Trust Group's interest in the jointly controlled companies, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in the combined income statements.

(e) Gaining or losing control or significant influence

When the Trust Group ceases to have control or significant influence, any retained interest in the entity is re-measured to its fair value, with the change in carrying amount recognised in investor profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Trust Group had disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(f) Property, plant and equipment

The following items of property, plant and equipment are stated in the combined balance sheets at cost less accumulated depreciation and impairment losses (see Note 4(l)(ii)):

- buildings held for own use which are situated on leasehold/freehold land, where the fair value of the building could be measured separately from the fair value of the leasehold/freehold land at the inception of the lease (see Note 4(h)); and
- other items of plant and equipment.

The cost of an item of property, plant and equipment comprises (i) its purchase price, (ii) any directly attributable costs of bringing the asset to its working condition and location for its intended use, and (iii) the initial estimate at the time of installation and during the period of use, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located.

Subsequent costs are included in the carrying amount of an item of property, plant and equipment or recognised as a separate item of property, plant and equipment, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Trust Group and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance and overhaul costs, are recognised in the combined income statements as an expense in the period in which they are incurred.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in the combined income statements on the date of retirement or disposal.

Projects under construction are not depreciated. Depreciation on other property, plant and equipment is calculated to write off the cost of items of property, plant and equipment, less their expected residual value, if any, using the straight line method over their estimated useful lives as follows:

Buildings	Over the shorter of the unexpired term of land lease and the estimated useful lives
Exchange equipment	5 to 10 years
Transmission plant	5 to 30 years
Other plant and equipment	Over the shorter of 1 to 17 years and the term of lease

The assets' useful lives and residual values, if any, are reviewed, and adjusted if appropriate, at each balance sheet date.

(g) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see Note 4(h)) to earn rental income and/or for capital appreciation, and which are not occupied by the companies in the Trust Group. Property that is being constructed or developed for future use as investment property is classified as investment property.

Investment properties are stated in the combined balance sheets at fair value, based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset, determined annually. The fair value of investment properties reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in the combined income statements. Rental income from investment properties is accounted for as described in Note 4(u)(iii).

When the Trust Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease (see Note 4(h)), and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in Note 4(h).

When an item of property, plant and equipment is transferred to investment property following a change in its use, any differences between the carrying amount and the fair value of the item arising at the date of transfer is recognised directly in equity if it is a gain. Upon disposal of the item, the gain is transferred to retained earnings. Any loss arising in this manner is recognised immediately in the combined income statements.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment and its fair value at the date of reclassification becomes its cost for accounting purposes. Investment property, that is being redeveloped for continued future use as investment property, continues to be measured at fair value and is not reclassified as property, plant and equipment during the redevelopment.

(h) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Trust Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) *Classification of assets leased to the Trust Group*

Leases which do not transfer substantially all the risks and rewards of ownership to the Trust Group are classified as operating leases, except for property held under operating leases that would otherwise meet the definition of an investment property, which is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (see Note 4(g)).

(ii) *Assets leased out under operating leases*

Where the Trust Group leases out assets under operating leases, the assets are included in the combined balance sheets according to their nature and, where applicable, are depreciated in accordance with the Trust Group's depreciation policies, as set out in Note 4(f). Impairment losses are accounted for in accordance with the accounting policy as set out in Note 4(l)(ii). Revenue arising from operating leases is recognised in accordance with the Trust Group's revenue recognition policies, as set out in Note 4(u)(iii).

(iii) *Operating lease charges*

Where the Trust Group has the use of assets held under operating leases, payments made under the leases are charged to the combined income statements in equal instalments over the accounting periods covered by the lease term. Lease incentives received are recognised in the combined income statements as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the combined income statements in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is stated in the combined balance sheets as "Interests in leasehold land" and is amortised to the combined income statements on a straight-line basis over the period of the lease term except where the property is classified as an investment property (see Note 4(g)).

(i) **Goodwill**

Goodwill represents the excess of the cost of a business combination or an investment in a jointly controlled company over the Trust Group's interest in the aggregate net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities at the date of acquisition.

Goodwill is stated in the combined balance sheets at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units ("CGUs") and is tested annually for impairment (see Note 4(l)(ii)). In respect of jointly controlled companies, the carrying amount of goodwill is included in the carrying amount of the interest in jointly controlled companies.

On disposal of a CGU or part of a CGU, a jointly controlled company during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(j) **Intangible assets (other than goodwill)**

(i) *Customer acquisition costs*

Costs incurred to acquire contractual relationships with customers are capitalised if it is probable that future economic benefits will flow from the customers to the Trust Group and such costs can be measured reliably. Capitalised customer acquisition costs are amortised on a straight-line basis over the minimum enforceable contractual periods. By the end of the minimum enforceable contractual period, fully amortised customer acquisition costs will be written off.

In the event that a customer terminates the contract prior to the end of the minimum enforceable contractual period, the unamortised customer acquisition cost will be written off immediately in the combined income statements.

(ii) *Carrier licences*

The carrier licences to establish and maintain the telecommunication network and to provide telecommunication services are recorded as intangible assets. Upon the issuance of the licence, the cost thereof, which is the discounted value of the minimum annual fees payable over the period of the licence and directly attributable costs of preparing

the asset for its intended use, is recorded together with the related obligations. Where the Trust Group has the right to return a licence and expects to do so, the asset and the related obligation recorded reflect the expected period that the licence will be held. Amortisation is provided on a straight-line basis over the estimated useful life of the licence as follows:

Mobile carrier licence for third generation ("3G") services ("3G licence")	Over the remaining term of licence
Personal communications service licence ("2G licence")	Over the shorter of 5 years or the remaining term of licence
Mobile carrier licence CDMA 2000 licence No.99 ("CDMA licence")	Over the term of the licence
Unified carrier licence	Over the term of the licence

The difference between the discounted value and the total of the minimum annual fee payments represents the effective cost of financing. Such finance cost will be charged to the combined income statements in the period in which it is incurred using the effective interest method.

Variable annual payments on top of the minimum annual payments, if any, are recognised in the combined income statements as incurred.

(iii) *Other intangible assets*

Other intangible assets that are acquired by the Trust Group are stated in the combined balance sheets at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see Note 4(l)(ii)). Expenditures on internally generated goodwill and brands are recognised as expenses in the period in which they are incurred.

Amortisation of intangible assets with finite useful lives is charged to the combined income statements on a straight-line basis over their estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

Trademarks	20 years
Customer base	1 to 10 years

The assets' useful lives and their amortisation method are reviewed annually.

(k) Investments in equity securities

The Trust Group classifies its investments in equity securities, other than investments in subsidiaries and jointly controlled companies, as available-for-sale financial assets.

Investments in equity securities are initially recognised at fair value plus transaction costs, except as indicated otherwise below. The fair value of quoted investments is based on current bid price.

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified as financial assets at fair value through profit and loss, held-to-maturity investments and loans and receivables. They are included in non-current assets unless the Trust Group intends to dispose of the investment within 12 months from the balance sheet date.

At each balance sheet date, the fair value of available-for-sale financial assets is re-measured, with any unrealised holding gains or losses arising from the changes in fair value being recognised in other comprehensive income and accumulated separately in the available-for-sale financial assets reserve under equity, except for impairment losses (see Note 4(l)(i)) and, in the case of monetary items, foreign exchange gains and losses which are recognised directly in the combined income statements. Dividend income from these investments is recognised in the combined income statements in accordance with the policy set out in Note 4(u)(vii). When the investments are derecognised or impaired (see Note 4(l)(i)), the cumulative gain or loss previously recognised directly in the equity is recognised in the combined income statements.

Investments in equity securities are recognised or derecognised on the date the Trust Group commit to purchase or sell the investments or they expire.

(I) Impairment of assets*(i) Impairment of investments in equity securities and other receivables*

Investments in equity securities (other than investments in subsidiaries and jointly controlled companies: see Note 4(l)(ii)) and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale financial assets are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Trust Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets.

If any such evidence exists, any impairment loss is determined and recognised as follows:

- For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through the combined income statements. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

- For available-for-sale financial assets, when there is an impairment, the cumulative loss, if any, that had been recognised directly in the available-for-sale financial assets reserve under equity is removed from equity and is recognised in the combined income statements. The amount of the cumulative loss that is recognised in the combined income statements is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in the combined income statements.

Impairment losses recognised in the combined income statements in respect of equity instruments classified as available-for-sale financial assets are not reversed through the combined income statements. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income and accumulated separately in the available-for-sale financial assets reserve under equity.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade receivables, whose recovery are considered doubtful but not remote. In this case, the impairment loss for doubtful debts is recorded using an allowance account. When the Trust Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in the combined income statements.

(ii) *Impairment of other assets*

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- interests in leasehold land;
- goodwill;
- intangible assets; and
- interest in jointly controlled companies.

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.

— *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less cost to sell and value in use. Fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a CGU).

— *Recognition of impairment losses*

An impairment loss is recognised in the combined income statements whenever the carrying amount of an asset, or the CGU to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then, to reduce the carrying amount of the other assets in the CGU on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

— *Reversals of impairment losses*

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not allowed to be reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the combined income statements in the period in which the reversals are recognised.

(m) **Derivative financial instruments**

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value at each balance sheet date. The gain or loss on remeasurement to fair value is recognised immediately in the combined income statements, except where the derivatives are designated and qualify for hedge accounting, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged (see Note 4(n)).

The full fair value of a hedging derivative is classified as non-current asset or liability when the remaining hedged item has a maturity of more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as current assets or liabilities.

(n) Hedging*(i) Fair value hedge*

Where a derivative financial instrument is designated as a hedge of the fair value of a recognised asset or liability or an unrecognised firm commitment (or an identified portion of such asset, liability or firm commitment), changes in the fair value of the derivative are recorded in the combined income statements within "Finance costs, net", together with any changes in fair value of the hedged asset or liability that are attributable to the hedged risk.

When a hedging instrument expires or is sold, terminated or exercised, or no longer meets the criteria for hedge accounting; or the Trust Group revokes designation of the hedge relationship, the cumulative adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to the combined income statements over the residual period to maturity.

(ii) Cash flow hedge

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction or the foreign currency risk of a committed future transaction, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and accumulated separately in the hedging reserve under equity. The ineffective portion of any gain or loss is recognised immediately in the combined income statements.

If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the associated cumulative gain or loss is removed from equity and included in the initial cost or other carrying amount of the non-financial asset or liability.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated cumulative gain or loss is removed from equity and recognised in the combined income statements in the same period or periods during which the asset acquired or liability assumed affects the combined income statements (such as when the interest income or expense is recognised).

For cash flow hedges, other than those covered by the preceding two policy statements, the associated cumulative gain or loss is removed from equity and recognised in the combined income statements in the same period or periods during which the hedged forecast transaction affects the combined income statements.

When a hedging instrument expires or is sold, terminated or exercised, or no longer meets the criteria for hedge accounting; or the Trust Group revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the associated cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to occur, the cumulative unrealised gain or loss recognised in equity is recognised immediately in the combined income statements.

(o) Inventories

Inventories consist of trading inventories, work-in-progress and consumable inventories.

Trading inventories are carried at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Work-in-progress is stated at the lower of cost, which comprises labor, materials and overheads where appropriate, and the net realisable value.

Consumable inventories, held for use in the maintenance and expansion of the Trust Group's telecommunications systems, are stated at cost less provision for deterioration and obsolescence.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

(p) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see Note 4(l)(i)).

(q) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions (other than restricted cash), and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition, less bank overdrafts that are repayable on demand and form an integral part of the Trust Group's cash management.

(r) Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost using the effective interest method.

(s) Borrowings

Borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, borrowings are stated at amortised cost with any difference between the amount initially recognised, being the proceeds net of transaction costs, and the redemption value being recognised in the combined income statements over the period of the borrowings, using the effective interest method.

(t) Provisions and contingent liabilities

Provisions are recognised when (i) the Trust Group has a present legal or constructive obligation arising as a result of a past event; (ii) it is probable that an outflow of economic benefits will be required to settle the obligation; and (iii) a reliable estimate can be made of the amount of the obligation. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation. The increase in provision due to the passage of time is recognised as interest expense.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(u) Revenue recognition

Provided it is probable that the economic benefits will flow to the Trust Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the combined income statements as follows:

(i) Telecommunications and other services

Telecommunications services comprise the fixed line and mobile telecommunications network services, and equipment businesses mainly in Hong Kong.

Telecommunications service revenue based on usage of the Trust Group's network and facilities is recognised when the services are rendered. Telecommunications revenue for services provided for fixed periods is recognised on a straight-line basis over the applicable fixed period.

Up-front fees received for installation of equipment and activation of customer service are deferred and recognised over the estimated customer relationship period.

Other service income is recognised when services are rendered to customers.

(ii) Sales of goods

Revenue from the sales of goods is recognised when goods are delivered to customers which generally coincides with the time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue is recorded after deduction of any trade discounts.

(iii) *Rental income from operating leases*

Rental income receivable under operating leases is recognised in the combined income statements in equal instalments over the periods covered by the lease term. Lease incentives granted are recognised in the combined income statements as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(iv) *Contract revenue*

Revenue from a fixed price contract is recognised using the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to estimated total contract costs for the contract. When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent that it is probable the contract costs incurred will be recoverable.

(v) *Interest income*

Interest income is recognised on a time-apportioned basis using the effective interest method.

(vi) *Commission income*

Commission income is recognised when entitlement to the income is ascertained.

(vii) *Dividend income*

Dividend income is recognised when the shareholder's right to receive payment is established.

(v) Borrowing costs

Borrowing costs are expensed in the combined income statements in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

Discounts or premiums relating to borrowings, and ancillary costs incurred in connection with arranging borrowings, to the extent that they are regarded as adjustments to interest costs, are recognised as expenses over the period of the borrowing using the effective interest method.

(w) Income tax

(i) Income tax for the year comprises current income tax and movements in deferred income tax assets and liabilities. Current income tax and movements in deferred income tax assets and liabilities are recognised in the combined income statements except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts are recognised in other comprehensive income or directly in equity, respectively.

(ii) Current income tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to income tax payable in respect of previous year.

(iii) Deferred income tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax bases. Deferred income tax assets also arise from unused tax losses and unused tax credits.

All deferred income tax liabilities, and all deferred income tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred income tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred income tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred income tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The amount of deferred income tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date and are expected to apply when the related deferred income tax asset is realised and the deferred income tax liability is settled. Deferred income tax assets and liabilities are not discounted.

The carrying amount of a deferred income tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

- (iv) Current income tax balances and deferred income tax balances, and movements therein, are presented separately from each other and are not offset. Current income tax assets are offset against current income tax liabilities, and deferred income tax assets against deferred income tax liabilities, if the Company or the Trust Group has the legally enforceable right to set off current income tax assets against current income tax liabilities and the following additional conditions are met:
- in the case of current income tax assets and liabilities, the Company or the Trust Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
 - in the case of deferred income tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred income tax liabilities or assets are expected to be settled or recovered, intend to realise the current income tax assets and settle the current income tax liabilities on a net basis or realise and settle simultaneously.

(x) Employee benefits

(i) Short-term employee benefits

Salaries, annual bonuses, paid annual leave and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Retirement benefits

The Trust Group operates defined contribution retirement schemes (including the Mandatory Provident Fund) for its employees, the assets of which are generally held in separate trustee-administered funds. The schemes are generally funded by payments from the relevant Trust Group companies and, in some cases, employees themselves, taking account of the recommendations of independent qualified actuaries.

The Trust Group's contributions to the defined contribution schemes are recognised as an expense in the combined income statements in the period to which the contributions relate.

(iii) Share-based payments

PCCW operates share option schemes where employees of the Trust Group (and including directors) are granted options to acquire shares of PCCW at specified exercise prices. The fair value of the employee services received in exchange for the grant of the options is recognised as staff costs in the combined income statements with a corresponding increase in capital contribution from shareholder in respect of employee share-based compensation reserve under equity. The fair value of the options granted is measured at grant date using the trinomial option pricing model, taking into account the terms and conditions upon which the options were granted, and spread over the respective vesting period during which the employees become unconditionally entitled to the options. During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged or credited in the combined income statements for the year of the review, unless the original staff costs qualify for recognition as an asset, with a corresponding adjustment to the capital contribution reserve/ share-based compensation reserve. On vesting date, the amount recognised as staff costs is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the capital contribution reserve/share-based compensation reserve). The equity amount is recognised in the capital contribution reserve until the share options expire when it is released directly to retained profits or deficit.

The board of directors of PCCW may also grant shares of PCCW to employees of the participating subsidiaries of PCCW at nil consideration under its share award schemes, under which the awarded shares are either newly issued at par value (the “**Subscription Scheme**”) or are purchased from the open market (the “**Purchase Scheme**”).

For the Subscription Scheme, it is accounted for as equity-settled share-based payment. The fair value of the awarded shares is measured by the quoted market price of PCCW shares at grant date. The fair value of the employee services received in exchange for the grant of shares is recognised as staff costs in the combined income statements over the respective vesting period with a corresponding increase in the capital contribution from shareholder in respect of employee share-based compensation reserve under equity.

For the Purchase Scheme, it is accounted for as cash-settled share-based payment. The fair value of the awarded shares represents the cost of PCCW shares purchased from the open market and is recognised in current assets as prepayment. The fair value of the employee services received in exchange for the grant of shares is recognised as staff costs in the combined income statements over the respective vesting period with a corresponding decrease in prepayment.

Shares of PCCW granted to employees of the Trust Group by the principal shareholder of PCCW are accounted for in accordance with the same policy for the awarded shares under share award schemes as described above. The fair value of the shares granted by principal shareholder is measured by the quoted market price of the shares at grant date and is charged to the combined income statements over the respective vesting period, with a corresponding increase in the capital contribution from shareholder in respect of employee share-based compensation under equity.

(iv) Termination benefits

Termination benefits are recognised only after either an agreement is in place with the appropriate employee representatives specifying the terms of redundancy and the numbers of employees affected, or, after individual employees have been advised of the specific terms.

(y) Translation of foreign currencies

Items included in the financial information of each of the Trust Group's entities are measured using the currency of the primary economic environment in which the entity operates (the “**functional currency**”). The Combined Financial Information is presented in Hong Kong dollars (HK\$), which is the HKT Trust's functional and the Trust Group's presentation currency.

Foreign currency transactions during the year are translated to functional currencies at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in the combined income statements.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined. Exchange differences arising on translation of non-monetary assets and liabilities are reported as part of the fair value gain or loss in the combined income statements. Exchange differences arising on translation of non-monetary assets and liabilities, such as available-for-sale financial assets, are included in the fair value gain or loss in the available-for-sale financial assets reserve under equity.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of transactions. Balance sheet items of foreign operations, including goodwill arising on consolidation of foreign operations, are translated into Hong Kong dollars at the foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in the currency translation reserve under equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, if any, are taken to other comprehensive income and accumulated separately in the currency translation reserve under equity. On disposal of a foreign operation, the cumulative amount of the exchange differences recognised in the currency translation reserve under equity which relate to that foreign operation is included in the calculation of the profit or loss on disposal.

(z) Related parties

For the purposes of these Combined Financial Information, a party is considered to be related to the Trust Group if:

- (i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Trust Group or exercise significant influence over the Trust Group in making financial and operating policy decisions, or has joint control over the Trust Group;
- (ii) the Trust Group and the party are subject to common control;
- (iii) the party is an associate of the Trust Group or a joint venture in which the Trust Group is a venturer;
- (iv) the party is a member of key management personnel of the Trust Group or the Trust Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;
- (v) the party is a close family member of a party referred to in (i) above or is an entity under the control, joint control or significant influence of such individuals; or
- (vi) the party is a post-employment benefit plan which is for the benefit of employees of the Trust Group or of any entity that is a related party of the Trust Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(aa) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (the "CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Trust Group's senior executive management.

Segment revenue, expenses, results and assets include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment revenue, expenses 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. Inter-segment transactions are eliminated in full in preparing the Combined Financial Information.

Segment capital expenditure is the total cost incurred during the year to acquire segment assets (including property, plant and equipment, investment properties and interests in leasehold land) that are expected to be used for more than one year.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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.

Key sources of estimation uncertainty

The Trust Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Notes 19 and 32 contains information about the assumptions and the risk factors relating to goodwill impairment and financial instruments. Other key sources of estimation uncertainty are discussed below:

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

The Trust Group applies the acquisition method of accounting to account for acquisitions of businesses. In business combinations of multiple companies or businesses, HKFRS 3 or 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 recognised). The fair values of these intangible assets are dependent on estimates of attributable future revenue, margin, cashflow, useful lives and discount rate used.

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

At each balance sheet date, the Trust Group reviews 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 recognised no longer exists or may have decreased:

- property, plant and equipment;
- interests in leasehold land;
- goodwill;
- intangible assets; and
- interest in jointly controlled companies.

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 recognised in the combined income statements whenever the carrying amount of an asset exceeds its recoverable amount.

The sources utilised to identify indications of impairment are often subjective in nature and the Trust Group is required to use judgement in applying such information to its business. The Trust Group's interpretation of this information has a direct impact on whether an impairment assessment is performed as at any given balance sheet date. Such information is particularly significant as it relates to the Trust Group's 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 Trust Group 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 Trust Group's assessment of the overall materiality of the asset under review and complexity of deriving reasonable estimates of the recoverable value, the Trust Group may perform such assessment utilising internal resources or the Trust Group may engage external advisors to counsel the Trust Group in making this assessment. Regardless of the resources utilised, the Trust Group is required to make many assumptions to make this assessment, including the utilisation 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 Trust Group's network and facilities is recognised when the services are rendered. Telecommunications revenue for services provided for fixed periods is recognised 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 recognised over the expected customer relationship period. The Trust Group is 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.

During the year ended 31 December 2009, the Trust Group re-assessed the expected customer relationship period over which the up-front fees are deferred and recognised. As a result of this re-assessment, the expected customer relationship period was shortened. This change in accounting estimate was accounted for prospectively from 30 June 2009. As a result, the Trust Group's profit for the year ended 31 December 2009 and its net assets as at 31 December 2009 increased by HK\$57 million.

The Trust Group offers 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 recognised 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 recognised 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 Trust Group is unable to determine the fair value of each of the elements in an arrangement, it uses the residual value method. Under this method, the Trust Group determines 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 recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. In assessing the amount of deferred income tax assets that need to be recognised, the Trust Group considers future taxable income and ongoing prudent and feasible tax planning strategies. In the event that the Trust Group's estimates 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 Trust Group's ability to utilise 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 Trust Group makes a provision for current income tax based on estimated taxable income for the year/period. The estimated income tax liabilities are primarily computed based on the tax computations as prepared by the Trust Group. 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 Trust Group considers 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 Trust Group has significant property, plant and equipment and intangible assets (other than goodwill). The Trust Group is 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 amortisation charges for each reporting period.

The useful lives are estimated at the time of purchase of these assets after considering future technology changes, business developments and the Trust Group's strategies. The Trust Group performs 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 Trust Group extends or shortens the useful lives and/or makes impairment provisions according to the results of the review.

(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 Trust Group. Had a different discount rate been used to determine the fair value, the Trust Group's results of operations and financial position could be materially different.

(viii) *Estimated property holding cost recoverable from the Government*

The Trust Group and the Government recently engaged in ongoing discussions in order to determine the amount of rates and Government rent payable by the Trust Group. Based on these ongoing discussions, management has revised its estimate of the rates and Government rent expenses and recorded a corresponding reduction in operating costs of property, plant and equipment, net during the Relevant Periods. The discussion was finalised in January 2011 whereby the Government has revised its assessment for the relevant years and refunded the prior years' excess payments made by the Trust Group.

(ix) *Recognition of fixed-mobile interconnection charge*

The Office of the Telecommunications Authority of Hong Kong withdrew its regulatory guidance on the fixed-mobile interconnection charge ("**FMIC**") on 27 April 2009 as FMIC should be settled by commercial agreements between fixed and mobile operators without regulatory intervention. The Trust Group continued providing to and receiving from other operators interconnection services and has stopped recognising FMIC revenue from 27 April 2009 but has continued to provide for potential FMIC costs. In 2010, the Trust Group has reached agreements with certain operators on the FMIC and stopped providing for FMIC costs. Excess accrued FMIC costs made were reversed.

6 RELATED PARTY TRANSACTIONS

PCCW is the Controlling Holder of Share Stapled Units of the HKT Trust.

CAS No. 1 and PCCW are the immediate and ultimate holding companies of the Company respectively.

Related party group:

- (1) PCCW Group - PCCW together with its direct and indirect subsidiaries excluding the Trust Group.
- (2) Other shareholders of the Trust Group or PCCW Group:
 - (a) HKSCC Nominees Limited.
 - (b) 中國聯合網絡通信集團有限公司 (China United Network Communications Group Company Limited[#]) together with its direct and indirect subsidiaries.

The HKT Trust is of the view that the following companies were related parties that had transactions or balances with the Trust Group during the Relevant Periods:

Company name	Relationship with the Trust Group
Asia Netcom Asia Pacific Commercial Limited	Related party
Asia Netcom Asia Pacific Limited	Related party
Asia Netcom Hong Kong Limited	Related party
Asia Netcom USA Inc	Related party
北京京威房地產開發有限公司 (Beijing Jing Wei House and Land Estate Development Co., Ltd. [#])	PCCW Group
China Netcom (Group) Company Limited	Related party
China Netcom (HK) Operations Limited	Related party
China Netcom Broadband Corporation Limited	Related party
China Netcom Corporation Limited	Related party
China Unicom (China Netcom (Group) Company Limited (Beijing Branch))	Related party
China Unicom International Limited	Related party
China Unicom USA Corporation	Related party
Cyber-Port Management Limited	PCCW Group
GuangDong Province Telecom Limited	Related party
Hong Kong Cyberport Management Company Limited	Related party
New PCGJ Co. Ltd	Related party
Pacific Century Matrix (HK) Limited	Related party
Pacific Century Premium Developments Limited	PCCW Group
Pacific Century Region Development Services Pte Limited	Related party
PCCW Media Limited	PCCW Group
PCCW Services Limited	PCCW Group
PCCW Solutions Limited	PCCW Group
PCCW-HKT Business Services Limited	PCCW Group
PCCW-HKT Limited	PCCW Group
Power Logistics Limited	PCCW Group
Reach Global Networks Limited	Related party

[#] For identification only

Company name	Relationship with the Trust Group
Telstra International Limited (formerly known as Reach Global Services Limited)	Related party
Reach International Telecom (Singapore) Pte Limited	Related party
Reach Ltd.	Related party
Reach Network Services Hong Kong Limited	Related party
Reach Networks Hong Kong Limited	Related party
Shanghai Telecom Limited	Related party
Talent Master Investments Limited	PCCW Group
UK Broadband Limited	PCCW Group
中國網通集團研究院	Related party
深圳電信培訓中心	Related party

During the Relevant Periods, the Trust Group carried out the following transactions with the related parties:

(a) Sales/purchases of services

Continuing transactions

	The Trust Group				
	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
	HK\$ million	HK\$ million	HK\$ million	HK\$ million (unaudited)	HK\$ million
Telecommunications service fees and systems integration charges received or receivable from a substantial shareholder of PCCW	21	135	149	125	77
Telecommunications service fees paid or payable to a substantial shareholder of PCCW	73	156	161	52	79
Telecommunications service fees received or receivable from a related company	—	52	52	26	23
Telecommunications service fees, outsourcing fees and rental charges paid or payable to a related company	273	554	499	228	186

	The Trust Group				
	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
	HK\$ million	HK\$ million	HK\$ million	HK\$ million (unaudited)	HK\$ million
Telecommunications service fees, IT and logistics charge, management fee and other costs recharge received or receivable from fellow subsidiaries	8	232	196	94	87
Telecommunications service fees, outsourcing fees and rental charges paid or payable to fellow subsidiaries	38	48	94	40	21
Rental and facilities management charges paid or payable to fellow subsidiaries	—	53	51	38	33
Telecommunications service fees, IT and logistics charge, management fee and other costs recharge received or receivable from Media Group	35	331	340	157	163
Telecommunications service fees, outsourcing fees and rental charges paid or payable to Media Group	65	441	680	330	446
Telecommunications service fees, IT and logistics charge, management fee and other costs recharge received or receivable from Solutions Group	10	58	54	27	28
Telecommunications service fees, outsourcing fees and rental charges paid or payable to Solutions Group	105	546	493	243	254
Insurance premium paid or payable to a fellow subsidiary	3	16	15	7	7
Key management compensation	—	—	—	—	—
	<u>631</u>	<u>2,622</u>	<u>2,784</u>	<u>1,367</u>	<u>1,404</u>

(b) Sales/purchases of services

Discontinuing transactions

	The Trust Group				
	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
	HK\$ million	HK\$ million	HK\$ million	HK\$ million (unaudited)	HK\$ million
Telecommunications service fees and systems integration charges received or receivable from a substantial shareholder of PCCW	—	4	—	—	—
Telecommunications service fees, IT and logistics charge, consultancy fee, management fee and other costs recharge received or receivable from fellow subsidiaries	145	192	188	12	12
Rental and facilities management charges paid or payable to fellow subsidiaries	—	—	3	—	—
Telecommunications service fees, IT and logistics charge, management fee and other costs recharge received or receivable from Media Group	78	—	—	—	—
Staff cost paid by a fellow subsidiary on behalf of a subsidiary of the HKT Trust	787	—	—	—	—
Data processing expense paid or payable to fellow subsidiaries	20	—	—	—	—
Service fees from design, building and operation of network infrastructures including provision of technical consultancy and operation outsourcing services, received or receivable from other business operating subsidiaries of PCCW	1,690	—	—	—	—

	The Trust Group				
	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
	HK\$ million	HK\$ million	HK\$ million	HK\$ million (unaudited)	HK\$ million
Subcontracting fee received or receivable from other business operating subsidiaries of PCCW	1,579	—	—	—	—
Cost recharge received or receivable from the ultimate holding company	—	18	1	—	—
	<u>4,299</u>	<u>214</u>	<u>192</u>	<u>12</u>	<u>12</u>

In addition to the above, a jointly controlled company of PCCW (the "JV") issued to the Trust Group a credit note in the amount of approximately HK\$491 million in settlement of the Trust Group's claims against the JV. Accordingly, the Trust Group recorded credits to revenue, costs of sales, operating expenses and an increase in amounts due to the ultimate holding company and fellow subsidiaries in the amounts of approximately HK\$339 million, HK\$97 million, HK\$29 million and HK\$26 million respectively.

(c) Acquisition/disposals of assets and companies

Discontinued transactions

	Notes	The Trust Group				
		Year ended 31 December			Six months ended 30 June	
		2008	2009	2010	2010	2011
		HK\$ million	HK\$ million	HK\$ million	HK\$ million (unaudited)	HK\$ million
Disposal of subsidiaries and transfer of interests in leasehold land and property, plant and equipment to subsidiaries of Media Group	(i)	—	—	138	—	—
Acquisition of a jointly controlled company and an available-for-sale financial asset from a subsidiary of Media Group	(ii)	—	—	<u>341</u>	—	—

- (i) Effective on 30 September 2010, the Trust Group sold all its interest in two of its subsidiaries, and transferred its interests in certain leasehold land and property, plant and equipment to subsidiaries of Media Group at a consideration of approximately HK\$94 million and HK\$44 million respectively.

- (ii) Effective on 1 January 2010, the Trust Group acquired a jointly controlled company from a subsidiary of Media Group at a consideration of approximately HK\$287 million. Effective on 31 May 2010, the Trust Group acquired an available-for-sale financial asset from a subsidiary of Media Group at its fair value of HK\$54 million.
- (iii) During the six months ended 30 June 2011, PCCW, Telstra Corporation Limited ("**Telstra**") and the JV completed certain transactions which resulted in the transfer by PCCW and Telstra the majority of the JV's assets, business platforms and operations. The Trust Group received assets and businesses from the JV valued at approximately HK\$644 million. The consideration was settled in part by a credit note received from the JV in the sum of approximately HK\$491 million and in part by offset against the inter-company balance between the Trust Group and PCCW. As a result, the Trust Group recorded an increase in amount due to the ultimate holding company of HK\$153 million.

The above transactions were carried out after negotiations between the Trust Group and the related parties in the ordinary course of business and on the basis of estimated market value as determined by the directors. In respect of transactions for which the price or volume has not yet been agreed with the relevant related parties, the directors have determined the relevant amounts based on their best estimation.

- (d) Key management compensation

Directors of the Company, being the key management personnel, received remuneration from the Company's fellow subsidiaries in respect of their services to PCCW and its subsidiaries including the Trust Group, the Media Group, the Solutions Group and other businesses of PCCW, during the Relevant Periods. The amounts paid by the fellow subsidiaries have not been allocated between their services to the Trust Group, and their services to PCCW and fellow subsidiaries of the Trust Group, as there is no arrangement to recharge the Trust Group such expenses and it is not meaningful to perform a retrospective allocation of the services rendered by the Directors to the various group companies within the PCCW Group.

- (e) These services were provided by the Fixed Network Operations to the other businesses of the Trust Group prior to the completion of the 2008 Restructuring and charged at a mutually agreed cost plus basis.
- (f) Balances with the ultimate holding company, related companies and fellow subsidiaries

The balances included in the net amount due to the ultimate holding company and fellow subsidiaries are unsecured, non-interest bearing and have no fixed repayment terms, except for the loans payable to fellow subsidiaries amounting to US\$3 million and HK\$94 million as at 31 December 2009, US\$3 million and HK\$85 million as at 31 December 2010 and US\$3 million and HK\$85 million as at 30 June 2011 are interest bearing at London Interbank Offered Rate ("**LIBOR**") and Hong Kong Interbank Offered Rate ("**HIBOR**") plus 1.95%, LIBOR and HIBOR plus 1.95% and LIBOR and HIBOR plus 1.95% respectively; and the loans payable to the ultimate holding company amounting to HK\$3,495 million as at 31 December 2009, HK\$5,014 million as at 31 December 2010 and HK\$4,000 million as at 30 June 2011 are interest bearing at HIBOR and HIBOR and HIBOR respectively. The balances included in the net amount due to related parties are unsecured, non-interest bearing and have no fixed repayment terms.

(g) Balances with the ultimate holding company, fellow subsidiaries and related companies

	The Trust Group			
	As at 31 December			As at 30 June
	2008	2009	2010	2011
	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Amounts due from/(to) the ultimate holding company				
- Trade balance	—	—	—	(153)
- Non-trade balance	165	(3,455)	(4,951)	(3,937)
Amounts due (to)/from the fellow subsidiaries				
- Trade balance	(236)	37	102	(166)
- Non-trade balance	(7,169)	644	804	1,559
	<u>(7,240)</u>	<u>(2,774)</u>	<u>(4,045)</u>	<u>(2,697)</u>
Amounts due to related companies				
- Trade balance	(35)	(38)	(58)	(99)
- Non-trade balance	—	—	—	—
	<u>(35)</u>	<u>(38)</u>	<u>(58)</u>	<u>(99)</u>

7 TURNOVER

	The Trust Group				
	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Telecommunications and other service revenue	6,728	15,520	15,813	8,268	8,560
Amounts received and receivable in respect of goods sold	469	2,404	2,689	925	966
Amounts received and receivable from rental of investment properties	4	23	25	13	11
	<u>7,201</u>	<u>17,947</u>	<u>18,527</u>	<u>9,206</u>	<u>9,537</u>

8 SEGMENT INFORMATION

The CODM is the Trust Group's senior executive management collectively. The CODM reviews the Trust Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The CODM considers the business from both geographic and product perspectives. 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 Trust Group's mobile telecommunications businesses in Hong Kong.
- Other businesses of the Trust Group primarily comprise the ZhongYing JV, which provides network integration and related services to telecommunications operators in the PRC.

The CODM assesses the performance of the operating segments based on a measure of adjusted earnings before interest, tax, depreciation and amortisation ("EBITDA"). EBITDA represents earnings before interest income, finance costs, income tax, depreciation of property, plant and equipment, amortisation of land lease premium and intangible assets, gain/loss on disposal of property, plant and equipment, investment properties 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 associates and jointly controlled companies, and the Trust Group's share of results of associates and jointly controlled companies.

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 combined income statements.

Information regarding the Trust Group's reportable segments as provided to the Trust Group's CODM is set out below:

	Year ended 31 December 2008				
	TSS	Mobile	Other businesses	Eliminations	Total
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Revenue					
External revenue	6,827	288	86	—	7,201
Inter-segment revenue	31	—	—	(31)	—
Total revenue	<u>6,858</u>	<u>288</u>	<u>86</u>	<u>(31)</u>	<u>7,201</u>
Results					
EBITDA	<u>2,773</u>	<u>74</u>	<u>(43)</u>	<u>—</u>	<u>2,804</u>
Other information					
Capital expenditure (including property, plant and equipment, investment properties and interests in leasehold land) incurred during the year, excluding additions through acquisition of businesses and subsidiaries	<u>1,927</u>	<u>301</u>	<u>35</u>	<u>—</u>	<u>2,263</u>

Year ended 31 December 2009

	TSS	Mobile	Other businesses	Eliminations	Total
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Revenue					
External revenue	15,646	1,670	631	—	17,947
Inter-segment revenue	197	—	—	(197)	—
Total revenue	<u>15,843</u>	<u>1,670</u>	<u>631</u>	<u>(197)</u>	<u>17,947</u>
Results					
EBITDA	<u>7,025</u>	<u>265</u>	<u>(27)</u>	<u>—</u>	<u>7,263</u>
Other information					
Capital expenditure (including property, plant and equipment, investment properties and interests in leasehold land) incurred during the year, excluding additions through acquisition of businesses and subsidiaries	<u>1,138</u>	<u>237</u>	<u>139</u>	<u>—</u>	<u>1,514</u>

Year ended 31 December 2010

	TSS	Mobile	Other businesses	Eliminations	Total
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Revenue					
External revenue	16,021	1,709	797	—	18,527
Inter-segment revenue	202	—	—	(202)	—
Total revenue	<u>16,223</u>	<u>1,709</u>	<u>797</u>	<u>(202)</u>	<u>18,527</u>
Results					
EBITDA	<u>6,997</u>	<u>355</u>	<u>(103)</u>	<u>—</u>	<u>7,249</u>
Other information					
Capital expenditure (including property, plant and equipment, investment properties and interests in leasehold land) incurred during the year, excluding additions through acquisition of businesses and subsidiaries	<u>1,316</u>	<u>201</u>	<u>96</u>	<u>—</u>	<u>1,613</u>

Six months ended 30 June 2010

	TSS	Mobile	Other Businesses	Eliminations	Total
	HK\$ million (unaudited)	HK\$ million (unaudited)	HK\$ million (unaudited)	HK\$ million (unaudited)	HK\$ million (unaudited)
Revenue					
External revenue	7,970	838	398	—	9,206
Inter-segment revenue	101	—	—	(101)	—
Total revenue	<u>8,071</u>	<u>838</u>	<u>398</u>	<u>(101)</u>	<u>9,206</u>
Results					
EBITDA	<u>3,373</u>	<u>152</u>	<u>(2)</u>	<u>—</u>	<u>3,523</u>
Other information					
Capital expenditure (including property, plant and equipment, investment properties and interests in leasehold land) incurred during the period, excluding additions through acquisition of businesses and subsidiaries	<u>543</u>	<u>80</u>	<u>26</u>	<u>—</u>	<u>649</u>

Six months ended 30 June 2011

	TSS	Mobile	Other Businesses	Eliminations	Total
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Revenue					
External revenue	8,139	919	479	—	9,537
Inter-segment revenue	120	—	—	(120)	—
Total revenue	<u>8,259</u>	<u>919</u>	<u>479</u>	<u>(120)</u>	<u>9,537</u>
Results					
EBITDA	<u>3,386</u>	<u>218</u>	<u>19</u>	<u>—</u>	<u>3,623</u>
Other information					
Capital expenditure (including property, plant and equipment, investment properties and interests in leasehold land) incurred during the period, excluding additions through acquisition of businesses and subsidiaries	<u>661</u>	<u>68</u>	<u>5</u>	<u>—</u>	<u>734</u>

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

	The Trust Group				
	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
	HK\$ million	HK\$ million	HK\$ million	HK\$ million (unaudited)	HK\$ million
Total segment EBITDA	2,804	7,263	7,249	3,523	3,623
(Loss)/gain on disposal of property, plant and equipment, net	(17)	(3)	14	(1)	1
Depreciation and amortisation	(2,201)	(3,936)	(4,318)	(2,122)	(2,132)
Other gains/(losses), net	63	—	40	—	(28)
Losses on property, plant and equipment	—	(25)	—	—	—
Finance costs, net	(240)	(1,468)	(1,562)	(793)	(733)
Share of results of jointly controlled companies	—	—	(73)	(5)	(5)
Profit before income tax	<u>409</u>	<u>1,831</u>	<u>1,350</u>	<u>602</u>	<u>726</u>

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

	The Trust Group				
	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
	HK\$ million	HK\$ million	HK\$ million	HK\$ million (unaudited)	HK\$ million
Hong Kong (place of domicile)	6,579	15,511	15,527	7,783	8,011
The PRC (excluding Hong Kong) and Taiwan	282	1,215	1,243	591	730
Others	340	1,221	1,757	832	796
	<u>7,201</u>	<u>17,947</u>	<u>18,527</u>	<u>9,206</u>	<u>9,537</u>

The total non-current assets other than financial instruments and deferred income tax assets located in Hong Kong are HK\$57,063 million, HK\$55,766 million, HK\$54,485 million and HK\$53,949 million as at 31 December 2008, 2009 and 2010 and 30 June 2011 respectively. And the total of these non-current assets located in other countries are HK\$1,897 million, HK\$2,286 million, HK\$2,525 million and HK\$2,933 million as at 31 December 2008, 2009 and 2010 and 30 June 2011 respectively.

9 OTHER GAINS/(LOSSES), NET

	The Trust Group				
	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
	HK\$ million	HK\$ million	HK\$ million	HK\$ million (unaudited)	HK\$ million
Fair value gains on investment properties	—	1	—	—	—
Net loss on cash flow hedging instruments transferred from equity	—	(1)	(1)	—	—
Net realized gain on disposal of subsidiaries	—	—	41	—	—
Negative goodwill resulted from acquisition of businesses and a subsidiary	63	—	—	—	—
Impairment loss on an interest in a jointly controlled company	—	—	—	—	(16)
Others	—	—	—	—	(12)
	<u>63</u>	<u>—</u>	<u>40</u>	<u>—</u>	<u>(28)</u>

10 LOSSES ON PROPERTY, PLANT AND EQUIPMENT

	The Trust Group				
	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
	HK\$ million	HK\$ million	HK\$ million	HK\$ million (unaudited)	HK\$ million
Impairment losses on property, plant and equipment	—	(25)	—	—	—

Due to technology and market changes in the sectors in which the Trust Group operates, certain of the Trust Group's property, plant and equipment became obsolete. Accordingly, the Trust Group recognised impairment losses of HK\$25 million for the year ended 31 December 2009, in the combined income statements. No impairment losses were recognised for the years ended 31 December 2008 and 2010 and for the six months ended 30 June 2010 and 2011.

11 PROFIT BEFORE INCOME TAX

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

(a) Staff costs

	The Trust Group				
	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
	HK\$ million	HK\$ million	HK\$ million	HK\$ million (unaudited)	HK\$ million
Salaries, bonuses and other benefits	1,093	1,375	1,420	805	796
Retirement costs for staff under defined contribution retirement schemes	81	175	169	84	90
	<u>1,174</u>	<u>1,550</u>	<u>1,589</u>	<u>889</u>	<u>886</u>

(b) Other items

	The Trust Group				
	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
	HK\$ million	HK\$ million	HK\$ million	HK\$ million (unaudited)	HK\$ million
Crediting:					
Gross rental income	4	23	25	13	11
Gain on disposal of property, plant and equipment	—	—	14	—	1
Charging:					
Impairment loss on doubtful debts	42	254	97	67	86
Provision for inventory obsolescence	—	6	9	4	7
Depreciation of property, plant and equipment	1,967	2,353	2,342	1,188	1,163
Operating costs of property, plant and equipment, net	96	306	83	121	219
Amortisation of land lease premium	13	13	13	7	6
Amortisation of intangible assets	221	1,570	1,963	927	963
Cost of inventories sold	441	2,400	2,510	1,185	1,283
Cost of sales, excluding inventories sold	1,865	4,242	4,941	2,450	2,475
Loss on disposal of property, plant and equipment, net	17	3	—	1	—
Exchange losses, net	7	13	61	49	13
Less: Cash flow hedges: transferred from equity	5	(10)	(54)	(54)	(10)
Auditor's remuneration (Note (i))	—	7	7	2	1
Operating lease rental					
- equipment	3	24	22	12	7
- other assets (including property rentals)					
- recorded under general and administrative expenses	75	486	427	218	239
- recorded under cost of sales	9	60	68	32	44
	<u>9</u>	<u>60</u>	<u>68</u>	<u>32</u>	<u>44</u>

(i) Auditor's remuneration for the year ended 31 December 2008 was borne by a fellow subsidiary of the Company.

12 FINANCE COSTS, NET

	The Trust Group				
	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
HK\$ million	HK\$ million	HK\$ million	HK\$ million (unaudited)	HK\$ million	
Interest paid/payable for:					
Overdrafts and bank borrowings wholly repayable within 5 years	(73)	(481)	(446)	(298)	(182)
Bank borrowings not wholly repayable within 5 years	—	—	(52)	—	—
Other borrowings wholly repayable within 5 years	(132)	(792)	(990)	(394)	(545)
Other borrowings not wholly repayable within 5 years	(33)	(198)	(39)	(98)	—
Notional accretion on carrier licence fee liabilities	(11)	(58)	(68)	(27)	(37)
Other borrowing costs	(2)	(7)	(16)	(4)	(5)
Cash flow hedges: transferred from equity	—	(1)	(1)	—	(1)
Fair value (losses)/gains on derivative financial instruments on fair value hedges	—	—	(88)	—	69
Fair value adjustment of borrowings attributable to interest rate risk	—	—	80	—	(65)
	(251)	(1,537)	(1,620)	(821)	(766)
Interest capitalised in property, plant and equipment	9	64	49	26	13
Total finance costs	(242)	(1,473)	(1,571)	(795)	(753)
Interest income					
Interest income on short-term bank deposits	2	5	9	2	20
Finance costs, net	(240)	(1,468)	(1,562)	(793)	(733)

The capitalisation rate used to determine the amount of interest eligible for capitalisation, ranged from 5.80% to 7.03%, 7.03%, 6.33% to 7.03%, 7.03% and 6.04% to 6.22% for the years ended 31 December 2008, 2009 and 2010 and for the six months ended 30 June 2010 and 2011 respectively.

13 DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS

- (a) Directors of the Company received remuneration from the Company's fellow subsidiaries in respect of their services to PCCW and its subsidiaries including the Trust Group, the Media Group, the Solutions Group and other businesses of PCCW. The amounts paid by the fellow subsidiaries have not been allocated between their services to the Trust Group, and their services to PCCW and fellow subsidiaries of the Trust Group during the Relevant Periods, as there is no arrangement to recharge the Trust Group such expenses and it is not meaningful to perform a retrospective allocation of the services rendered by the Directors to the various group companies within the PCCW Group.
- (b) As Directors' remuneration could not be allocated to the services which they provided to various group companies during the Relevant Periods, as stated in note (a) above, the five highest paid employees of the Trust Group for the Relevant Periods did not include any Directors of the Company.

The emoluments of the five highest paid non-director individuals of the Trust Group paid by the Trust Group were as follows:

	The Trust Group				
	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
				(unaudited)	
Salaries, allowances and benefits in kind	1.52	17.66	14.21	7.10	8.69
Bonuses	—	11.41	9.24	9.24	8.44
Retirement scheme contributions	0.13	1.72	1.14	0.57	0.81
	<u>1.65</u>	<u>30.79</u>	<u>24.59</u>	<u>16.91</u>	<u>17.94</u>

The emoluments of the five non-director individuals for the Relevant Periods are within the following emolument ranges:

	The Trust Group				
	Number of individuals				
	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
				(unaudited)	
HK\$0 - HK\$500,000	5	—	—	—	—
HK\$3,000,001 - HK\$3,500,000	—	—	—	4	3
HK\$4,000,001 - HK\$4,500,000	—	—	1	1	2
HK\$4,500,001 - HK\$5,000,000	—	—	1	—	—
HK\$5,000,001 - HK\$5,500,000	—	1	3	—	—
HK\$5,500,001 - HK\$6,000,000	—	3	—	—	—
HK\$8,000,001 - HK\$8,500,000	—	1	—	—	—
	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>

14 INCOME TAX

(a) Income tax in the combined income statements represents:

	The Trust Group				
	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
	HK\$ million	HK\$ million	HK\$ million	HK\$ million (unaudited)	HK\$ million
Hong Kong profits tax					
- provision for current year/period	—	12	3	—	181
Overseas tax					
- provision for current year/period	10	10	33	23	23
Movement of deferred income tax (Note 28(a))	122	458	342	157	(36)
	<u>132</u>	<u>480</u>	<u>378</u>	<u>180</u>	<u>168</u>

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits during the Relevant Periods.

Overseas tax has been calculated on the estimated assessable profits for the Relevant Periods at the rates prevailing in the respective jurisdictions.

(b) Reconciliation between income tax expense and accounting profit at applicable tax rate:

	The Trust Group				
	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
	HK\$ million	HK\$ million	HK\$ million	HK\$ million (unaudited)	HK\$ million
Profit before income tax	409	1,831	1,350	602	726
Notional tax on profit before income tax, calculated at applicable tax rate	67	302	223	99	120
Income not subject to tax	(538)	—	(2)	(4)	(3)
Expenses not deductible for tax purposes	565	21	8	6	7
Tax losses not recognised	28	153	104	56	51
Utilisation of previously unrecognised tax losses	—	(6)	—	—	(31)
Loss not deductible for jointly controlled companies	—	—	12	—	1
Current tax provision for overseas operations	10	10	33	23	23
Income tax expense	<u>132</u>	<u>480</u>	<u>378</u>	<u>180</u>	<u>168</u>

15 EARNINGS PER SHARE ATTRIBUTABLE TO HOLDERS OF SHARE STAPLED UNITS

No earnings per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful due to the 2008 Restructuring and the preparation of the results for each of the Relevant Periods on a combined basis as disclosed in Note 3 above.

16 PROPERTY, PLANT AND EQUIPMENT

The Trust Group						
Year ended 31 December 2008						
	Buildings	Exchange equipment	Transmission plant	Other plant and equipment	Projects under construction	Total
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Cost						
Beginning of year	1,064	17,245	13,857	8,856	1,151	42,173
Additions						
- through acquisition of businesses and subsidiaries	22	495	1,920	995	1,031	4,463
- others	—	658	320	271	1,014	2,263
Transfers	25	356	282	465	(1,128)	—
Disposals	—	(190)	(80)	(661)	—	(931)
Exchange differences	—	—	—	—	—	—
End of year	<u>1,111</u>	<u>18,564</u>	<u>16,299</u>	<u>9,926</u>	<u>2,068</u>	<u>47,968</u>
Accumulated depreciation						
Beginning of year	457	14,000	9,123	7,370	—	30,950
Charge for the year	17	975	497	478	—	1,967
Disposals	—	(189)	(31)	(446)	—	(666)
Exchange differences	—	—	—	—	—	—
End of year	<u>474</u>	<u>14,786</u>	<u>9,589</u>	<u>7,402</u>	<u>—</u>	<u>32,251</u>
Net book value						
End of year	<u>637</u>	<u>3,778</u>	<u>6,710</u>	<u>2,524</u>	<u>2,068</u>	<u>15,717</u>
Beginning of year	<u>607</u>	<u>3,245</u>	<u>4,734</u>	<u>1,486</u>	<u>1,151</u>	<u>11,223</u>

The Trust Group						
Year ended 31 December 2009						
	Buildings	Exchange equipment	Transmission plant	Other plant and equipment	Projects under construction	Total
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Cost						
Beginning of year	1,111	18,564	16,299	9,926	2,068	47,968
Additions						
- through acquisition of businesses and subsidiaries	—	—	—	40	—	40
- others	—	466	557	334	157	1,514
Transfers	—	518	569	386	(1,473)	—
Disposals	—	(206)	(31)	(184)	—	(421)
Exchange differences	—	—	314	—	—	314
End of year	<u>1,111</u>	<u>19,342</u>	<u>17,708</u>	<u>10,502</u>	<u>752</u>	<u>49,415</u>
Accumulated depreciation and impairment						
Beginning of year	474	14,786	9,589	7,402	—	32,251
Charge for the year	21	1,033	801	498	—	2,353
Impairment losses	—	15	10	—	—	25
Disposals	—	(206)	(29)	(168)	—	(403)
Exchange differences	—	—	121	—	—	121
End of year	<u>495</u>	<u>15,628</u>	<u>10,492</u>	<u>7,732</u>	<u>—</u>	<u>34,347</u>
Net book value						
End of year	<u>616</u>	<u>3,714</u>	<u>7,216</u>	<u>2,770</u>	<u>752</u>	<u>15,068</u>
Beginning of year	<u>637</u>	<u>3,778</u>	<u>6,710</u>	<u>2,524</u>	<u>2,068</u>	<u>15,717</u>

The Trust Group						
Year ended 31 December 2010						
	Buildings	Exchange equipment	Transmission plant	Other plant and equipment	Projects under construction	Total
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Cost						
Beginning of year	1,111	19,342	17,708	10,502	752	49,415
Additions	—	493	426	174	520	1,613
Transfers	—	574	105	114	(952)	(159)
Disposals	(34)	(478)	(386)	(97)	—	(995)
Exchange differences	—	134	95	5	—	234
End of year	<u>1,077</u>	<u>20,065</u>	<u>17,948</u>	<u>10,698</u>	<u>320</u>	<u>50,108</u>
Accumulated depreciation and impairment						
Beginning of year	495	15,628	10,492	7,732	—	34,347
Charge for the year	20	1,014	860	448	—	2,342
Transfers	—	(51)	—	—	—	(51)
Disposals	(4)	(478)	(380)	(90)	—	(952)
Exchange differences	—	31	63	6	—	100
End of year	<u>511</u>	<u>16,144</u>	<u>11,035</u>	<u>8,096</u>	<u>—</u>	<u>35,786</u>
Net book value						
End of year	<u>566</u>	<u>3,921</u>	<u>6,913</u>	<u>2,602</u>	<u>320</u>	<u>14,322</u>
Beginning of year	<u>616</u>	<u>3,714</u>	<u>7,216</u>	<u>2,770</u>	<u>752</u>	<u>15,068</u>

The Trust Group						
Six months ended 30 June 2011						
	Buildings	Exchange equipment	Transmission plant	Other plant and equipment	Projects under construction	Total
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Cost						
Beginning of period	1,077	20,065	17,948	10,698	320	50,108
Additions	—	274	68	35	357	734
Acquisition of assets from the JV	—	—	250	—	379	629
Transfers	(5)	(41)	147	(338)	—	(237)
Disposals	—	(921)	—	—	—	(921)
Exchange differences	—	7	128	1	—	136
End of period	<u>1,072</u>	<u>19,384</u>	<u>18,541</u>	<u>10,396</u>	<u>1,056</u>	<u>50,449</u>
Accumulated depreciation and impairment						
Beginning of period	511	16,144	11,035	8,096	—	35,786
Charge for the period	10	509	418	226	—	1,163
Transfers	—	(208)	—	—	—	(208)
Disposals	—	(921)	—	—	—	(921)
Exchange differences	—	5	58	2	—	65
End of period	<u>521</u>	<u>15,529</u>	<u>11,511</u>	<u>8,324</u>	<u>—</u>	<u>35,885</u>
Net book value						
End of period	<u>551</u>	<u>3,855</u>	<u>7,030</u>	<u>2,072</u>	<u>1,056</u>	<u>14,564</u>
Beginning of period	<u>566</u>	<u>3,921</u>	<u>6,913</u>	<u>2,602</u>	<u>320</u>	<u>14,322</u>

Certain property, plant and equipment with aggregate carrying values of approximately HK\$nil, HK\$26 million, HK\$23 million and HK\$24 million as at 31 December 2008, 2009 and 2010 and as at 30 June 2011 respectively were pledged as security for bank borrowings of the Trust Group. Please refer to Note 35 for details of the Trust Group's banking facilities.

The carrying amount of buildings of the Trust Group is analysed as follows:

The Trust Group				
	As at 31 December			As at 30 June
	2008	2009	2010	2011
	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Held in Hong Kong				
On long-term lease (over 50 years)	43	41	40	40
On medium-term lease (10-50 years)	594	575	526	511
	<u>637</u>	<u>616</u>	<u>566</u>	<u>551</u>

17 INVESTMENT PROPERTIES

	The Trust Group			
	Year ended 31 December			Six months ended 30 June
	2008	2009	2010	2011
	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Beginning of year/period	—	6	7	—
Addition through acquisition of businesses and subsidiaries	6	—	—	—
Fair value gains	—	1	—	—
Transfer to a subsidiary of Media Group (Note 6(c)(i))	—	—	(7)	—
End of year/period	<u>6</u>	<u>7</u>	<u>—</u>	<u>—</u>

The carrying amount of investment properties of the Trust Group is analysed as follows:

	The Trust Group			
	As at 31 December			As at 30 June
	2008	2009	2010	2011
	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Held in Hong Kong				
On medium-term lease (10-50 years)	<u>6</u>	<u>7</u>	<u>—</u>	<u>—</u>

The Trust Group leases out properties under operating leases. Majority of the leases typically run for a period of 2 to 10 years as at 31 December 2008 and 1 to 9 years as at 31 December 2009. None of the leases include contingent rentals.

As at 31 December 2008, 2009 and 2010 and 30 June 2011, the total future minimum lease payments in respect of investment properties under non-cancellable operating leases are receivable as follows:

	The Trust Group			
	As at 31 December			As at 30 June
	2008	2009	2010	2011
	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Within 1 year	2	5	—	—
After 1 year but within 5 years	3	6	—	—
After 5 years	3	2	—	—
	<u>8</u>	<u>13</u>	<u>—</u>	<u>—</u>

18 INTERESTS IN LEASEHOLD LAND

	The Trust Group			
	Year ended 31 December			Six months ended 30 June
	2008	2009	2010	2011
	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Cost				
Beginning of year/period	548	570	570	536
Addition through acquisition of businesses and subsidiaries	22	—	—	—
Transfer to a fellow subsidiary (Note 6(c)(i))	—	—	(34)	—
End of year/period	<u>570</u>	<u>570</u>	<u>536</u>	<u>536</u>
Accumulated amortisation				
Beginning of year/period	168	181	194	207
Charge for the year/period	13	13	13	6
End of year/period	<u>181</u>	<u>194</u>	<u>207</u>	<u>213</u>
Net book value				
End of year/period	<u>389</u>	<u>376</u>	<u>329</u>	<u>323</u>
Beginning of year/period	<u>380</u>	<u>389</u>	<u>376</u>	<u>329</u>

The carrying amount of interests in leasehold land of the Trust Group is analysed as follows:

	The Trust Group			
	As at 31 December			As at 30 June
	2008	2009	2010	2011
	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Held in Hong Kong				
On long-term lease (over 50 years)	37	35	33	33
On medium-term lease (10 - 50 years)	<u>352</u>	<u>341</u>	<u>296</u>	<u>290</u>
	<u>389</u>	<u>376</u>	<u>329</u>	<u>323</u>

19 GOODWILL

	The Trust Group			
	Year ended 31 December			Six months ended 30 June
	2008	2009	2010	2011
	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Cost				
Beginning of year/period	—	35,688	35,877	35,892
Additions through acquisition of businesses and subsidiaries (Note 36(a) & (c))	35,688	188	—	—
Additions upon finalisation of contingent consideration	—	—	12	—
Exchange differences	—	1	3	3
End of year/period	<u>35,688</u>	<u>35,877</u>	<u>35,892</u>	<u>35,895</u>

In 2008, the Trust Group acquired the Acquired Businesses from subsidiaries of PCCW in the 2008 Restructuring. As disclosed in Note 4(b), the 2008 Restructuring has been accounted for as a reverse acquisition by the Fixed Network Operations and the identifiable assets and liabilities of the Acquired Businesses and contingent liabilities that satisfy the recognition criteria are recognised at their fair values at the acquisition date.

Goodwill has principally arisen from the 2008 Restructuring. Impairment reviews were performed on these goodwill balances as at 31 October 2009 and 2010.

Goodwill is allocated to the Trust Group's CGUs identified as follows:

	The Trust Group			
	As at 31 December			As at 30 June
	2008	2009	2010	2011
	HK\$ million	HK\$ million	HK\$ million	HK\$ million
TSS				
- Local telephony and data services	30,830	30,830	30,830	30,830
- Global	997	997	997	997
- Others	302	491	506	509
Mobile	3,356	3,356	3,356	3,356
Other businesses	<u>203</u>	<u>203</u>	<u>203</u>	<u>203</u>
Total	<u>35,688</u>	<u>35,877</u>	<u>35,892</u>	<u>35,895</u>

For the purpose of impairment reviews, the recoverable amounts of the CGUs are determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The terminal growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

Key assumptions used for value-in-use calculations:

	2009			2010		
	Gross margin	Terminal growth rate	Discount rate	Gross margin	Terminal growth rate	Discount rate
TSS						
- Local telephony and data services	79%	1%	9%	76%	1%	9%
- Global	21%	3%	10%	19%	3%	9%
Mobile	67%	2%	14%	71%	1%	13%

These assumptions have been used for the analysis of each CGU.

There was no evidence of impairment arising from review on goodwill as at 31 October 2008, 2009 and 2010.

Management determined budgeted gross margin based on past performance and its expectations for market development. The weighted average terminal growth rates used are consistent with the forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risks relating to the relevant CGUs.

20 INTANGIBLE ASSETS

	The Trust Group					
	Year ended 31 December 2008					
	Trademarks	Carrier licences	Customer acquisition costs	Customer base	Others	Total
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Cost						
Beginning of year	—	—	—	—	—	—
Additions						
- through acquisition of businesses and subsidiaries	459	834	17	5,511	9	6,830
- others	—	—	179	—	—	179
Exchange differences	—	—	1	—	—	1
End of year	459	834	197	5,511	9	7,010
Accumulated amortisation						
Beginning of year	—	—	—	—	—	—
Charge for the year (Note (a))	4	16	25	172	4	221
End of year	4	16	25	172	4	221
Net book value						
End of year	455	818	172	5,339	5	6,789
Beginning of year	—	—	—	—	—	—

The Trust Group						
Year ended 31 December 2009						
	Trademarks	Carrier licences	Customer acquisition costs	Customer base	Others	Total
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Cost						
Beginning of year	459	834	197	5,511	9	7,010
Additions						
- through acquisition of businesses and subsidiaries	—	—	—	—	3	3
- others	—	16	806	—	—	822
Write-off	—	—	(32)	—	—	(32)
Exchange differences	—	—	1	—	—	1
End of year	459	850	972	5,511	12	7,804
Accumulated amortisation						
Beginning of year	4	16	25	172	4	221
Charge for the year (Note (a))	23	104	406	1,031	6	1,570
Write-off	—	—	(32)	—	—	(32)
End of year	27	120	399	1,203	10	1,759
Net book value						
End of year	432	730	573	4,308	2	6,045
Beginning of year	455	818	172	5,339	5	6,789

The Trust Group						
Year ended 31 December 2010						
	Trademarks	Carrier licences	Customer acquisition costs	Customer base	Others	Total
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Cost						
Beginning of year	459	850	972	5,511	12	7,804
Additions	—	545	916	—	—	1,461
Write-off	—	—	(457)	—	—	(457)
Exchange differences	—	—	2	—	—	2
End of year	459	1,395	1,433	5,511	12	8,810
Accumulated amortisation						
Beginning of year	27	120	399	1,203	10	1,759
Charge for the year (Note (a))	23	128	780	1,031	1	1,963
Write-off	—	—	(457)	—	—	(457)
End of year	50	248	722	2,234	11	3,265
Net book value						
End of year	409	1,147	711	3,277	1	5,545
Beginning of year	432	730	573	4,308	2	6,045

The Trust Group						
Six months ended 30 June 2011						
	Trademarks	Carrier licences	Customer acquisition costs	Customer base	Others	Total
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Cost						
Beginning of period	459	1,395	1,433	5,511	12	8,810
Additions	—	—	561	—	—	561
Acquisition of assets from the JV	—	—	15	—	—	15
Write-off	—	—	(367)	(471)	—	(838)
End of period	459	1,395	1,642	5,040	12	8,548
Accumulated amortisation						
Beginning of period	50	248	722	2,234	11	3,265
Charge for the period (Note (a))	11	72	461	419	—	963
Write-off	—	—	(367)	(471)	—	(838)
End of period	61	320	816	2,182	11	3,390
Net book value						
End of period	398	1,075	826	2,858	1	5,158
Beginning of period	409	1,147	711	3,277	1	5,545

(a) The amortisation charge for the year/period is included in "General and administrative expenses" in the combined income statements.

21 INTERESTS IN JOINTLY CONTROLLED COMPANIES

The Trust Group				
	As at 31 December			As at 30 June
	2008	2009	2010	2011
	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Share of net assets of jointly controlled companies	—	—	214	198
Loan due from a jointly controlled company (Note (a))	—	259	260	263
	—	259	474	461

(a) Loan to a jointly controlled company bears interests at HIBOR plus 3% per annum for the Relevant Periods. The loan is unsecured and has no fixed terms of repayment.

(b) Particulars of the jointly controlled companies of the HKT Trust are as follows:

Company name	Place of incorporation	Principal activities	Nominal value of issued capital/ registered capital	Interest held by the HKT Trust							
				As at 31 December				As at 30 June			
				2008		2009		2010		2011	
				Directly	Indirectly	Directly	Indirectly	Directly	Indirectly	Directly	Indirectly
Genius Brand Limited	Hong Kong	Provision of mobile telecommunications services in Hong Kong	HK\$10,000	—	50%	—	50%	—	50%	—	50%
China Netcom Broadband Corporation Limited	The PRC	Internet access services business, information services business and resale of broadband resources, etc	RMB644,518,697	—	—	—	—	—	50%	—	50%

Summarised unaudited financial information of the HKT Trust's interests in jointly controlled companies is as follows:

	The Trust Group			
	As at 31 December			As at 30 June
	2008	2009	2010	2011
	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Non-current assets	—	268	673	695
Current assets	—	—	196	192
Total assets	—	268	869	887
Non-current liabilities	—	(268)	(278)	(305)
Current liabilities	—	—	(190)	(194)
Net assets	—	—	401	388
Non-controlling interests	—	—	(187)	(190)
Equity attributable to holders of share stapled units	—	—	214	198

	The Trust Group			
	Year ended 31 December			Six months ended 30 June
	2008	2009	2010	2011
	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Turnover	—	—	229	134
Expenses	—	—	(288)	(129)
Loss before income tax	—	—	(59)	5
Income tax	—	—	(3)	(3)
Loss after income tax	—	—	(62)	2
Non-controlling interests	—	—	(11)	(7)
Loss for the year/period attributable to holders of share stapled units	—	—	(73)	(5)

22 AVAILABLE-FOR-SALE FINANCIAL ASSET

	The Trust Group			
	Year ended 31 December			Six months ended 30 June
	2008	2009	2010	2011
	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Beginning of year/period	—	—	—	48
Transfer from a subsidiary of Media Group (Note 6(c)(ii))	—	—	54	—
Net (loss)/gain transfer to equity (Note 27)	—	—	(6)	27
End of year/period	—	—	48	75
Market value of listed equity securities — overseas	—	—	48	75

No available-for-sale financial asset was pledged as security for bank borrowings of the Trust Group as at 31 December 2010 and 30 June 2011.

23 CURRENT ASSETS AND LIABILITIES

(a) Inventories

	The Trust Group			
	As at 31 December			As at 30 June
	2008	2009	2010	2011
	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Work-in-progress	762	588	595	367
Finished goods	137	216	147	289
Consumable inventories	39	45	90	330
	<u>938</u>	<u>849</u>	<u>832</u>	<u>986</u>

(b) Trade receivables, net

	The Trust Group			
	As at 31 December			As at 30 June
	2008	2009	2010	2011
	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Trade receivables (Note (i))	2,302	2,144	2,240	2,372
Less: Impairment loss on doubtful debts (Note (ii))	<u>(226)</u>	<u>(199)</u>	<u>(136)</u>	<u>(170)</u>
Trade receivables, net	<u>2,076</u>	<u>1,945</u>	<u>2,104</u>	<u>2,202</u>

(i) Aging analysis of trade receivables

	The Trust Group			
	As at 31 December			As at 30 June
	2008	2009	2010	2011
	HK\$ million	HK\$ million	HK\$ million	HK\$ million
0 - 30 days	1,206	1,192	1,219	1,194
31 - 60 days	332	254	226	266
61 - 90 days	144	142	152	160
91 - 120 days	88	84	69	135
Over 120 days	532	472	574	617
	<u>2,302</u>	<u>2,144</u>	<u>2,240</u>	<u>2,372</u>

(ii) Impairment loss on doubtful debts

The movements in the provision for doubtful debts during the Relevant Periods, including both specific and collective loss components, are as follows:

	The Trust Group			
	Year ended 31 December			Six months ended 30 June
	2008	2009	2010	2011
	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Beginning of year/period	—	226	199	136
Additions through acquisition of businesses and subsidiaries	213	—	—	—
Impairment loss recognised	42	254	97	86
Uncollectible amounts written off	(29)	(281)	(160)	(52)
End of year/period	<u>226</u>	<u>199</u>	<u>136</u>	<u>170</u>

As at 31 December 2008, 2009 and 2010 and 30 June 2011, the Trust Group's trade receivables of HK\$226 million, HK\$199 million, HK\$136 million and HK\$170 million, respectively, were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered. Consequently, specific provision for doubtful debts of HK\$42 million, HK\$254 million, HK\$97 million and HK\$86 million, respectively, was recognised. The Trust Group does not hold any collateral over these balances.

(iii) Trade receivables that are not impaired

The aging analysis of trade receivables that are neither individually nor collectively considered to be impaired is as follows:

	The Trust Group			
	As at 31 December			As at 30 June
	2008	2009	2010	2011
	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Neither past due nor impaired	1,019	917	1,029	1,190
0 - 30 days past due	358	395	344	227
31 - 60 days past due	155	164	134	186
61 - 90 days past due	114	99	114	121
Over 90 days past due	416	370	483	478
Past due but not impaired	<u>1,043</u>	<u>1,028</u>	<u>1,075</u>	<u>1,012</u>
	<u>2,062</u>	<u>1,945</u>	<u>2,104</u>	<u>2,202</u>

Trade receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Trade receivables that were past due but not impaired relate to customers that have a good track record with the Trust Group or a sound credit quality. Based on past experience and regular credit risk assessment performed on all significant outstanding trade receivables, management believes that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

Certain trade receivables with an aggregate carrying value of approximately HK\$49 million, HK\$44 million and HK\$36 million were pledged as security for certain bank borrowings of the Trust Group as at 31 December 2009 and 2010 and 30 June 2011 respectively. There are no trade receivables pledged as security for bank borrowings of the Trust Group as at 31 December 2008. Please refer to Note 35 for details of the Trust Group's banking facilities.

(c) Short-term borrowings

	The Trust Group			
	As at 31 December			As at 30 June
	2008	2009	2010	2011
	HK\$ million	HK\$ million	HK\$ million	HK\$ million
US\$1,000 million 7.75% guaranteed notes due 2011 (Note (i))	—	—	7,772	7,782
Bank borrowings	—	46	28	41
	—	46	7,800	7,823
Secured	—	46	28	41
Unsecured	—	—	7,772	7,782

(i) US\$1,000 million 7.75% guaranteed notes due 2011 (the "Notes due 2011")

In November 2001, PCCW-HKT Capital Limited, an indirect wholly-owned subsidiary of the Company upon the completion of the 2008 Restructuring, issued US\$1,000 million 7.75% guaranteed notes due November 2011 which are listed on the Luxembourg Stock Exchange (interest rate subsequently adjusted to 8% pursuant to an interest step-up provision). In November 2001, the proceeds received from the Notes due 2011 were lent to PCCW-HKT Telephone Limited ("HKTC") on the same term, and then to Hong Kong Telecommunications (HKT) Limited in November 2008. The Notes due 2011 are unconditionally and irrevocably guaranteed by HKTC, Hong Kong Telecommunications (HKT) Limited and HKTGH and will rank pari passu with all other outstanding unsecured and unsubordinated obligations of HKTC, Hong Kong Telecommunications (HKT) Limited and HKTGH. The notes are scheduled to be redeemed on 15 November 2011.

Please refer to Note 35 for the Trust Group's banking facilities.

(d) Trade payables

The aging analysis of trade payables is set out below:

	The Trust Group			
	As at 31 December			As at 30 June
	2008	2009	2010	2011
	HK\$ million	HK\$ million	HK\$ million	HK\$ million
0 - 30 days	818	823	836	568
31 - 60 days	84	71	172	89
61 - 90 days	55	39	29	69
91 - 120 days	26	35	14	81
Over 120 days	386	465	517	626
	1,369	1,433	1,568	1,433

24 LONG-TERM BORROWINGS

	The Trust Group			
	As at 31 December			As at 30 June
	2008	2009	2010	2011
	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Repayable within a period				
- over one year, but not exceeding two years	—	19,233	—	580
- over two years, but not exceeding five years	27,905	11,575	18,334	26,568
- over five years	3,840	3,848	8,695	—
	<u>31,745</u>	<u>34,656</u>	<u>27,029</u>	<u>27,148</u>
Representing:				
US\$1,000 million 7.75% guaranteed notes due 2011 (Note (a))	7,722	7,736	—	—
US\$500 million 6% guaranteed notes due 2013 (Note (b))	3,856	3,862	3,879	3,883
US\$500 million 5.25% guaranteed notes due 2015 (Note (c))	3,840	3,848	3,866	3,870
US\$500 million 4.25% guaranteed notes due 2016 (Note (d))	—	—	3,773	3,844
Bank borrowings	16,327	19,210	15,511	15,551
	<u>31,745</u>	<u>34,656</u>	<u>27,029</u>	<u>27,148</u>
Secured	<u>—</u>	<u>—</u>	<u>—</u>	<u>2</u>
Unsecured	<u>31,745</u>	<u>34,656</u>	<u>27,029</u>	<u>27,146</u>

(a) US\$1,000 million 7.75% guarantee notes due 2011

The notes were classified as short-term borrowings as at 31 December 2010. Please refer to Note 23(c) for more details.

(b) US\$500 million 6% guaranteed notes due 2013 (the "Notes due 2013")

In July 2003, PCCW-HKT Capital No.2 Limited, an indirect wholly-owned subsidiary of the Company upon the completion of the 2008 Restructuring, issued US\$500 million 6% guaranteed notes due 2013 which are listed on the Luxembourg Stock Exchange. In July 2003, the proceeds received from the Notes due 2013 were lent to HKTC on the same term, and then to Hong Kong Telecommunications (HKT) Limited in November 2008. The Notes due 2013 are irrevocably and unconditionally guaranteed by HKTC, Hong Kong Telecommunications (HKT) Limited and HKTGH and will rank pari passu with all other outstanding unsecured and unsubordinated obligations of HKTC, Hong Kong Telecommunications (HKT) Limited and HKTGH.

(c) US\$500 million 5.25% guaranteed notes due 2015 (the "Notes due 2015")

In July 2005, PCCW-HKT Capital No.3 Limited, an indirect wholly-owned subsidiary of the Company upon the completion of the 2008 Restructuring, issued US\$500 million 5.25% guaranteed notes due 2015, which are listed on the Singapore Exchange Securities Trading Limited. In July 2005, the proceeds received from the Notes due 2015 were lent to HKTC on the same term, and then to Hong Kong Telecommunications (HKT) Limited in November 2008. The Notes due 2015 are irrevocably and unconditionally guaranteed by HKTC, Hong Kong Telecommunications (HKT) Limited and HKTGH and will rank pari passu with all other outstanding unsecured and unsubordinated obligations of HKTC, Hong Kong Telecommunications (HKT) Limited and HKTGH.

- (d) US\$500 million 4.25% guaranteed notes due 2016 (the "Notes due 2016")

In August 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 are listed on the Singapore Exchange Securities Trading Limited. In August 2010, the proceeds received from the Notes due 2016 were lent to Hong Kong Telecommunications (HKT) Limited on the same term. The Notes due 2016 are irrevocably and unconditionally guaranteed by Hong Kong Telecommunications (HKT) Limited and HKTGH and will rank pari passu with all other outstanding unsecured and unsubordinated obligations of Hong Kong Telecommunications (HKT) Limited and HKTGH.

Please refer to Note 35 for details of the Trust Group's banking facilities.

25 DERIVATIVE FINANCIAL INSTRUMENTS

	The Trust Group			
	As at 31 December			As at 30 June
	2008	2009	2010	2011
	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Non-current assets				
Fixed-to-fixed cross currency swap contracts				
- cash flow hedges (Note (a))	—	—	152	113
Current assets				
Fixed-to-fixed cross currency swap contracts				
- cash flow hedges (Note (a))	230	108	17	3
Non-current liabilities				
Fixed-to-floating cross currency swap contracts				
- cash flow hedges (Note (b))	—	—	(34)	(10)
Fixed-to-floating cross currency swap contracts				
- fair value hedges (Note (b))	—	—	(68)	3
	—	—	(102)	(7)

As at 31 December 2008, 2009 and 2010 and 30 June 2011, the Trust Group had outstanding cross currency swap contracts with notional contract amounts of US\$2,000 million (approximately HK\$15,591 million), US\$2,000 million (approximately HK\$15,510 million), US\$2,500 million (approximately HK\$19,454 million) and US\$2,500 million (approximately HK\$19,464 million), respectively, at various rates, to manage the Trust Group's exposure to foreign currency fluctuations and interest rate risk.

The full fair value of a hedging derivative is classified as non-current asset or liability when the remaining hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

- (a) All of the fixed-to-fixed cross currency swap contracts outstanding as at 31 December 2008, 2009 and 2010 and 30 June 2011 with notional contract amounts of US\$2,000 million (approximately HK\$15,591 million), US\$2,000 million (approximately HK\$15,510 million), US\$2,000 million (approximately HK\$15,563 million) and US\$2,000 million (approximately HK\$15,571 million), respectively, were designated as cash flow hedges of the foreign exchange rate risk in the Trust Group's foreign currency denominated borrowings. Maturity of these swaps matches with the maturity of the underlying borrowings and has fixed the USD/HKD exchange rate at 7.7790 to 7.8014 as at 31 December 2008, 2009 and 2010 and 30 June 2011 for the notional amounts (see Note 32(c)(i)). Gains and losses recognised in the hedging reserve under equity on these cross currency swap contracts will be continuously released to the combined income statements until the repayment of the borrowings.

- (b) The Trust Group has entered into fixed-to-floating cross currency swap contracts outstanding as at 31 December 2010 and 30 June 2011 with notional contract amounts of US\$500 million (approximately HK\$3,891 million) and US\$500 million (approximately HK\$3,893 million) respectively. Maturity of these swaps matches with the maturity of the underlying fixed rate borrowings and has fixed the USD/HKD exchange rate at 7.7708 to 7.7711 for the notional amounts (see Note 32(c)(i)). The swaps also pre-determined the interest rates at HIBOR plus 2.24% (see Note 32(c)(ii)). No such swap contracts were outstanding as at 31 December 2008 and 2009.

These swap contracts were designated as (i) cash flow hedges of the foreign exchange rate risk in the Trust Group's foreign currency denominated borrowings and (ii) fair value hedges of the interest rate risk in the Trust Group's borrowings at fixed interest rates.

Gains and losses recognised in the hedging reserve under equity on these swap contracts designated as cash flow hedges will be continuously released to the combined income statements until the repayment of the borrowings.

Those swap contracts designated as fair value hedges will offset the impact of future changes in interest rates on the fair value of the underlying fixed-rate debt obligations. The swap contracts were reflected at fair value in the combined balance sheets and the related portion of fixed-rate debt being hedged was reflected at an amount equal to the sum of its carrying amount plus an adjustment representing the change in fair value of the debt obligations attributable to the interest rate risk being hedged. Changes in the fair value of the swap contracts and the corresponding changes in the adjusted carrying amount of the related portion of the fixed-rate debt being hedged, are recognised as adjustments in "Finance costs, net" in the combined income statements. The net effect recognised in the "Finance costs, net" represents the ineffective portion of the hedging relationship, amounted to approximately HK\$8 million and HK\$4 million for the year ended 31 December 2010 and for the six months ended 30 June 2011 respectively (see Note 12).

26 EMPLOYEE RETIREMENT BENEFITS

(a) Defined contribution retirement schemes

The Trust Group operates defined contribution schemes, including the Mandatory Provident Fund Scheme (the "MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance, for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The schemes are administered by independent trustees.

Under the defined contribution scheme, the employer is required to make contributions to the scheme at rates specified under the rules of the scheme. Where employees leave the scheme prior to the full vesting of the employer's contributions, the amount of forfeited contributions is used to reduce the contributions payable by the Trust Group.

Under the MPF scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK\$20,000. Contributions to the scheme vest immediately upon the completion of the service in the relevant service period.

(b) Share option schemes

PCCW has a share option scheme (the "1994 Scheme") which was adopted in September 1994 and amended in May 2002 under which the board of directors of PCCW (the "PCCW Board") may, at its discretion, invite employees of PCCW and its subsidiaries, including directors of PCCW, and other eligible persons, to take up options to subscribe for shares of PCCW. The vesting period and exercise period of the options are determined by the PCCW Board but in any case no options can be exercised later than 10 years from the date of grant. Each option gives the holder the right to subscribe for one share. The 1994 Scheme was due to expire in September 2004.

At PCCW's annual general meeting held on 19 May 2004, the shareholders of PCCW approved the termination of the 1994 Scheme and the adoption of a new share option scheme (the "2004 Scheme"). Since 19 May 2004, the PCCW Board may, at its discretion, grant share options to any eligible person to subscribe for shares in PCCW subject to the terms and conditions stipulated in the 2004 Scheme. The overall limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2004 Scheme and any other share option schemes including the 1994 Scheme must not exceed 30% of the shares in issue from time to time. In addition, the maximum number of shares which may be granted under the 2004 Scheme must not exceed 10% of PCCW's issued share capital as at 19 May 2004 (or some other date if renewal of this limit is approved by shareholders of PCCW). The exercise price of the

options under the 2004 Scheme shall be determined by the PCCW Board at its absolute discretion but in any event shall not be less than the highest of (i) the closing price of the shares as stated in the daily quotations sheet of the Stock Exchange on the date of grant, (ii) the average closing price of the shares as stated in the daily quotations sheet of the Stock Exchange for the five days last preceding the date of grant on which days it has been possible to trade shares on the Stock Exchange, and (iii) the nominal value of a share on the date of grant. The vesting period and exercise period of the options are determined by the PCCW Board, but no option can be exercised later than the day last preceding the tenth anniversary of the date of grant in respect of such option. In general, the subscription price is determined by reference to the closing prices of the shares as stated in the daily quotations sheet of the Stock Exchange. The basis for determination of the subscription price and the total number of shares that can be granted to eligible persons are precisely specified in the rules of the 2004 Scheme. The 2004 Scheme does not specify a minimum period for which an option must be held nor a performance target which must be achieved before an option can be exercised. The Trust Group has no legal or constructive obligation to repurchase or settle the options in cash.

(i) Movements in the number of share options outstanding and their related weighted average exercise prices

	31 December 2008		31 December 2009		31 December 2010		30 June 2011	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
	HK\$		HK\$		HK\$		HK\$	
Beginning of year/period	8.90	20,280,400	8.28	62,036,884	9.75	36,959,465	5.75	31,983,975
Share options from fellow subsidiaries through acquisition of businesses and subsidiaries (Note (iii))	7.26	24,532,157	—	—	—	—	—	—
Net addition/(deduction) due to transfer of employees from fellow subsidiaries (Note (iv))	9.10	17,670,647	13.87	269,093	7.52	2,492,380	4.35	(2,385,760)
Cancelled/lapsed (Note (v))	12.25	(446,320)	6.21	(25,346,512)	26.13	(7,467,870)	7.39	(11,070,893)
End of year/period (Note (ii))	8.28	<u>62,036,884</u>	9.75	<u>36,959,465</u>	5.75	<u>31,983,975</u>	4.95	<u>18,527,322</u>
Exercisable at end of year/period		<u>62,036,884</u>		<u>36,959,465</u>		<u>31,983,975</u>		<u>18,527,322</u>

(ii) Terms of unexpired and unexercised share options at the balance sheet date

Date of grant	Vesting period	Exercise period	Exercise price	Number of options			
				As at 31 December			As at 30 June
				2008	2009	2010	2011
			HKS				
17 August 1999 to 15 September 1999	17 August 2000 to 17 August 2004	17 August 2000 to 17 August 2009	11.7800	1,118,932	—	—	—
25 October 1999 to 23 November 1999	25 October 2000 to 25 October 2004	25 October 2000 to 25 October 2009	22.7600	1,379,200	—	—	—
8 February 2000 to 8 March 2000	8 February 2001 to 8 February 2003	8 February 2001 to 8 February 2010	75.2400	86,700	86,700	—	—
26 August 2000 to 24 September 2000	26 May 2001 to 26 May 2005	26 May 2001 to 26 August 2010	60.1200	243,400	243,400	—	—
27 October 2000 to 25 November 2000	15 March 2001 to 15 March 2005	15 March 2001 to 27 October 2010	24.3600	6,514,630	6,086,750	—	—
22 January 2001 to 20 February 2001	22 January 2001 to 22 January 2005	22 January 2001 to 22 January 2011	16.8400	3,483,653	3,551,333	2,659,453	—
8 February 2001	8 February 2002 to 8 February 2004	8 February 2002 to 8 February 2011	18.7600	86,700	86,700	—	—
17 April 2001 to 16 May 2001	26 May 2001 to 26 May 2005	26 May 2001 to 17 April 2011	10.3000	80,840	77,560	71,440	—
16 July 2001 to 15 September 2001	16 July 2002 to 16 July 2004	16 July 2002 to 16 July 2011	9.1600	70,960	61,320	108,080	107,320
11 April 2002	11 April 2003 to 11 April 2007	11 April 2003 to 11 April 2012	7.9150	86,700	86,700	—	—
1 August 2002	1 August 2003 to 1 August 2005	1 August 2003 to 31 July 2012	8.0600	200,000	200,000	200,000	200,000
13 November 2002	13 November 2003 to 13 November 2005	13 November 2003 to 12 November 2012	6.1500	6,120,000	5,860,000	5,480,000	5,480,000
25 July 2003	25 July 2004 to 25 July 2006	25 July 2004 to 23 July 2013	4.3500	21,285,669	20,612,002	23,458,002	12,733,002
16 September 2003	16 September 2004 to 16 September 2006	16 September 2004 to 14 September 2013	4.9000	7,000	7,000	7,000	7,000
8 February 2005	8 February 2006 to 8 February 2007	8 February 2006 to 7 February 2009	4.4750	21,272,500	—	—	—
				<u>62,036,884</u>	<u>36,959,465</u>	<u>31,983,975</u>	<u>18,527,322</u>

The range of exercise prices and the weighted average remaining contractual life of the share options outstanding are as follows:

Range of exercise prices	As at 31 December 2008		As at 31 December 2009		As at 31 December 2010		As at 30 June 2011	
	Weighted average remaining contractual life	Number of options	Weighted average remaining contractual life	Number of options	Weighted average remaining contractual life	Number of options	Weighted average remaining contractual life	Number of options
	(years)		(years)		(years)		(years)	
HK\$ 4.01 to 5.04	2.33	42,565,169	3.56	20,619,002	2.56	23,465,002	2.06	12,740,002
5.05 to 7.54	3.87	6,120,000	2.87	5,860,000	1.87	5,480,000	1.37	5,480,000
7.55 to 11.29	3.12	438,500	2.14	425,580	1.04	379,520	0.7203	307,320
11.30 to 16.79	0.63	1,118,932	—	—	—	—	—	—
16.80 to 25.04	1.77	11,464,183	0.91	9,724,783	0.06	2,659,453	—	—
55.05 to 70.04	1.65	243,400	0.65	243,400	—	—	—	—
70.05 to 85.00	1.10	86,700	0.10	86,700	—	—	—	—
		<u>62,036,884</u>		<u>36,959,465</u>		<u>31,983,975</u>		<u>18,527,322</u>

- (iii) Transfer of share options from fellow subsidiaries through acquisitions of businesses and subsidiaries during the Relevant Periods:

Date of grant	Vesting period	Exercise period	Exercise price	Number of options			
				Year ended 31 December			Six months ended 30 June
			HKS	2008	2009	2010	2011
17 August 1999 to 15 September 1999	17 August 2000 to 17 August 2004	17 August 2000 to 17 August 2009	11.7800	158,667	—	—	—
25 October 1999 to 23 November 1999	25 October 2000 to 25 October 2004	25 October 2000 to 25 October 2009	22.7600	950,400	—	—	—
8 February 2000 to 8 March 2000	8 February 2001 to 8 February 2003	8 February 2001 to 8 February 2010	75.2400	86,700	—	—	—
26 August 2000 to 24 September 2000	26 May 2001 to 26 May 2005	26 May 2001 to 26 August 2010	60.1200	34,000	—	—	—
27 October 2000 to 25 November 2000	15 March 2001 to 15 March 2005	15 March 2001 to 27 October 2010	24.3600	716,470	—	—	—
22 January 2001 to 20 February 2001	22 January 2001 to 22 January 2005	22 January 2001 to 22 January 2011	16.8400	2,146,240	—	—	—
8 February 2001	8 February 2002 to 8 February 2004	8 February 2002 to 8 February 2011	18.7600	86,700	—	—	—
17 April 2001 to 16 May 2001	26 May 2001 to 26 May 2005	26 May 2001 to 17 April 2011	10.3000	51,680	—	—	—
16 July 2001 to 15 September 2001	16 July 2002 to 16 July 2004	16 July 2002 to 16 July 2011	9.1600	83,600	—	—	—
11 April 2002	11 April 2003 to 11 April 2007	11 April 2003 to 11 April 2012	7.9150	86,700	—	—	—
13 November 2002	13 November 2003 to 13 November 2005	13 November 2003 to 12 November 2012	6.1500	120,000	—	—	—
25 July 2003	25 July 2004 to 25 July 2006	25 July 2004 to 23 July 2013	4.3500	11,753,000	—	—	—
16 September 2003	16 September 2004 to 16 September 2006	16 September 2004 to 14 September 2013	4.9000	7,000	—	—	—
8 February 2005	8 February 2006 to 8 February 2007	8 February 2006 to 7 February 2009	4.4750	8,251,000	—	—	—
				<u>24,532,157</u>	<u>—</u>	<u>—</u>	<u>—</u>

(iv) Details of share option transferred to/(from) the Trust Group with employees transferred during the Relevant Periods:

Date of grant	Vesting period	Exercise period	Exercise price	Number of options			
				Year ended 31 December			Six months ended 30 June
				2008	2009	2010	2011
HK\$							
17 August 1999 to 15 September 1999	17 August 2000 to 17 August 2004	17 August 2000 to 17 August 2009	11.7800	960,265	—	—	—
25 October 1999 to 23 November 1999	25 October 2000 to 25 October 2004	25 October 2000 to 25 October 2009	22.7600	75,600	—	—	—
8 February 2000 to 8 March 2000	8 February 2001 to 8 February 2003	8 February 2001 to 8 February 2010	75.2400	—	—	(86,700)	—
26 August 2000 to 24 September 2000	26 May 2001 to 26 May 2005	26 May 2001 to 26 August 2010	60.1200	209,400	—	508,000	—
27 October 2000 to 25 November 2000	15 March 2001 to 15 March 2005	15 March 2001 to 27 October 2010	24.3600	2,473,340	70,400	(141,840)	—
22 January 2001 to 20 February 2001	22 January 2001 to 22 January 2005	22 January 2001 to 22 January 2011	16.8400	1,043,533	91,600	(814,360)	—
8 February 2001	8 February 2002 to 8 February 2004	8 February 2002 to 8 February 2011	18.7600	—	—	(86,700)	—
17 April 2001 to 16 May 2001	26 May 2001 to 26 May 2005	26 May 2001 to 17 April 2011	10.3000	18,520	—	1,760	(760)
16 July 2001 to 15 September 2001	16 July 2002 to 16 July 2004	16 July 2002 to 16 July 2011	9.1600	(33,680)	1,760	57,920	—
11 April 2002	11 April 2003 to 11 April 2007	11 April 2003 to 11 April 2012	7.9150	—	—	(86,700)	—
1 August 2002	1 August 2003 to 1 August 2005	11 April 2003 to 31 July 2012	8.0600	200,000	—	—	—
13 November 2002	13 November 2003 to 13 November 2005	13 November 2003 to 12 November 2012	6.1500	(120,000)	—	—	—
25 July 2003	25 July 2004 to 25 July 2006	25 July 2004 to 23 July 2013	4.3500	6,594,669	105,333	3,141,000	(2,385,000)
16 September 2003	16 September 2004 to 16 September 2006	16 September 2004 to 14 September 2013	4.9000	—	—	—	—
8 February 2005	8 February 2006 to 8 February 2007	8 February 2006 to 7 February 2009	4.4750	6,249,000	—	—	—
				<u>17,670,647</u>	<u>269,093</u>	<u>2,492,380</u>	<u>(2,385,760)</u>

(v) Details of share options cancelled or lapsed during the Relevant Periods:

Exercise period	Exercise price HK\$	Number of options			
		Year ended 31 December			Six months ended 30 June
		2008	2009	2010	2011
17 August 2000 to 17 August 2009	11.7800	—	1,118,932	—	—
25 October 2000 to 25 October 2009	22.7600	96,000	1,379,200	—	—
26 May 2001 to 26 August 2010	60.1200	—	—	751,400	—
15 March 2001 to 27 October 2010	24.3600	78,120	498,280	5,944,910	—
22 January 2001 to 22 January 2011	16.8400	—	23,920	77,520	2,659,453
26 May 2001 to 17 April 2011	10.3000	7,080	3,280	7,880	70,680
16 July 2002 to 16 July 2011	9.1600	8,120	11,400	11,160	760
13 November 2003 to 12 November 2012	6.1500	60,000	260,000	380,000	—
1 August 2003 to 31 July 2012	8.0600	—	—	—	—
25 July 2004 to 23 July 2013	4.3500	157,000	779,000	295,000	8,340,000
8 February 2006 to 7 February 2009	4.4750	40,000	21,272,500	—	—
8 February 2001 to 8 February 2010	75.2400	—	—	—	—
		<u>446,320</u>	<u>25,346,512</u>	<u>7,467,870</u>	<u>11,070,893</u>

(vi) There were no share options granted during the Relevant Periods.

(vii) There were no share options exercised during the Relevant Periods.

27 RETAINED PROFITS AND OTHER RESERVES

	The Trust Group					Total
	Year ended 31 December 2008					
	Capital contribution reserve	Currency translation reserve	Merger reserve	Hedging reserve	Retained profits	
HK\$ million (Note (i))	HK\$ million	HK\$ million (Note (ii))	HK\$ million (Note (iii))	HK\$ million	HK\$ million	
At 1 January 2008	28	—	(695)	—	1,391	724
Capital contribution	16,639	—	—	—	—	16,639
Distribution to equity owner	—	—	—	—	(1,053)	(1,053)
Total comprehensive income for the year	—	2	—	363	274	639
At 31 December 2008	<u>16,667</u>	<u>2</u>	<u>(695)</u>	<u>363</u>	<u>612</u>	<u>16,949</u>

The Trust Group

Year ended 31 December 2009

	Capital contribution reserve	Currency translation reserve	Merger reserve	Hedging reserve	Retained profits	Total
	HK\$ million (Note (i))	HK\$ million	HK\$ million (Note (ii))	HK\$ million (Note (iii))	HK\$ million	HK\$ million
At 1 January 2009	16,667	2	(695)	363	612	16,949
Total comprehensive income/(loss) for the year	—	208	—	(128)	1,316	1,396
At 31 December 2009	<u>16,667</u>	<u>210</u>	<u>(695)</u>	<u>235</u>	<u>1,928</u>	<u>18,345</u>

The Trust Group

Year ended 31 December 2010

	Capital contribution reserve	Currency translation reserve	Merger reserve	Hedging reserve	Other reserves	Retained profits	Total
	HK\$ million (Note (i))	HK\$ million	HK\$ million (Note (ii))	HK\$ million (Note (iii))	HK\$ million (Note (iv))	HK\$ million	HK\$ million
At 1 January 2010	16,667	210	(695)	235	—	1,928	18,345
Total comprehensive income/(loss) for the year	—	145	—	(27)	(6)	925	1,037
Increase in ownership interest in a subsidiary (Note 38)	—	—	—	—	(31)	—	(31)
At 31 December 2010	<u>16,667</u>	<u>355</u>	<u>(695)</u>	<u>208</u>	<u>(37)</u>	<u>2,853</u>	<u>19,351</u>

The Trust Group

Six months ended 30 June 2011

	Capital contribution reserve	Currency translation reserve	Merger reserve	Hedging reserve	Other reserves	Retained profits	Total
	HK\$ million (Note (i))	HK\$ million	HK\$ million (Note (ii))	HK\$ million (Note (iii))	HK\$ million (Note (iv))	HK\$ million	HK\$ million
At 1 January 2011	16,667	355	(695)	208	(37)	2,853	19,351
Total comprehensive income/(loss) for the period	—	73	—	(43)	27	537	594
Distribution to equity owner	—	—	—	—	—	(8)	(8)
At 30 June 2011	<u>16,667</u>	<u>428</u>	<u>(695)</u>	<u>165</u>	<u>(10)</u>	<u>3,382</u>	<u>19,937</u>

(a) Nature and purpose of reserves*(i) Capital contribution reserve*

Capital contribution reserve mainly represents capital contribution from PCCW to the Group upon the formation of HKTGH.

(ii) Merger reserve

The merger reserve arose as a result of the reverse acquisition of the Acquired Businesses by the Fixed Network Operations in the 2008 Restructuring. The merger reserve comprises the excess of the fair value of consideration paid by the Trust Group to acquire the Fixed Network Operations over the net asset value of the Fixed Network Operations as at the date of the reverse acquisition.

(iii) Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of the hedged instruments used in cash flow hedges pending subsequent recognition of the hedged cash flow in accordance with the accounting policy adopted for cash flow hedges in Note 4(n)(ii).

(iv) Other reserves

Other reserves mainly represent the excess consideration over the carrying amount of the non-controlling interest acquired and the available-for-sale financial asset reserve.

28 DEFERRED INCOME TAX

(a) Movements in deferred income tax liabilities/(assets) during the Relevant Periods are as follows:

	The Trust Group				
	Year ended 31 December 2008				
	Accelerated tax depreciation and amortisation	Valuation of leasehold land and properties	Tax losses	Others	Total
HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	
Beginning of year	—	—	—	—	—
Acquisition of businesses and subsidiaries	1,180	2	(21)	—	1,161
Charged/(credited) to the combined income statements (Note 14(a))	1,461	2	(1,341)	—	122
End of year	<u>2,641</u>	<u>4</u>	<u>(1,362)</u>	<u>—</u>	<u>1,283</u>

The Trust Group					
Year ended 31 December 2009					
	Accelerated tax depreciation and amortisation	Valuation of leasehold land and properties	Tax losses	Others	Total
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Beginning of year	2,641	4	(1,362)	—	1,283
(Credited)/charged to the combined income statements (Note 14(a))	(235)	1	696	(4)	458
End of year	<u>2,406</u>	<u>5</u>	<u>(666)</u>	<u>(4)</u>	<u>1,741</u>

The Trust Group					
Year ended 31 December 2010					
	Accelerated tax depreciation and amortisation	Valuation of leasehold land and properties	Tax losses	Others	Total
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Beginning of year	2,406	5	(666)	(4)	1,741
Disposal of subsidiaries	—	(5)	—	—	(5)
(Credited)/charged to the combined income statements (Note 14(a))	(220)	—	561	1	342
End of year	<u>2,186</u>	<u>—</u>	<u>(105)</u>	<u>(3)</u>	<u>2,078</u>

The Trust Group					
Six months ended 30 June 2011					
	Accelerated tax depreciation and amortisation	Valuation of leasehold land and properties	Tax losses	Others	Total
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Beginning of period	2,186	—	(105)	(3)	2,078
(Credited)/charged to the combined income statements (Note 14(a))	(107)	—	71	—	(36)
End of period	<u>2,079</u>	<u>—</u>	<u>(34)</u>	<u>(3)</u>	<u>2,042</u>

The Trust Group				
	As at 31 December			As at 30 June
	2008	2009	2010	2011
	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Deferred income tax assets recognised in the combined balance sheets	—	(4)	(3)	(3)
Deferred income tax liabilities recognised in the combined balance sheets	1,283	1,745	2,081	2,045
	<u>1,283</u>	<u>1,741</u>	<u>2,078</u>	<u>2,042</u>

- (b) During the year ended 31 December 2008, deferred income tax assets of HK\$1,341 million have been recognised for tax losses carry-forward to the extent that realisation of the related tax benefit through utilisation against future taxable profits is probable. During the years ended 31 December 2009 and 2010 and the six months ended 30 June 2011, deferred income tax assets of HK\$696 million, HK\$561 million and HK\$71 million respectively have been reversed and utilised against current year taxable profits. The Trust Group has unutilised estimated tax losses for which no deferred income tax assets have been recognised of HK\$7,104 million, HK\$8,872 million, HK\$8,136 million and HK\$8,993 million as at 31 December 2008, 2009 and 2010 and 30 June 2011 respectively to carry forward for deduction against future taxable income. Estimated tax losses of HK\$393 million, HK\$73 million and HK\$54 million and HK\$57 million as at 31 December 2008, 2009 and 2010 and 30 June 2011 respectively will expire within 1 to 5 years. Tax losses of HK\$15 million, HK\$20 million, HK\$33 million and HK\$nil as at 31 December 2008, 2009 and 2010 and 30 June 2011 respectively will expire after 5 years. The remaining portion of the tax losses, mainly relating to Hong Kong companies, can be carried forward indefinitely.

29 CARRIER LICENCE FEE LIABILITIES

As at 31 December 2008, 2009 and 2010 and 30 June 2011, the Trust Group had carrier licence fee liabilities repayable as follows:

The Trust Group												
	As at 31 December 2008			As at 31 December 2009			As at 31 December 2010			As at 30 June 2011		
	Present value of the minimum annual fees	Interest relating to future periods	Total minimum annual fees	Present value of the minimum annual fees	Interest relating to future periods	Total minimum annual fees	Present value of the minimum annual fees	Interest relating to future periods	Total minimum annual fees	Present value of the minimum annual fees	Interest relating to future periods	Total minimum annual fees
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Repayable within a period												
- not exceeding one year	78	6	84	87	6	93	146	8	154	146	5	151
- over one year, but not exceeding two years	80	14	94	89	16	105	140	21	161	144	17	161
- over two years, but not exceeding five years	239	96	335	259	104	363	407	136	543	416	127	543
- over five years	232	191	423	167	125	292	377	224	601	348	204	552
	<u>629</u>	<u>307</u>	<u>936</u>	<u>602</u>	<u>251</u>	<u>853</u>	<u>1,070</u>	<u>389</u>	<u>1,459</u>	<u>1,054</u>	<u>353</u>	<u>1,407</u>
Less: Amounts repayable within one year included under current liabilities	(78)	(6)	(84)	(87)	(6)	(93)	(146)	(8)	(154)	(146)	(5)	(151)
	<u>551</u>	<u>301</u>	<u>852</u>	<u>515</u>	<u>245</u>	<u>760</u>	<u>924</u>	<u>381</u>	<u>1,305</u>	<u>908</u>	<u>348</u>	<u>1,256</u>

30 NOTES TO THE COMBINED STATEMENTS OF CASH FLOWS

(a) Reconciliation of profit before income tax to net cash generated from operating activities

	The Trust Group				
	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
	HK\$ million	HK\$ million	HK\$ million	HK\$ million (unaudited)	HK\$ million
Profit before income tax	409	1,831	1,350	602	726
Adjustments for:					
Interest income	(2)	(5)	(9)	(2)	(20)
Interest expense	225	1,353	1,315	638	682
Finance charges	17	119	247	156	74
Cash flow hedges: transferred from equity	—	1	1	1	1
Fair value losses/(gains) on derivative financial instruments on fair value hedges	—	—	88	—	(69)
Fair value adjustment of borrowings attributable to interest rate risk	—	—	(80)	—	65
Net loss on cash flow hedging instruments transferred from equity	—	1	1	—	—
Depreciation of property, plant and equipment	1,967	2,353	2,342	1,188	1,163
Loss/(gain) on disposal of property, plant and equipment, net	17	3	(14)	1	(1)
Losses of property, plant and equipment	—	25	—	—	—
Provision for inventory obsolescence	—	6	9	4	7
Fair value gains on investment properties	—	(1)	—	—	—
Impairment loss for doubtful debts	42	254	97	67	86
Amortisation of intangible assets	221	1,570	1,963	927	963
Amortisation of land lease premium	13	13	13	7	6
Share of results of jointly controlled companies	—	—	73	5	5
Negative goodwill resulted from acquisition of businesses and a subsidiary	(63)	—	—	—	—
Net realised gain on disposal of subsidiaries	—	—	(41)	—	—
Impairment loss on an interest in a jointly controlled company	—	—	—	—	16
Non-cash transaction in relation to the JV	—	—	—	—	(491)
(Increase)/decrease in operating assets					
- inventories	(17)	83	116	146	(133)
- trade receivables	158	(71)	(260)	(87)	(180)
- prepayments, deposits and other current assets	58	(610)	(952)	(320)	650
- other non-current assets	41	(48)	(28)	(3)	(33)

	The Trust Group				
	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
HK\$ million	HK\$ million	HK\$ million	HK\$ million (unaudited)	HK\$ million	
Increase/(decrease) in operating liabilities					
- trade payables, accruals and other payables	487	(233)	(41)	(430)	77
- other long-term liabilities	(23)	(17)	(11)	5	(1)
- advances from customers	(33)	(84)	62	(88)	(230)
- amounts due to related companies	5	3	20	(23)	41
- amounts due to fellow subsidiaries and the ultimate holding company	723	(273)	(65)	307	(102)
- deferred income (non-current)	(24)	(16)	77	20	56
Cash generated from operations	4,221	6,257	6,273	3,121	3,358
Interest received	2	7	9	2	18
Income tax paid, net of tax refund					
- Hong Kong profits tax paid	—	—	(4)	—	—
- Overseas profits tax paid	—	(24)	(39)	(24)	(24)
Net cash generated from operating activities	<u>4,223</u>	<u>6,240</u>	<u>6,239</u>	<u>3,099</u>	<u>3,352</u>

(b) Acquisitions of businesses and subsidiaries

	The Trust Group				
	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
HK\$ million	HK\$ million	HK\$ million	HK\$ million (unaudited)	HK\$ million	
Net assets/(liabilities) acquired (Note 36)	7,762	(29)	—	—	—
Goodwill on acquisition (Note 19)	35,688	188	—	—	—
Negative goodwill resulted from acquisition of businesses and a subsidiary (Note 9)	(63)	—	—	—	—
Purchase consideration with respect to the Fixed Network Operations	<u>12,185</u>	—	—	—	—
Total purchase consideration paid by the Trust Group	<u>55,572</u>	<u>159</u>	<u>—</u>	<u>—</u>	<u>—</u>

	The Trust Group				
	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Satisfied by:					
Cash	13,109	78	—	—	—
Assumption of certain long-term borrowings	15,418	—	—	—	—
Promissory note receivable	19,845	—	—	—	—
Amount due to a fellow subsidiary	7,200	—	—	—	—
Contingent consideration payable	—	77	—	—	—
Direct costs in relation to the acquisition	—	4	—	—	—
	<u>55,572</u>	<u>159</u>	<u>—</u>	<u>—</u>	<u>—</u>

Analysis of the net outflow of cash and cash equivalents in respect of the acquisition of the businesses and subsidiaries:

	The Trust Group				
	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Total purchase consideration paid by the Trust Group	(55,572)	(159)	—	—	—
Less: Assumption of certain long-term borrowings	15,418	—	—	—	—
Promissory note receivable	19,845	—	—	—	—
Amount due to a fellow subsidiary	7,200	—	—	—	—
Contingent consideration payable	—	77	—	—	—
Cash and cash equivalents acquired	<u>636</u>	<u>1</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net cash outflow in respect of acquisition of businesses and subsidiaries	<u>(12,473)</u>	<u>(81)</u>	<u>—</u>	<u>—</u>	<u>—</u>

(c) Major non-cash transactions

Effective on 1 January 2010, the Trust Group acquired a jointly controlled company from a subsidiary of Media Group at a consideration of approximately HK\$287 million.

Effective on 31 May 2010, the Trust Group acquired an available-for-sale financial asset from a subsidiary of Media Group at its fair value of approximately HK\$54 million. The amount has not been settled as at 31 December 2010 and 30 June 2011.

Effective on 30 September 2010, the Trust Group sold all its interest in two of its subsidiaries and transferred its interests in certain leasehold land and property, plant and equipment to subsidiaries of Media Group at a consideration of approximately HK\$94 million and HK\$44 million respectively. The amounts have not been settled as at 31 December 2010 and 30 June 2011.

During the six months ended 30 June 2011, PCCW, Telstra and the JV completed certain transactions which resulted in the transfer by PCCW and Telstra the majority of the JV's assets, business platforms and operations to the Trust Group. Please refer to note 6(c) for details.

(d) Analysis of cash and cash equivalents

	The Trust Group			
	As at 31 December			As at 30 June
	2008	2009	2010	2011
	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Cash and bank balances	1,509	2,247	5,476	5,236
Bank overdrafts	(2)	(20)	(20)	(7)
Cash and cash equivalents	<u>1,507</u>	<u>2,227</u>	<u>5,456</u>	<u>5,229</u>

31 CAPITAL MANAGEMENT

The Trust Group's primary objectives when managing capital are to safeguard the Trust Group's ability to continue as a going concern, so that it can continue to provide returns for holders of the share stapled units, to support the Trust Group's stability and growth; and to earn a margin commensurate with the level of business and market risks in the Trust Group's operation.

The Trust Group monitors capital by reviewing the level of capital that is at the disposal of the Trust Group ("**adjusted capital**"), taking into consideration the future capital requirements of the Trust Group, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. Adjusted capital comprises all components of equity.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements, except for the debt covenant requirements of the loan agreements with external parties and the minimum capital requirement of a subsidiary regulated by Bermuda Monetary Authority.

32 FINANCIAL INSTRUMENTS

The tables below analyse financial instruments by category:

	The Trust Group		
	As at 31 December 2008		
	Loans and receivables	Derivatives used for hedging	Total
	HK\$ million	HK\$ million	HK\$ million
Non-current asset			
Other non-current assets	43	—	43
Current assets			
Prepayments, deposits and other current assets (excluding prepayments)	246	—	246
Derivative financial instruments	—	230	230
Trade receivables, net	2,076	—	2,076
Cash and cash equivalents	1,507	—	1,507
	<u>3,829</u>	<u>230</u>	<u>4,059</u>
Total	<u>3,872</u>	<u>230</u>	<u>4,102</u>

	The Trust Group	
	As at 31 December 2008	
	Other financial liabilities at amortised cost	Total
	HK\$ million	HK\$ million
Current liabilities		
Trade payables	1,369	1,369
Accruals and other payables	2,453	2,453
Carrier licence fee liabilities	78	78
Amounts due to related companies	35	35
Amounts due to fellow subsidiaries and the ultimate holding company	7,240	7,240
	<u>11,175</u>	<u>11,175</u>
Non-current liabilities		
Long-term borrowings	31,745	31,745
Carrier licence fee liabilities	551	551
Other long-term liabilities	37	37
	<u>32,333</u>	<u>32,333</u>
Total	<u>43,508</u>	<u>43,508</u>

The Trust Group			
As at 31 December 2009			
	Loans and receivables	Derivatives used for hedging	Total
	HK\$ million	HK\$ million	HK\$ million
Non-current asset			
Other non-current assets	42	—	42
Current assets			
Prepayments, deposits and other current assets (excluding prepayments)	828	—	828
Derivative financial instruments	—	108	108
Trade receivables, net	1,945	—	1,945
Cash and cash equivalents	2,227	—	2,227
	<u>5,000</u>	<u>108</u>	<u>5,108</u>
Total	<u>5,042</u>	<u>108</u>	<u>5,150</u>

The Trust Group		
As at 31 December 2009		
	Other financial liabilities at amortised cost	Total
	HK\$ million	HK\$ million
Current liabilities		
Short-term borrowings	46	46
Trade payables	1,433	1,433
Accruals and other payables	2,215	2,215
Carrier licence fee liabilities	87	87
Amounts due to related companies	38	38
Amounts due to fellow subsidiaries and the ultimate holding company	2,774	2,774
	<u>6,593</u>	<u>6,593</u>
Non-current liabilities		
Long-term borrowings	34,656	34,656
Carrier licence fee liabilities	515	515
Other long-term liabilities	66	66
	<u>35,237</u>	<u>35,237</u>
Total	<u>41,830</u>	<u>41,830</u>

The Trust Group			
As at 31 December 2010			
Loans and receivables	Derivatives used for hedging	Available- for-sale financial asset	Total
HK\$ million	HK\$ million	HK\$ million	HK\$ million
Non-current assets			
Available-for-sale financial asset	—	48	48
Derivative financial instruments	152	—	152
Other non-current assets	21	—	21
<u>21</u>	<u>152</u>	<u>48</u>	<u>221</u>
Current assets			
Prepayments, deposits and other current assets (excluding prepayments)	1,780	—	1,780
Derivative financial instruments	—	17	17
Trade receivables, net	2,104	—	2,104
Cash and cash equivalents	5,456	—	5,456
<u>9,340</u>	<u>17</u>	<u>—</u>	<u>9,357</u>
<u>9,361</u>	<u>169</u>	<u>48</u>	<u>9,578</u>
Total			

The Trust Group			
As at 31 December 2010			
	Derivatives used for hedging	Other financial liabilities at amortised cost	Total
	HK\$ million	HK\$ million	HK\$ million
Current liabilities			
Short-term borrowings	—	7,800	7,800
Trade payables	—	1,568	1,568
Accruals and other payables	—	2,019	2,019
Carrier licence fee liabilities	—	146	146
Amounts due to related companies	—	58	58
Amounts due to fellow subsidiaries and the ultimate holding company	—	4,045	4,045
	<u>—</u>	<u>15,636</u>	<u>15,636</u>
Non-current liabilities			
Long-term borrowings	—	27,029	27,029
Derivative financial instruments	102	—	102
Carrier licence fee liabilities	—	924	924
Other long-term liabilities	—	57	57
	<u>102</u>	<u>28,010</u>	<u>28,112</u>
Total	<u>102</u>	<u>43,646</u>	<u>43,748</u>

The Trust Group			
As at 30 June 2011			
Loans and receivables	Derivatives used for hedging	Available- for-sale financial asset	Total
HK\$ million	HK\$ million	HK\$ million	HK\$ million
Non-current assets			
Available-for-sale financial asset	—	75	75
Derivative financial instruments	—	113	113
Other non-current assets	481	—	481
	<u>481</u>	<u>113</u>	<u>669</u>
Current assets			
Prepayments, deposits and other current assets (excluding prepayments)	1,088	—	1,088
Derivative financial instruments	—	3	3
Trade receivables, net	2,202	—	2,202
Cash and cash equivalents	5,229	—	5,229
	<u>8,519</u>	<u>3</u>	<u>8,522</u>
Total	<u><u>9,000</u></u>	<u><u>116</u></u>	<u><u>9,191</u></u>

The Trust Group			
As at 30 June 2011			
	Derivatives used for hedging	Other financial liabilities at amortised cost	Total
	HK\$ million	HK\$ million	HK\$ million
Current liabilities			
Short-term borrowings	—	7,823	7,823
Trade payables	—	1,433	1,433
Accruals and other payables	—	2,090	2,090
Carrier licence fee liabilities	—	146	146
Amounts due to related companies	—	99	99
Amounts due to fellow subsidiaries and the ultimate holding company	—	2,697	2,697
	<u>—</u>	<u>14,288</u>	<u>14,288</u>
Non-current liabilities			
Long-term borrowings	—	27,148	27,148
Derivative financial instruments	7	—	7
Carrier licence fee liabilities	—	908	908
Other long-term liabilities	—	56	56
	<u>7</u>	<u>28,112</u>	<u>28,119</u>
Total	<u><u>7</u></u>	<u><u>42,400</u></u>	<u><u>42,407</u></u>

Exposures to credit, liquidity and market (including foreign currency, interest rate) risks arise in the normal course of the Telecommunications Business. The Trust Group is also exposed to equity price risk arising from its equity investments in other entities. Exposures to these risks are controlled by the Trust Group's financial management policies and practices described below.

(a) Credit risk

The Trust Group's credit risk is primarily attributable to trade receivables, interest receivable, over-the-counter derivative transactions and cash transactions entered into for risk management purposes. Management has policies in place and exposures to these credit risks are monitored on an ongoing basis.

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 Trust Group maintains 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 payables are requested to settle all outstanding balances before any further credit is granted. Normally, the Trust Group does not obtain collateral from customers. As at 31 December 2008, 2009 and 2010 and 30 June 2011, the Trust Group did not have a significant exposure to any individual debtors or counterparties.

Further quantitative disclosures in respect of the Trust Group's exposure to credit risk arising from trade receivables are set out in Note 23(b).

Amounts due from fellow subsidiaries and the ultimate holding company, deposits and other current assets are continuously monitored by assessing the credit quality of the counterparty, taking into account its financial position, past experience and other factors. Where necessary, impairment loss is made for estimated irrecoverable amounts. As at 31 December 2008, 2009 and 2010 and 30 June 2011, the amounts due from fellow subsidiaries and the ultimate holding company, deposits and other current assets were fully performing.

Investments, derivative financial instruments, interest receivable and cash transactions are executed with financial institutions or investment counterparties with sound credit ratings and the Trust Group does not expect any significant counterparty risk. Moreover, credit limits are set for individual counterparties and periodic reviews are conducted to ensure that the limits are strictly followed.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the combined balance sheets. Except for the guarantees given by the Trust Group as disclosed in Note 34, the Trust Group does not provide any other guarantees which would expose the Trust Group to credit risk.

(b) Liquidity risk

The Trust Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with debt covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. Management believes there is no significant liquidity risk as the Trust Group has sufficient committed facilities to fund its operations and debt servicing requirements.

The following table details the remaining contractual maturities at the balance sheet dates of the Trust Group's non-derivative financial liabilities and derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet dates) and the earliest date the Trust Group can be required to pay:

The Trust Group						
As at 31 December 2008						
	Within 1 year or on demand	More than 1 year but within 2 years	More than 2 years but within 5 years	More than 5 years	Total contractual undiscounted cash outflow	Carrying amount
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Current liabilities						
Trade payables	(1,369)	—	—	—	(1,369)	(1,369)
Accruals and other payables	(2,453)	—	—	—	(2,453)	(2,453)
Carrier licence fee liabilities	(84)	—	—	—	(84)	(78)
Amounts due to related companies	(35)	—	—	—	(35)	(35)
Amounts due to fellow subsidiaries and the ultimate holding company	(7,240)	—	—	—	(7,240)	(7,240)
	<u>(11,181)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(11,181)</u>	<u>(11,175)</u>
Non-current liabilities						
Long-term borrowings	(1,423)	(1,423)	(30,391)	(4,197)	(37,434)	(31,745)
Carrier licence fee liabilities	—	(94)	(336)	(423)	(853)	(551)
Other long-term liabilities	(8)	(7)	(17)	(14)	(46)	(37)
	<u>(1,431)</u>	<u>(1,524)</u>	<u>(30,744)</u>	<u>(4,634)</u>	<u>(38,333)</u>	<u>(32,333)</u>
Total	<u>(12,612)</u>	<u>(1,524)</u>	<u>(30,744)</u>	<u>(4,634)</u>	<u>(49,514)</u>	<u>(43,508)</u>

The Trust Group						
As at 31 December 2009						
	Within 1 year or on demand	More than 1 year but within 2 years	More than 2 years but within 5 years	More than 5 years	Total contractual undiscounted cash outflow	Carrying amount
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Current liabilities						
Short-term borrowings	(49)	—	—	—	(49)	(46)
Trade payables	(1,433)	—	—	—	(1,433)	(1,433)
Accruals and other payables	(2,215)	—	—	—	(2,215)	(2,215)
Carrier licence fee liabilities	(93)	—	—	—	(93)	(87)
Amounts due to related companies	(38)	—	—	—	(38)	(38)
Amounts due to fellow subsidiaries and the ultimate holding company	(2,774)	—	—	—	(2,774)	(2,774)
	<u>(6,602)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(6,602)</u>	<u>(6,593)</u>
Non-current liabilities						
Long-term borrowings	(1,385)	(20,674)	(12,938)	(3,996)	(38,993)	(34,656)
Carrier licence fee liabilities	—	(105)	(363)	(292)	(760)	(515)
Other long-term liabilities	(4)	(16)	(29)	(35)	(84)	(66)
	<u>(1,389)</u>	<u>(20,795)</u>	<u>(13,330)</u>	<u>(4,323)</u>	<u>(39,837)</u>	<u>(35,237)</u>
Total	<u>(7,991)</u>	<u>(20,795)</u>	<u>(13,330)</u>	<u>(4,323)</u>	<u>(46,439)</u>	<u>(41,830)</u>

The Trust Group						
As at 31 December 2010						
	Within 1 year or on demand	More than 1 year but within 2 years	More than 2 years but within 5 years	More than 5 years	Total contractual undiscounted cash flow	Carrying amount
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Current liabilities						
Short-term borrowings	(8,336)	—	—	—	(8,336)	(7,800)
Trade payables	(1,568)	—	—	—	(1,568)	(1,568)
Accruals and other payables	(2,019)	—	—	—	(2,019)	(2,019)
Carrier licence fee liabilities	(154)	—	—	—	(154)	(146)
Amounts due to related companies	(58)	—	—	—	(58)	(58)
Amounts due to fellow subsidiaries and the ultimate holding company	(4,045)	—	—	—	(4,045)	(4,045)
	(16,180)	—	—	—	(16,180)	(15,636)
	-----	-----	-----	-----	-----	-----
Non-current liabilities						
Long-term borrowings	(752)	(752)	(19,880)	(8,931)	(30,315)	(27,029)
Derivative financial instruments	63	39	(120)	(103)	(121)	(102)
Carrier licence fee liabilities	—	(161)	(543)	(601)	(1,305)	(924)
Other long-term liabilities	(2)	(3)	(27)	(32)	(64)	(57)
	(691)	(877)	(20,570)	(9,667)	(31,805)	(28,112)
	-----	-----	-----	-----	-----	-----
Total	(16,871)	(877)	(20,570)	(9,667)	(47,985)	(43,748)
	=====	=====	=====	=====	=====	=====

The Trust Group						
As at 30 June 2011						
	Within 1 year or on demand	More than 1 year but within 2 years	More than 2 years but within 5 years	More than 5 years	Total contractual undiscounted cash flow	Carrying amount
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Current liabilities						
Short-term borrowings	(8,070)	—	—	—	(8,070)	(7,823)
Trade payables	(1,433)	—	—	—	(1,433)	(1,433)
Accruals and other payables	(2,090)	—	—	—	(2,090)	(2,090)
Carrier licence fee liabilities	(151)	—	—	—	(151)	(146)
Amounts due to related companies	(99)	—	—	—	(99)	(99)
Amounts due to fellow subsidiaries and the ultimate holding company	(2,697)	—	—	—	(2,697)	(2,697)
	(14,540)	—	—	—	(14,540)	(14,288)
Non-current liabilities						
Long-term borrowings	(740)	(1,324)	(27,844)	—	(29,908)	(27,148)
Derivative financial instruments	65	48	(130)	—	(17)	(7)
Carrier licence fee liabilities	—	(161)	(543)	(552)	(1,256)	(908)
Other long-term liabilities	(6)	(3)	(29)	(39)	(77)	(56)
	(681)	(1,440)	(28,546)	(591)	(31,258)	(28,119)
Total	(15,221)	(1,440)	(28,546)	(591)	(45,798)	(42,407)

(c) Market risk

Market risk composed of foreign currency, interest rate and equity price exposures deriving from the Trust Group's operation, investment and funding activities. As a matter of policy, the Trust Group enters into cross currency swap contracts and other financial instruments to manage its exposure to market risk directly related to its operations and financing. The Trust Group does not undertake any speculative trading activities in connection with these financial instruments or enter into or acquire market risk sensitive instruments for trading purposes.

The Finance and Management Committee, a subcommittee of the Executive Committee of the PCCW Board, determines the appropriate risk management activities with the aim of prudently managing the market risk associated with transactions entered into in the normal course of business.

All treasury risk management activities are carried out in accordance with policies and guidelines approved by the Finance and Management Committee and the Executive Committee, which are reviewed on a regular basis. Early termination and amendments to the terms of the transaction would typically occur when there are changes in the underlying assets or liabilities or in the risk management strategy of the Trust Group.

In the normal course of business, the Trust Group uses the above-mentioned financial instruments to limit its exposure to adverse fluctuations in foreign currency exchange rates and interest rates. These instruments are executed with creditworthy financial institutions and all contracts are denominated in currencies of major industrial countries.

(i) Foreign currency risk

The Trust Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures. Foreign exchange risk arises when the Trust Group's recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

The Trust Group's borrowings are mainly denominated in either Hong Kong dollars or United States dollars. As at 31 December 2008, 2009 and 2010 and 30 June 2011, a majority of the Trust Group's short-term and long-term borrowings denominated in United States dollars were swapped into Hong Kong dollars by cross currency swap contracts. Given this, management does not expect that there will be any significant currency risk associated with the Trust Group's borrowings. Certain portion of the cross currency swap contracts outstanding as at 31 December 2008, 2009 and 2010 and 30 June 2011 with an aggregate notional contract amount of US\$2,000 million (approximately HK\$15,591 million), US\$2,000 million (approximately HK\$15,510 million), US\$2,500 million (approximately HK\$19,454 million) and US\$2,500 million (approximately HK\$19,464 million) respectively, were designated as cash flow hedges against foreign exchange rate risk.

In respect of trade receivables and payables held in currencies other than the functional currency of the operations to which they relate, the Trust Group ensures that the net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

The following table details the Trust Group's exposure at the balance sheet date to currency risk arising from significant recognised financial assets or liabilities denominated in foreign currencies.

	The Trust Group							
	As at 31 December						As at 30 June	
	2008		2009		2010		2011	
	United States Dollars	Chinese Renminbi	United States Dollars	Chinese Renminbi	United States Dollars	Chinese Renminbi	United States Dollars	Chinese Renminbi
HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	
Trade receivables	714	136	614	181	572	148	648	211
Cash and cash equivalents	146	264	129	234	143	127	159	207
Trade payables	(451)	(166)	(544)	(75)	(736)	(139)	(652)	(56)
Amounts due to related companies	(43)	—	(37)	—	(64)	—	(135)	—
Short-term borrowings	—	—	(46)	—	(7,800)	—	(7,823)	—
Long-term borrowings	(15,418)	—	(15,446)	—	(11,518)	—	(11,599)	—
Gross exposure arising from recognised financial (liabilities)/assets	(15,052)	234	(15,330)	340	(19,403)	136	(19,402)	362
Net financial liabilities denominated in respective entities' functional currencies	(7)	(233)	—	(343)	(40)	(147)	(24)	(374)
Notional amounts of cross currency swap contracts designated as cash flow hedges	15,591	—	15,510	—	19,454	—	19,464	—
Overall net exposure	532	1	180	(3)	11	(11)	38	(12)

If Hong Kong dollar had weakened/strengthened by 1% against the United States dollar, with all other variables held constant as at 31 December 2008, 2009 and 2010 and 30 June 2011, the profit after tax of the Trust Group for the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011 would have increased/decreased by approximately HK\$4 million, HK\$2 million, HK\$0.1 million and HK\$Nil million respectively, mainly as a result of foreign exchange gains/losses on translation of United States dollar denominated recognised assets and liabilities which are not hedged by hedging instruments. Meanwhile, the hedging reserve as at 31 December 2008, 2009 and 2010 and 30 June 2011 would have increased/decreased by approximately HK\$156 million, HK\$155 million, HK\$195 million and HK\$195 million respectively, mainly as a result of foreign exchange gains/losses on the short-term and long-term borrowings being hedged by cross currency swap contracts.

If Hong Kong dollar had weakened/strengthened by 5% against the Chinese Renminbi, with all other variables held constant as at 31 December 2008, 2009 and 2010 and 30 June 2011, there would be no material impact on the Trust Group's profit after tax for the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011.

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the balance sheet dates and had been applied to the Trust Group's exposure to currency risk for recognised assets and liabilities in existence at the dates, and that all other variables, in particular interest rates, remain constant.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the periods until the next annual balance sheet date. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any change in the movement in value of the United States dollar against other currencies. The analysis is performed on the same basis for the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011.

(ii) *Interest rate risk*

As the Trust Group has no significant interest-bearing assets, the Trust Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Trust Group's interest rate risk arises primarily from short-term and long-term borrowings. Borrowings at variable rates and fixed rates expose the Trust Group to cash flow interest rate risk and fair value interest rate risk respectively. In addition, from time to time, the Trust Group draws under long-term revolving credit and term facilities which are denominated in Hong Kong dollars and pays interest at floating rate.

The Trust Group has entered into fixed-to-floating cross currency swap contracts to hedge the fair value interest rate risk arising from its fixed rate long-term borrowings.

The following table details the interest rate profile of the Trust Group's borrowings at the balance sheet dates, after taking into account the effect of cross currency swap contracts designated as cash flow and fair value hedging instruments.

The Trust Group								
As at 31 December						As at 30 June		
2008		2009		2010		2011		
Effective interest rate		Effective interest rate		Effective interest rate		Effective interest rate		
%	HK\$ million	%	HK\$ million	%	HK\$ million	%	HK\$ million	HK\$ million
Net fixed rate borrowings:								
Short-term borrowings								
with cash flow								
hedging instruments								
—	—	—	—	7.93	7,772	7.93	7,782	
Long-term borrowings								
with cash flow								
hedging instruments								
6.84	15,418	6.84	15,446	5.77	7,745	5.78	7,753	
Variable rate borrowings:								
Bank borrowings								
2.21	16,327	1.71	19,256	1.59	15,539	1.54	15,592	
Long-term borrowings								
with fair value								
hedging instruments								
—	—	—	—	4.46	3,773	4.46	3,844	
Total borrowings								
	<u>31,745</u>		<u>34,702</u>		<u>34,829</u>		<u>34,971</u>	

If interest rates on Hong Kong dollar denominated borrowings had been increased/decreased by 10 basis points as at 31 December 2008, 2009 and 2010 and 30 June 2011, with all other variables held constant, the Trust Group's profit after tax for the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011 would have been decreased/increased by approximately HK\$1 million, HK\$16 million, HK\$8 million and HK\$7 million respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

The sensitivity analysis above has been determined assuming that the change in interest rate had occurred at the balance sheet dates and had been applied to the exposure to interest rate risk for the Trust Group's floating rate borrowings in existence at those dates. The 10 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the periods until the next annual balance sheet date. The analysis is performed on the same basis for the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011.

(iii) *Equity price risk*

The Trust Group is exposed to equity price changes arising from equity investments classified as available-for-sale financial asset (Note 22). The investment is listed on a recognised stock exchange.

Given the insignificant portfolio of listed equity securities held by the Trust Group, management believes that the Trust Group's equity price risk is minimal.

(d) **Fair values**

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2008, 2009 and 2010 and 30 June 2011 except as follows, with fair value calculated by quoted prices:

	The Trust Group							
	As at 31 December						As at 30 June	
	2008		2009		2010		2011	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	
Short-term borrowings	—	—	(46)	(46)	(7,800)	(8,220)	(7,823)	(8,009)
Long-term borrowings	(31,745)	(30,118)	(34,656)	(35,484)	(27,029)	(27,681)	(27,148)	(27,741)

(e) **Estimation of fair values**

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices that are observable either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for asset or liability that are not based on observable market data (level 3).

The following table presents the Trust Group's financial assets and liabilities that are measured at fair value:

The Trust Group				
As at 31 December 2008				
	Level 1	Level 2	Level 3	Total
	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Assets				
Derivative financial instruments (current)	—	230	—	230
Total assets	<u>—</u>	<u>230</u>	<u>—</u>	<u>230</u>
The Trust Group				
As at 31 December 2009				
	Level 1	Level 2	Level 3	Total
	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Assets				
Derivative financial instruments (current)	—	108	—	108
Total assets	<u>—</u>	<u>108</u>	<u>—</u>	<u>108</u>
The Trust Group				
As at 31 December 2010				
	Level 1	Level 2	Level 3	Total
	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Assets				
Available-for-sale financial asset				
- Listed equity securities	48	—	—	48
Derivative financial instruments (non-current)	—	152	—	152
Derivative financial instruments (current)	—	17	—	17
Total assets	<u>48</u>	<u>169</u>	<u>—</u>	<u>217</u>
Liabilities				
Derivative financial instruments (non-current)	—	(102)	—	(102)
Total liabilities	<u>—</u>	<u>(102)</u>	<u>—</u>	<u>(102)</u>

	The Trust Group			
	As at 30 June 2011			
	Level 1	Level 2	Level 3	Total
	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Assets				
Available-for-sale financial asset				
- Listed equity securities	75	—	—	75
Derivative financial instruments (non-current)	—	113	—	113
Derivative financial instruments (current)	—	3	—	3
Total assets	75	116	—	191
Liabilities				
Derivative financial instruments (non-current)	—	(7)	—	(7)
Total liabilities	—	(7)	—	(7)

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet dates. The quoted market price used for financial assets held by the Trust Group included in level 1 is the current bid price. Instruments included in level 1 comprise available-for-sale financial asset listed on the Alternative Investment Market operated by London Stock Exchange plc.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. Instruments included in level 2 comprise cross currency swap contracts.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of cross currency swap contracts is calculated as the present value of the estimated cash flows discounted by observable interest rates.

33 COMMITMENTS

(a) Capital

	The Trust Group			
	As at 31 December			As at 30 June
	2008	2009	2010	2011
	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Authorised and contracted for	463	304	856	869
Authorised but not contracted for	662	787	963	951
	1,125	1,091	1,819	1,820

An analysis of the above capital commitments by nature is as follows:

	The Trust Group			
	As at 31 December			As at 30 June
	2008	2009	2010	2011
	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Acquisition of property, plant and equipment	1,125	1,091	1,819	1,820

(b) Operating leases

As at 31 December 2008, 2009 and 2010 and 30 June 2011, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

Land and buildings

	The Trust Group			
	As at 31 December			As at 30 June
	2008	2009	2010	2011
	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Within 1 year	299	449	457	482
After 1 year but within 5 years	523	609	547	639
After 5 years	36	16	7	6
	<u>858</u>	<u>1,074</u>	<u>1,011</u>	<u>1,127</u>

Network capacity and equipment

	The Trust Group			
	As at 31 December			As at 30 June
	2008	2009	2010	2011
	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Within 1 year	118	157	290	281
After 1 year but within 5 years	94	119	259	266
After 5 years	14	—	62	142
	<u>226</u>	<u>276</u>	<u>611</u>	<u>689</u>

Majority of the leases typically run for a period of 1 to 12 years as at 31 December 2008, 2009 and 2010 and 30 June 2011. None of the leases include contingent rentals.

(c) Others

As at 31 December 2008, 2009 and 2010 and 30 June 2011, the Trust Group has other outstanding commitments as follows:

	The Trust Group			
	As at 31 December			As at 30 June
	2008	2009	2010	2011
	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Operating expenditure commitment	289	272	248	238
Others	9	—	—	—
	<u>298</u>	<u>272</u>	<u>248</u>	<u>238</u>

34 CONTINGENT LIABILITIES

	The Trust Group			
	As at 31 December			As at 30 June
	2008	2009	2010	2011
	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Performance guarantee	357	348	337	337
Tender guarantee	6	13	11	2
Guarantee in lieu of cash deposit	2	2	2	2
	<u>365</u>	<u>363</u>	<u>350</u>	<u>341</u>

Performance guarantee

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

35 BANKING FACILITIES

Aggregate bank loan facilities as at 31 December 2008, 2009 and 2010 and 30 June 2011 were HK\$24,220 million, HK\$24,278 million, HK\$26,913 million and HK\$26,402 million respectively of which the unused facilities amounted to HK\$7,620 million, HK\$4,827 million, HK\$11,091 million and HK\$10,584 million respectively.

The Trust Group had banking facilities of HK\$2,132 million, HK\$3,307 million, HK\$1,907 million and HK\$2,449 million in relation to bank guarantee and letter of credit as at 31 December 2008, 2009 and 2010 and 30 June 2011 respectively of which the unutilised facilities amounted to HK\$474 million, HK\$2,121 million, HK\$945 million and HK\$1,465 million as at 31 December 2008, 2009 and 2010 and 30 June 2011 respectively.

Security pledged for certain banking facilities includes:

	The Trust Group			
	As at 31 December			As at 30 June
	2008	2009	2010	2011
	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Property, plant and equipment	—	26	23	24
Trade receivables	—	49	44	36
Bank deposit	—	—	3	1
	—	75	70	61

All of the Trust Group's banking facilities are subject to the fulfillment of covenants relating to certain of the Trust Group's balance sheet ratios, as are commonly found in lending arrangement with financial institutions. If the Trust Group were to breach the covenants the drawn down facilities would become payable on demand. The Trust Group regularly monitors its compliance with these covenants. As at 31 December 2008, 2009 and 2010 and 30 June 2011, none of the covenants relating to drawn down facilities was breached. Further details of the Trust Group's management of liquidity risk are set out in Note 32(b).

Summaries of major borrowings are set out in Notes 23(c) and 24.

36 BUSINESS COMBINATIONS

(a) The 2008 Restructuring

In 2008, the Trust Group acquired the Acquired Businesses from subsidiaries of PCCW in the 2008 Restructuring. The 2008 Restructuring has been accounted for as a reverse acquisition in which the Fixed Network Operations has been treated as the accounting acquirer of the combined businesses based on the relative materiality.

The Fixed Network Operations was identified as the accounting acquirer of the 2008 Restructuring based on relative materiality. The Acquired Businesses are considered as having been acquired by the Fixed Network Operations. The following accounting treatment has been applied in the respect of this reverse acquisition:

- (i) the assets and liabilities of the Fixed Network Operations are recognised and measured in the Combined Financial Information at their historical carrying amounts in the accounts of the PCCW Group companies that previously held those assets and liabilities;
- (ii) the retained profits and other equity balances recognised in the Combined Financial Information reflect the retained profits and other equity balances of the Fixed Network Operations;
- (iii) the assets and liabilities (including intangibles) of the Acquired Businesses were accounted for at fair values as at the acquisition date. Capitalised goodwill recognised as the difference between the fair value of consideration and the fair values of net asset acquired. The excess of the fair value of consideration paid by the Trust Group to acquire the Fixed Network Operations over the net asset value of the Fixed Network Operations has been debited to the merger reserve;
- (iv) the results for the period prior to the 2008 Restructuring reflect the operating results of the Fixed Network Operations; and
- (v) the equity structure appearing in the Combined Financial Information reflects the equity structure of the Trust Group.

The identifiable intangible assets of the accounting acquirees were valued by an independent valuer.

This acquisition has been accounted for under HKFRS 3, 'Business Combinations' (2004).

Details of net assets acquired and goodwill were as follows:

	Fixed Network Operations	Acquired Businesses	Total
	HK\$ million	HK\$ million	HK\$ million
Purchase consideration in cash	—	13,109	13,109
Purchase consideration satisfied by the assumption of certain long-term borrowings	—	15,418	15,418
Purchase consideration in promissory notes	12,185	7,660	19,845
Purchase consideration in an amount due to a fellow subsidiary	—	7,200	7,200
Total purchase consideration for businesses and subsidiaries acquired	<u>12,185</u>	<u>43,387</u>	<u>55,572</u>
Fair value of net asset acquired	11,490	7,762	19,252
Merger reserve	695	—	695
Positive goodwill arising from the 2008 Restructuring (Note 19)	—	35,688	35,688
Negative goodwill resulted from acquisition of businesses and a subsidiary (Note 9)	—	(63)	(63)
Total purchase consideration for businesses and subsidiaries acquired	<u>12,185</u>	<u>43,387</u>	<u>55,572</u>

The goodwill is attributable to synergies arising from the customer contracts, portfolio, customer base, skilled workforce and technical skills of the employees. It is also attributable to the expansion of the product offering, the business prospects on market position and underlying strengths as a profitable niche company with growth potential. The well functioning organisation and the functional organisation with necessary resources, processes and licences to conduct business in a special market and areas also contributed to the goodwill.

The assets and liabilities of the Acquired Businesses at the acquisition date were as follows:

	Fair value	Carrying amount
	HK\$ million	HK\$ million
Property, plant and equipment, investment properties and interests in leasehold land	4,491	4,486
Other interests in non-current assets	7,252	1,780
Trade receivables, prepayments, deposits and other current assets	4,380	4,380
Trade payables, accruals and other payables and other current liabilities	(5,689)	(5,150)
Deferred income and other non-current liabilities	(2,537)	(1,353)
Non-controlling interests	(135)	(135)
Net assets acquired	<u>7,762</u>	<u>4,008</u>

Revenue and profit contribution

The Acquired Businesses contributed revenue of HK\$3,914 million and a net profit of HK\$105 million to the Trust Group for the period from the date of completion of the 2008 Restructuring to 31 December 2008. If the 2008 Restructuring had been completed on 1 January 2008, the Trust Group's results and cash flows for the year ended 31 December 2008 would have been as set out below:

	2008
	HK\$ million
Turnover	19,069
Cost of sales	(7,020)
General and administrative expenses	(8,634)
Other gains, net	63
Finance costs, net	(1,485)
Profit before income tax	1,993
Income tax	(538)
Profit for the year	<u>1,455</u>
Attributable to:	
Holders of share stapled units	1,430
Non-controlling interests	25
	<u>1,455</u>
	2008
	HK\$ million
Net cash generated from operating activities	7,326
Net cash used in investing activities	(16,518)
Net cash generated from financing activities	10,686
Net change in cash and cash equivalents	1,494
Exchange differences	13
Cash and cash equivalents at 1 January	—
Cash and cash equivalents at 31 December	<u>1,507</u>

(b) Pre-acquisition results of businesses acquired in 2008 Restructuring

The pre-acquisition results and cashflows of businesses acquired in 2008 Restructuring from 1 January 2008 to the date of completion of the 2008 Restructuring ("Pre-acquisition Period"), and the combined balance sheet as at the date of completion of the 2008 Restructuring were as follows:

	2008
	HK\$ million
Turnover	15,155
Cost of sales	(5,364)
* General and administrative expenses	(8,076)
Finance costs	(887)
Interest income	7
Profit before income tax	835
Income tax	(226)
Profit for the Pre-acquisition Period	<u>609</u>
Attributable to:	
Holders of share stapled units	587
Non-controlling interests	22
Profit for the Pre-acquisition Period	<u>609</u>

* General and administrative expenses include HK\$622 million and HK\$555 million of depreciation and amortisation charges respectively.

	As at completion date of 2008 Restructuring
	HK\$ million
Non-current assets	
Property, plant and equipment, investment properties and interests in leasehold land	4,486
Other non-current assets	1,780
	<u>6,266</u>
Current assets	
Trade receivables, prepayments, deposits and other current assets	2,823
Inventories	921
Cash and cash equivalents	636
	<u>4,380</u>
Current liabilities	
Trade payables, accruals and other payables	<u>(5,150)</u>
Net current liabilities	<u>(770)</u>
Total assets less current liabilities	<u>5,496</u>
Non-current liabilities	
Deferred income and other non-current liabilities	(1,353)
Net assets	<u>4,143</u>
Equity	
Non controlling interest	135
Holders of share stapled units	4,008
	<u>4,143</u>

	2008
	HK\$ million
Net cash generated from operating activities	3,447
Net cash used in investing activities	(1,204)
Net cash used in financing activities	(1,609)
Net change in cash and cash equivalents	634
Exchange differences	2
Cash and cash equivalents at 1 January 2008	—
Cash and cash equivalents at date of completion of the 2008 Restructuring	<u>636</u>

(c) Acquisition of IP BPO Holdings Pte. Ltd.

On 13 August 2009, the Trust Group acquired 100% of the share capital of IP BPO Holdings Pte. Ltd., a company incorporated in Singapore. IP BPO Holdings Pte. Ltd. and its subsidiaries provide call center services. The Trust Group made an initial payment for acquisition totaling HK\$78 million in cash and may potentially have to make additional payments totaling up to HK\$94 million in cash if the acquired businesses achieve certain financial milestones within a specified period. The fair value of the contingent consideration at the date of acquisition was estimated at HK\$77 million and has been included in the purchase price of IP BPO Holdings Pte. Ltd. as at 31 December 2009. In 2010, the contingent consideration has been finalised at HK\$89 million and has been settled in October 2010. The total consideration for the acquisition is finalised at HK\$171 million. Upon the settlement of the contingent consideration in October 2010, an increase of HK\$12 million in goodwill has been recorded.

The Trust Group is required to recognise the acquirees' identifiable assets, liabilities and contingent liabilities that satisfy the recognition criteria at their fair values at the acquisition date. In completing the initial accounting and the purchase price allocation, fair value of the acquirees' identifiable assets, liabilities and contingent liabilities are concluded to be the same as their carrying amount as at the acquisition date and thus no change in goodwill and no adjustment to the combined income statement for the year ended 31 December 2009 are required.

- (i) Details of net liabilities acquired and goodwill in respect of acquisition of the call center operations at the acquisition date were as follows:

	Net liabilities acquired and goodwill
	HK\$ million
Purchase consideration in cash in 2009	78
Contingent consideration accrued in 2009 and paid in 2010	77
Direct costs in relation to the acquisition	4
Purchase consideration	159
Less: Fair value of net liabilities acquired	29
Goodwill on acquisition (Note 19)	188
Additional contingent consideration accrued and paid in 2010	12
Goodwill on acquisition upon finalisation of the contingent consideration	<u>200</u>

The goodwill is attributable to future profit generated from the call center operations.

The assets and liabilities of the call center operations at the acquisition date were as follows:

	<u>Fair value</u>	<u>Carrying amount</u>
	HK\$ million	HK\$ million
Property, plant and equipment	40	40
Intangible assets	3	3
Other non-current assets	5	5
Trade receivables, prepayments, deposits and other current assets	61	61
Cash and cash equivalents	1	1
Trade payables, accruals and other payables	(44)	(44)
Short-term borrowings	(47)	(47)
Other long-term liabilities	(45)	(45)
Net liabilities	(26)	(26)
Non-controlling interests	(3)	(3)
Net liabilities acquired	<u>(29)</u>	<u>(29)</u>
	2009	2010
	HK\$ million	HK\$ million
Purchase consideration settled in cash in 2009	(82)	—
Cash and cash equivalents of call center operations acquired	<u>1</u>	<u>—</u>
Cash outflow on acquisition of call center operations in 2009 (Note 30(b))	<u>(81)</u>	<u>—</u>
Contingent consideration settled in cash in 2010	<u>—</u>	<u>(85)</u>

(ii) Revenue and profit contribution

The acquired business contributed a revenue of HK\$150 million and a net profit of HK\$2 million to the Trust Group for the period from 14 August 2009 to 31 December 2009. If the acquisition had occurred on 1 January 2009, the acquired business's revenue and loss for the year ended 31 December 2009 would have been HK\$377 million and HK\$2 million, respectively.

37 DISPOSAL OF SUBSIDIARIES

	<u>2010</u>
	HK\$ million
Net assets disposed of:	
Property, plant and equipment	20
Investment properties	7
Interests in leasehold land	21
Deposits and other current assets	10
Deferred income tax liabilities	<u>(5)</u>
Net assets disposed of	53
Net realised gain on disposal of subsidiaries	<u>41</u>
Total consideration receivable from a fellow subsidiary	<u>94</u>

38 TRANSACTION WITH NON-CONTROLLING INTERESTS

On 23 December 2010, the Trust Group acquired an additional 15% of the issued shares of Interactive Teleservices Corporation (now known as PCCW Teleservices (US), Inc.), a subsidiary of IP BPO Holdings Pte. Ltd. for a purchase consideration of approximately HK\$31 million. The carrying amount of the non-controlling interests in Interactive Teleservices Corporation on the date of acquisition was nil. The Trust Group recognised a decrease in equity attributable to the holders of share stapled units of HK\$31 million. The effect of changes in the ownership interest of Interactive Teleservices Corporation on the equity attributed to the holders of share stapled units during the year ended 31 December 2010 is summarised as follows:

	2010
	HK\$ million
Consideration paid to non-controlling interests for an increase in ownership in a subsidiary	31
Less: Carrying amount of non-controlling interests acquired	—
Excess of consideration paid recognised in the transactions with non-controlling interests within equity	31

There was no other transaction with non-controlling interests for the years ended 31 December 2008 and 2009.

39 EVENTS AFTER THE REPORTING PERIOD

- (i) Pursuant to the Reorganisation, HKTGH agreed to issue one new ordinary share to CAS No. 1 immediately before the transfer of HKTGH to the Company to capitalise the outstanding balance between the Trust Group and the ultimate holding company and fellow subsidiaries of the Trust Group, including the Media Group and the Solutions Group.
- (ii) Pursuant to the Reorganisation, the Trust Group will acquire PCCW's entire 50% interest in Reach Ltd. for a consideration of HK\$70.6 million which will be settled on the basis of an inter-company balance left outstanding. Upon the completion of the Reorganisation, Reach Ltd. will become a jointly controlled entity of the Trust Group. The historical financial information of Reach Ltd., including the consolidated balance sheets as at 31 December 2008, 2009, 2010 and 30 June 2011; and the consolidated income statements for the years ended 31 December 2008, 2009, 2010 and for the six months ended 30 June 2011, are set out below. Reach Ltd. presents its consolidated financial statements in US dollars, the Hong Kong dollars figures are provided in the statements below for convenience only. All figures have been translated at US\$1.00 = HK\$7.80.

Consolidated income statements of Reach Ltd.

	Year ended 31 December						Six months ended 30 June	
	2008		2009		2010		2011	
	US\$ million	HK\$ million	US\$ million	HK\$ million	US\$ million	HK\$ million	US\$ million	HK\$ million
Revenue	547	4,267	495	3,861	485	3,783	126	983
Direct cost of sales	(372)	(2,902)	(335)	(2,613)	(319)	(2,488)	(64)	(499)
Depreciation and amortisation	(23)	(179)	(21)	(164)	(22)	(172)	(12)	(94)
Selling, general and administrative expenses	(135)	(1,053)	(127)	(991)	(131)	(1,022)	(47)	(367)
Other gains/(losses)	—	—	(6)	(47)	(1)	(8)	78	608
Finance costs	(18)	(140)	(19)	(148)	(19)	(148)	(1)	(8)
Interest Income	4	31	3	23	2	16	1	8
Profit/ (Loss) before tax	3	24	(10)	(79)	(5)	(39)	81	631
Income tax credit	1	8	—	—	—	—	—	—
Net profit / (loss)	4	32	(10)	(79)	(5)	(39)	81	631

The revenue and cost of sales for the years ended 31 December 2008, 2009, 2010, and the six months ended 30 June 2011 included service fees in which Reach Ltd. has received or paid to the Trust Group in respect of connectivity and outsourcing services (see note 6(a)).

Consolidated balance sheets of Reach Ltd.

	As at 31 December				As at 30 June			
	2008		2009		2010		2011	
	US\$ million	HK\$ million	US\$ million	HK\$ million	US\$ million	HK\$ million	US\$ million	HK\$ million
Non-current assets								
Property, plant and equipment	129	1,006	145	1,131	153	1,193	65	507
Other non-current assets	30	234	29	226	25	195	25	195
	159	1,240	174	1,357	178	1,388	90	702
Current assets								
Trade receivables	26	203	24	187	22	172	2	16
Prepaid expenses and other receivables	43	336	40	312	43	335	31	242
Amounts due from shareholders	23	179	25	195	7	55	6	47
Cash and cash equivalents	13	101	13	101	11	86	7	55
	105	819	102	795	83	648	46	360
Total assets	264	2,059	276	2,152	261	2,036	136	1,062
Current liabilities								
Trade payables	55	428	53	413	40	312	5	39
Other payables	56	436	56	436	51	398	65	508
Obligations under finance leases - due within one year	9	70	9	70	9	70	7	55
Deferred revenue - due within a year	28	218	41	320	33	257	20	156
Tax liabilities	12	94	11	86	11	86	9	70
	160	1,246	170	1,325	144	1,123	106	828
Other non-current liabilities								
Shareholders' loans	277	2,161	293	2,285	310	2,418	141	1,100
Obligations under finance leases - due after one year	22	172	19	148	16	125	16	125
Deferred revenue - due after a year	32	250	27	211	23	179	23	179
Deferred tax liabilities	1	8	1	8	1	8	—	—
	332	2,591	340	2,652	350	2,730	180	1,404
Total liabilities	492	3,837	510	3,977	494	3,853	286	2,232
Net liabilities	(228)	(1,778)	(234)	(1,825)	(233)	(1,817)	(150)	(1,170)
Capital and reserves								
Share capital	5,890	45,942	5,890	45,942	5,890	45,942	5,890	45,942
Reserves	(6,128)	(47,798)	(6,134)	(47,845)	(6,133)	(47,837)	(6,050)	(47,190)
Non-controlling interest	10	78	10	78	10	78	10	78
	(228)	(1,778)	(234)	(1,825)	(233)	(1,817)	(150)	(1,170)

- (iii) Pursuant to the Reorganisation, CAS No. 1 agreed to transfer its entire interest in HKTGH to the Company. In consideration of the transfer, the Company agreed to issue 4,363,361,192 new ordinary shares and 4,363,361,192 new preference shares to CAS No. 1 and issue a promissory note to CAS No. 1. The promissory note, to be issued on completion of the transfer, will entitle CAS No. 1 to receive the amount by which the net proceeds of the global offering of the share stapled units exceed HK\$7.8 billion. If such net proceeds are equal to or less than HK\$7.8 billion, the promissory note would have no worth.
- (iv) Pursuant to the Reorganisation, CAS No. 1 agreed to transfer its entire interest in the Company to the Trustee-Manager in its capacity as the trustee and manager of the HKT Trust. In consideration of the transfer, the Company and the HKT Trust agreed to jointly issue 4,363,376,792 share stapled units to CAS No. 1.
- (v) In October and November 2011, the Trust Group drew down in aggregate of HK\$5.2 billion under the HK\$16 billion revolving credit and term loan facility with a group of banks.

40 LIST OF SUBSIDIARIES

Upon completion of the Reorganisation and as at the date of this report, the HKT Trust has direct or indirect interests in the following subsidiaries:

Company	Country/place of incorporation/ establishment and operation	Date of incorporation/ establishment (DD/MM/YYYY)	Type of legal entity	Nominal value of issued and fully paid share capital/ paid-in capital/ registered capital	Interest held by the HKT Trust						Principal activities		
					31 December 2008		31 December 2009		31 December 2010			30 June 2011	
					Directly	Indirectly	Directly	Indirectly	Directly	Indirectly		Directly	Indirectly
HKT Limited	Cayman Islands/ Hong Kong	14/06/2011	Limited liability company	US\$1.00	—	—	—	—	—	100%	—	Investment holding	
HKT Holdings Limited	Cayman Islands	18/01/2008	Limited liability company	US\$2.00	—	100%	—	100%	—	—	100%	Investment holding	
Hong Kong Telecommunications HKT (CI) Limited	Cayman Islands	18/01/2008	Limited liability company	US\$2.00	—	100%	—	100%	—	—	100%	Investment holding	
Hong Kong Telecommunications (HKT) Limited ⁴	Hong Kong	21/01/2008	Limited liability company	HK\$2,488,200,001	—	100%	—	100%	—	—	100%	Provision of telecommunications services	
HKT (International) Limited	British Virgin Islands	15/01/2008	Limited liability company	US\$2.00	—	100%	—	100%	—	—	100%	Investment holding	
PCCW Risk Finance Limited ²³	Bermuda	04/05/2006	Exempted company	US\$120,000.00	—	100%	—	100%	—	—	100%	Holding a Class 1 Insurance Licence regulated by Bermuda Monetary Authority	
PCCW Holding Company (China) Limited	British Virgin Islands	09/08/2001	Limited liability company	US\$2.00	—	100%	—	100%	—	—	100%	Investment holding	
PCCW Holding Company (Beijing) Limited ⁷	Hong Kong	09/01/2008	Limited liability company	HK\$1.00	—	100%	—	100%	—	—	100%	Investment holding	
Netcare Limited ²⁴	Hong Kong	06/08/1992	Limited liability company	HK\$2.00	—	100%	—	100%	—	—	100%	Property management service	
Cascade Holding No.1 Limited	British Virgin Islands	24/12/2002	Limited liability company	US\$12.00	—	100%	—	100%	—	—	100%	Investment holding	
PCCW International Holding (Oman) Limited	British Virgin Islands	31/01/2000	Limited liability company	US\$2.00	—	100%	—	100%	—	—	100%	Investment holding	
Cascade China (BVI) Limited	British Virgin Islands	06/10/2004	Limited liability company	US\$1.00	—	100%	—	100%	—	—	100%	Investment holding	

Company	Country/place of incorporation/ establishment and operation	Date of incorporation/ establishment (DD/MM/YYYY)	Type of legal entity	Nominal value of issued and fully paid share capital/ paid-in capital/ registered capital	Interest held by the HKT Trust								Principal activities	
					31 December 2008		31 December 2009		31 December 2010		30 June 2011			
					Directly	Indirectly	Directly	Indirectly	Directly	Indirectly	Directly	Indirectly		
PCCW Cascade Technology (Guangzhou) Limited ^{1,16} 廣州電訊盈科華錄科技有限公司	The People's Republic of China	01/03/2005	Limited liability company	HK\$5,000,000.00	—	100%	—	100%	—	100%	—	100%	—	Design, build and operate network infrastructures including technical consultancy
HKT (Hong Kong) Limited	British Virgin Islands	15/01/2008	Limited liability company	US\$2.00	—	100%	—	100%	—	100%	—	100%	—	Investment holding
HKT Group Holdings Limited ⁴	Cayman Islands	18/01/2008	Limited liability company	US\$636,000,001.00	—	100%	—	100%	—	100%	—	100%	—	Investment holding
PCCW Technology (Beijing) Limited ^{1,3,9} 電訊盈科科技(北京)有限公司	The People's Republic of China	03/11/2006	Limited liability company	RMB30,000,000.00	—	100%	—	100%	—	100%	—	100%	—	System integration, software development and technical services consultancy
PCCW Cascade (Malaysia) Sdn. Bhd. ¹⁰	Malaysia	18/10/2001	Limited liability company	RM4,910,713.00	—	100%	—	100%	—	100%	—	100%	—	Telecommunication network managing services provider, system integration services provider and investment holding
PCCW Cascade (Asia) Pte. Limited ⁸	Singapore/ Brunei	15/12/2001	Limited liability company	S\$2.00	—	100%	—	100%	—	100%	—	100%	—	Provision of design, build and operate network infrastructures including technical consultancy and operation outsourcing services and those relating to provision of telecommunication services

Company	Country/place of incorporation/ establishment and operation	Date of incorporation/ establishment (DD/MM/YYYY)	Type of legal entity	Nominal value of issued and fully paid share capital/ paid-in capital/ registered capital	Interest held by the HKT Trust								Principal activities		
					31 December 2008		31 December 2009		31 December 2010		30 June 2011				
					Directly	Indirectly	Directly	Indirectly	Directly	Indirectly	Directly	Indirectly			
PT. PCCW CASCADE INDONESIA (in liquidation) ²⁰	Indonesia	09/05/2006	Limited liability company	US\$250,000.00	—	100%	—	100%	—	100%	—	100%	—	100%	Import trading and management consulting service in the field of information technology
PCCW Cascade (Thailand) Limited ¹¹	Thailand	26/08/2005	Limited liability company	THB6,000,000.00	—	100%	—	100%	—	100%	—	100%	—	100%	Design, supply, install and maintain Internet Protocol Television (IPTV) software and provide consultancy services for IPTV systems
Wide United International Limited	British Virgin Islands	25/08/2006	Limited liability company	US\$2.00	—	100%	—	100%	—	100%	—	100%	—	100%	Investment holding
PCCW Cascade (Middle East) Limited ²⁴	Hong Kong/ Saudi Arabia	27/11/2006	Limited liability company	HK\$1.00	—	100%	—	100%	—	100%	—	100%	—	100%	Telecommunication services provider and investment holding
PCCW International (HK) Limited ²⁴	Hong Kong	27/07/1993	Limited liability company	HK\$2.00	—	100%	—	100%	—	100%	—	100%	—	100%	Provision of consultancy and technical solutions
PCCW International (Saudi Arabia) Limited ²⁴	Hong Kong	03/11/2008	Limited liability company	HK\$1.00	—	100%	—	100%	—	100%	—	100%	—	100%	Provision of consultancy and technical solutions
PCCW Cascade (Europe) Limited	United Kingdom	27/03/2003	Limited liability company	GBP1.00	—	100%	—	100%	—	100%	—	100%	—	100%	Inactive
BN Access Limited	British Virgin Islands	19/05/1994	Limited liability company	US\$1,601.00	—	100%	—	100%	—	100%	—	100%	—	100%	Investment holding
PCCW Communications (Holdings) Limited	British Virgin Islands	09/05/2001	Limited liability company	US\$2.00	—	100%	—	100%	—	100%	—	100%	—	100%	Investment holding
BTN Holdings Limited	British Virgin Islands	02/03/2001	Limited liability company	US\$1.00	—	100%	—	100%	—	100%	—	100%	—	100%	Investment holding

Company	Country/place of incorporation/ establishment and operation	Date of incorporation/ establishment (DD/MM/YYYY)	Type of legal entity	Nominal value of issued and fully paid share capital/ paid-in capital/ registered capital	Interest held by the HKT Trust								Principal activities
					31 December 2008		31 December 2009		31 December 2010		30 June 2011		
					Directly	Indirectly	Directly	Indirectly	Directly	Indirectly	Directly	Indirectly	
PCCW Global, Inc.	U.S. (Delaware)	13/05/2002	Limited liability company	US\$18.01	—	100%	—	100%	—	100%	—	100%	Supply of broadband internet access solutions and web services
PCC Management Services Limited ²⁵	Hong Kong/Israel	31/05/2000	Limited liability company	HK\$2.00	—	100%	—	100%	—	100%	—	100%	Provision of business development and marketing services to related companies
PCCW Global Limited ²⁵	Hong Kong / Dubai Technology and Media Free Zone	09/03/2001	Limited liability company	HK\$2.00	—	100%	—	100%	—	100%	—	100%	Provision of network-based telecommunications services
PCCW Global Europe Coöperatieve U.A. ¹²	Netherlands	28/07/2008	Cooperative	EUR18,000.00	—	100%	—	100%	—	100%	—	100%	Investment holding
PCCW Global B.V. ¹²	Netherlands/France	04/08/2008	Limited liability company	EUR18,000.00	—	100%	—	100%	—	100%	—	100%	Investment holding and provision of telecommunications and related services
PCCW Global (Germany) GmbH	Germany	09/03/2009	Limited liability company	EUR25,000.00	—	—	—	100%	—	100%	—	100%	Sale, distribution and marketing of telecommunication services and products
PCCW Global (Hellas) Telecommunications Services S.A.	Greece	26/02/2009	Limited liability company	EUR60,000.00	—	—	—	100%	—	100%	—	100%	Development, research, selling and reselling of network equipment and telecommunication services.
													Consultancy, installation, operation and educational services of telecommunication networks

Company	Country/place of incorporation/ establishment and operation	Date of incorporation/ establishment (DD/MM/YYYY)	Type of legal entity	Nominal value of issued and fully paid share capital/ paid-in capital/ registered capital	Interest held by the HKT Trust								
					31 December 2008		31 December 2009		31 December 2010		30 June 2011		
					Directly	Indirectly	Directly	Indirectly	Directly	Indirectly	Directly	Indirectly	
Telecommunications Technologies (Cayman Islands) Limited ^{2a}	Cayman Islands	11/01/1993	Limited liability company	US\$10.00	—	100%	—	100%	—	100%	—	100%	Investment holding
PCCW Global (HK) Limited ²⁵	Hong Kong	06/07/1993	Limited liability company	HK\$10.00	—	100%	—	100%	—	100%	—	100%	Provision of satellite-based and network-based telecommunications services
Fortune Harvests Investment Limited	British Virgin Islands	04/01/2011	Limited liability company	US\$3.00	—	—	—	—	—	—	—	100%	Investment holding
Splendid Mind Enterprises Limited	Hong Kong	14/10/2010	Limited liability company	HK\$2.00	—	—	—	—	—	—	—	100%	Provision of satellite-based and network-based telecommunications services
Corporate Access Group Limited ²⁵	Hong Kong	04/11/1993	Limited liability company	HK\$10.00	—	100%	—	100%	—	100%	—	100%	Investment holding
PCCW Global Pte. Ltd. ⁵	Singapore/Japan/India	18/11/1993	Limited liability company	S\$55,007,161.54	—	100%	—	100%	—	100%	—	100%	Provision of satellite-based and network telecommunication systems and customer support services to the user groups
PCCW-HKT Network Services Limited ⁷	Hong Kong	27/10/2000	Limited liability company	HK\$3.00	—	100%	—	100%	—	100%	—	100%	Global communications solutions and connectivity business
PCCW Global Korea Limited	Korea	27/06/2002	Limited liability company	WON300,000,000.00	—	100%	—	100%	—	100%	—	100%	Telecommunication services

Company	Country/place of incorporation/ establishment and operation	Date of incorporation/ establishment (DD/MM/YYYY)	Type of legal entity	Nominal value of issued and fully paid share capital/ paid-in capital/ registered capital	Interest held by the HKT Trust								Principal activities
					31 December 2008		31 December 2009		31 December 2010		30 June 2011		
					Directly	Indirectly	Directly	Indirectly	Directly	Indirectly	Directly	Indirectly	
PCCW Global (UK) Limited ¹³	United Kingdom	05/06/2001	Limited liability company	£1.00	—	100%	—	100%	—	100%	—	100%	Provision of network-based telecommunications services to customers, and the provision of sales and marketing services to related companies
PCCW Global (Singapore) Pte. Ltd. ⁸	Singapore	29/06/2001	Limited liability company	SGD172,124,441.71	—	100%	—	100%	—	100%	—	100%	Telecommunication solutions related services
PCCW Global (Japan) K.K.	Japan	22/08/2001	Limited liability company	JPY10,000,000.00	—	100%	—	100%	—	100%	—	100%	Telecommunication service
HKT Global (Singapore) Pte. Ltd. ⁸	Singapore	11/06/2008	Limited liability company	S\$60,956,485.64	—	100%	—	100%	—	100%	—	100%	Provision of Telecommunications solutions related services
PCCW Global (Australia) Pty Limited	Australia	11/01/2011	Limited liability company	AUD10.00	—	—	—	—	—	—	—	100%	Inactive
BN Access India Private Limited ¹⁷	India	09/12/2003	Limited liability company	RS.100,000.00	—	100%	—	100%	—	100%	—	100%	Inactive
SUNDAY Holdings (Hong Kong) Corporation	British Virgin Islands	01/08/1997	Limited liability company	US\$112.00	—	100%	—	100%	—	100%	—	100%	Investment holding
PCCW-HKT Capital No.5 Limited	British Virgin Islands	21/10/2010	Limited liability company	US\$1.00	—	—	—	—	—	100%	—	100%	Inactive
PCCW Mobile HK Limited ⁴	Hong Kong	24/11/1994	Limited liability company	HK\$100.00 ordinary shares HK\$1,254,000,000.00 non-voting deferred shares	—	100%	—	100%	—	100%	—	100%	Provision of mobile services to its customers, which is procured from Hong Kong Telecommunications (HKT) Limited, and the sale of mobile phones and accessories

Company	Country/place of incorporation/ establishment and operation	Date of incorporation/ establishment (DD/MM/YYYY)	Type of legal entity	Nominal value of issued and fully paid share capital/ paid-in capital/ registered capital	Interest held by the HKT Trust								Principal activities
					31 December 2008		31 December 2009		31 December 2010		30 June 2011		
					Directly	Indirectly	Directly	Indirectly	Directly	Indirectly	Directly	Indirectly	
PCCW Teleservices PRC (BVI) Limited	British Virgin Islands	16/01/2001	Limited liability company	US\$1.00	—	100%	—	100%	—	100%	—	100%	Investment holding
PCCW Customer Relationship Management Guangzhou (BVI) Limited	British Virgin Islands /Hong Kong	16/03/2001	Limited liability company	US\$1.00	—	100%	—	100%	—	100%	—	100%	Investment holding
PCCW Customer Management Technology and Services (Guangzhou) Limited ^{3,18}	The People's Republic of China	15/06/2001	Limited liability company	HK\$53,803,000.00	—	100%	—	100%	—	100%	—	100%	Customer service and consultancy
PCCW Teleservices SEA (BVI) Limited	British Virgin Islands	02/11/2001	Limited liability company	US\$1.00	—	100%	—	100%	—	100%	—	100%	Investment holding
PCCW Teleservices Operations HK (BVI) Limited	British Virgin Islands	13/08/2001	Limited liability company	US\$1.00	—	100%	—	100%	—	100%	—	100%	Investment holding
PCCW Teleservices Operations (Hong Kong) Limited ⁷	Hong Kong	20/08/2001	Limited liability company	HK\$2.00	—	100%	—	100%	—	100%	—	100%	Provision of customer relationship management and customer contact management solutions and services
PCCW Teleservices HK (BVI) Limited	British Virgin Islands	16/01/2001	Limited liability company	US\$1.00	—	100%	—	100%	—	100%	—	100%	Investment holding
PCCW Teleservices (Hong Kong) Limited ⁷	Hong Kong	18/04/1991	Limited liability company	HK\$12.00	—	100%	—	100%	—	100%	—	100%	Provision of customer relationship management and customer contact management solutions and services
PCCW Teleservices Taiwan (BVI) Limited	British Virgin Islands	16/07/1999	Limited liability company	US\$100.00	—	100%	—	100%	—	100%	—	100%	Investment holding
PCCW Teleservices Taiwan Limited ^{3,15}	Republic of China	01/11/1999	Limited liability company	NT\$29,820,510.00	—	100%	—	100%	—	100%	—	100%	Inactive

Company	Country/place of incorporation/ establishment and operation	Date of incorporation/ establishment (DD/MM/YYYY)	Type of legal entity	Nominal value of issued and fully paid share capital/ paid-in capital/ registered capital	Interest held by the HKT Trust								Principal activities
					31 December 2008		31 December 2009		31 December 2010		30 June 2011		
					Directly	Indirectly	Directly	Indirectly	Directly	Indirectly	Directly	Indirectly	
PCCW Tele-insurance Taiwan Limited ^{3,28} (In Member's Voluntary Liquidation)	Republic of China	20/11/2000	Limited liability company	NT\$42,650,000.00	—	100%	—	100%	—	100%	—	100%	Inactive
PCCW Tele-Insurance Agency (Hong Kong) Limited ⁷	Hong Kong	28/07/1989	Limited liability company	HK\$2.00	—	100%	—	100%	—	100%	—	100%	Provision of customer relationship management and customer contact management solutions and services
Hongkong Telecom Teleservices PPC (BVI) Limited	British Virgin Islands	20/07/2000	Limited liability company	US\$1.00	—	100%	—	100%	—	100%	—	100%	Investment holding
HKT Teleservices Technology Consulting (Beijing) Limited ^{1, 3,19}	The People's Republic of China	12/12/2000	Limited liability company	US\$840,000.00	—	100%	—	100%	—	100%	—	100%	Call centre consultancy
PCCW Teleservices Consulting (Hong Kong) Limited ⁷ (formerly known as Pacific Century Systems Limited)	Hong Kong	05/03/1991	Limited liability company	HK\$1,000,000.00	—	100%	—	100%	—	100%	—	100%	Provision of customer relationship management and customer contact management solutions and services
IP BPO Holdings Pte. Ltd. ²⁷	Singapore	03/11/2008	Limited liability company	SG\$10,000,000.00	—	—	—	100%	—	100%	—	100%	Investment holding
PCCW Teleservices (US), Inc. ²¹ (formerly known as Interactive Teleservices Corporation)	Nebraska, U.S.	29/12/1994	Limited liability company	US\$1,169.00	—	—	—	70%	—	85%	—	85%	Telemarketing and direct marketing services
PCCW Teleservices (Panama), Inc. ²² (formerly known as Inlufent Panama, Inc.)	The Republic of Panama	20/08/2003	Limited liability company	US\$10,000.00	—	—	—	70%	—	85%	—	85%	Call center and outsourced customer interaction solutions

Company	Country/place of incorporation/ establishment and operation	Date of incorporation/ establishment (DD/MM/YYYY)	Type of legal entity	Nominal value of issued and fully paid share capital/ paid-in capital/ registered capital	Interest held by the HKT Trust								Principal activities	
					31 December 2008		31 December 2009		31 December 2010		30 June 2011			
					Directly	Indirectly	Directly	Indirectly	Directly	Indirectly	Directly	Indirectly		
PCCW Teleservices (Philippines) Inc. ¹⁴ (formerly known as BPO Teleservices Inc.)	Philippines	24/11/2008	Limited liability company	P2,857,143.00	—	—	70%	—	—	70%	—	—	70%	Business process outsourcing activities and contact center business
PCCW (Macau), Limited ⁷	Macau	02/03/2002	Limited liability company	MOP2,000,000.00	—	—	75%	—	—	75%	—	—	75%	Selling customer premises equipment and related solutions, conducting systems integration projects and providing outsourced call center services
PCCW-HKT DataCom Services Limited ²⁴	Hong Kong	29/06/1990	Limited liability company	HK\$20.00	—	—	100%	—	—	100%	—	—	100%	Trademark registrant
Red Fortune Investments Limited	British Virgin Islands	26/11/2008	Limited liability company	US\$1.00	—	—	100%	—	—	100%	—	—	100%	Investment holding
PCCW-HKT Site Leasing Limited	British Virgin Islands	17/12/2010	Limited liability company	US\$1.00	—	—	—	—	—	100%	—	—	100%	Leasing real estate properties
PCCW-HKT Site Leasing (HK) Limited	Hong Kong	30/05/2011	Limited liability company	HK\$1.00	—	—	—	—	—	—	—	—	100%	Leasing real estate properties
eSmartHealth Limited	Hong Kong	01/06/2011	Limited liability company	HK\$1.00	—	—	—	—	—	—	—	—	100%	Health data storage
Chuang Xin Group Limited	British Virgin Islands	05/05/2011	Limited liability company	US\$1.00	—	—	—	—	—	—	—	—	100%	Investment holding
PCCW-HKT Consumer Services Limited ²⁴	Hong Kong	27/10/2000	Limited liability company	HK\$2.00	—	—	100%	—	—	100%	—	—	100%	Investment holding
PCCW IMS Limited ²⁵ (In Members' Voluntary Liquidation)	Hong Kong	03/10/1995	Limited liability company	HK\$2.00	—	—	100%	—	—	100%	—	—	100%	Inactive
PCCW-HKT Capital Limited ⁴	British Virgin Islands	13/06/2001	Limited liability company	US\$1.00	—	—	100%	—	—	100%	—	—	100%	Issuer of bonds
PCCW-HKT Capital No.2 Limited ⁴	British Virgin Islands	29/11/2001	Limited liability company	US\$1.00	—	—	100%	—	—	100%	—	—	100%	Issuer of bonds

Company	Country/place of incorporation/ establishment and operation	Date of incorporation/ establishment (DD/MM/YYYY)	Type of legal entity	Nominal value of issued and fully paid share capital/ paid-in capital/ registered capital	Interest held by the HKT Trust								Principal activities		
					31 December 2008		31 December 2009		31 December 2010		30 June 2011				
					Directly	Indirectly	Directly	Indirectly	Directly	Indirectly	Directly	Indirectly			
PCCW-HKT Capital No.3 Limited	British Virgin Islands	13/06/2001	Limited liability company	US\$1.00	—	100%	—	100%	—	100%	—	100%	—	100%	Issuer of bonds
PCCW-HKT Capital No.4 Limited	British Virgin Islands	20/12/2001	Limited liability company	US\$1.00	—	100%	—	100%	—	100%	—	100%	—	100%	Issuer of bonds
HKT Services Limited ⁴	Hong Kong	23/01/2008	Limited liability company	HK\$1.00	—	100%	—	100%	—	100%	—	100%	—	100%	Provision of management services to group companies
HKT Secretaries Limited ⁴	Hong Kong	13/08/2008	Limited liability company	HK\$1.00	—	100%	—	100%	—	100%	—	100%	—	100%	Group service company
Beyond the Network Inc. (Dissolved on 06/12/2010)	U.S. (Delaware)	21/02/2001	Limited liability company	US\$10	—	100%	—	100%	—	—	—	—	—	—	Inactive
Corporate Access (China) Limited (Dissolved on 11/04/2010)	Hong Kong	01/06/1993	Limited liability company	HK\$100,000	—	100%	—	100%	—	—	—	—	—	—	Provision of liaison, marketing and promotion services to fellow subsidiaries
PCCW Tele-insurance (Property) Taiwan Limited ^{3,28} (Completion of liquidation approved on 29/12/2010)	Republic of China	02/09/2003	Limited liability company	NT\$3,000,000.00	—	100%	—	100%	—	—	—	—	—	—	Inactive
PCCW Teleservices Holding Company Limited	British Virgin Islands	16/01/2002	Limited liability company	US\$1.00	—	100%	—	100%	—	—	—	—	—	100%	Investment holding
Unihub Global Network Technology (China) Limited	British Virgin Islands	13/12/2002	Limited liability company	US\$10,000.00	—	76.43%	—	76.43%	—	76.43%	—	76.43%	—	76.43%	Investment holding
Unihub China Information Technology Company Limited ^{2,6}	The People's Republic of China	17/06/2003	Limited liability company	RMB200,000,000.00	—	38.2%	—	38.2%	—	38.2%	—	38.2%	—	38.2%	Selling of hardware and software and information system consulting services

Certain subsidiaries which do not materially affect the results or financial position of the Trust Group are not included.

Notes:

- 1 Represents a wholly foreign owned enterprise.
- 2 Represents a sino-foreign equity joint venture.
- 3 Unofficial company name.
- 4 The statutory financial information of this subsidiary for the years ended 31 December 2008, 2009 and 2010 were prepared in accordance with HKFRSs and audited by PricewaterhouseCoopers.
- 5 The statutory financial information of this subsidiary for the years ended 31 December 2008, 2009 and 2010 were prepared in accordance with Singapore Financial Reporting Standards (FRS) and audited by PricewaterhouseCoopers.
- 6 The statutory financial information of this subsidiary for the years ended 31 December 2008, 2009 and 2010 were prepared in accordance with Accounting Standards for Business Enterprises and the 'Accounting System for Business Enterprises' and audited by PricewaterhouseCoopers.
- 7 The statutory financial information of this subsidiary for the years ended 31 December 2008, 2009 and 2010 were prepared in accordance with HKFRSs and audited by KPMG.
- 8 The statutory financial information of this subsidiary for the years ended 31 December 2008, 2009 and 2010 were prepared in accordance with Singapore Financial Reporting Standards (FRS) and audited by KPMG.
- 9 The statutory financial information of this subsidiary for the years ended 31 December 2008, 2009 and 2010 were prepared in accordance with Accounting Standards for Business Enterprises and the 'Accounting System for Business Enterprises' and audited by KPMG.
- 10 The statutory financial information of this subsidiary for the years ended 31 December 2008, 2009 and 2010 were prepared in accordance with Private Entity Reporting Standards and Generally Accepted Accounting Principles ("GAAP") in Malaysia and audited by KPMG.
- 11 The statutory financial information of this subsidiary for the years ended 31 December 2008, 2009 and 2010 were prepared in accordance with Thai Accounting Standards (TAS) and audited by KPMG.
- 12 The statutory financial information of this subsidiary for the years ended 31 December 2008, 2009 and 2010 were prepared in accordance with Part 9, Book 2 of the Netherlands Civil Code and audited by KPMG.
- 13 The statutory financial information of this subsidiary for the years ended 31 December 2008, 2009 and 2010 were prepared in accordance with GAAP in the United Kingdom and audited by KPMG.
- 14 The statutory financial information of this subsidiary for the years ended 31 December 2008, 2009 and 2010 were prepared in accordance with Philippine Financial Reporting Standards (PFRS) and audited by KPMG.
- 15 The statutory financial information of this subsidiary for the years ended 31 December 2008, 2009 and 2010 were prepared in accordance with GAAP in Taiwan and audited by Deloitte.

- 16 The statutory financial information of this subsidiary for the years ended 31 December 2008, 2009 and 2010 were prepared in accordance with Accounting Standards for Business Enterprises and the 'Accounting System for Business Enterprises' and audited by Guangzhou Lingnan Certified Public Accountant Co. Ltd.
- 17 The statutory financial information of this subsidiary for the years ended 31 December 2008, 2009 and 2010 were prepared in accordance with GAAP in India and audited by Luthra & Luthra Chartered Accounts.
- 18 The statutory financial information of this subsidiary for the years ended 31 December 2008, 2009 and 2010 were prepared in accordance with Accounting Standards for Business Enterprises and the 'Accounting System for Business Enterprises' and audited by Shu Lun Pan Yangcheng Certified Public Accountants Co. Ltd.
- 19 The statutory financial information of this subsidiary for the years ended 31 December 2008, 2009 and 2010 were prepared in accordance with Accounting Standards for Business Enterprises and the 'Accounting System for Business Enterprises' and audited by 北京正則通會計師事務所.
- 20 The statutory financial information of this subsidiary for the year ended 31 December were prepared in accordance with GAAP in Indonesia and audited by KPMG for the year ended 31 December 2008.
- 21 The statutory financial information of this subsidiary for the years ended 31 December 2008, 2009 and 2010 were prepared in accordance with GAAP in the United States and audited by Weaver and Tidwell LLP.
- 22 The statutory financial information of this subsidiary for the years ended 31 December 2008, 2009 and 2010 were prepared in accordance with IFRS and audited by Grant Thornton Cheng Y Asociados.
- 23 The statutory financial information of this subsidiary for the years ended 31 December 2008, 2009 and 2010 were prepared in accordance with Bermuda Insurance Act and audited by PricewaterhouseCoopers.
- 24 The statutory financial information of this subsidiary for the year ended 31 December were prepared in accordance with HKFRSs and audited by KPMG for the year ended 31 December 2008, and audited by PricewaterhouseCoopers for the years ended 31 December 2009 and 2010.
- 25 The statutory financial information of this subsidiary for the year ended 31 December were prepared in accordance with HKFRSs and audited by PricewaterhouseCoopers for the year ended 31 December 2008, and audited by KPMG for the years ended 31 December 2009 and 2010.
- 26 The statutory financial information of this subsidiary for the year ended 31 December were prepared in accordance with GAAP in Taiwan and audited by Deloitte for the years ended 31 December 2008 and 2009.
- 27 The statutory financial information of this subsidiary for the period or year ended 31 December were prepared in accordance with Singapore Financial Reporting Standards (FRS) and audited by KPMG for the period or years ended 31 December 2009 and 2010.
- 28 The statutory financial information of this subsidiary for the year ended 31 December were prepared in accordance with HKFRSs and audited by PricewaterhouseCoopers for the year ended 31 December 2008.
- 29 The statutory financial information of this subsidiary for the year ended 31 December were prepared in accordance with HKFRSs and audited by KPMG for the year ended 31 December 2008.

41 STANDARDS, AMENDMENTS AND INTERPRETATIONS TO EXISTING STANDARDS THAT ARE NOT YET EFFECTIVE AND HAVE NOT BEEN EARLY ADOPTED BY THE TRUST GROUP

The following new or revised standards, amendments and interpretations to existing standards have been published but are not yet effective for the six months ended 30 June 2011 and which the Trust Group has not early adopted:

		Effective for accounting periods beginning on or after
HKFRS 7 (Amendment)	Disclosures — Transfers of Financial Assets	1 July 2011
HKAS 12 (Amendment)	Deferred Tax: Recovery of Underlying Assets	1 January 2012
HKAS 1 (Revised) (Amendment)	Presentation of financial statements — Presentation of Items of Other Comprehensive Income	1 July 2012
HKFRS 9	Financial Instruments	1 January 2013
HKFRS 10	Consolidated financial statements	1 January 2013
HKFRS 11	Joint arrangements	1 January 2013
HKFRS 12	Disclosure of interests in other entities	1 January 2013
HKFRS 13	Fair value measurements	1 January 2013
HKAS 19 (2011)	Employee benefits	1 January 2013
HKAS 27 (2011)	Separate Financial Statements	1 January 2013
HKAS 28 (2011)	Investments in Associates and Joint Ventures	1 January 2013

Apart from the above, a number of improvements and minor amendments to HKFRSs have also been issued by the HKICPA but they are not yet effective for the six months ended 30 June 2011 and have not been adopted in these financial statements.

The Company is in the process of making an assessment of what the impact of these amendments, new or revised standards and new interpretations would be in the period of initial application, but not yet in a position to state whether these amendments, new or revised standards and new interpretations would have a significant impact on the Company's results of operations and financial position.

III. SUBSEQUENT FINANCIAL INFORMATION

Save as disclosed elsewhere in this report, no audited financial information have been prepared by the HKT Trust or any of the companies comprising the Trust Group in respect of any period subsequent to 30 June 2011 and up to the date of this report. No dividend or distribution has been declared, made or paid by the HKT Trust or any of the companies now comprising the Trust Group in respect of any period subsequent to 30 June 2011.

Yours faithfully,

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong

The information set forth in this appendix does not form part of the Accountant's Report prepared by PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, the reporting accountant of the HKT Trust and the Company, as set forth in Appendix I to this prospectus, and is included herein for illustrative purposes only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Management's discussion and analysis of financial condition and results of operations" in this prospectus and the Accountant's Report set forth in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following illustrative statement of the Trust Group's unaudited pro forma adjusted combined net tangible assets is based on the combined net assets of the Trust Group as at 30 June 2011, as shown in the audited combined financial information, which is included in the Accountant's Report in Appendix I to this prospectus, and adjusted as described below:

	Unadjusted audited combined net tangible assets of the Trust Group attributable to the Holders of Share Stapled Units as at 30 June 2011 ⁽¹⁾	Adjustment for the Pre-IPO Restructuring ⁽²⁾	Estimated net proceeds to the HKT Trust and the Company from the Global Offering ⁽³⁾	Unaudited pro forma adjusted net tangible assets of the Trust Group attributable to the Holders of Share Stapled Units	Unaudited pro forma adjusted net tangible assets per Share Stapled Unit ⁽⁴⁾
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$
Based on an Offer Price of HK\$4.53 per Offer Share Stapled Unit	(21,116)	1,760	8,808	(10,548)	(1.64)
Based on an Offer Price of HK\$5.38 per Offer Share Stapled Unit	(21,116)	144	10,424	(10,548)	(1.64)

Notes:

- (1) The unadjusted audited combined net tangible assets of the Trust Group as at 30 June 2011 is based on the audited combined net assets of the Trust Group attributable to the Holders of Share Stapled Units of HK\$19,937 million less goodwill of HK\$35,895 million and intangible assets of HK\$5,158 million as at 30 June 2011 extracted from the Accountant's Report set out in Appendix I to this prospectus.
- (2) This adjustment is to reflect the issue of promissory note by the Company to CAS Holding No. 1 Limited, the transfer of PCCW's 50% interest in Reach Ltd. to the Company and the capitalisation of inter-company balances the Group owed to the Remaining Group.
- (3) The estimated net proceeds from the Global Offering to be received by the HKT Trust and the Company are based on the Offer Prices of HK\$4.53 and HK\$5.38, after deduction of underwriting fees and commissions (including the estimated incentive fee) and other related expenses payable by the HKT Trust and the Company.
- (4) The unaudited pro forma adjusted net tangible asset value per Share Stapled Unit is arrived at after the adjustments referred to in notes (2) and (3) above and on the basis that 6,416,730,792 Share Stapled Units were in issue assuming the Pre-IPO Restructuring and the Global Offering had been completed on 30 June 2011 and assuming the Over-Allotment Option is not exercised.
- (5) No adjustment has been made to reflect any trading result or other transactions of the Trust Group entered into subsequent to 30 June 2011.

B. UNAUDITED PRO FORMA FORECAST AND PROJECTED EARNINGS PER SHARE STAPLED UNIT

The following unaudited pro forma forecast and projected basic earnings per Share Stapled Unit have been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Global Offering as if it had been taken place on 1 January 2011. This unaudited pro forma forecast and projected earnings per Share Stapled Unit has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial results of the Group for the year ending 31 December 2011 and 2012, or any future period.

Forecast consolidated net profit attributable to the
Holders of Share Stapled Units for the year ending
31 December 2011 (*Note 1*)Not less than HK\$934 million

Unaudited forecast pro forma basic earnings per Share
Stapled Unit for the year ending 31 December 2011 (*Note 2*)Not less than 14.56 HK cents

Projected consolidated net profit attributable to the
Holders of Share Stapled Units for the year ending
31 December 2012 (*Note 1*)Not less than HK\$1,364 million

Unaudited projected pro forma basic earnings per Share
Stapled Unit for the year ending 31 December 2012 (*Note 2*)Not less than 21.26 HK cents

(1) The forecast consolidated net profit attributable to the Holders of Share Stapled Units for the year ending 31 December 2011 and the projected consolidated net profit attributable to the Holders of Share Stapled Units for the year ending 31 December 2012 are extracted from the section headed "Profit Forecast and Profit Projection" in this prospectus. The bases and assumptions on which the above profit forecast and profit projection have been prepared are set out on pages 155 to 159 of this prospectus. The Directors have prepared the forecast and projected consolidated net profit attributable to the Holders of Share Stapled Units for the year ending 31 December 2011 and 2012 on a basis consistent in all material respects with the accounting policies presently adopted by the Group as set out in Note 4 of Section II of the Accountant's Report, the text of which is set out in Appendix I to this prospectus.

(2) The unaudited pro forma forecast and projected basic earnings per Share Stapled Unit are calculated by dividing the forecast and projected consolidated net profit attributable to the Holders of Share Stapled Units for the year ending 31 December 2011 and 2012, assuming that the HKT Trust and the Company had been listed since 1 January 2011 and a total of 6,416,730,792 Share Stapled Units to be in issue immediately upon completion of the Global Offering (assuming the Over-Allotment Option is not exercised) were issued and outstanding during each of the years ending 31 December 2011 and 2012.

C. REPORT FROM REPORTING ACCOUNTANT

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.



羅兵咸永道

ACCOUNTANT'S REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION**TO THE DIRECTORS OF HKT MANAGEMENT LIMITED (IN ITS CAPACITY AS TRUSTEE-MANAGER OF HKT TRUST) AND HKT LIMITED**

We report on the unaudited pro forma financial information of HKT Trust (the “**HKT Trust**”), HKT Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Trust Group**”) set out on pages II-1 to II-2 under the heading of “Unaudited Pro Forma Adjusted Net Tangible Assets” and “Unaudited Pro Forma Forecast and Projected Earnings per Share Stapled Unit” (the “**Unaudited Pro Forma Financial Information**”) in Appendix II to the prospectus of the HKT Trust and the Company dated 16 November 2011 (the “**Prospectus**”), in connection with the proposed initial public offering of the share stapled units of the HKT Trust and HKT Limited. The Unaudited Pro Forma Financial Information has been prepared by the directors of HKT Management Limited (in its capacity as Trustee-Manager of the HKT Trust) (the “**Trustee-Manager**”) and the Company, for illustrative purposes only, to provide information about how the proposed initial public offering might have affected the relevant financial information of the Trust Group. The basis of preparation of the Unaudited Pro Forma Financial Information is set out on pages II-1 to II-2 of the Prospectus.

Respective Responsibilities of Directors of the Trustee-Manager and the Company and the Reporting Accountant

It is the responsibility solely of the directors of the Trustee-Manager and the Company to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

It is our responsibility to form an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

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PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Basis of Opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the HKICPA. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the audited combined net assets of the Trust Group as at 30 June 2011 with the accountant’s report as set out in Appendix I to the Prospectus, comparing the unaudited forecast and projected consolidated profit attributable to the Holders of Share Stapled Units for the year ending 31 December 2011 and 2012 with the profit forecast and profit projection set out in the section headed “Profit Forecast and Profit Projection” in the Prospectus, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Trustee-Manager and the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Trustee-Manager and the Company on the basis stated, that such basis is consistent with the accounting policies of the Trust Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Our work has not been carried out in accordance with auditing standards or other standards and practices generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Trustee-Manager and the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the adjusted net tangible assets of the Trust Group as at 30 June 2011 or any future date, or the earnings per Share Stapled Unit of the Trust Group for the year ending 31 December 2011 and 2012, or any future periods.

Opinion

In our opinion:

- a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Trustee-Manager and the Company on the basis stated;
- b) such basis is consistent with the accounting policies of the Trust Group; and
- c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 16 November 2011

(A) Letter from PricewaterhouseCoopers

The following is the text of a letter received from the reporting accountant, PricewaterhouseCoopers Certified Public Accountants, Hong Kong, prepared for the purpose of incorporation in this prospectus.



羅兵咸永道

16 November 2011

The Directors
HKT Management Limited
(in its capacity as Trustee-Manager of HKT Trust)
HKT Limited

China International Capital Corporation Hong Kong Securities Limited
Deutsche Bank AG, Hong Kong Branch
Goldman Sachs (Asia) L.L.C.

Dear Sirs,

We have reviewed the calculations of and accounting policies adopted in arriving at the forecast EBITDA¹ and the forecast consolidated net profit attributable to holders of share stapled units issued by HKT Trust and HKT Limited (the “**Company**”) for the year ending 31 December 2011 (the “**Profit Forecast**”) and the projected EBITDA and the projected consolidated net profit attributable to holders of share stapled units issued by HKT Trust and the Company for the year ending 31 December 2012 (the “**Profit Projection**”) as set out in the sections headed “Profit Forecast and Profit Projection — Profit forecast for the financial year ending 31 December 2011” and “Profit Forecast and Projection — Profit projection for the financial year ending 31 December 2012” in the prospectus of HKT Trust and the Company dated 16 November 2011 (the “**Prospectus**”).

¹ For purposes of this letter, EBITDA is defined as consolidated earnings before interest income, finance costs, income tax, depreciation of property, plant and equipment, amortisation of land lease premium and intangible assets, gain/loss on disposal of property, plant and equipment, investment properties 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 associates and jointly controlled companies, and the Group’s share of results of associates and jointly controlled companies.

We conducted our work in accordance with Auditing Guideline 3.341 on “Accountants’ report on profit forecasts” issued by the Hong Kong Institute of Certified Public Accountants.

The Profit Forecast and the Profit Projection, for which the directors of HKT Management Limited (as the Trustee-Manager of HKT Trust) and the Company (the “**Directors**”) are solely responsible, has been prepared by them based on the audited combined financial results of HKT Trust, the Company and its subsidiaries (the “**Trust Group**”) for the six months ended 30 June 2011, the forecast results for the remaining six months ending 31 December 2011 and the projected results of the Trust Group for the year ending 31 December 2012 on the basis that the current trust and group structure had been in existence throughout the whole financial years ending 31 December 2011 and 2012.

In our opinion, the Profit Forecast and the Profit Projection so far as the calculations and accounting policies are concerned, has been properly compiled in all material respects in accordance with the bases and assumptions made by the Directors as set out on pages 155 to 159 of the Prospectus, and is presented on a basis consistent in all material respects with the accounting policies adopted by the Trust Group as set out in Note 4 of Section II of the Accountant’s Report in Appendix I to the Prospectus.

Yours faithfully,

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong

(B) Letter from the Joint Sponsors

The Board of Directors
HKT Management Limited, as the Trustee-Manager of the HKT Trust

and

The Board of Directors
HKT Limited

16 November 2011

Dear Sirs

We refer to the forecast EBITDA¹ and the forecast consolidated net profit attributable to the holders of share stapled units issued by HKT Trust and HKT Limited (the “**Company**”) for the year ending 31 December 2011 (the “**Profit Forecast**”) and the projected EBITDA and the projected consolidated net profit attributable to the holders of share stapled units of HKT Trust and the Company for the year ending 31 December 2012 (the “**Profit Projection**”) as set out in the sections headed “Profit Forecast and Profit Projection — Profit forecast for the financial year ending 31 December 2011” and “Profit Forecast and Projection — Profit projection for the financial year ending 31 December 2012”, respectively, in the prospectus issued by the HKT Trust and the Company dated 16 November 2011 (the “**Prospectus**”).

We understand the Profit Forecast and the Profit Projection, for which the directors of HKT Management Limited, in their role as the trustee-manager of the HKT Trust, and the directors of the Company (collectively, the “**Directors**”) are solely responsible, have been prepared by them based on the audited combined financial results of HKT Trust, HKT Limited and its subsidiaries (together, the “**Trust Group**”) for the six months ended 30 June 2011, the forecast results of the Trust Group for the remaining six months ending 31 December 2011 and the projected results of the Trust Group for the year ending 31 December 2012, on the basis that the current trust and group structure had been in existence throughout the whole financial years ending 31 December 2011 and 2012.

¹ For the purposes of this letter, EBITDA is defined as consolidated earnings before interest income, finance costs, income tax, depreciation of property, plant and equipment, amortisation of land lease premium and intangible assets, gain/loss on disposal of property, plant and equipment, investment properties and interests in leasehold land, net other gains/losses, losses on property, plant and equipment, restructuring costs, impairment losses goodwill, tangible and intangible assets and on interests in associates and jointly controlled companies, and the Trust Group’s share of results of associates and jointly controlled companies.

We have discussed with you the bases and assumptions made by the Directors as set out in the section headed "Profit forecast and profit projection" in the Prospectus. We have also considered the letter dated 16 November 2011 addressed to you and us from PricewaterhouseCoopers regarding the accounting policies and calculations upon which the Profit Forecast and Profit Projection have been based.

On the basis of the information comprising the Profit Forecast and Profit Projection and on the bases and assumptions of the accounting policies and calculations adopted by you and reviewed by PricewaterhouseCoopers, we are of the opinion that the Profit Forecast and Profit Projection, for which the Directors are solely responsible, have been made after due and careful enquiry.

Yours faithfully
For and on behalf of
**China International Capital
Corporation Hong Kong
Securities Limited**

George Liu
Managing Director

Yours faithfully
For and on behalf of
**Deutsche Bank AG,
Hong Kong Branch**

Rowena Chu
Managing Director

Johnson Ngie
Managing Director

Yours faithfully
For and on behalf of
Goldman Sachs (Asia) L.L.C.

Raghav Maliah
Managing Director

SUMMARY OF THE CONSTITUTION OF THE COMPANY**1 Memorandum of Association**

The amended and restated memorandum of association of the Company was adopted on 7 November 2011 and states, inter alia, that the liability of members of the Company is limited, that the objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Cayman Companies Law or any other law of the Cayman Islands.

The amended and restated memorandum of association of the Company is available for inspection at the address specified in Appendix VI in the section headed "Documents delivered to the registrar of companies in Hong Kong and available for inspection".

2 Articles of Association

The Company's Articles were adopted on 7 November 2011 and include provisions to the following effect:

2.1 Classes of shares

The share capital of the Company consists of ordinary shares and preference shares. The authorised share capital of the Company as at the date of adoption of the Company's Articles is HK\$20,000,000 divided into 20,000,000,000 ordinary shares of HK\$0.0005 each and 20,000,000,000 preference shares of HK\$0.0005 each.

2.2 Directors**(a) Power to allot and issue Shares**

Subject to the Exchange Right, at all times while the Trust Deed remains in force:

- (a) the number of Units in issue must be equal to the number of Ordinary Shares in issue (and *vice versa*);
- (b) the number of Units in issue must be equal to the number of Preference Shares in issue (and *vice versa*); and
- (c) the number of Ordinary Shares in issue must be equal to the number of Preference Shares in issue (and *vice versa*).

Subject to the Exchange Right, at all times while the Trust Deed remains in force:

- (a) all of the issued Ordinary Shares must be registered in the Principal Register of Members in the name of the Trustee-Manager in its capacity as trustee-manager of the HKT Trust;
- (b) each Ordinary Share issued or to be issued by the Company must be matched by and Linked to a Unit issued or to be issued by the Trustee-Manager, in its capacity as trustee-manager of the HKT Trust, under the Trust Deed; and

- (c) the Company must not issue or sell any Ordinary Shares unless the Ordinary Shares are specifically identified and issued to the Trustee-Manager in its capacity as trustee-manager of the HKT Trust and an identical number of Units in respect of the relevant specifically identified Ordinary Shares are or will be issued by the Trustee-Manager and Linked to the specifically identified Ordinary Shares, in accordance with the provisions of the Trust Deed.

Each Unit in the HKT Trust confers on the registered holder of the relevant Unit a beneficial interest, on and subject to the terms and conditions of the Trust Deed, in the specifically identified Ordinary Share registered in the register in the name of the Trustee-Manager and Linked to the relevant Unit in accordance with the provisions of the Trust Deed.

While the Trust Deed remains in force:

- (a) subject to the Exchange Right, each Unit issued or to be issued by the HKT Trust must be Stapled to a specifically identified Preference Share issued or to be issued by the Company; and
- (b) the Company must not issue or sell any Preference Shares to any person unless an identical number of Units in the HKT Trust is or will be issued by the Trustee-Manager under the Trust Deed and the Preference Shares are issued or transferred to the same persons to whom the Units are issued or sold (and registered in the Principal Register of Members or the Hong Kong Register of Members in the names of the same persons in which the Units are registered in the Units Register), in the ratio of one specifically identified Preference Share for each Unit and on the basis that each specifically identified Preference Share is Stapled to a Unit in accordance with the provisions of the Trust Deed, so that one may not be dealt with without the other.

While the Trust Deed remains in force, but subject to the Exchange Right, the Company must ensure that each Ordinary Share is specifically identified and remains Linked to a Unit, and that each Preference Share is specifically identified and remains Stapled to a Unit, in accordance with the provisions of the Trust Deed.

The Company's Articles contain detailed provisions:

- (a) prohibiting the Company from taking any action which would result in the Ordinary Shares ceasing to be Linked to the Units or in the Preference Shares ceasing to be Stapled to the Units, or from refraining from doing any act required to maintain those relationships; and
- (b) requiring that Shares may only be offered for subscription and issued by the Company, and may only be transferred by their holders, as part of Share Stapled Units; and not in the forms of the individual components of Ordinary Shares and Preference Shares.

Subject to the foregoing provisions of the Company's Articles, the provisions of the Cayman Companies Law and the memorandum of association of the Company, the unissued shares in the Company (whether forming part of its original or any increased capital) shall be at the disposal of the Company Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration, and upon such terms, as the Company Board shall determine.

Subject to the foregoing provisions of the Company's Articles, the applicable provisions of the Trust Deed and to any direction that may be given by the Company in general meeting and without

prejudice to any special rights conferred on the holders of any existing shares or attaching to any class of shares, any share may be issued with or have attached thereto such preferred, deferred, qualified or other special rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise, and to such persons at such time and for such consideration as the Company Board may determine. Subject to the Cayman Companies Law and to any special rights conferred on any shareholders or attaching to any class of shares, any share may, with the sanction of a special resolution (as defined in paragraph 2.6 below), be issued on terms that it is, or at the option of the Company or the holder thereof, liable to be redeemed. No Shares shall be issued to bearer.

(b) Power to dispose of the assets of the Company or any subsidiary

The management of the business of the Company shall be vested in the Company Board which, in addition to the powers and authorities by the Company's Articles expressly conferred upon it, may exercise all such powers and do all such acts and things as may be exercised or done or approved by the Company and are not by the Company's Articles or the Cayman Companies Law expressly directed or required to be exercised or done by the Company in general meeting, but subject nevertheless to the provisions of the Cayman Companies Law and of the Company's Articles and to any regulation from time to time made by the Company in general meeting not being inconsistent with such provisions or the Company's Articles, provided that no regulation so made shall invalidate any prior act of the Company Board which would have been valid if such regulation had not been made.

(c) Compensation or payment for loss of office

Payment to any Company Director or past Company Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Company Director is contractually entitled) must first be approved by the Company in general meeting.

(d) Loans to Directors

There are provisions in the Company's Articles prohibiting the making of loans to Company Directors and associates which are equivalent to the restrictions imposed by the Companies Ordinance.

(e) Disclosure of interest in contracts with the Company or any of its subsidiaries

No Company Director or proposed Company Director shall be disqualified by his office from contracting with the Company either as vendor, purchaser or otherwise nor shall any such contract or any contract or arrangement entered into by or on behalf of the Company with any person, company or partnership of or in which any Company Director shall be a member or otherwise interested be capable on that account of being avoided, nor shall any Company Director so contracting or being any member or so interested be liable to account to the Company for any profit so realised by any such contract or arrangement by reason only of such Company Director holding that office or the fiduciary relationship thereby established, provided that such Company Director shall, if his interest in such contract or arrangement is material, declare the nature of his interest at the earliest meeting of the Company Board at which it is practicable for him to do so, either specifically or by way of a general notice stating that, by reason of the facts specified in the notice, he is to be regarded as interested in any contracts of a specified description which may subsequently be made by the Company.

A Company Director shall not be entitled to vote on (nor shall he be counted in the quorum in relation to) any resolution of the Company Board in respect of any contract or arrangement or any other proposal in which the Company Director or any of his associates has any material interest, and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

- (i) the giving to such Company Director or any of his associates of any security or indemnity in respect of money lent or obligations incurred by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Company Director or any of his associates has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (iii) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Company Director or any of his associates is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (iv) any proposal concerning any other company in which the Company Director or any of his associates is/are interested only, whether directly or indirectly, as an officer, executive or shareholder or in which the Company Director or any of his associates is/are beneficially interested in shares of that company, provided that the Company Director and any of his associates, are not in aggregate beneficially interested in 5% or more of the issued shares of any class of such company (or of any third company through which his interest or that of any of his associates is derived) or of the voting rights;
- (v) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries including:
 - the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which the Company Director or any of his associates may benefit; or
 - the adoption, modification or operation of a pension or provident fund or retirement, death or disability benefits scheme which relates both to Company Directors, their associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Company Director or any of his associates as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
- (vi) any contract or arrangement in which the Company Director or any of his associates is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his interest in shares or debentures or other securities of the Company.

(f) *Remuneration*

The Company Directors shall be entitled to receive by way of remuneration for their services such sum as shall from time to time be determined by the Company in general meeting or by the

Company Board, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Company Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Company Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. Such remuneration shall be in addition to any other remuneration to which a Company Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

The Company Directors shall also be entitled to be paid all expenses, including travel expenses, reasonably incurred by them in or about the performance of their duties as Company Directors including their expenses of travelling to and from Company Board meetings, committee meetings or general meetings or otherwise incurred whilst engaged on the business of the Company or in the discharge of their duties as Company Directors.

The Company Board may grant special remuneration to any Company Director who shall perform any special or extra services at the request of the Company. Such special remuneration may be made payable to such Company Director in addition to or in substitution for his ordinary remuneration as a Company Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be agreed.

The remuneration of an executive Company Director or a Company Director appointed to any other office in the management of the Company shall from time to time be fixed by the Company Board and may be by way of salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including share option and/or pension and/or gratuity and/or other benefits on retirement) and allowances as the Company Board may from time to time decide. Such remuneration shall be in addition to such remuneration as the recipient may be entitled to receive as a Company Director.

(g) Retirement, appointment and removal

The number of Company Directors shall not be less than two.

While the Trust Deed remains in force:

- (a) the Company Board shall at all times comprise the same individuals who serve as directors of the Trustee-Manager; and
- (b) no person shall serve as a Company Director unless he also serves as a director of the Trustee-Manager at the same time.

Subject to the foregoing provisions, the Company Board shall have power from time to time and at any time to appoint any person as a Company Director, either to fill a casual vacancy or as an addition to the Company Board. Any Company Director so appointed shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at that meeting, subject to compliance with the provisions described above.

The Company may by ordinary resolution (as defined in paragraph 2.6 below) at any time remove any Company Director (including a managing Company Director or other executive Company Director) before the expiration of his period of office notwithstanding anything in the Company's Articles or in any agreement between the Company and such Company Director (but without

prejudice to any claim for compensation or damages payable to him in respect of the termination of his appointment as Company Director or of any other appointment or office as a result of the termination of his appointment as Company Director). Subject to compliance with the Company's Articles, the Company may by ordinary resolution elect another person in his place. Any Company Director so elected shall hold office during such time only as the Company Director in whose place he is appointed would have held the same if he had not been removed. The Company may also by ordinary resolution elect any person to be a Company Director, either to fill a casual vacancy or as an addition to the existing Company Board. Any Company Director so appointed shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. No person shall, unless recommended by the Company Board, be eligible for election to the office of Company Director at any general meeting unless during the period, which shall be at least seven days, commencing no earlier than the day after the despatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, there has been given to the Secretary of the Company notice in writing by a member of the Company (not being the person to be proposed) entitled to attend and vote at the meeting for which such notice is given, of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected.

Where proposals are under consideration concerning the appointment (including fixing or varying the terms of or terminating the appointment) of two or more Company Directors to offices or employments with the Company or any company in which the Company is interested, such proposals shall be divided and considered in relation to each Company Director separately and in such case each of the Company Directors concerned, if not prohibited from voting under the Company's Articles, shall be entitled to vote (and be counted in the quorum) in respect of each resolution except that concerning his own appointment.

There is no shareholding qualification for Company Directors nor is there any specified age limit for Company Directors.

The office of a Company Director shall be vacated:

- (i) if he resigns his office by notice in writing to the Company at its registered office or its principal office in Hong Kong;
- (ii) if an order is made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Company Board resolves that his office be vacated;
- (iii) if, without leave, he is absent from meetings of the Company Board (unless an alternate Company Director appointed by him attends) for a continuous period of 12 months, and the Company Board resolves that his office be vacated;
- (iv) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (v) if he ceases to be or is prohibited from being a director by law or by virtue of any provision in the Company's Articles;
- (vi) if he ceases to be a director of the Trustee-Manager;

- (vii) if he shall be removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Company Directors (including himself) then in office; or
- (viii) if he shall be removed from office by an ordinary resolution of the members of the Company under the Company's Articles.

At every annual general meeting of the Company one-third of the Company Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third), shall retire from office by rotation provided that every Company Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Company Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Company Directors retire may fill the vacated office by electing a like number of persons to be Company Directors.

(h) *Borrowing powers*

The Company Board may from time to time at its discretion exercise all the powers of the Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of the Company and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof.

The rights of the Company Board to exercise these powers may only be varied by a special resolution.

(i) *Proceedings of the Company Board*

The Company Board may meet together for the despatch of business, adjourn and otherwise regulate its meetings and proceedings as it thinks fit in any part of the world and may determine the quorum necessary for the transaction of business. Unless otherwise determined, two (2) Company Directors shall be as quorum. Subject to the provision of the Company's Articles, described in paragraph 2.8 below, questions arising at any meeting of the Company Board shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

2.3 *Alteration to constitutional documents*

No alteration or amendment to the memorandum or articles of association may be made except by special resolution provided that while the Trust Deed remains in force the provisions of the memorandum and articles of association must be consistent with the Trust Deed.

2.4 *Variation of rights of existing shares or classes of shares*

If at any time the share capital of the Company is divided into different classes of shares, all or any of the rights attached to any class of shares for the time being issued (unless otherwise provided for in the terms of issue of the shares of that class) may, subject to the provisions of the Cayman Companies Law, be varied or abrogated with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. To every such separate meeting all the

provisions of the Company's Articles relating to general meetings shall *mutatis mutandis* apply, but so that the quorum for the purposes of any such separate meeting and of any adjournment thereof shall be persons present in person (or by proxy or duly authorised representative) being registered holders of at least one-third of the issued shares of that class at the date of the relevant meeting.

The special rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

2.5 Alteration of capital

The Company in general meeting may, from time to time, whether or not all the shares for the time being authorised shall have been issued and whether or not all the shares for the time being issued shall have been fully paid up, by ordinary resolution, increase its share capital by the creation of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts as the resolution shall prescribe.

Subject to the applicable provisions of the Trust Deed, including but not limited to clause 8.2 (*Sub-division and Consolidation of Units*) of the Trust Deed, the Company may from time to time by ordinary resolution:

- (a) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares. On any consolidation of fully paid shares and division into shares of larger amount, the Company Board may, subject to complying with the provisions of the Trust Deed, settle any difficulty which may arise as it thinks expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Company Board for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;
- (b) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled subject to the provisions of the Cayman Companies Law; and
- (c) sub-divide its shares of any of them into shares of smaller amount than is fixed by the memorandum of association, subject nevertheless to the provisions of the Cayman Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares.

The Company may by special resolution reduce its share capital or any capital redemption reserve in any manner authorised and subject to any conditions prescribed by the Cayman Companies Law and the applicable provisions of the Trust Deed.

2.6 Special resolution and ordinary resolution — respective majorities required

A “special resolution” is defined in the Company’s Articles to mean a resolution proposed and passed as such by a majority consisting of 75% or more of the total number of votes cast for and against such resolution at a meeting of members and includes a special resolution approved in writing (in one or more counterparts) signed by all members of the Company for the time being entitled to receive notice of and to attend and vote at general meetings of the Company. Any such resolution shall be deemed to have been passed at a meeting held on the date on which it was signed by the last member to sign.

In contrast, an “ordinary resolution” is defined in the Company’s Articles to mean a resolution proposed and passed as such by a simple majority of the total number of votes cast for and against such resolution, at a general meeting of the members held in accordance with the Company’s Articles and includes an ordinary resolution approved in writing by all the members of the Company aforesaid.

The “members”, as defined in the Company’s Articles, are the persons who are duly registered as the holders from time to time of shares in the Register of Members including persons who are jointly so registered.

2.7 Voting rights*Voting rights conferred by the Ordinary Shares and the Preference Shares*

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting, shares in the Company shall carry votes as follows:

- (i) Ordinary Shares: one vote per Ordinary Share for every registered holder of Ordinary Shares present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy; and
- (ii) Preference Shares: one vote per Preference Share for every registered holder of Preference Shares present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

For as long as the Trust Deed remains in force, in relation to a meeting of Registered Holders of Share Stapled Units, to the extent practicable a single resolution shall be proposed to approve the matter to be considered by the Registered Holders of Units and the members, which resolution shall be characterised as a resolution of the Registered Holders of Share Stapled Units and shall serve as both a resolution of Registered Holders of Units and a resolution of members.

For as long as the Trust Deed remains in force, in relation to meetings of Registered Holders of Units and members to be held separately but concurrently or consecutively in accordance with the Company’s Articles, to the extent practicable, the same or a substantially similar resolution (with any modifications which are necessary or desirable to reflect the manner in which the matter being considered affects the Trust or the Company differently) shall be proposed for consideration at each meeting.

In relation to any resolution to be proposed at a meeting of members to be held concurrently or consecutively with a meeting of Registered Holders of Units in accordance with the Company's Articles, a corresponding resolution shall either first or concurrently be proposed at the meeting of Registered Holders of Units convened under the Company's Articles. This is to enable Registered Holders of Units, by exercising the voting rights conferred by the Units held by them, to give directions to the Trustee-Manager as to how to vote the specifically identified Ordinary Shares held by the Trustee-Manager which are Linked to those Units, in respect of the resolution(s) to be proposed at the meeting of members.

Combined meetings of Registered Holders of Units and members under the Trust Deed characterised as meetings of Registered Holders of Share Stapled Units

For as long as the Trust Deed remains in force, in relation to both meetings of Registered Holders of Share Stapled Units and meetings of Registered Holders of Units and members to be held separately but concurrently or consecutively in accordance with the Company's Articles:

- (a) in respect of each individual Share Stapled Unit, the voting rights conferred by a Unit and the specifically identified Preference Share which is Stapled to it, which are components of the relevant Share Stapled Unit, can only be exercised in the same way (either for or against) in respect of (as the case may be) (i) a single resolution of Registered Holders of Units and members proposed at a meeting of Registered Holders of Share Stapled Units or (ii) a resolution of Registered Holders of Units and a resolution of members dealing with the same, or substantially the same matter proposed at separate but concurrent or consecutive meetings of Registered Holders of Units and members referred to in the Company's Articles; and
- (b) a Registered Holder of a Share Stapled Unit shall cast a single vote in respect of that Share Stapled Unit, either for or against the relevant resolution(s), which shall serve as a vote in respect of both the Unit and the Preference Share constituting that Share Stapled Unit, either for or against (as the case may be) in respect of (as the case may be) (1) a single resolution of Registered Holders of Units proposed at a meeting of Registered Holders of Share Stapled Units, or (2) a resolution of Registered Holders of Units and a resolution of members which deal with the same, or substantially the same, matter proposed at meetings of Registered Holders of Units and members held separately but concurrently or consecutively in accordance with Company's Articles.

Voting of Ordinary Shares held by the Trustee-Manager

The Trust Deed requires that, subject to the immediately following paragraph; the Trustee-Manager shall only exercise the voting rights conferred by the Ordinary Shares held by it in respect of a resolution proposed at a meeting of members:

- (a) if a meeting of Registered Holders of Units is or has been convened and held to consider the same, or substantially the same, matter (with any modifications which are necessary or desirable to reflect the manner in which the matter being considered affects the HKT Trust or the Company differently) or to determine how the Trustee-Manager should exercise the voting rights conferred by the Ordinary Shares at the meeting of members; and

- (b) in the same way (either for or against the relevant resolution) as the votes conferred by the Units to which those Ordinary Shares are Linked are or have been exercised in respect of the resolution of Registered Holders of Units referred to in the Company's Articles.

For as long as the Trust Deed remains in force, the Trustee-Manager is required by the Trust Deed to exercise the voting rights conferred by the Ordinary Shares held by it in respect of a resolution proposed at a meeting of Registered Holders of Share Stapled Units in the same way (either for or against the relevant resolution) as the votes conferred by the Units to which those Ordinary Shares are Linked are or have been exercised in respect of the same resolution

In respect of a resolution of members to be proposed at a meeting of Registered Holders of Share Stapled Units, the Trustee-Manager shall not exercise the voting rights conferred by the Ordinary Shares held by it which are Linked to Units in respect of which no voting rights are or have been exercised at the relevant meeting of Registered Holders of Share Stapled Units.

Exercise of voting rights

A Registered Holder of Share Stapled Units holding more than one Share Stapled Unit (and, therefore, holding more than one Preference Share and having the right to direct the Trustee-Manager how to vote in respect of more than one Ordinary Share) may vote some of the Share Stapled Units (and, therefore, vote the Preference Shares Stapled to those Share Stapled Units and direct the Trustee-Manager how to vote in respect of the Ordinary Shares Linked to those Share Stapled Units) registered in his name in favour of a resolution proposed at a meeting of Registered Holders of Share Stapled Units and some of them against the relevant resolution provided that the provisions of the Company's Articles are complied with in respect of each individual Share Stapled Unit registered in his name. Similarly, a Registered Holder of Share Stapled Units holding more than one Share Stapled Unit may vote some of the Share Stapled Units registered in his name in favour of both resolutions dealing with the same, or substantially the same, matter proposed at separate meetings of Registered Holders of Units and members held concurrently or consecutively under the Company's Articles and some of them against both resolutions, provided that the provisions of the Company's Articles are complied with in respect of each individual Share Stapled Unit registered in his name (and, therefore, the Preference Share Stapled to the relevant Share Stapled Unit and the Ordinary Share Linked to the relevant Share Stapled Unit).

Effect of completing composite form of proxy or voting paper

To the extent permitted by the Relevant Laws and Regulations, in the case of a meeting of Registered Holders of Share Stapled Units, the form of proxy to be provided to Registered Holders of Share Stapled Units, and the form of voting paper, will, in each case, be a single, composite, form. Unless otherwise expressly stated in the form of proxy or the form of voting paper provided for use in respect of the meeting of Registered Holders of Share Stapled Units, the effect of completing a form of proxy or voting paper (as the case may be) indicating a vote either for or

against a resolution characterised in the form of proxy or voting paper as a resolution of Registered Holders of Share Stapled Units to be proposed at a meeting of Registered Holders of Share Stapled Units shall be that the vote given in respect of the Share Stapled Units in question shall constitute:

- (a) a vote of the Units included in the Share Stapled Units, in respect of any required resolution of Registered Holders of Units;
- (b) a vote of the Preference Shares Stapled to those Units in respect of any required resolution of members; and
- (c) an instruction to the Trustee-Manager to vote the number of Ordinary Shares Linked to the relevant Units in the same way (either for or against) the relevant resolution in respect of any required resolution of members.

To the extent permitted by Relevant Laws and Regulations, in the case of meetings of Registered Holders of Units and members held separately but concurrently or consecutively under the Company's Articles to consider the same, or substantially the same, resolution (with any modifications which are necessary or desirable to reflect the manner in which the matter being considered affects the Trust or the Company differently), the form of proxy and the form of voting paper provided for use in respect of the meeting of Registered Holders of Units shall, unless expressly stated otherwise in the relevant form, have the effect that the vote given in respect of Units either for or against a resolution shall also constitute an instruction to the Trustee-Manager to vote the same number of Ordinary Shares which are Linked to the Units in the same way (either for or against) in respect of the resolution dealing with the same, or substantially the same, matter at the separate but concurrent or consecutive meeting of members.

General

Subject to the provisions described above, a member entitled to more than one vote is under no obligation to cast all his votes in the same way. For the avoidance of doubt, where more than one proxy is appointed by a recognised clearing house (or its nominee(s)), each such proxy is, subject to the applicable provisions of the Company's Articles, under no obligation to cast all his votes in the same way.

Where any member of the Company is, under the Listing Rules, required to abstain from voting on any particular resolution or is restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

Joint registered holders

Where there are joint registered holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the Register of Members in respect of the relevant joint holding. Several executors or administrators of a deceased member in whose name any share stands shall for the purposes of the Company's Articles be deemed joint holders thereof.

Votes of members of unsound mind

A member of the Company in respect of whom an order has been made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs may vote by any person authorised in such circumstances to do so and such person may vote by proxy.

Qualification for voting

Save as expressly provided in the Company's Articles or as otherwise determined by the directors, no person other than a member of the Company duly registered and who shall have paid all sums for the time being due from him payable to the Company in respect of his shares shall be entitled to be present or to vote (save as proxy for another member of the Company), or to be counted in a quorum, either personally or by proxy at any general meeting of members.

Voting by poll

At any general meeting of members a resolution put to the vote of the meeting shall be decided on a poll and the result of the poll shall be deemed to be the resolution of the meeting.

Recognised clearing house

If a recognised clearing house (or its nominee) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any general meeting of the Company or at any general meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. The person so authorised will be deemed to have been duly authorised without the need of producing any documents of title, notarised authorisation and/or further evidence for substantiating the facts that it is duly authorised. A person so authorised pursuant to this provision shall be entitled to exercise the same rights and powers on behalf of the recognised clearing house (or its nominee(s)) which he represents as that recognised clearing house (or its nominee(s)) could exercise as if such person were an individual member of the Company holding the number and class of shares specified in such authorisation, notwithstanding any contrary provision contained in the Company's Articles.

2.8 Certain matters requiring prior approval

The Company's Articles require that, notwithstanding anything expressed or implied to the contrary in these Articles, the following matters may only be effected with prior approval by an ordinary resolution of the members and resolutions of the board of directors of the Company and the board of directors of the Trustee-Manager, in each case, passed by affirmative vote of not less than 90%

of the directors of the Company and the Trustee-Manager present and voting (including, by way of an alternate director) at a meeting of the board of directors of the Company and the Trustee-Manager:

- (a) any disposal (including creation of encumbrances or third party rights) after the Listing Date of any assets and business owned and operated by Hong Kong Telecommunications (HKT) Limited and its subsidiaries as at the Listing Date (collectively, the “**Listing Date Telecom Assets**”), to the extent that (i) the total or net asset value of the Listing Date Telecom Assets subject to such disposal and all prior disposals made after the Listing Date (if any) will in aggregate represent 10% or more of the total or net asset value (as the case may be) of the Listing Date Telecom Assets as at the Listing Date or (ii) any of the percentage ratios calculated under Chapter 14 of the Listing Rules would, when applied to such disposal and all prior disposals of Listing Date Telecom Assets made after the Listing Date (if any), be 10% or more;
- (b) any disposal (including creation of encumbrances or third party rights) of any shares, securities or voting interest in Hong Kong Telecommunications (HKT) Limited;
- (c) an issue of any new securities or convertible securities not on a pro-rata basis by the HKT Trust, the Company or Hong Kong Telecommunications (HKT) Limited (or a grant of mandate to any of the board of directors of the Trustee-Manager, the Board or the board of directors of Hong Kong Telecommunications (HKT) Limited to do so); and
- (d) any amendment to the provisions of the Company Articles described in this paragraph 2.8

2.9 Annual general meetings

The Company shall in each year hold a general meeting as its annual general meeting in addition to any other meeting in that year and shall specify the meeting as such in the notice calling it; and not more than 15 months shall elapse (or such longer period as the Stock Exchange may authorise) between the date of one annual general meeting of the Company and that of the next.

2.10 Accounts and audit

The directors shall cause to be kept such books of account as are necessary to give a true and fair view of the state of the Company’s affairs and to show and explain its transactions and otherwise in accordance with the Cayman Companies Law.

The directors shall from time to time determine whether, and to what extent, and at what times and places and under what conditions or regulations, the accounts and books of the Company, or any of them, shall be open to the inspection of members of the Company (other than officers of the Company) and no such member shall have any right of inspecting any accounts or books or documents of the Company except as conferred by the Cayman Companies Law or any other relevant law or regulation or as provided for in the Trust Deed or otherwise authorised by the Company Board or by the Company in general meeting.

The Company Board shall, commencing with the first annual general meeting, cause to be prepared and to be laid before the members of the Company at every annual general meeting a profit and loss account for the period, in the case of the first account, since the incorporation of the Company and, in any other case, since the preceding account, together with a balance sheet as at the date at which the profit and loss account is made up and a Company Director's report with respect to the profit or loss of the Company for the period covered by the profit and loss account and the state of the Company's affairs as at the end of such period, an auditor's report on such accounts and such other reports and accounts as may be required by law. Copies of those documents to be laid before the members of the Company at an annual general meeting shall not less than 21 clear days before the date of the meeting, be sent in the manner in which notices may be served by the Company as provided in the Company's Articles to every member of the Company and every holder of debentures of the Company provided that the Company shall not be required to send copies of those documents to any person of whose address the Company is not aware or to more than one of the joint holders of any shares or debentures.

The Company shall at any annual general meeting appoint an auditor or auditors of the Company who shall hold office until the next annual general meeting. The remuneration of the auditors shall be fixed by the Company at the annual general meeting at which they are appointed provided that in respect of any particular year the Company in general meeting may delegate the fixing of such remuneration to the Company Board.

For as long as the Trust Deed remains in force, the auditors of the Company and the auditors of the HKT Trust and the Trustee-Manager shall, at all times, be the same person or firm.

2.11 Notice of meetings and business to be conducted thereat

An annual general meeting and any extraordinary general meeting called for the passing of a special resolution shall be called by not less than 21 days notice in writing and any other extraordinary general meeting shall be called by not less than 14 days notice in writing. Subject to the requirements under the Listing Rules, the notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the time, place and agenda of the meeting, particulars of the resolutions to be considered at the meeting and, in the case of special business, the general nature of that business. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Notice of every general meeting shall be given to the auditors and all members of the Company (other than those who, under the provisions of the Company's Articles or the terms of issue of the shares they hold, are not entitled to receive such notice from the Company).

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:

- (a) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat or their proxies; and
- (b) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right.

To the extent permitted under the relevant laws and regulations, meetings of members and meetings of Registered Holders of Units shall be held on a combined basis as a single meeting characterised as a meeting of Registered Holders of Share Stapled Units.

If that is not possible under the relevant laws and regulations, the meetings convened under Article 12.10 (as described above) shall be held separately, but concurrently or, if that is not possible under the relevant laws and regulations, the meetings convened under Article 12.10 (as described above) shall be held separately and consecutively, with the meeting of Registered Holders of Units being held immediately prior to the meeting of members. The meeting of Registered Holders of Units is required to be held concurrently with, or immediately prior to, the meeting of members in order to enable the Registered Holders of Units, by exercising the voting rights conferred by the Units held by them, to give directions to the Trustee-Manager as to how to vote the specifically identified Ordinary Shares held by the Trustee-Manager which are Linked to those Units, in respect of the resolution(s) to be proposed at the meeting of members.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (a) the declaration and sanctioning of dividends;
- (b) the consideration and adoption of the accounts and balance sheets and the reports of the Company Directors and the auditors and other documents required to be annexed to the balance sheet;
- (c) the election of Company Directors in place of those retiring;
- (d) the appointment of auditors; and
- (e) the fixing of, or the determining of the method of fixing of, the remuneration of the Company Directors and of the auditors.

2.12 Transfer of shares

While the Trust Deed remains in force:

- (a) Preference Shares may only be transferred as components of Share Stapled Units in accordance with the provisions of clause 9 (*Share Stapled Units Register and Transfer of Share Stapled Units*) of the Trust Deed and the Company's Articles; and
- (b) Ordinary Shares can only be held by the Trustee-Manager upon and subject to the terms and conditions of the Trust Deed and, subject to the Exchange Right, cannot be transferred by the Trustee-Manager.

While the Trust Deed remains in force and if and for so long as the Share Stapled Units are listed on the Stock Exchange, transfers of Share Stapled Units between CCASS Participants shall be effected electronically through CCASS making an appropriate entry in its records in respect of the Share Stapled Units that have been transferred, in accordance with the CCASS Rules and Procedures and the applicable provisions of the Company's Articles shall not apply to such transfers.

While the Trust Deed remains in force, in respect of Share Stapled Units which are not deposited with CCASS, every Registered Holder of Share Stapled Units shall be entitled to transfer any of the Share Stapled Units held by him (including the Preference Shares which are components of those Share Stapled Units) or, in the case of Joint Registered Holders of Share Stapled Units, by them, as follows:

- (a) a transfer of Share Stapled Units (including the Preference Shares which are components of those Share Stapled Units) shall be effected (i) by an instrument of transfer in writing in such form as the Company and the Trustee-Manager may from time to time approve accompanied by the certificate(s) issued in respect of the relevant Share Stapled Units or (ii) in any other manner as the Company and the Trustee-Manager may from time to time approve; and
- (b) every instrument of transfer referred to in (a) above relating to Share Stapled Units (including the Preference Shares which are components of those Share Stapled Units) must be signed by the transferor and the transferee and the transferor shall be deemed to remain the holder of the Share Stapled Units transferred until the name of the transferee is entered in the Share Stapled Units Register in respect thereof. The instrument of transfer need not be a deed. The Company and the Trustee-Manager may also agree, upon request by the transferor or the transferee, to accept mechanically executed transfers. Instruments of transfer executed by machine imprinted signatures of a clearing house shall be acceptable.

While the Trust Deed remains in force, every instrument of transfer relating to Share Stapled Units must be duly stamped (if required by law) and left with the Registrar (or where there is no Registrar, with the Trustee-Manager) for registration accompanied by the certificate(s) issued in respect of the relevant Share Stapled Units and any necessary declarations or other documents that may be required in consequence of any relevant laws and regulations and by such evidence as the Registrar or the Company or the Trustee-Manager may require to prove the title of the transferor or his right to transfer those Share Stapled Units (including the Preference Shares which are components of those Share Stapled Units). The Registrar (or where there is no Registrar, the Trustee-Manager) may dispense with the production of any certificate which shall have become lost, stolen or destroyed upon compliance by the transferor with the like requirements to those arising in the case of an application by him for the replacement thereof.

While the Trust Deed remains in force, in respect of Share Stapled Units which are not deposited with CCASS, the Company and the Trustee-Manager shall alter or cause to be altered the Share Stapled Units Register (and the Register of Members and the Register of Beneficial Interests) to record the date of each transfer of Share Stapled Units (including the Preference Shares which are components of those Share Stapled Units) and the name and address of the transferee.

While the Trust Deed remains in force, no Registered Holder of a Share Stapled Unit (including the Preference Share which is a component of the Share Stapled Unit) may require the transfer of a Share Stapled Unit (including the Preference Share which is a component of the Share Stapled Unit) to be registered during any period for which the Register of Members, and/or the Register of Beneficial Interests is closed under the Company's Articles.

While the Trust Deed remains in force, Preference Shares shall only be transferrable:

- (a) in the form of Share Stapled Units; and
- (b) in multiples of one Share Stapled Unit.

No transfer shall be registered if the registration thereof would result in the transferor or the transferee being a registered holder of less than one share.

While the Trust Deed remains in force, no transfer or purported transfer of a share other than a transfer made in accordance with the Company's Articles and clause 9.7 (*Transfer of Share Stapled Units*) of the Trust Deed shall entitle the transferee to be registered in respect thereof. No notice of such transfer or purported transfer (other than as aforesaid) shall be entered upon the Register of Members, the Share Stapled Units Register, the Units Register, the Register of Beneficial Interests or any other register.

2.13 Repurchase and redemption

Except for the redemption of the Preference Shares in accordance with the provisions of the Trust Deed and the Company's Articles, the Company shall not repurchase or redeem any shares otherwise than as components of Share Stapled Units and unless and until the Company is permitted to repurchase or redeem Share Stapled Units by relevant codes and guidelines issued by the SFC from time to time. Following the introduction of any such codes and guidelines issued by the SFC, for as long as the Trust Deed remains in force and except for the repurchase or redemption of the Preference Shares in accordance with the provisions of the Trust Deed and the Company's Articles, the Company may only repurchase or redeem Shares as components of Share Stapled Units repurchased or redeemed and only to the extent permitted by, and in accordance with the provisions of, any or all laws and regulations in Hong Kong that apply to the Company (including the SFO, the Listing Rules and all directions, guidelines or requirements imposed by any competent authority to apply to the Company, as the same may be modified, amended, supplemented, revised or replaced from time to time), and any applicable codes and guidelines as may be issued by the SFC from time to time.

The circumstances in which the Preference Shares may be redeemed in accordance with the provisions of the Trust Deed and the Company's Articles are described in detail in the section headed "The Constitution of the HKT Trust — Termination of the HKT Trust" of this prospectus and in paragraph 4 below in this section. In addition, the Preference Shares would be exchanged and cancelled on an exercise of the Exchange Right. That provision is described in detail in the section headed "The Constitution of the HKT Trust — Exchange Right" of this prospectus and in paragraph 3 below in this section.

2.14 Power of any subsidiary of the Company to own Shares

There are no provisions in the Company's Articles relating to the ownership of shares by a subsidiary.

2.15 Dividends and other methods of distributions

Subject to the Cayman Companies Law and the Company's Articles, the Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Company Board. Dividends shall only be payable in respect of the Ordinary Shares. The Preference Shares confer no rights to or in respect of dividends. The Company Board may from time to time pay to the holders of the Ordinary Shares such interim dividends as appear to the Company Board to be justified. The Company Board may in addition from time to time declare and pay special dividends on the Ordinary Shares of such amounts and on such dates as it thinks fit.

The Company's Articles state that, as reflected in a resolution of the Company Board passed on the date of adoption of the Articles, it is the current intention, as at the date of adoption of the Company's Articles, of the Company Board to declare and distribute 100% of the Group's Annual Adjusted Funds Flow, after adjusting for potential debt repayment, if required, for each financial year to the Trustee-Manager in respect of the Ordinary Shares held by it, to fund distributions in respect of the Units to be made by the Trustee-Manager. It is currently the intention of the Company Board that the Company will declare and make distributions to the Trustee-Manager on a semi-annual basis, with the interim and final distributions in respect of a full financial year being equal, in aggregate, to 100% of the Group's Annual Adjusted Funds Flow in respect of the relevant financial year, after adjusting for potential debt repayment, if required, in respect of that financial year. The respective proportions of the aggregate annual distribution to be paid as an interim distribution and a final distribution shall be determined by the Company Board in its discretion; and the amount of the interim distribution need not be equal to the amount of the Group's Adjusted Funds Flow (after adjusting for potential debt repayment, if required) in respect of the first six months of the financial year (or other period in respect of which the distribution is made) or proportionate to the Annual Adjusted Funds Flow (after adjusting for potential debt repayment, if required) in respect of the relevant financial year.

The Company Directors' current intention to declare and distribute 100% of the Group's Annual Adjusted Funds Flow, after adjusting for potential debt repayment, if required, in respect of each financial year to the Trustee-Manager to fund distributions in respect of the Units is a distribution policy only and a statement of the Company Board's current intention, as at the date of adoption of the Company's Articles only. It is not a legally binding obligation of the Company and is subject to change. Nor is it guaranteed by any person. The form, frequency and amount of future distributions (if any) in respect of Share Stapled Units will depend on the earnings, financial position and results of operations of the Group, as well as contractual restrictions (including compliance with financial undertakings imposed under the Group's loan facilities agreements), provisions of applicable laws and regulations and other factors including but not limited to funding requirements with reference to the prevailing business environment and operations, and expansion plans, other capital management considerations, the overall stability of distributions and prevailing industry practice.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. For these purposes no amount paid up on a share in advance of calls shall be treated as paid up on the share.

The Company Directors may retain any dividends or other moneys payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Company Directors may also deduct from any dividend or other monies payable to any member of the Company all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

No dividend shall carry interest against the Company.

Subject to the Company's Articles, whenever the directors or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the directors may

further resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up provided that the holders of Ordinary Shares entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the holders of Ordinary Shares entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Company Board may think fit. The Company may upon the recommendation of the Company Board by ordinary resolution resolve in respect of any one particular dividend of the Company that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to holders of Ordinary Shares to elect to receive such dividend in cash in lieu of such allotment.

Unless otherwise directed by the Company Board, any dividend, interest or other sum payable in cash to a holder of shares may be paid by cheque or warrant sent through the post to the registered address of the member of the Company entitled, or in the case of joint holders, to the registered address of the person whose name stands first in the Register of Members of the Company in respect of the joint holding to such person and to such address as the holder or joint holders may in writing direct. Every cheque or warrant so sent shall be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the Register of Members of the Company in respect of such shares, and shall be sent at his or their risk and the payment of any such cheque or warrant by the bank on which it is drawn shall operate as a good discharge to the Company in respect of the dividend and/or bonus represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that any endorsement thereon has been forged. The Company may cease sending such cheques for dividend entitlements or dividend warrants by post if such cheques or warrants have been left uncashed on two consecutive occasions. However, the Company may exercise its power to cease sending cheques for dividend entitlements or dividend warrants after the first occasion on which such a cheque or warrant is returned undelivered.

All dividends unclaimed for six years after having been declared may be forfeited by the Company Board and shall revert to the Company.

The Company Board, with the sanction of an ordinary resolution of the members of the Company in general meeting, may direct that any dividend be satisfied wholly or in part by the distribution of specific assets of any kind to the holders of Ordinary Shares, and in particular of paid up shares, debentures or warrants to subscribe securities of any other company, and where any difficulty arises in regard to such distribution the Company Board may settle it as it thinks expedient, and in particular may disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of the Company, and may fix the value for distribution of such specific assets and may determine that cash payments shall be made to any holders of Ordinary Shares upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Company Board.

2.16 Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person (who must be an individual) as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting.

A proxy need not be a member of the Company. A member may appoint any number of proxies to attend in his stead at any one general meeting (or at any one class meeting).

Instruments of proxy shall be in such form that complies with the Listing Rules as the Company Board may from time to time approve provided that it shall enable a member, according to his intention, to instruct his proxy to vote in favour of or against (or in default of instructions or in the event of conflicting instructions, to exercise his discretion in respect of) each resolution to be proposed at the meeting to which the form of proxy relates. The instrument appointing a proxy to vote at a general meeting shall (a) be deemed to confer authority to vote on any amendment of a resolution put to the meeting for which it is given as the proxy thinks fit and (b) unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates provided that the meeting was originally held within 12 months from such date.

The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney authorised in writing or if the appointor is a corporation either under its seal or under the hand of an officer, attorney or other person authorised to sign the same. The Company Board shall have the right to reject an instrument appointing a proxy which has not been properly completed. In determining the rights to vote and other matters in respect of a completed instrument of proxy submitted to it, the Company Board shall have regard to any instructions and/or notes set out in the instrument of proxy.

The instrument appointing a proxy and (if required by the Company Board) the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered at the registered office of the Company (or at such other place as may be specified in the notice convening the meeting or in any notice of any adjournment or, in either case, in any document sent therewith) not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, not less than 48 hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid provided always that the Chairman of the meeting may at his discretion direct that an instrument of proxy shall be deemed to have been duly deposited upon receipt of facsimile confirmation from the appointor that the instrument of proxy duly signed is in the course of transmission to the Company. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date named in it as the date of its execution. Delivery of any instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

2.17 Calls on Shares and forfeiture of Shares

For as long as the Trust Deed remains in force, the Company shall not issue any partly paid shares; provided that nothing in the Company's Article or in the Trust Deed shall prohibit or restrict the Company from allotting or issuing any share on terms that the entire sum payable for the share is payable upon allotment or issue or by a fixed date falling no later than 10 Business Days following the date of allotment or issue of the share (or such later time as the Company Board may determine).

Subject to the foregoing, which applies for so long as the Trust Deed is in force, the Company Board may from time to time make such calls as it may think fit upon the members of the Company in respect of any moneys unpaid on their shares (whether on account of the nominal amount of the

shares or by way of premium or otherwise) and not by the conditions of allotment thereof made payable at fixed times and each member of the Company shall (subject to the Company's Articles and the Company serving upon him at least 14 days' notice specifying the time and place of payment) pay to the Company at the time and place so specified the amount called on his shares. A call may be revoked or postponed as the Company Board may determine. A person upon whom a call is made shall remain liable on such call notwithstanding the subsequent transfer of the shares in respect of which the call was made.

The Company's Articles provides that, for as long as the Trust Deed remains in force, the Company may only make calls upon terms agreed with the Trustee-Manager and such terms shall be consistent with the Trust Deed.

A call may be made payable either in one sum or by instalments and shall be deemed to have been made at the time when the resolution of the Company Board authorising the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and instalments due in respect of such share or other moneys due in respect thereof.

If the sum or any instalment payable in respect of any call is unpaid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 15% per annum as the Company Board shall determine from the day appointed for the payment thereof to the time of actual payment, but the Company Board may waive payment of such interest wholly or in part.

If a member fails to pay any call or installment of a call on the day appointed for payment thereof, the Company Board may at any time during such time as any part thereof remains unpaid serve a notice on the holder of such shares requiring payment of so much of the call or instalment as is unpaid together with any interest which may have accrued and which may still accrue up to the date of actual payment. For so long as the Trust Deed continues in force, the Company shall obtain the consent of the Trustee-Manager before serving any such notice.

The notice shall name a further day (not being less than 14 days from the date of service of the notice) on or before which, and the place where, the payment required by the notice is to be made, and shall state that in the event of non-payment on or before the time and at the place appointed, the shares in respect of which such call was made or installment is unpaid will be liable to be forfeited.

Subject to the prior consent of the Trustee-Manager, if the requirements of such notice are not complied with, any share in respect of which such notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Company Board to that effect. Such forfeiture shall include all dividends and bonuses declared in respect of the forfeited shares and not actually paid before the forfeiture. A forfeited share shall be deemed to be the property of the Company and, subject to the applicable provisions of the Trust Deed and the Company's Articles, may be sold, re-allotted or otherwise disposed of or cancelled.

A person whose shares have been forfeited shall cease to be a member of the Company in respect of the forfeited shares but shall, notwithstanding the forfeiture, remain liable to pay to the Company all moneys which at the date of forfeiture were payable by him to the Company in respect of the shares, together with (if the Company Board shall in its discretion so require) interest thereon at

such rate not exceeding 15% per annum as the Company Board may prescribe from the date of forfeiture until payment, and the Company Board may enforce payment thereof without being under any obligation to make any allowance for the value of the shares forfeited, at the date of forfeiture.

2.18 Inspection of register of members

There shall be entered in the Principal Register of Members or the Hong Kong Register of Members (as the case may be) the following information as soon as practicable after the Trustee-Manager, the Company or the Registrar receives the relevant information:

- (a) the names and addresses of the registered holders of shares (and, in the case where the registered holder of shares is HKSCC Nominees, the name and address of HKSCC Nominees);
- (b) the number of shares held by each registered holder of shares, the distinctive numbers of the Ordinary Shares and Preference Shares held and the distinctive numbers of the certificate, if any, issued in respect thereof;
- (c) the date on which every such person entered in the Principal Register of Members or the Hong Kong Register of Members, as the case may be, in respect of the shares standing in his name became a registered holder of shares;
- (d) the date on which any transfer is registered, the name and address of the transferee and, where practicable, a sufficient reference to enable the name and address of the transferor to be identified;
- (e) the date on which any person ceased to be a registered holder of shares; and
- (f) the date on which any shares have been repurchased or redeemed pursuant to Articles 3.19, 35 or 36.

For as long as the Trust Deed remains in force:

- (a) the Trustee-Manager shown in the Register of Members as the registered holder of Ordinary Shares shall be the legal owner of the relevant Ordinary Shares, but shall hold those Ordinary Shares on the trusts constituted by the Trust Deed and subject to the beneficial interests of the Registered Holders of Units which are Linked to those Ordinary Shares, in accordance with the provisions of the Trust Deed;
- (b) each Registered Holder of a Unit shown in the Units Register shall have a beneficial interest (on and subject to the terms and conditions of the Trust Deed) in a number of Ordinary Shares registered in the name of the Trustee-Manager in the register equal to the number of Units registered in the name of the relevant Registered Holder of Units;
- (c) specifically, each Registered Holder of a Unit shown in the Units Register shall have a beneficial interest (on and subject to the terms and conditions of the Trust Deed) in the specifically identified Ordinary Share which is Linked to the relevant Unit registered in the name of the Registered Holder of that Unit; and

- (d) each transfer of Units in the Units Register shall include the transfer of the beneficial interest of the Registered Holder of Units in an equal number of Ordinary Shares registered in the name of the Trustee-Manager in the Register of Members (specifically, the specifically identified Ordinary Shares which are Linked to the Units being transferred), to the same transferee.

The Register of Member and/or the Register of Beneficial Interests may, on 14 days' notice being given by announcement published on the Stock Exchange's website, or subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Company's Articles or by announcement published in the newspapers, be closed at such times and for such periods as the Company Board may from time to time determine, either generally or in respect of any class of shares, provided that the Register of Members and/or the Register of Beneficial Interests shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

The Hong Kong Register of Members, which is established and maintained by the Company as a branch register in Hong Kong in accordance with the provisions of the Company's Articles, and the Register of Beneficial Interests shall during normal business hours (subject to such reasonable restrictions as the directors may impose) be open to inspection by any member of the Company without charge and by any other person on payment of such fee not exceeding HK\$2.50 (or such higher amount as may from time to time be permitted under the Listing Rules) as the Company Board may determine for each inspection.

2.19 Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment, choice or election of a chairman which shall not be treated as part of the business of the meeting.

Two members of the Company present in person (or in the case of a corporation, by its duly authorised representatives or by proxy shall be a quorum provided always that if the Company has only one member of record the quorum shall be that one member present in person or by proxy.

Any corporation which is a member of the Company may, by resolution of its directors or other governing body or by power of attorney, authorise such person as it thinks fit to act as its representative at any meeting of the Company or of members of any class of shares of the Company and the person so authorised shall be entitled to exercise the same powers on behalf of the corporation which he represents as that corporation could exercise if it were an individual member of the Company and where a corporation is so represented, it shall be treated as being present at any meeting in person.

The quorum for a separate general meeting of the holders of a separate class of shares of the Company is described in paragraph 2.4 above.

2.20 Rights of minorities in relation to fraud or oppression

There are no provisions in the Company's Articles concerning the rights of minority shareholders in relation to fraud or oppression.

2.21 Procedure on liquidation

If the Company shall be wound up, the assets available for distribution amongst the members of the Company shall be distributed in the following order of priority:

- (a) first, in paying to holders of Preference Shares an amount equal to the Offer Price per Preference Share and if there is a shortfall the proceeds shall be distributed to the holders of the Preference Shares in proportion to the amounts due on each such Preference Share held; and
- (b) thereafter, the balance of such assets shall be distributed amongst the holders of the Preference Shares and the Ordinary Shares (*pari passu*) as if the same constituted one class of share (in proportion to the number of shares held by them respectively).

The foregoing is without prejudice to the rights of the holders of shares issued upon special terms and conditions.

If the Company shall be wound up, the liquidator may with the sanction of a special resolution of the Company and any other sanction required by the Cayman Companies Law, divide amongst the members of the Company in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members of the Company. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the members of the Company as the liquidator, with the like sanction and subject to the Cayman Companies Law, shall think fit, but so that no member of the Company shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

2.22 Untraceable members

Subject to the Company's Articles, the Company shall be entitled to sell any shares of a member of the Company or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if: (i) all cheques or warrants, not being less than three in number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) the Company has not during that time or before the expiry of the three month period referred to in (iv) below received any indication of the whereabouts or existence of the member; (iii) during the 12 year period, at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the member; and (iv) upon expiry of the 12 year period, the Company has caused an announcement to be published in the newspapers or subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Company's Articles, giving notice of its intention to sell such shares and a period of three months has elapsed since such announcement and the Stock Exchange has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds it shall become indebted to the former member for an amount equal to such net proceeds.

For as long as the Trust Deed remains in force, the Company may only exercise the rights described in the paragraph immediately above subject to, and in compliance with, the provisions of the Trust Deed and the provisions of the Company's Articles described above requiring that the Ordinary Shares remain Linked to Units and the Preference Shares remain Stapled to Units.

3. Repurchase and Cancellation of the Preference Shares on exercise of the Exchange Right

Subject to the provisions of the Cayman Companies Law, if the Exchange Right is exercised under clause 12 (*Exchange*) of the Trust Deed, the Preference Shares Stapled to the Units shall be exchanged by the Registered Holders of Share Stapled Units with the Trustee-Manager for the Ordinary Shares held by the Trustee-Manager which are Linked to the Units, and the Preference Shares shall be exchanged and cancelled pursuant to the exercise of the Exchange Right. The consideration for the exchange and cancellation of each Preference Share is the transfer, to the Registered Holder of the Share Stapled Unit of which the Preference Share (and the Unit to which it is Stapled) is a component, of the specifically identified Ordinary Share held by the Trustee-Manager, the beneficial interest in which is a component of the relevant Share Stapled Unit. The Trust Deed provides that following the exercise of the Exchange Right, the Company will repurchase, from the Trustee-Manager, all of the issued Preference Shares which have been exchanged by the former Registered Holders of Share Stapled Units with the Trustee-Manager pursuant to the exercise of the Exchange Right, for an aggregate purchase price of HK\$1.00. Subject to that, the Company is not required to provide any additional consideration for or in connection with the exchange and cancellation of any Preference Share on exercise of the Exchange Right.

On the Exchange Date (as defined in the Company's Articles), all of the Preference Shares shall be cancelled and any and all certificates issued in respect of the Preference Shares shall cease to be valid.

4. Redemption of Preference Shares in the event that the HKT Trust is terminated

If the HKT Trust is terminated under clause 25 (*Termination of the Trust*) of the Trust Deed (otherwise than pursuant to clause 25.1(b) of the Trust Deed as a result of the exercise of the Exchange Right, which is governed by the provisions described in paragraph 3 above), subject to the provisions of the Cayman Companies Law all the Preference Shares shall be redeemed by the Company in full on a date to be agreed by the Trustee-Manager and the Company and notified to the members.

In the case of a redemption under this provision in the event of a termination of the HKT Trust (otherwise than as a result of the exercise of the Exchange Right), the Company shall pay on each of the Preference Shares redeemed an amount equal to the par value of the Preference Share.

On the day fixed for the redemption of the Preference Shares, the Company shall pay to each holder of Preference Shares, in Hong Kong dollars, the amount payable in respect of such redemption and upon receipt of that amount each such holder shall surrender to the Company the certificates for his Preference Shares in order that they may be cancelled. Irrespective of whether a certificate is delivered to the Company for cancellation, all such certificates shall be cancelled and cease to be valid with effect from the date of payment of the amount payable by the Company in respect of such redemption.

SUMMARY OF CAYMAN COMPANIES LAW AND TAXATION**1 Introduction**

The Cayman Companies Law is derived, to a large extent, from the older Companies Acts of England, although there are significant differences between the Cayman Companies Law and the

current Companies Act of England. Set out below is a summary of certain provisions of the Cayman Companies Law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of corporate law and taxation which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

2 Incorporation

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 14 June 2011, under the Cayman Companies Law. As such, its operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the size of its authorised share capital.

3 Share capital

The Cayman Companies Law permits a company to issue ordinary shares, preference shares, redeemable shares or any combination thereof.

The Cayman Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premia on those shares shall be transferred to an account called the “share premium account”. At the option of a company, these provisions may not apply to premia on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Cayman Companies Law provides that the share premium account may be applied by a company, subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation:

- (a) paying distributions or dividends to members;
- (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (c) in the redemption and repurchase of shares (subject to the provisions of section 37 of the Cayman Companies Law);
- (d) writing-off the preliminary expenses of the company; and
- (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid the company shall be able to pay its debts as they fall due in the ordinary course of business.

The Cayman Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

Subject to the detailed provisions of the Cayman Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of

association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Cayman Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. The manner and terms of such a purchase must be authorised either by the Articles of Association or by an ordinary resolution of the company. The Articles of Association may provide that the manner and terms of purchase may be determined by the directors of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company shall be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company shall not be treated as a member for any purpose and shall not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share shall not be voted, directly or indirectly, at any meeting of the company and shall not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Cayman Companies Law. Further, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and to act in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

4 Dividends and distributions

With the exception of section 34 of the Cayman Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands in this area, dividends may be paid only out of profits. In addition, section 34 of the Cayman Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 3 above for further details).

5 Shareholders' suits

The Cayman Islands courts can be expected to follow English case law precedents. The rule in *Foss v. Harbottle* (and the exceptions thereto which permit a minority shareholder to commence a class action against or derivative actions in the name of the company to challenge (a) an act which

is *ultra vires* the company or illegal, (b) an act which constitutes a fraud against the minority where the wrongdoers are themselves in control of the company, and (c) an action which requires a resolution with a qualified (or special) majority which has not been obtained) has been applied and followed by the courts in the Cayman Islands.

6 Protection of minorities

In the case of a company (not being a bank) having a share capital divided into shares, the Grand Court of the Cayman Islands may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Grand Court shall direct.

Any shareholder of a company may petition the Grand Court of the Cayman Islands which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Claims against a company by its shareholders must, as a general rule, be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

The English common law rule that the majority will not be permitted to commit a fraud on the minority has been applied and followed by the courts of the Cayman Islands.

7 Disposal of assets

The Cayman Companies Law contains no specific restrictions on the powers of directors to dispose of assets of a company. As a matter of general law, in the exercise of those powers, the directors must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the company.

8 Accounting and auditing requirements

The Cayman Companies Law requires that a company shall cause to be kept proper books of account with respect to:

- (a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;
- (b) all sales and purchases of goods by the company; and
- (c) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

9 Register of members

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as its directors may, from time to time, think fit. A branch register shall be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

10 Inspection of books and records

Members of a company will have no general right under the Cayman Companies Law to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

11 Special resolutions

The Cayman Companies Law provides that a resolution is a special resolution when it has been passed by a majority of at least two-thirds (or such greater number as may be specified in the Articles of Association) of such members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given. Written resolutions signed by all the members entitled to vote for the time being of the company may take effect as special resolutions if this is authorised by the Articles of Association.

12 Subsidiary owning shares in parent

The Cayman Companies Law does not prohibit a Cayman Islands company acquiring and holding shares in its parent company provided its objects so permit. The directors of any subsidiary making such acquisition must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the subsidiary.

13 Mergers and consolidations

The Cayman Companies Law permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) "merger" means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company and (b) a "consolidation" means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorised by either (a) a special resolution of each constituent company or (b) such other authorization, if any, as may be specified in such constituent company's articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent

company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

14 Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing 75% in value of shareholders or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting shareholder would have the right to express to the Grand Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Grand Court of the Cayman Islands is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting shareholder would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of his shares) ordinarily available, for example, to dissenting shareholders of United States corporations.

15 Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Grand Court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Grand Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

16 Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

17 Liquidation

A company is placed in liquidation either by an order of the court or by a special resolution (or, in certain circumstances, an ordinary resolution) of its members. A liquidator is appointed whose duties are to collect the assets of the company (including the amount (if any) due from the contributories (shareholders)), settle the list of creditors and discharge the company's liability to them, rateably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

18 Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

19 Taxation

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has applied for an undertaking from the Governor in Cabinet:

- (a) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciations shall apply to the Company or its operations; and
- (b) in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:
 - (i) on or in respect of the shares, debentures or other obligations of the Company; or
 - (ii) by way of withholding in whole or in part of any relevant payment as defined in Section 6(3) of the Tax Concession Law (1999 Revision).

The undertaking is valid for a period of twenty years from 20 September 2011.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties.

20 Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

21 General

Conyers Dill & Pearman, the Company's legal advisors on Cayman Islands law, have sent to the Company a letter of advice summarising aspects of Cayman Islands company law. This letter, together with a copy of the Cayman Companies Law, is available for inspection as referred to in the section headed "Documents delivered to the Registrar of Companies in Hong Kong and available for inspection" in Appendix VI to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he/she is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT THE COMPANY**1. Incorporation**

The Company was incorporated under the Cayman Companies Law in the Cayman Islands as an exempted company with limited liability on 14 June 2011. The Company has established a principal place of business in Hong Kong at 39th Floor, PCCW Tower, TaiKoo Place, 979 King's Road, Quarry Bay, Hong Kong on 24 June 2011 and was registered as a non-Hong Kong company in Hong Kong under Part XI of the Companies Ordinance on 18 July 2011, with Ms. Philana Wai Yin POON, of 39th Floor, PCCW Tower, TaiKoo Place, 979 King's Road, Quarry Bay, Hong Kong appointed as the Hong Kong authorised representative of the Company on 24 June 2011 for acceptance of the service of process and notices on behalf of the Company required to be served on the Company in Hong Kong. As the Company was incorporated in the Cayman Islands, its operations are subject to the Cayman Companies Law and to its constitution which comprises of the memorandum and articles of association of the Company. A summary of the relevant sections of the memorandum and articles of association of the Company and the relevant aspects of the Cayman Companies Law is set out in Appendix IV to this prospectus.

2. Changes in the share capital of the Company

As at the date of incorporation of the Company, the authorised share capital of the Company was US\$50,000 divided into 50,000 shares of a par value of US\$1.00 each. The following alterations in the share capital of the Company have taken place since its date of incorporation up to the date of this prospectus:

- (a) On 14 June 2011, one share of US\$1.00 was allotted and issued for cash at par to the initial subscriber, Mapcal Limited. On 14 June 2011, the said one share was transferred to CAS Holding No. 1 Limited.
- (b) On 7 November 2011, one share of US\$1.00 was allotted and issued to CAS Holding No. 1 Limited by a capitalisation of inter-company indebtedness owed by the Company to CAS Holding No. 1 Limited arising from the transfer to the Company of Pacific Century Cable Holdings Limited as part of the Pre-IPO Restructuring.
- (c) On 7 November 2011, the Company passed resolutions to change the currency denomination of the issued and unissued share capital of the Company from United States Dollars to Hong Kong Dollars by (i) increasing the authorised share capital of the Company by HK\$20,000,000 by the creation of 40,000,000,000 shares ("**New Shares**") of a nominal or par value of HK\$0.0005 each (the "**Increase**") of which 20,000,000,000 shall be designated as ordinary shares of par value of HK\$0.0005 each and 20,000,000,000 shall be designated as preference shares of par value of HK\$0.0005 each, in each case with the rights, preferences, privileges and restrictions as set out in the Company's amended and restated memorandum of association and the Company's Articles above; (ii) the allotment and issue of 31,200 New Shares (comprising 15,600 Ordinary Shares and 15,600 Preference Shares) fully paid to CAS Holding No. 1 Limited (the "**Issue**"); (iii) the repurchase by the Company of the 2 existing issued shares of US\$1.00 each ("**Existing Shares**") in the share capital of the Company in issue immediately prior to the Increase at a price in Hong Kong Dollars equivalent to US\$1.00 per Existing Share which was paid out of the proceeds of the Issue referred to in (ii) (the "**Repurchase**") following which the Existing Shares were cancelled; and (iv) following the Repurchase and cancellation, the authorised but unissued share capital of the Company was diminished by the cancellation of all the 50,000 unissued shares of par value of US\$1.00 each in the share capital of the Company.

- (d) In addition, pursuant to Stage 2 of the Pre-IPO Restructuring, a total of 4,363,361,192 Ordinary Shares and 4,363,361,192 Preference Shares will be allotted and issued to CAS Holding No. 1 Limited as part of the Pre-IPO Restructuring, and in consideration for the transfer to the Company of the entire issued share capital of HKTGH.
- (e) Immediately upon completion of the Global Offering, and assuming no exercise of the Over-Allotment Option, 6,416,730,792 Ordinary Shares and 6,416,730,792 Preference Shares will be issued fully paid or credited as fully paid and 13,583,269,208 Ordinary Shares and 13,583,269,208 Preference Shares will remain unissued.

Save as disclosed herein and in the paragraph headed “Written resolutions of the Shareholder passed on 7 November 2011” below, there has been no alteration in the share capital of the Company since the date of its incorporation.

3. Written resolutions of the Shareholder passed on 7 November 2011

On 7 November 2011, written resolutions were passed by the existing Shareholder pursuant to which, among other things:

- (a) the currency denomination of the issued and unissued share capital of the Company will be changed from United States Dollars to Hong Kong Dollars by (i) increasing the authorised share capital of the Company by HK\$20,000,000 by the creation of 40,000,000,000 shares (“**New Shares**”) of a nominal or par value of HK\$0.0005 each (the “**Increase**”) of which 20,000,000,000 shall be designated as ordinary shares of par value of HK\$0.0005 each and 20,000,000,000 shall be designated as preference shares of par value of HK\$0.0005 each, in each case with the rights, preferences, privileges and restrictions as set out in the Company’s amended and restated memorandum of association and Company’s Articles above; (ii) the allotment and issue of 31,200 New Shares (comprising 15,600 Ordinary Shares and 15,600 Preference Shares) fully paid to CAS Holding No. 1 Limited (the “**Issue**”); (iii) the repurchase by the Company of the 2 existing issued shares of US\$1.00 each (“**Existing Shares**”) in the share capital of the Company in issue immediately prior to the Increase at a price in Hong Kong Dollars equivalent to US\$1.00 per Existing Share which was paid out of the proceeds of the Issue referred to in (ii) (the “**Repurchase**”) following which the Existing Shares were cancelled; and (iv) following the Repurchase and cancellation, the authorised but unissued share capital of the Company was diminished by the cancellation of all the 50,000 unissued shares of par value of US\$1.00 each in the share capital of the Company;
- (b) the directors of the Company were authorised to allot and issue 4,363,361,192 Ordinary Shares and 4,363,361,192 Preference Shares to CAS Holding No. 1 Limited as part of the Pre-IPO Restructuring, and in consideration for the transfer to the Company of the entire issued share capital of HKTGH;
- (c) conditional upon the conditions as stated in the section headed “Structure of the Global Offering — Conditions of the Global Offering” in this prospectus being fulfilled (or, if applicable, waived), the directors of the Company were authorised to allot and issue such number of Ordinary Shares and Preference Shares so as to match such number of Units in the HKT Trust that will be issued and offered under the Global Offering pursuant to the terms set out in this prospectus;
- (d) the Company approved and adopted the amended and restated memorandum of association and the Company’s Articles;

- (e) the 2011-2021 Option Scheme was conditionally approved and adopted and the Directors were authorised to approve any amendments to the rules of the 2011-2021 Option Scheme as may be acceptable to or not objected by the Stock Exchange, and at their absolute discretion to grant options to subscribe for Share Stapled Units under the 2011-2021 Option Scheme and to allot and issue Ordinary Shares and Preference Shares pursuant to the exercise of options granted under the 2011-2021 Option Scheme and to take all such actions as they consider necessary, expedient or desirable to implement the 2011-2021 Option Scheme;
- (f) the HKT Share Stapled Units Purchase Scheme and the HKT Share Stapled Units Subscription Scheme were conditionally approved and adopted and the Company Directors were authorised to take all such actions as they consider necessary, expedient or desirable to implement the HKT Share Stapled Units Purchase Scheme and the HKT Share Stapled Units Subscription Scheme; and
- (g) a general mandate was conditionally granted to the Company Directors to issue or agree (conditionally or unconditionally) to issue Shares in accordance with the provisions of the Trust Deed as components of Share Stapled Units, at any time after the Listing Date and on or prior to the date of the first annual general meeting of Shareholders held after the Listing Date (whether directly or pursuant to any subscription or conversion rights), otherwise than pursuant to a rights issue and without the approval of an ordinary resolution of Shareholders if the total number of new Shares issued, or agreed (conditionally or unconditionally) to be issued, under the general mandate does not increase the number of Shares outstanding immediately following the Listing Date by more than 20%.

Any issue of, or any agreement (whether conditional or unconditional) to issue, new Shares exceeding the percentage threshold specified above shall require specific prior approval by ordinary resolution of Shareholders, except that agreements to issue new Shares exceeding such percentage threshold which are conditional upon specific prior approval by ordinary resolution of Shareholders may be entered into without first obtaining such prior approval.

The authority granted under the general mandate described above:

- (i) shall only be exercisable if and to the extent that following the issue of any new Shares under the general mandate, PCCW shall continue to hold not less than 51% of the Share Stapled Units (on a fully diluted basis, taking into account and assuming full exercise of all rights, options (including but not limited to any options granted under any Share Stapled Units option scheme and the Over-Allotment Option and other entitlements (in whatever nature or form) that may be exchanged or converted into or otherwise may result in further issuance or disposal of Share Stapled Units); and
- (ii) shall only remain in effect until the conclusion of the first annual general meeting of Shareholders following the Listing Date, or the expiration of the period within which such annual general meeting is required to be held, or until revoked, renewed or varied by an ordinary resolution of Shareholders, whichever occurs first.

On 11 October 2011, the Trustee-Manager Directors also approved, among others, (a) the issue and allotment of Share Stapled Units pursuant to the Global Offering and (b) the adoption of the 2011-2021 Option Scheme, conditional upon the conditions as stated in the section headed “Structure of the Global Offering — Conditions of the Global Offering” in this prospectus being fulfilled (or, if applicable, waived).

4. Subsidiaries

The subsidiaries of the Company are listed in the Accountant's Report set out in Appendix I to this prospectus. The following alterations in the share capital (or registered capital, as the case may be) of the subsidiaries of the Company have taken place within the two years immediately preceding the date of this prospectus:

1. *PCCW Global Pte. Ltd.*

On 28 January 2010, the issued share capital of PCCW Global Pte. Ltd. was increased from SGD100,000 divided into 100,000 shares to SGD55,007,161.54 divided into 100,001 shares, all issued to Corporate Access Group Limited.

2. *BtN Access India Private Limited*

On 27 April 2010, the authorised share capital of BtN Access India Private Limited was increased from RS500,000 divided into 50,000 shares of RS10 each to RS2,500,000 divided into 250,000 shares of RS10 each, of which RS99,990 divided into 9,999 shares of RS10 each were allotted to and fully paid up by BtN Access Limited and RS10 divided into 1 share of RS10 each was allotted to and fully paid up by PCCW Nominees Limited.

3. *PCCW Global, Inc.*

On 31 May 2010, the issued share capital of PCCW Global, Inc. was increased from US\$18.00 divided into 1,800 shares of US\$0.01 each to US\$18.01 divided into 1,801 shares of US\$0.01 each, all issued to BtN Holdings Limited.

4. *HKT Group Holdings Limited*

After the date of this prospectus, but as part of the Pre-IPO Restructuring, the issued share capital of HKTGH will be increased from US\$636,000,001 divided into 636,000,001 shares of US\$1.00 each to US\$636,000,002 divided into 636,000,002 shares of US\$1.00 each, with the additional one share being issued to CAS Holding No. 1 Limited to capitalise a net inter-company balance.

Save as mentioned herein, there has been no alteration in the share capital (or registered capital, as the case may be) of the subsidiaries of the Company within the two years immediately preceding the date of this prospectus.

B. REORGANISATION

The companies comprising the Group are undertaking the Pre-IPO Restructuring to establish the HKT Trust, the Company and the ownership structure of the Telecommunications Business in preparation for the Global Offering. Please refer to the section headed "History, development and the restructuring exercise — Overview of the Pre-IPO Restructuring" for details of the Pre-IPO Restructuring.

C. FURTHER INFORMATION ABOUT THE BUSINESS**1. Summary of material contracts**

The Group has entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the date of this prospectus that are or may be material:

- (1) a call option agreement dated 10 August 2009 between (1) Andrew C. Jacobs, Catherine M. Jacobs, Roger E. Jacobs and John A. Jacobs; and (2) IP BPO Holdings Pte. Ltd. (as supplemented by a letter dated 23 December 2010) wherein those individuals jointly granted to IP BPO Holdings Pte. Ltd. an option to purchase 15% of the issued share capital of PCCW Teleservices (US), Inc. (formerly known as Interactive Teleservices Corporation) at nominal consideration, which option may be exercised between 1 July 2010 and 31 August 2013;
- (2) a call option agreement dated 13 August 2009 between IPVG Corp. and IP BPO Holdings Pte. Ltd. (as supplemented by a letter dated 30 June 2011) wherein IPVG Corp. granted to IP BPO Holdings Pte. Ltd. an option to purchase 30% of the issued share capital of PCCW Teleservices (Philippines) Inc. (formerly known as BPO Teleservices Inc.) at nominal consideration, which option may be exercised between 1 July 2010 and 29 February 2012;
- (3) a subscription agreement dated 19 August 2010 entered into between (i) PCCW-HKT Capital No.4 Limited as the issuer (ii) HKTGH and Hong Kong Telecommunications (HKT) Limited as the guarantors and (iii) The Hongkong and Shanghai Banking Corporation Limited, Morgan Stanley & Co. International plc, The Royal Bank of Scotland plc and Standard Chartered Bank as the joint lead managers in relation to the issue and subscription of US\$500,000,000 4.25% guaranteed notes due 2016;
- (4) a trust deed dated 24 August 2010 entered into between (i) PCCW-HKT Capital No.4 Limited as issuer (ii) HKTGH and Hong Kong Telecommunications (HKT) Limited as guarantors and (iii) The Hongkong and Shanghai Banking Corporation Limited as trustee in relation to the issue and subscription of US\$500,000,000 4.25% guaranteed notes due 2016;
- (5) an agreement for sale and purchase and an assignment both dated 30 September 2010 entered into between Hong Kong Telecommunications (HKT) Limited as vendor and Halima Limited (being a member of the Remaining Group) as purchaser, pursuant to which Hong Kong Telecommunications (HKT) Limited transferred all those Units Nos.1 to 15 (inclusive) together with such other ancillary facilities on the 19th floor of Paramount Building and all those parking space nos. 10 and L6 on the 1st floor of Paramount Building, No. 12 Ka Yip Street, Hong Kong to Halima Limited at a consideration of HK\$44,100,000;
- (6) an investment agreement dated 4 November 2010 entered into among PCCW Holding Company (Beijing) Limited (being a member of the Group), Mr Gan Haochuan and 東莞市捷通電訊有限公司 (Dongguan City Jietong Telecommunications Company Limited[#]) (as amended and supplemented by a supplemental agreement dated 2 September 2011 entered into by the same parties and 東莞捷通達電訊有限公司 (Dongguan Jietongda Telecommunications Company Limited[#])), pursuant to which the parties agreed to

[#] For identification only

certain major terms and conditions under which PCCW Holding Company (Beijing) Limited shall purchase 35% interest in 東莞捷通達電訊有限公司 (Dongguan Jietongda Telecommunications Company Limited[#]) at a consideration of RMB15,000,000;

- (7) a stock purchase agreement dated 21 December 2010 entered into among IP BPO Holdings Pte. Ltd. as purchaser and Andrew C. Jacobs, Roger E. Jacobs, Catherine M. Jacobs and John A. Jacobs as vendors in relation to the sale by those individuals of 15% of the issued share capital of PCCW Teleservices (US), Inc. (formerly known as Interactive Teleservices Corporation) at a consideration of US\$3,921,716;
- (8) a completion agreement dated 25 January 2011, as amended by an amendment and restatement agreement dated 28 February 2011 entered into among Telstra Corporation Limited, Telstra Holdings Pty. Ltd., Telstra Holdings (Bermuda) No. 1 Limited, Telstra Singapore Pte. Ltd., Reach Global Services Limited (now known as Telstra International Limited), Telstra Limited, Telstra Inc., Telstra Japan KK, Telstra New Zealand Holdings Ltd., PCCW, Pacific Century Cable Holdings Limited, PCCW Global (Singapore) Pte. Ltd., HKT Global (Singapore) Pte. Ltd., PCCW Global Limited, PCCW Global Pte. Ltd. (Japan Branch), PCCW Global (Japan) K.K., PCCW Global (UK) Limited, PCCW Global, Inc., PCCW Global (HK) Limited, PCCW Global Korea Limited, Reach Ltd., Reach Finance Limited, Reach Global Networks Limited, Reach Networks Hong Kong Limited, Splendid Mind Enterprises Limited, Fortune Harvests Investment Limited, Reach Global Holdings Limited, Reach Services Australia Pty. Limited, Reach Networks Australia Pty. Limited, Reach International Holdings Limited, Reach Services Asia Limited, Reach Networks KK, Reach Cable Networks Limited, Reach Network Services Korea Ltd., Reach Internet Services Limited, Reach Networks (Taiwan) Ltd. 國際環球通訊網絡股份有限公司, Reach Holdings (Taiwan) Co., Limited 國際環球通訊投資股份有限公司, Reach Services Taiwan Limited 國際環球訊息股份有限公司, Reach Europe Ltd., Reach Services (USA) Inc., Reach International Telecom (Singapore) Pte. Limited, Reach Internet Services Pte. Ltd., Reach Network Services NZ Limited (now known as Telstra Network Services NZ Limited) and Reach Asia Limited (now known as Telstra Asia Limited) in relation to the allocation and transfer of certain assets held by members of Reach Ltd. and its related entities to members of the PCCW Group or members of Telstra Corporation Limited and its related entities;
- (9) a HK asset transfer agreement (RGSL to PCCW) dated 25 January 2011 entered into among Reach Global Services Limited (now known as Telstra International Limited), Splendid Mind Enterprises Limited and Reach Ltd., pursuant to which Reach Global Services Limited (now known as Telstra International Limited) agreed to sell certain plant and equipment, property leases, owned transmission, leased transmission, customer contracts and records to Splendid Mind Enterprises Limited for an initial consideration of US\$1,882,749, which was subject to adjustment in accordance with the agreed principles between the relevant parties. Reach Ltd. acted as the guarantor in this transaction;
- (10) a HK asset transfer agreement (Reach to PCCW) dated 25 January 2011 entered into among Reach Networks Hong Kong Limited, Reach Cable Networks Limited, Reach Services Asia Limited, Splendid Mind Enterprises Limited and Reach Ltd., pursuant to which Reach Networks Hong Kong Limited, Reach Cable Networks Limited and Reach Services Asia Limited agreed to sell certain plant and equipment, property leases, owned transmission,

[#] For identification only

leased transmission, customer contracts and records to Splendid Mind Enterprises Limited for an initial consideration of US\$18,384,257, which was subject to adjustment in accordance with the agreed principles between the relevant parties. Reach Ltd. acted as the guarantor in this transaction;

- (11) a U.S. asset transfer agreement (PCCW) dated 25 January 2011 entered into among Reach Services (USA) Inc., PCCW Global, Inc. and Reach Ltd., pursuant to which Reach Services (USA) Inc. agreed to sell certain plant and equipment, leased transmission, property leases, customer contracts and records to PCCW Global, Inc. for an initial consideration of US\$98,849, which was subject to adjustment in accordance with the agreed principles between the relevant parties. Reach Ltd. acted as the guarantor in this transaction;
- (12) a Taiwan asset transfer agreement (PCCW) dated 25 January 2011 entered into among Reach Networks (Taiwan) Ltd. 國際環球通訊網絡股份有限公司, Reach Services Taiwan Limited 國際環球訊息股份有限公司 and Reach Ltd., pursuant to which Reach Networks (Taiwan) Ltd. 國際環球通訊網絡股份有限公司 agreed to sell certain plant and equipment, property leases, customer contracts and records to Reach Services Taiwan Limited 國際環球訊息股份有限公司 for an initial consideration of US\$6,027,790, which was subject to adjustment in accordance with the agreed principles between the relevant parties. Reach Ltd. acted as the guarantor in this transaction;
- (13) a Singapore asset transfer agreement (PCCW) dated 25 January 2011 entered into among Reach International Telecom (Singapore) Pte. Limited, Reach Internet Services Pte. Ltd., HKT Global (Singapore) Pte. Ltd. and Reach Ltd., pursuant to which Reach International Telecom (Singapore) Pte. Limited and Reach Internet Services Pte. Ltd. agreed to sell certain plant and equipment, owned transmission, leased transmission, customer contracts and records to HKT Global (Singapore) Pte. Ltd. for an initial consideration of US\$2,881,997, which was subject to adjustment in accordance with the agreed principles between the relevant parties. Reach Ltd. acted as the guarantor in this transaction;
- (14) a Japan asset transfer agreement (PCCW) dated 25 January 2011 entered into among Reach Networks KK, PCCW Global Pte. Ltd. (Japan Branch) and Reach Ltd., as amended by a novation and amendment agreement dated 28 February 2011 entered into among the same parties and PCCW Global (Japan) K.K. and pursuant to which Reach Networks KK agreed to sell certain plant and equipment, customer contracts and records to PCCW Global (Japan) K.K. for an initial consideration of US\$4,680,524, which was subject to adjustment in accordance with the agreed principles between the relevant parties. Reach Ltd. acted as the guarantor in this transaction. PCCW Global (Japan) K.K. agreed to assume all obligations and liabilities of PCCW Global Pte. Ltd. (Japan Branch) under the said Japan asset transfer agreement;
- (15) an Australia asset transfer agreement (PCCW) dated 25 January 2011 entered into among Reach Networks Australia Pty. Ltd., PCCW Global (HK) Limited and Reach Ltd., pursuant to which Reach Networks Australia Pty. Ltd. agreed to sell certain plant and equipment, customer contracts and records to PCCW Global (HK) Limited for an initial consideration of US\$207,108, which was subject to adjustment in accordance with the agreed principles between the relevant parties. Reach Ltd. acted as the guarantor in this transaction;
- (16) an UK asset transfer agreement (PCCW) dated 25 January 2011 entered into among Reach Europe Ltd., PCCW Global (UK) Limited and Reach Ltd., pursuant to which Reach Europe Ltd

agreed to sell certain plant and equipment, leased transmission, customer contracts and records to PCCW Global (UK) Limited for an initial consideration of US\$309,351, which was subject to adjustment in accordance with the agreed principles between the relevant parties. Reach Ltd. acted as the guarantor in this transaction;

- (17) a Taiwan share transfer agreement (Reach Services Taiwan to PCCW) dated 25 January 2011 entered into between Reach Holdings (Taiwan) Co., Ltd. 國際環球通訊投資股份有限公司, Reach Services Taiwan Limited 國際環球訊息股份有限公司, PCCW Global Limited and Reach Ltd., pursuant to which Reach Holdings (Taiwan) Co., Ltd. 國際環球通訊投資股份有限公司 agreed to sell the entire share capital of Reach Services Taiwan Limited 國際環球訊息股份有限公司 to PCCW Global Limited for an initial consideration of US\$100,000, which was subject to adjustment at completion in accordance with the agreed principles between the relevant parties. Reach Ltd. acted as the guarantor in this transaction;
- (18) a HK share transfer agreement (Reach NewCo (BVI) to PCCW) dated 25 January 2011 entered into among Reach Global Services Limited (now known as Telstra International Limited), Fortune Harvests Investment Limited, PCCW Global (HK) Limited, Reach Networks Hong Kong Limited and Reach Ltd., pursuant to which (i) Reach Global Services Limited (now known as Telstra International Limited) agreed to sell the entire share capital of Fortune Harvests Investment Limited to PCCW Global (HK) Limited; and (ii) Reach Networks Hong Kong Limited agreed to assign all debts of Fortune Harvests Investment Limited and Splendid Mind Enterprises Limited to PCCW Global (HK) Limited for an initial consideration of US\$20,267,006, which was subject to adjustment in accordance with the agreed principles between the relevant parties. Reach Ltd. acted as the guarantor in this transaction;
- (19) a RNAL transfer agreement dated 25 January 2011 entered into among Reach Ltd., Reach Cable Networks Limited, Reach Networks KK, Reach Global Networks Limited, PCCW Global (Singapore) Pte. Ltd., PCCW and Telstra Corporation Limited, pursuant to which, amongst others, Reach Ltd. agreed to transfer its exclusive ownership interest in the fibre pair one on the cable system referred to as the FLAG North Asia Loop System to PCCW Global (Singapore) Pte. Ltd. for a consideration of US\$50,000,000;
- (20) a letter of settlement of PCCW prior claims dated 25 January 2011 entered into among PCCW, Telstra Corporation Limited and Reach Ltd., pursuant to which, among others, Reach Networks Hong Kong Limited agreed to issue a credit note with the aggregate face value equal to US\$63,000,000 to PCCW Global Limited and PCCW agreed to fully utilise the said credit note for the acquisition of assets or shares by PCCW and its related entities under the RNAL Transfer Agreement (as described in paragraph (19) above) and the Asset and Share Acquisition Agreements (each as defined in the completion agreement referred to in paragraph (8) above);
- (21) an amended and restated Reach shareholders agreement dated 25 January 2011 entered into among Telstra Corporation Limited, Telstra Holdings Pty Limited, Telstra Holdings (Bermuda) No 1 Limited, PCCW, Pacific Century Cable Holdings Limited and Reach Ltd. whereby the parties agreed to regulate the management of Reach Ltd. and the related operational issues on the terms set out therein;

- (22) an asset transfer agreement - retained assets (PCCW) dated 28 February 2011 entered into among Fortune Harvests Investment Limited, Reach Services Taiwan Limited 國際環球訊息股份有限公司 and Reach Ltd., pursuant to which Fortune Harvests Investment Limited and Reach Services Taiwan Limited 國際環球訊息股份有限公司 agreed to sell the Retained Assets (as defined in the completion agreement referred to in paragraph (8) above) to Reach Ltd. for nominal consideration;
- (23) a membership interest purchase agreement dated 31 May 2011 entered into between PCCW Teleservices (US), Inc. as seller and Roger E. Jacobs as purchaser, pursuant to which PCCW Teleservices (US), Inc. agreed to sell its entire issued and outstanding membership interests in Airfluent Partners, LLC to Roger E. Jacobs at a consideration of US\$20,715;
- (24) a share transfer agreement dated 2 September 2011 entered into between PCCW Holding Company (Beijing) Limited as purchaser and M & L Associates Limited as seller, pursuant to which PCCW Holding Company (Beijing) Limited agreed to purchase 35% interest in 東莞捷通達電訊有限公司 (Dongguan Jietongda Telecommunications Company Limited[#]) from M & L Associates Limited at a consideration of RMB15,000,000;
- (25) a deed of consent dated 19 September 2011 entered into among Telstra Corporation Limited, Telstra Holdings (Bermuda) No 1 Limited, Telstra Holdings Pty Limited, PCCW, Pacific Century Cable Holdings Limited, Reach Ltd. and the Company to amend, vary, novate or supplement the Reach shareholders agreement dated 13 October 2000, as amended and restated by the amended and restated Reach shareholders agreement referred to in paragraph (21) above on 25 January 2011;
- (26) the Trust Deed dated 7 November 2011 as more particularly set out in the section headed “The constitution of the HKT Trust” in this prospectus;
- (27) a share transfer agreement dated 7 November 2011 between PCCW and the Company pursuant to which PCCW agreed to transfer the entire issued share capital of Pacific Century Cable Holdings Limited, and thereby its 50% interest in Reach Ltd., the share transfer agreement was part of the Pre-IPO Restructuring;
- (28) the Non-Compete Agreement for Telecommunications Restricted Business, the particulars of which are set out in the section headed “Relationship with PCCW — Potential conflicts of interest — Non-Compete Agreement for Telecommunications Restricted Business” of this prospectus;
- (29) the Non-Compete Agreement for Media Restricted Business, the particulars of which are set out in the section headed “Relationship with PCCW — Potential conflicts of interest — Non-Compete Agreement for Media Restricted Business” of this prospectus;
- (30) the Non-Compete Agreement for Solutions Restricted Business, the particulars of which are set out in the section headed “Relationship with PCCW — Potential conflicts of interest — Non-Compete Agreement for Solutions Restricted Business” of this prospectus;
- (31) the Corporate Shared Services Agreement, the particulars of which are set out in the section headed “Connected transactions — Other continuing connected transactions exempt from the independent shareholders’ approval requirement — (14) The provision of corporate shared services” of this prospectus;

[#] For identification only

- (32) a share transfer agreement dated 8 November 2011 between HKT (Hong Kong) Limited and PCCW Network Services (China) Limited pursuant to which HKT (Hong Kong) Limited agreed to transfer the entire issued share capital of HKT Network Services Limited and, indirectly, its three subsidiaries, PCCW-HKT Business Services Limited, PCCW-HKT Technical Services Limited and Pacific Century CyberWorks Solutions (Macau) Limited. The share transfer agreement was part of the Pre-IPO Restructuring;
- (33) a share transfer agreement dated 8 November 2011 between PCCW Network Services (China) Limited and PCCW Holding Company (China) Limited pursuant to which PCCW Network Services (China) Limited agreed to sell its 76.43% interest in Unihub Global Network Technology (China) Limited and thereby its 50% interest in the Zhongying JV. The share transfer agreement was part of the Pre-IPO Restructuring;
- (34) a deed of ratification and accession dated 8 November 2011 executed by PCCW Holding Company (China) Limited, pursuant to which PCCW Holding Company (China) Limited agreed to be bound by all the terms of a shareholders' agreement dated 2 March 2005 entered into among PCCW Network Services (China) Limited, I-Strength Developments Limited and Unihub Global Network Technology (China) Limited;
- (35) an assignment agreement dated 8 November 2011 between Hong Kong Telecommunications (HKT) Limited and PCCW Solutions Limited and indemnity in favour of HKTC relating to certain technical services agreements pursuant to which Hong Kong Telecommunications (HKT) Limited agreed to assign the benefit of the technical services agreements to PCCW Solutions Limited. The assignment was part of the Pre-IPO Restructuring;
- (36) a share transfer agreement dated 8 November 2011 between CAS Holding No. 1 Limited and the Company pursuant to which CAS Holding No. 1 Limited has agreed to transfer the entire issued share capital of HKTGH, and thereby its subsidiaries, for an allotment of new Ordinary Shares and new Preference Shares in the Company and the issuance of a promissory note to CAS Holding No. 1 Limited. The share transfer agreement was part of the Pre-IPO Restructuring;
- (37) a share transfer agreement dated 8 November 2011 between CAS Holding No. 1 Limited and the Trustee-Manager acting in the capacity as trustee and manager of the HKT Trust, pursuant to which CAS Holding No. 1 Limited has agreed to transfer the entire ordinary share capital of the Company for the issue of new units in the HKT Trust. The share transfer agreement was part of the Pre-IPO Restructuring;
- (38) a deed of indemnities dated 8 November 2011 between PCCW and the Company whereby (i) PCCW irrevocably agrees to indemnify the Company and/or the relevant member of the Group, on demand, against all losses, claims, damages, costs and liabilities which any of them may sustain in connection with any of the performance bonds and corporate guarantees referred to in this prospectus; and (ii) the Company irrevocably agrees to indemnify PCCW and/or relevant member of the PCCW Group, on demand, against all losses, claims, damages, costs and liabilities which any of them may sustain in connection with any of the corporate guarantees referred to in this prospectus; and
- (39) the Hong Kong Underwriting Agreement dated 14 November 2011 entered into among the Company, the Trustee-Manager, PCCW, the Joint Global Coordinators and the Hong Kong Underwriters as more particularly set out in the section headed "Underwriting" in this prospectus.






2. Intellectual property





The following intellectual property rights are or may be material in relation to the Telecommunications Business:







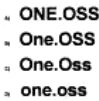
A. Trademarks







(a) Trademarks owned by the Group



As at the Latest Practicable Date, the Group's registered trademarks included the following:




Name of owner	Trademark	Class	Reg. No.	Territory of registration	Expiry date
PCCW-HKT DataCom Services Limited		16, 38	2004B01123AA	Hong Kong	22 August 2019
PCCW-HKT DataCom Services Limited		9, 16, 38	200401270AA	Hong Kong	22 August 2019
PCCW-HKT DataCom Services Limited		16, 37, 38	300081602	Hong Kong	19 September 2013
PCCW-HKT DataCom Services Limited	BUSINESS NETVIGATOR business netvigator 	9, 16, 28, 35, 36, 37, 38, 39, 40, 41, 42	300741041	Hong Kong	15 October 2016
PCCW-HKT DataCom Services Limited	CITINET	9	1989B1494	Hong Kong	2 February 2019
PCCW-HKT DataCom Services Limited	DATAPAK	38	1994B4907	Hong Kong	2 March 2013
PCCW-HKT DataCom Services Limited	DIAL LINK	38	1996B05174	Hong Kong	5 July 2015
PCCW-HKT DataCom Services Limited		9, 35, 36, 37, 38, 39, 41, 42	300849060AA	Hong Kong	10 April 2017

Name of owner	Trademark	Class	Reg. No.	Territory of registration	Expiry date
PCCW-HKT DataCom Services Limited		9	1996B08052	Hong Kong	27 June 2015
PCCW-HKT DataCom Services Limited		9	1997B01034	Hong Kong	27 June 2015
PCCW-HKT DataCom Services Limited	HOMEFAX	38	1997B03301	Hong Kong	14 March 2015
PCCW-HKT DataCom Services Limited	Infifax	38	1996B07973	Hong Kong	29 September 2015
PCCW-HKT DataCom Services Limited	Infoline	38	1999B00022	Hong Kong	29 September 2015
PCCW-HKT DataCom Services Limited	MagicStar	38	199606883	Hong Kong	5 July 2015
PCCW-HKT DataCom Services Limited		9, 38	2000B08469AA	Hong Kong	06 May 2014
PCCW-HKT DataCom Services Limited	^a NETPass ^b NETPASS ^c Netpass ^d netpass	35, 38, 42	300689617	Hong Kong	27 July 2016
PCCW-HKT DataCom Services Limited	netplus	38	2000B01361	Hong Kong	12 February 2017
PCCW-HKT DataCom Services Limited	netvigator®	38	199704457	Hong Kong	6 February 2017
PCCW-HKT DataCom Services Limited		9, 16, 35, 36, 37, 38, 41, 42	300949582	Hong Kong	6 September 2017


Name of owner	Trademark	Class	Reg. No.	Territory of registration	Expiry date
PCCW-HKT DataCom Services Limited		38	199802565	Hong Kong	27 February 2017
PCCW-HKT DataCom Services Limited		9, 16, 28, 35, 36, 37, 38, 39, 40, 41, 42	200206583AA	Hong Kong	3 March 2017
PCCW-HKT DataCom Services Limited		9, 37, 38, 41, 42	300199873	Hong Kong	19 April 2014
PCCW-HKT DataCom Services Limited		9, 16, 28, 35, 36, 37, 38, 39, 40, 41, 42	200206584AA	Hong Kong	3 March 2017
PCCW-HKT DataCom Services Limited		9, 35, 41	300625716AA	Hong Kong	23 April 2016
PCCW-HKT DataCom Services Limited		9, 16, 35, 36, 37, 38, 41, 42	300625716AB	Hong Kong	23 April 2016
PCCW-HKT DataCom Services Limited		9, 35, 41	300625725AA	Hong Kong	23 April 2016
PCCW-HKT DataCom Services Limited		9, 16, 35, 36, 37, 38, 41, 42	300625725AB	Hong Kong	23 April 2016
PCCW-HKT DataCom Services Limited		9, 38, 45	300775279	Hong Kong	6 December 2016






Name of owner	Trademark	Class	Reg. No.	Territory of registration	Expiry date
PCCW-HKT DataCom Services Limited		9, 38, 45	300775288	Hong Kong	6 December 2016
PCCW-HKT DataCom Services Limited	<p>[°] PCCW CITIVIEW</p> <p>[°] PCCW Citiview</p> <p>[°] PCCW CitiView</p>	9, 35, 38	300197028	Hong Kong	15 April 2014
PCCW-HKT DataCom Services Limited	<p>A PCCW Connectivity</p> <p>B PCCW CONNECTIVITY</p>	9, 16, 37, 39, 42	2003B00170AA	Hong Kong	28 November 2017
PCCW-HKT DataCom Services Limited	<p>A PCCW Connectivity</p> <p>B PCCW CONNECTIVITY</p>	35	300075564	Hong Kong	3 April 2013
PCCW-HKT DataCom Services Limited	<p>A PCCW Connectivity</p> <p>B PCCW CONNECTIVITY</p>	36	300075573	Hong Kong	3 April 2013
PCCW-HKT DataCom Services Limited	<p>A PCCW Connectivity</p> <p>B PCCW CONNECTIVITY</p>	38	300075582	Hong Kong	3 April 2013
PCCW-HKT DataCom Services Limited	<p>A PCCW Connectivity</p> <p>B PCCW CONNECTIVITY</p>	41	300075591	Hong Kong	3 April 2013
PCCW-HKT DataCom Services Limited	<p>A PCCW CONVERGE</p> <p>B PCCW converge</p> <p>C </p> <p>D </p>	9, 16, 35, 36, 37, 38, 39, 41, 42	300248238	Hong Kong	11 July 2014
PCCW-HKT DataCom Services Limited	<p>A PCCW CONVERGENCE</p> <p>B PCCW convergence</p> <p>C </p> <p>D </p>	9, 16, 35, 36, 37, 38, 39, 41, 42	300086823	Hong Kong	29 September 2013
PCCW-HKT DataCom Services Limited	<p>A PCCW CONVIEW</p> <p>B PCCW Conview</p> <p>C PCCW ConView</p> <p>D </p>	9, 35, 38	300197019	Hong Kong	15 April 2014
PCCW-HKT DataCom Services Limited	<p>A. PCCW EasyReach Personal Assistant Service</p> <p>B. PCCW EASYREACH PERSONAL ASSISTANT SERVICE</p> <p>C. PCCW easyreach personal assistant service</p> <p>D. pccw easyreach personal assistant service</p>	9, 16, 35, 36, 37, 38, 41, 42	300763038	Hong Kong	16 November 2016


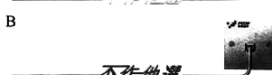
Name of owner	Trademark	Class	Reg. No.	Territory of registration	Expiry date
PCCW-HKT DataCom Services Limited	A. PCCW EasyWatch service B. PCCW EASYWATCH SERVICE C. PCCW easywatch service D. pccw easywatch service	9, 16, 35, 36, 37, 38, 41, 42, 45	300742031	Hong Kong	16 October 2016
PCCW-HKT DataCom Services Limited	PCCW Fixed Line PCCW Fixed Line  	9, 16, 35, 36, 37, 38, 41, 42	300949564	Hong Kong	6 September 2017
PCCW-HKT DataCom Services Limited	PCCW Global PCCW Global PCCW GLOBAL pccw global	9, 16, 35, 36, 37, 38, 41, 42	300781236	Hong Kong	14 December 2016
PCCW-HKT DataCom Services Limited	A. PCCW mobile B. PCCW Mobile C. PCCW MOBILE D. PCCW mobile	9, 16, 35, 36, 37, 38, 39, 41, 42	300509094	Hong Kong	9 October 2015
PCCW-HKT DataCom Services Limited	PCCW <i>mobile</i> PCCW <i>mobile</i>	9, 35, 38, 41, 42	301157418	Hong Kong	9 July 2018
PCCW-HKT DataCom Services Limited	▲PCCW Telecommunications ®PCCW TELECOMMUNICATIONS	9	300075267	Hong Kong	3 April 2013
PCCW-HKT DataCom Services Limited	▲PCCW Telecommunications ®PCCW TELECOMMUNICATIONS	16	300075276	Hong Kong	3 April 2013
PCCW-HKT DataCom Services Limited	▲PCCW Telecommunications ®PCCW TELECOMMUNICATIONS	35	300075285	Hong Kong	3 April 2013
PCCW-HKT DataCom Services Limited	▲PCCW Telecommunications ®PCCW TELECOMMUNICATIONS	36	300075294	Hong Kong	3 April 2013
PCCW-HKT DataCom Services Limited	▲PCCW Telecommunications ®PCCW TELECOMMUNICATIONS	37	300075302	Hong Kong	3 April 2013
PCCW-HKT DataCom Services Limited	▲PCCW Telecommunications ®PCCW TELECOMMUNICATIONS	38	300075311	Hong Kong	3 April 2013






Name of owner	Trademark	Class	Reg. No.	Territory of registration	Expiry date
PCCW-HKT DataCom Services Limited	^A PCCW Telecommunications ^B PCCW TELECOMMUNICATIONS	39	300075320	Hong Kong	3 April 2013
PCCW-HKT DataCom Services Limited	^A PCCW Telecommunications ^B PCCW TELECOMMUNICATIONS	41	300075339	Hong Kong	3 April 2013
PCCW-HKT DataCom Services Limited	^A PCCW Telecommunications ^B PCCW TELECOMMUNICATIONS	42	300075348	Hong Kong	3 April 2013
PCCW-HKT DataCom Services Limited	^A PCCW WI-FI ^B PCCW Wi-Fi ^C pccw wi-fi ^D PCCW Wi-Fi	9, 16, 35, 36, 37, 38, 41, 42	300796096	Hong Kong	11 January 2017
PCCW-HKT DataCom Services Limited		9, 16, 35, 36, 37, 38, 41, 42	300796104	Hong Kong	11 January 2017
PCCW-HKT DataCom Services Limited	^A PCCW 固網服務 ^B PCCW 固網服務 ^C PCCW 固網服務 ^D PCCW 固網服務	9, 16, 35, 36, 37, 38, 41, 42	300949573	Hong Kong	6 September 2017
PCCW-HKT DataCom Services Limited	^A QualiTVision ^B QUALITVISION ^C qualitvision ^D qualiTVision	9, 35, 37, 38, 42	300559585	Hong Kong	3 January 2016
PCCW-HKT DataCom Services Limited	Richie Card	16	200304172	Hong Kong	3 May 2019
PCCW-HKT DataCom Services Limited	^A SENANG ^B senang ^C  ^D 	16	300192564	Hong Kong	6 April 2014
PCCW-HKT DataCom Services Limited	Sha La La	16	200304173	Hong Kong	3 May 2019

Name of owner	Trademark	Class	Reg. No.	Territory of registration	Expiry date
PCCW-HKT DataCom Services Limited	^A SHA LA LA	9, 38	300194012	Hong Kong	12 April 2014
	^B <i>Sha La La</i>				
	^C 				
PCCW-HKT DataCom Services Limited	^A SNAAP	9, 16, 35, 36, 37, 38, 41, 42	300786899	Hong Kong	27 December 2016
	^B Snaap				
	^C snaap				
PCCW-HKT DataCom Services Limited	<i>snaap!</i>	9, 16, 35, 36, 37, 38, 41, 42	300802665	Hong Kong	23 January 2017
	snaap!				
					
					
PCCW-HKT DataCom Services Limited	Starline	38	1996B05545	Hong Kong	5 July 2015
PCCW-HKT DataCom Services Limited	VIDEOLINK	38	1996B02350	Hong Kong	24 February 2015
PCCW-HKT DataCom Services Limited	招財豐	9	199510299	Hong Kong	15 June 2015
PCCW-HKT DataCom Services Limited	招財豐	38	199701827	Hong Kong	15 June 2015
PCCW-HKT DataCom Services Limited	^A 真正寬頻 網上行	9, 37, 38, 41, 42	300204128	Hong Kong	26 April 2014
	^B 				
	^C 真正寬頻 網上行				
	^D 真正寬頻 網上行				
PCCW-HKT DataCom Services Limited	財爺咭	16	2003B04171	Hong Kong	3 May 2019

Name of owner	Trademark	Class	Reg. No.	Territory of registration	Expiry date
PCCW-HKT DataCom Services Limited	A) 商業網上行 B) 商業網上行 C) 商業網上行	9, 16, 28, 35, 36, 37, 38, 39, 40, 41, 42	300741032	Hong Kong	15 October 2016
PCCW-HKT DataCom Services Limited	A 尊尚會 B 尊尚會 C 尊尚會	35, 36, 38	300232073	Hong Kong	11 June 2014
PCCW-HKT DataCom Services Limited	智多星	38	199607874	Hong Kong	5 July 2015
PCCW-HKT DataCom Services Limited	匯應通	38	199711628	Hong Kong	28 February 2017
PCCW-HKT DataCom Services Limited	資訊聆	38	2000B10501	Hong Kong	29 September 2015
PCCW-HKT DataCom Services Limited	* 電訊盈科 流動通訊 * 電訊盈科 流動通訊 * 電訊盈科 流動通訊 * 電訊盈科 流動通訊	9, 16, 35, 36, 37, 38, 39, 41, 42	300518148	Hong Kong	25 October 2015
PCCW-HKT DataCom Services Limited	* 電訊盈科助您易服務 * 電訊盈科助您易服務 * 電訊盈科助您易服務	9, 16, 35, 36, 37, 38, 41, 42	300763047	Hong Kong	16 November 2016
PCCW-HKT DataCom Services Limited	* 電訊盈科視察易服務 * 電訊盈科視察易服務 * 電訊盈科視察易服務	9, 16, 35, 36, 37, 38, 41, 42, 45	300742022	Hong Kong	16 October 2016
PCCW-HKT DataCom Services Limited	網上行	9, 16, 28, 35, 36, 37, 38, 39, 40, 41, 42	2002B03268AA	Hong Kong	3 March 2017
PCCW-HKT DataCom Services Limited	 網上行®	38	1998B11526	Hong Kong	5 March 2017

Name of owner	Trademark	Class	Reg. No.	Territory of registration	Expiry date
PCCW-HKT DataCom Services Limited	 	9, 16, 35, 36, 37, 38, 41, 42	300949591	Hong Kong	6 September 2017
PCCW-HKT DataCom Services Limited	A 優創 B 优创	35, 36, 37, 38, 39, 41, 42	300022634	Hong Kong	21 May 2013
PCCW-HKT DataCom Services Limited	雙智星	38	199606596	Hong Kong	5 July 2015
PCCW-HKT DataCom Services Limited	  	9, 16, 35, 36, 37, 38, 39, 41, 42	300131192	Hong Kong	19 December 2013
PCCW-HKT DataCom Services Limited	PCCW-HKT	9	300097191	Hong Kong	3 April 2013
PCCW-HKT DataCom Services Limited	PCCW-HKT	16	300097209	Hong Kong	3 April 2013
PCCW-HKT DataCom Services Limited	PCCW-HKT	35	300097218	Hong Kong	3 April 2013
PCCW-HKT DataCom Services Limited	PCCW-HKT	36	300097227	Hong Kong	3 April 2013
PCCW-HKT DataCom Services Limited	PCCW-HKT	37	300097236	Hong Kong	3 April 2013
PCCW-HKT DataCom Services Limited	PCCW-HKT	38	300097245	Hong Kong	3 April 2013
PCCW-HKT DataCom Services Limited	PCCW-HKT	39	300097254	Hong Kong	3 April 2013
PCCW-HKT DataCom Services Limited	PCCW-HKT	41	300097263	Hong Kong	3 April 2013


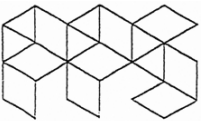

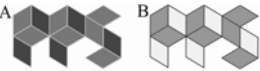







Name of owner	Trademark	Class	Reg. No.	Territory of registration	Expiry date
PCCW-HKT DataCom Services Limited	PCCW-HKT	42	300097272	Hong Kong	3 April 2013
PCCW-HKT DataCom Services Limited	^A QUADPLAY ^B QuadPlay ^C Quadplay ^D quadplay	9, 41, 42, 45	300831726	Hong Kong	13 March 2017
PCCW-HKT DataCom Services Limited	^A QUAD-PLAY ^B Quad-Play ^C Quad-play ^D quad-play	9, 41, 42, 45	300831717	Hong Kong	13 March 2017
PCCW-HKT DataCom Services Limited	^A QUADRUPLE-PLAY ^B Quadruple-Play ^C Quadruple-play ^D quadruple-play	9, 41, 42, 45	300831735	Hong Kong	13 March 2017
EPS Company (Hong Kong) Limited and PCCW-HKT DataCom Services Limited	PPS	36, 38	2003B14981AA	Hong Kong	18 February 2019
EPS Company (Hong Kong) Limited and PCCW-HKT DataCom Services Limited	繳費靈	36, 38	300006515	Hong Kong	14 April 2013
PCCW-HKT DataCom Services Limited	Powered by PCCW NEXTGEN Powered by PCCW NEXTGEN	9, 16, 35, 36, 37, 38, 39, 41, 42	301251710	Hong Kong	4 December 2018
PCCW-HKT DataCom Services Limited	A zhongying B ZHONGYING C ZhongYing D Zhongying	35, 36, 37, 38, 39, 41, 42	300033920	Hong Kong	16 June 2013
EPS Company (Hong Kong) Limited and PCCW-HKT DataCom Services Limited	PPS PPS	36, 38	301705888	Hong Kong	2 September 2020
PCCW-HKT DataCom Services Limited	A  B 	9, 16, 37, 38	300044919	Hong Kong	8 July 2013




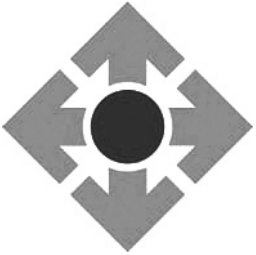



Name of owner	Trademark	Class	Reg. No.	Territory of registration	Expiry date
PCCW-HKT DataCom Services Limited	A 中盈優創 B 中盈优创	35, 36, 37, 38, 39, 41, 42	300033713	Hong Kong	16 June 2013
PCCW-HKT DataCom Services Limited	全達	16	1994B06074	Hong Kong	14 May 2013
PCCW-HKT DataCom Services Limited	全達	38	1994B06075	Hong Kong	14 April 2013
PCCW-HKT DataCom Services Limited	快達星	38	199604274	Hong Kong	05 July 2015
PCCW-HKT DataCom Services Limited	UNITACS	16	199401671	Hong Kong	14 May 2013
PCCW-HKT DataCom Services Limited	UNITACS	38	199402958	Hong Kong	14 April 2013
PCCW-HKT DataCom Services Limited		35	200007161	Hong Kong	5 August 2013
PCCW-HKT DataCom Services Limited	 HONG KONG TELECOM	38	300006975	Hong Kong	15 April 2013
PCCW-HKT DataCom Services Limited		6, 9, 14, 16, 17, 18, 25, 28, 34	19912988AA	Hong Kong	23 April 2021
PCCW-HKT DataCom Services Limited	A  B 	9, 16, 37, 38	300044928	Hong Kong	8 July 2013
PCCW-HKT DataCom Services Limited	A AGENTNET B agentnet	35	300177048	Hong Kong	3 April 2013
PCCW-HKT DataCom Services Limited	A AGENTNET B agentnet	38	300177057	Hong Kong	3 April 2013
PCCW-HKT DataCom Services Limited	A AGENTNET B agentnet	41	300177066	Hong Kong	3 April 2013


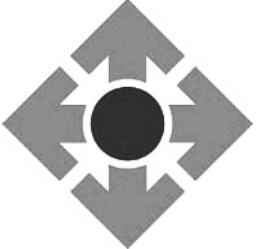
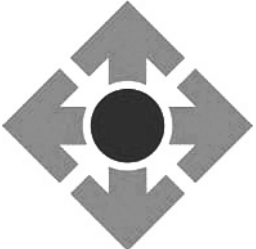


Name of owner	Trademark	Class	Reg. No.	Territory of registration	Expiry date
PCCW-HKT DataCom Services Limited	A BtN Access B BTN ACCESS C btn access	35, 38, 42	300024975	Hong Kong	26 May 2013
PCCW-HKT DataCom Services Limited		38	199811466	Hong Kong	28 February 2017
PCCW-HKT DataCom Services Limited	A CASCADE EOPERATION B cascade eoperation C Cascade eOperation	37, 38, 42	300091610	Hong Kong	9 October 2013
PCCW-HKT DataCom Services Limited	FastStar	38	199706203	Hong Kong	5 July 2015
PCCW-HKT DataCom Services Limited		35	300147041	Hong Kong	3 April 2013
PCCW-HKT DataCom Services Limited		36, 38	2003B10819AA	Hong Kong	1 June 2017
PCCW-HKT DataCom Services Limited	number one partners 尊尚會 	35, 36, 38	1999B06366AA	Hong Kong	12 February 2014
PCCW-HKT DataCom Services Limited	OneCall	38	2000B10502	Hong Kong	30 October 2016
PCCW-HKT DataCom Services Limited	A PAYVIEW B payview C PayView D Payview	38	300042911	Hong Kong	3 July 2013
PCCW-HKT DataCom Services Limited	A PCCW eOperation B PCCW EOPERATION	37	300155169	Hong Kong	3 April 2013
PCCW-HKT DataCom Services Limited	A PCCW eOperation B PCCW EOPERATION	38	300155150	Hong Kong	3 April 2013
PCCW-HKT DataCom Services Limited	PCCW Home * PCCW Home * PCCW HOME * PCCW home * PCCW home	9, 35, 37, 38, 41, 42	301080864	Hong Kong	26 March 2018

Name of owner	Trademark	Class	Reg. No.	Territory of registration	Expiry date
PCCW-HKT DataCom Services Limited	^A PCCW Infrastructure ^B PCCW INFRASTRUCTURE	9	300075609	Hong Kong	3 April 2013
PCCW-HKT DataCom Services Limited	^A PCCW Infrastructure ^B PCCW INFRASTRUCTURE	16	300075618	Hong Kong	3 April 2013
PCCW-HKT DataCom Services Limited	^A PCCW Infrastructure ^B PCCW INFRASTRUCTURE	35	300097371	Hong Kong	3 April 2013
PCCW-HKT DataCom Services Limited	^A PCCW Infrastructure ^B PCCW INFRASTRUCTURE	36	300075627	Hong Kong	3 April 2013
PCCW-HKT DataCom Services Limited	^A PCCW Infrastructure ^B PCCW INFRASTRUCTURE	37	300075636	Hong Kong	3 April 2013
PCCW-HKT DataCom Services Limited	^A PCCW Infrastructure ^B PCCW INFRASTRUCTURE	38	300075645	Hong Kong	3 April 2013
PCCW-HKT DataCom Services Limited	^A PCCW Infrastructure ^B PCCW INFRASTRUCTURE	39	300075654	Hong Kong	3 April 2013
PCCW-HKT DataCom Services Limited	^A PCCW Infrastructure ^B PCCW INFRASTRUCTURE	41	300075663	Hong Kong	3 April 2013
PCCW-HKT DataCom Services Limited	^A PCCW Infrastructure ^B PCCW INFRASTRUCTURE	42	300097380	Hong Kong	3 April 2013
PCCW-HKT DataCom Services Limited	PCCW Mobility Services ^A PCCW Mobility Services ^B PCCW MOBILITY SERVICES	9, 16, 36, 37, 39, 41, 42	2003B00163AA	Hong Kong	28 November 2017
PCCW-HKT DataCom Services Limited	PCCW Mobility Services ^A PCCW Mobility Services ^B PCCW MOBILITY SERVICES	35	300097353	Hong Kong	3 April 2013
PCCW-HKT DataCom Services Limited	PCCW Mobility Services ^A PCCW Mobility Services ^B PCCW MOBILITY SERVICES	38	300097362	Hong Kong	3 April 2013
PCCW-HKT DataCom Services Limited	PCCW Net Services ^A PCCW Net Services ^B PCCW NET SERVICES	9	300075357	Hong Kong	3 April 2013
PCCW-HKT DataCom Services Limited	PCCW Net Services ^A PCCW Net Services ^B PCCW NET SERVICES	16	300075366	Hong Kong	3 April 2013

Name of owner	Trademark	Class	Reg. No.	Territory of registration	Expiry date
PCCW-HKT DataCom Services Limited	PCCW Net Services ^A PCCW Net Services ^B PCCW NET SERVICES	35	300097290	Hong Kong	3 April 2013
PCCW-HKT DataCom Services Limited	PCCW Net Services ^A PCCW Net Services ^B PCCW NET SERVICES	36	300075375	Hong Kong	3 April 2013
PCCW-HKT DataCom Services Limited	PCCW Net Services ^A PCCW Net Services ^B PCCW NET SERVICES	37	300075384	Hong Kong	3 April 2013
PCCW-HKT DataCom Services Limited	PCCW Net Services ^A PCCW Net Services ^B PCCW NET SERVICES	38	300075393	Hong Kong	3 April 2013
PCCW-HKT DataCom Services Limited	PCCW Net Services ^A PCCW Net Services ^B PCCW NET SERVICES	39	300075401	Hong Kong	3 April 2013
PCCW-HKT DataCom Services Limited	PCCW Net Services ^A PCCW Net Services ^B PCCW NET SERVICES	41	300075410	Hong Kong	3 April 2013
PCCW-HKT DataCom Services Limited	PCCW Net Services ^A PCCW Net Services ^B PCCW NET SERVICES	42	300097308	Hong Kong	3 April 2013
PCCW-HKT DataCom Services Limited	PCCW Netview A PCCW NETVIEW B PCCW Netview C PCCW NetView D PCCW Netview	9, 35, 38	300197037	Hong Kong	15 April 2014
PCCW-HKT DataCom Services Limited	PCCW Plusview A PCCW PLUSVIEW B PCCW Plusview C PCCW PlusView D PCCW Plusview	9, 35, 38	300197046	Hong Kong	15 April 2014
PCCW-HKT DataCom Services Limited		38	199404427	Hong Kong	2 March 2013
PCCW-HKT DataCom Services Limited		9	1990B3144	Hong Kong	23 January 2018
PCCW-HKT DataCom Services Limited		16	19903145	Hong Kong	23 January 2018




Name of owner	Trademark	Class	Reg. No.	Territory of registration	Expiry date
PCCW-HKT DataCom Services Limited	 香港電訊	38	300006966	Hong Kong	15 April 2013
EPS Company (Hong Kong) Limited and PCCW-HKT DataCom Services Limited	 PAYMENT BY PHONE SERVICE 繳 費 聆	36	2003B14980	Hong Kong	18 February 2019
EPS Company (Hong Kong) Limited and PCCW-HKT DataCom Services Limited	 PAYMENT BY PHONE SERVICE 繳 費 聆	38	1996B06422	Hong Kong	13 January 2016
EPS Company (Hong Kong) Limited and PCCW-HKT DataCom Services Limited	 繳 費 靈 繳 費 靈	36, 38	2003B16061AA	Hong Kong	12 July 2019
PCCW-HKT DataCom Services Limited		9	1614521	PRC	6 August 2021
PCCW-HKT DataCom Services Limited		16	1589147	PRC	20 June 2021
PCCW-HKT DataCom Services Limited		28	1589068	PRC	20 June 2021
PCCW-HKT DataCom Services Limited		35	4306064	PRC	27 September 2019
PCCW-HKT DataCom Services Limited		36	1603790	PRC	13 July 2021
PCCW-HKT DataCom Services Limited		37	1643714	PRC	27 September 2021
PCCW-HKT DataCom Services Limited		38	1667780	PRC	13 November 2021

Name of owner	Trademark	Class	Reg. No.	Territory of registration	Expiry date
PCCW-HKT DataCom Services Limited		39	1667665	PRC	13 November 2021
PCCW-HKT DataCom Services Limited		41	1619887	PRC	13 August 2021
PCCW-HKT DataCom Services Limited		42	1647951	PRC	6 October 2021
PCCW-HKT DataCom Services Limited		9	1614522	PRC	6 August 2021
PCCW-HKT DataCom Services Limited		16	1636701	PRC	20 September 2021
PCCW-HKT DataCom Services Limited		28	2020497	PRC	20 October 2013
PCCW-HKT DataCom Services Limited		35	1639794	PRC	20 September 2021

Name of owner	Trademark	Class	Reg. No.	Territory of registration	Expiry date
PCCW-HKT DataCom Services Limited		36	1607990	PRC	20 July 2021
PCCW-HKT DataCom Services Limited		37	1619644	PRC	13 August 2021
PCCW-HKT DataCom Services Limited		38	1623806	PRC	20 August 2021
PCCW-HKT DataCom Services Limited		39	1667664	PRC	13 November 2021
PCCW-HKT DataCom Services Limited		41	1619888	PRC	13 August 2021

Name of owner	Trademark	Class	Reg. No.	Territory of registration	Expiry date
PCCW-HKT DataCom Services Limited		42	1619921	PRC	13 August 2021
PCCW-HKT DataCom Services Limited	 網上行 netvigator®	38	1115548	PRC	27 September 2017
PCCW-HKT DataCom Services Limited	ONE.OSS	9	5686337	PRC	27 August 2019
PCCW-HKT DataCom Services Limited	ONE.OSS	38	6943217	PRC	13 June 2020
PCCW-HKT DataCom Services Limited	ONE.OSS	42	6312727	PRC	27 June 2020
PCCW-HKT DataCom Services Limited	ONE.OSS	9	5744788	PRC	13 September 2019
PCCW-HKT DataCom Services Limited	ONE.OSS	38	5744787	PRC	13 January 2020
PCCW-HKT DataCom Services Limited	ONE.OSS	45	5744786	PRC	6 January 2020
PCCW-HKT DataCom Services Limited	PCCW Global	9	5848049	PRC	27 November 2019
PCCW-HKT DataCom Services Limited	PCCW Global	16	5848048	PRC	13 November 2019
PCCW-HKT DataCom Services Limited	PCCW Global	35	5848047	PRC	13 April 2020












Name of owner	Trademark	Class	Reg. No.	Territory of registration	Expiry date
PCCW-HKT DataCom Services Limited	PCCW Global	36	5848061	PRC	6 February 2020
PCCW-HKT DataCom Services Limited	PCCW Global	37	5848060	PRC	6 September 2020
PCCW-HKT DataCom Services Limited	PCCW Global	38	5848059	PRC	6 September 2020
PCCW-HKT DataCom Services Limited	PCCW Global	41	5848058	PRC	6 May 2020
PCCW-HKT DataCom Services Limited	PCCW Global	42	5848057	PRC	13 April 2020
PCCW-HKT DataCom Services Limited		35	5266279	PRC	20 August 2019
PCCW-HKT DataCom Services Limited		37	5266281	PRC	27 September 2019
PCCW-HKT DataCom Services Limited		42	5266277	PRC	6 October 2019
PCCW-HKT DataCom Services Limited	網上行	9	1614523	PRC	6 August 2021
PCCW-HKT DataCom Services Limited	網上行	16	1589139	PRC	20 June 2021
PCCW-HKT DataCom Services Limited	網上行	28	1589067	PRC	20 June 2021
PCCW-HKT DataCom Services Limited	網上行	35	1547810	PRC	27 March 2021
PCCW-HKT DataCom Services Limited	網上行	36	1603773	PRC	13 July 2021
PCCW-HKT DataCom Services Limited	網上行	37	1623714	PRC	20 August 2021



Name of owner	Trademark	Class	Reg. No.	Territory of registration	Expiry date
PCCW-HKT DataCom Services Limited		38	1527883	PRC	20 February 2021
PCCW-HKT DataCom Services Limited		41	1623622	PRC	20 August 2021
PCCW-HKT DataCom Services Limited		42	1559925	PRC	20 April 2021
PCCW-HKT DataCom Services Limited	PCCW-HKT	9	1686204	PRC	20 December 2011
PCCW-HKT DataCom Services Limited	PCCW-HKT	16	1712927	PRC	13 February 2012
PCCW-HKT DataCom Services Limited	PCCW-HKT	35	1769578	PRC	13 May 2012
PCCW-HKT DataCom Services Limited	PCCW-HKT	36	1749531	PRC	13 April 2012
PCCW-HKT DataCom Services Limited	PCCW-HKT	37	1759442	PRC	27 April 2012
PCCW-HKT DataCom Services Limited	PCCW-HKT	38	1731889	PRC	13 March 2012
PCCW-HKT DataCom Services Limited	PCCW-HKT	39	1744749	PRC	6 April 2012
PCCW-HKT DataCom Services Limited	PCCW-HKT	41	1794343	PRC	20 June 2012
PCCW-HKT DataCom Services Limited	PCCW-HKT	42	1754803	PRC	20 April 2012
PCCW-HKT DataCom Services Limited	BEYOND 3G	16	7048767	PRC	20 November 2020
PCCW-HKT DataCom Services Limited	Powered by PCCW NEXTGEN™	16	7097767	PRC	20 July 2020

Name of owner	Trademark	Class	Reg. No.	Territory of registration	Expiry date
PCCW-HKT DataCom Services Limited	Powered by PCCW NEXTGEN™	36	7097715	PRC	13 September 2020
PCCW-HKT DataCom Services Limited	Powered by PCCW NEXTGEN™	37	7097714	PRC	13 September 2020
PCCW-HKT DataCom Services Limited	Powered by PCCW NEXTGEN™	38	7097713	PRC	13 September 2020
PCCW-HKT DataCom Services Limited	Powered by PCCW NEXTGEN™	39	7097712	PRC	13 November 2020
PCCW-HKT DataCom Services Limited	Powered by PCCW NEXTGEN™	41	7097711	PRC	6 November 2020
PCCW-HKT DataCom Services Limited	Powered by PCCW NEXTGEN™	42	7097710	PRC	13 November 2020
PCCW-HKT DataCom Services Limited	ZhongYing	35	3607764	PRC	13 June 2015
PCCW-HKT DataCom Services Limited	ZhongYing	36	3607763	PRC	13 November 2015
PCCW-HKT DataCom Services Limited	ZhongYing	37	3607762	PRC	13 November 2015
PCCW-HKT DataCom Services Limited	ZhongYing	38	3607761	PRC	13 May 2015
PCCW-HKT DataCom Services Limited	ZhongYing	39	3607760	PRC	13 May 2015
PCCW-HKT DataCom Services Limited	ZhongYing	41	3607759	PRC	20 March 2015
PCCW-HKT DataCom Services Limited	ZhongYing	42	3607765	PRC	27 August 2015
PCCW-HKT DataCom Services Limited	Beyond 3G	36	7097704	PRC	27 January 2021

Name of owner	Trademark	Class	Reg. No.	Territory of registration	Expiry date
PCCW-HKT DataCom Services Limited	NEXT GEN	16	7048758	PRC	13 July 2020
PCCW-HKT DataCom Services Limited	NEXT GEN	35	7048757	PRC	13 September 2020
PCCW-HKT DataCom Services Limited	NEXT GEN	36	7048756	PRC	27 July 2020
PCCW-HKT DataCom Services Limited	NEXT GEN	37	7048755	PRC	27 July 2020
PCCW-HKT DataCom Services Limited	NEXT GEN	39	7048753	PRC	20 October 2020
PCCW-HKT DataCom Services Limited	NEXT GEN	41	7048752	PRC	20 October 2020
PCCW-HKT DataCom Services Limited	NEXT GEN	42	7048751	PRC	20 October 2020
PCCW-HKT DataCom Services Limited	中盈优创	35	3597777	PRC	27 February 2015
PCCW-HKT DataCom Services Limited	中盈优创	36	3597955	PRC	13 November 2015
PCCW-HKT DataCom Services Limited	中盈优创	37	3597782	PRC	13 November 2015
PCCW-HKT DataCom Services Limited	中盈优创	38	3597781	PRC	13 May 2015
PCCW-HKT DataCom Services Limited	中盈优创	39	3597780	PRC	13 May 2015
PCCW-HKT DataCom Services Limited	中盈优创	41	3597779	PRC	27 February 2015
PCCW-HKT DataCom Services Limited	中盈优创	42	3597778	PRC	6 August 2015

Name of owner	Trademark	Class	Reg. No.	Territory of registration	Expiry date
PCCW-HKT DataCom Services Limited	优创	35	3574844	PRC	13 April 2018
PCCW-HKT DataCom Services Limited	优创	36	3574845	PRC	20 February 2018
PCCW-HKT DataCom Services Limited	优创	37	3574846	PRC	20 February 2018
PCCW-HKT DataCom Services Limited	优创	38	3574847	PRC	20 September 2018
PCCW-HKT DataCom Services Limited	优创	39	3574848	PRC	20 September 2018
PCCW-HKT DataCom Services Limited	优创	41	3574849	PRC	27 February 2018
PCCW-HKT DataCom Services Limited	优创	42	3574850	PRC	20 February 2018
PCCW-HKT DataCom Services Limited	萃鋒	37	3354380	PRC	27 August 2014
PCCW-HKT DataCom Services Limited	萃鋒	42	3383609	PRC	6 September 2014
PCCW-HKT DataCom Services Limited	CASCADE	37	3349208	PRC	20 December 2014
PCCW-HKT DataCom Services Limited	CASCADE EOPERATION	37	3755914	PRC	20 February 2016
PCCW-HKT DataCom Services Limited	CASCADE EOPERATION	38	3755916	PRC	27 March 2016
PCCW-HKT DataCom Services Limited	CASCADE EOPERATION	42	3755915	PRC	20 February 2016

Name of owner	Trademark	Class	Reg. No.	Territory of registration	Expiry date
PCCW-HKT DataCom Services Limited		38	1439958	PRC	27 August 2020
PCCW-HKT DataCom Services Limited		9	1481985	PRC	27 November 2020
PCCW-HKT DataCom Services Limited		16	1443590	PRC	13 September 2020
PCCW-HKT DataCom Services Limited		35	1439936	PRC	27 August 2020
PCCW-HKT DataCom Services Limited		36	1439898	PRC	27 August 2020
PCCW-HKT DataCom Services Limited		37	1459406	PRC	13 October 2020
PCCW-HKT DataCom Services Limited		39	1487428	PRC	6 December 2020
PCCW-HKT DataCom Services Limited		41	1448831	PRC	20 September 2020
PCCW-HKT DataCom Services Limited		42	1445652	PRC	13 September 2020
PCCW-HKT DataCom Services Limited		38	777717	PRC	13 February 2015
PCCW-HKT DataCom Services Limited		9	594082	PRC	9 May 2012

Name of owner	Trademark	Class	Reg. No.	Territory of registration	Expiry date
EPS Company (Hong Kong) Limited and PCCW-HKT DataCom Services Limited	PPS Device 	36	6304665	PRC	27 March 2020
EPS Company (Hong Kong) Limited and PCCW-HKT DataCom Services Limited	PPS Device 	38	6304664	PRC	27 March 2020
PCCW-HKT DataCom Services Limited	H K T	38	N/4640(254)	Macau	11 June 2013
PCCW-HKT DataCom Services Limited	H K T 香港電訊	38	N/4648(516)	Macau	11 June 2013
PCCW-HKT DataCom Services Limited	BEYOND 3G	16	N/40023(360)	Macau	24 July 2016
PCCW-HKT DataCom Services Limited	BEYOND 3G	35	N/40024(114)	Macau	24 July 2016
PCCW-HKT DataCom Services Limited	BEYOND 3G	36	N/40025(910)	Macau	24 July 2016
PCCW-HKT DataCom Services Limited	BEYOND 3G	37	N/40026(145)	Macau	24 July 2016
PCCW-HKT DataCom Services Limited	BEYOND 3G	39	N/40028(835)	Macau	24 July 2016
PCCW-HKT DataCom Services Limited	BEYOND 3G	41	N/40029(195)	Macau	24 July 2016
PCCW-HKT DataCom Services Limited	NEXT G	9	N/40013(329)	Macau	28 April 2016
PCCW-HKT DataCom Services Limited	NEXT G	16	N/40014(959)	Macau	28 April 2016
PCCW-HKT DataCom Services Limited	NEXT G	35	N/40015(667)	Macau	24 August 2016



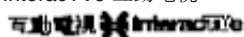




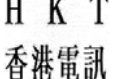
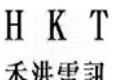
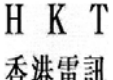
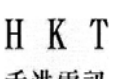

Name of owner	Trademark	Class	Reg. No.	Territory of registration	Expiry date
PCCW-HKT DataCom Services Limited	NEXT G	36	N/40016(051)	Macau	28 April 2016
PCCW-HKT DataCom Services Limited	NEXT G	37	N/40017(173)	Macau	28 April 2016
PCCW-HKT DataCom Services Limited	NEXT G	38	N/40018(785)	Macau	28 April 2016
PCCW-HKT DataCom Services Limited	NEXT G	39	N/40019(848)	Macau	28 April 2016
PCCW-HKT DataCom Services Limited	NEXT G	41	N/40020(395)	Macau	28 April 2016
PCCW-HKT DataCom Services Limited	NEXT G	42	N/40021(518)	Macau	28 April 2016
PCCW-HKT DataCom Services Limited	<i>Powered by</i> PCCW NEXTGEN [®]	9	N/40508(349)	Macau	24 July 2016
PCCW-HKT DataCom Services Limited	<i>Powered by</i> PCCW NEXTGEN [®]	16	N/40509(346)	Macau	24 July 2016
PCCW-HKT DataCom Services Limited	<i>Powered by</i> PCCW NEXTGEN [®]	35	N/40510(501)	Macau	24 July 2016
PCCW-HKT DataCom Services Limited	<i>Powered by</i> PCCW NEXTGEN [®]	36	N/40511(232)	Macau	24 July 2016
PCCW-HKT DataCom Services Limited	<i>Powered by</i> PCCW NEXTGEN [®]	37	N/40512(694)	Macau	24 July 2016
PCCW-HKT DataCom Services Limited	<i>Powered by</i> PCCW NEXTGEN [®]	38	N/40513(704)	Macau	24 July 2016
PCCW-HKT DataCom Services Limited	<i>Powered by</i> PCCW NEXTGEN [®]	39	N/40514(527)	Macau	24 July 2016
PCCW-HKT DataCom Services Limited	<i>Powered by</i> PCCW NEXTGEN [®]	41	N/40515(098)	Macau	24 July 2016











Name of owner	Trademark	Class	Reg. No.	Territory of registration	Expiry date
PCCW-HKT DataCom Services Limited	<i>Powered by PCCW NEXTGEN™</i>	42	N/40516(904)	Macau	24 July 2016
PCCW-HKT DataCom Services Limited	<i>Beyond 3G</i>	16	N/40500(188)	Macau	24 July 2016
PCCW-HKT DataCom Services Limited	<i>Beyond 3G</i>	35	N/40501(060)	Macau	24 July 2016
PCCW-HKT DataCom Services Limited	<i>Beyond 3G</i>	36	N/40502(398)	Macau	24 July 2016
PCCW-HKT DataCom Services Limited	<i>Beyond 3G</i>	37	N/40503(775)	Macau	24 July 2016
PCCW-HKT DataCom Services Limited	<i>Beyond 3G</i>	39	N/40505(588)	Macau	24 July 2016
PCCW-HKT DataCom Services Limited	<i>Beyond 3G</i>	41	N/40506(988)	Macau	24 July 2016
PCCW-HKT DataCom Services Limited	NETPASS	35, 38, 42	1270054	Taiwan	30 June 2017
PCCW-HKT DataCom Services Limited	萃鋒	37	184114	Taiwan	15 July 2013
PCCW-HKT DataCom Services Limited	萃鋒	42	191213	Taiwan	30 November 2013
PCCW-HKT DataCom Services Limited	H K T	38	136745	Taiwan	15 January 2021
PCCW-HKT DataCom Services Limited	H K T	16	933422	Taiwan	28 February 2021
PCCW-HKT DataCom Services Limited	H K T	35	128042	Taiwan	31 August 2020
PCCW-HKT DataCom Services Limited	H K T	36	133564	Taiwan	30 November 2020

Name of owner	Trademark	Class	Reg. No.	Territory of registration	Expiry date
PCCW-HKT DataCom Services Limited	H K T	37	127480	Taiwan	15 August 2020
PCCW-HKT DataCom Services Limited	H K T	41	133704	Taiwan	30 November 2020
PCCW-HKT DataCom Services Limited	H K T	42	137796	Taiwan	15 August 2020
PCCW-HKT DataCom Services Limited	H K T 香港電訊	38	137304	Taiwan	15 January 2021
PCCW-HKT DataCom Services Limited	H K T 香港電訊	16	939283	Taiwan	28 February 2021
PCCW-HKT DataCom Services Limited	H K T 香港電訊	35	149739	Taiwan	31 August 2020
PCCW-HKT DataCom Services Limited	H K T 香港電訊	36	137190	Taiwan	30 November 2020
PCCW-HKT DataCom Services Limited	H K T 香港電訊	37	131025	Taiwan	15 August 2020
PCCW-HKT DataCom Services Limited	H K T 香港電訊	41	135956	Taiwan	30 November 2020
PCCW-HKT DataCom Services Limited	H K T 香港電訊	42	137795	Taiwan	15 August 2020
PCCW-HKT DataCom Services Limited	BEYOND 3G	9, 16, 35, 36, 37, 38, 39, 41, 42	1409472	Taiwan	30 April 2020
PCCW-HKT DataCom Services Limited	NEXT GEN	16, 35, 36, 37, 38, 39, 41, 42	1409473	Taiwan	30 April 2020
PCCW-HKT DataCom Services Limited	Powered by PCCW NEXTGEN™	9, 16, 35, 36, 37, 38, 39, 41, 42	1397341	Taiwan	31 January 2020


Name of owner	Trademark	Class	Reg. No.	Territory of registration	Expiry date
PCCW-HKT DataCom Services Limited		12	62485	Taiwan	15 February 2013
PCCW-HKT DataCom Services Limited		86	585481	Taiwan	31 January 2013
PCCW-HKT DataCom Services Limited	QualiTVision	9	06002795	Malaysia	27 February 2016
PCCW-HKT DataCom Services Limited		35	06002794	Malaysia	27 February 2016
PCCW-HKT DataCom Services Limited	QualiTVision	37	06002793	Malaysia	27 February 2016
PCCW-HKT DataCom Services Limited	QualiTVision	38	06002792	Malaysia	27 February 2016
PCCW-HKT DataCom Services Limited	QualiTVision	42	06002791	Malaysia	27 February 2016
PCCW-HKT DataCom Services Limited	HKT	38	99004722	Malaysia	1 June 2019
PCCW-HKT DataCom Services Limited		38	99004707	Malaysia	1 June 2019
PCCW-HKT DataCom Services Limited	QualiTVision	9	Kor261896	Thailand	27 February 2016
PCCW-HKT DataCom Services Limited	QualiTVision	35	Bor33437	Thailand	27 February 2016
PCCW-HKT DataCom Services Limited	QualiTVision	37	Bor33431	Thailand	27 February 2016
PCCW-HKT DataCom Services Limited	QualiTVision	38	Bor33438	Thailand	27 February 2016

Name of owner	Trademark	Class	Reg. No.	Territory of registration	Expiry date
PCCW-HKT DataCom Services Limited	QualiTVision	42	Bor35369	Thailand	27 February 2016
PCCW-HKT DataCom Services Limited	H K T	38	4627132	Japan	6 December 2012
PCCW-HKT DataCom Services Limited	H K T 香港電訊	38	4627133	Japan	6 December 2012
PCCW-HKT DataCom Services Limited	H K T	38	T9905201J	Singapore	21 May 2019
PCCW-HKT DataCom Services Limited	H K T 香港電訊	38	T9905209F	Singapore	21 May 2019
EPS Company (Hong Kong) Limited and PCCW-HKT DataCom Services Limited	PPS pps	36	T0614940Z	Singapore	25 July 2016
EPS Company (Hong Kong) Limited and PCCW-HKT DataCom Services Limited	PPS pps	38	T0614945J	Singapore	25 July 2016
EPS Company (Hong Kong) Limited and PCCW-HKT DataCom Services Limited	繳費靈 繳費灵	36	T0614975B	Singapore	25 July 2016
EPS Company (Hong Kong) Limited and PCCW-HKT DataCom Services Limited	繳費靈 繳費灵	38	T0614983C	Singapore	25 July 2016

Name of owner	Trademark	Class	Reg. No.	Territory of registration	Expiry date
EPS Co. (HK) Ltd. and PCCW-HKT DataCom Services Limited		36	T0614956F	Singapore	July 25 2016
EPS Co. (HK) Ltd. and PCCW-HKT DataCom Services Limited		38	T0614967A	Singapore	July 25 2016
PCCW-HKT DataCom Services Limited	InteracTve 互動電視 	38	2002B04562	Hong Kong	16 December 2013
PCCW-HKT DataCom Services Limited		9	4004970330000	South Korea	5 July 2021
PCCW-HKT DataCom Services Limited		16	4004890270000	South Korea	6 March 2021
PCCW-HKT DataCom Services Limited		41	4100640410000	South Korea	17 October 2020
PCCW-HKT DataCom Services Limited		42	4100640420000	South Korea	17 October 2020
PCCW-HKT DataCom Services Limited	 香港電訊	38	4100640450000	South Korea	17 October 2020
PCCW-HKT DataCom Services Limited	 香港電訊	9	4004970320000	South Korea	5 July 2021
PCCW-HKT DataCom Services Limited	 香港電訊	16	4004890280000	South Korea	6 March 2021
PCCW-HKT DataCom Services Limited	 香港電訊	41	4100640460000	South Korea	17 October 2020
PCCW-HKT DataCom Services Limited	 香港電訊	42	4100640470000	South Korea	17 October 2020

Name of owner	Trademark	Class	Reg. No.	Territory of registration	Expiry date
PCCW-HKT DataCom Services Limited		38	4100237050000	South Korea	4 May 2014
PCCW-HKT DataCom Services Limited		38	4100642650000	South Korea	25 October 2020
PCCW-HKT DataCom Services Limited	HKT 香港電訊	38	36187	Vietnam	20 August 2019
PCCW-HKT DataCom Services Limited		38	801768	Australia	28 July 2019
PCCW-HKT DataCom Services Limited		38	573984	Australia	9 March 2019
PCCW-HKT DataCom Services Limited	 香港電訊	38	801769	Australia	28 July 2019
PCCW-HKT DataCom Services Limited		38	313493	New Zealand	29 July 2016
PCCW-HKT DataCom Services Limited	 香港電訊	38	313501	New Zealand	29 July 2016
PCCW-HKT DataCom Services Limited	HKT	38	2204435B	UK	29 July 2019
PCCW-HKT DataCom Services Limited	 香港電訊	38	2204342B	UK	29 July 2019
PCCW-HKT DataCom Services Limited		9, 16, 35, 36, 37, 38, 41, 42	003826501	CTM	10 May 2014
PCCW-HKT DataCom Services Limited		9, 16, 35, 36, 37, 38, 41, 42	005570304	CTM	20 December 2016
PCCW-HKT DataCom Services Limited	QualiTVision	9, 35, 37, 38, 42	004923901	CTM	24 February 2016
PCCW-HKT DataCom Services Limited	BtN Access	35, 38, 42	003291218	CTM	4 August 2013

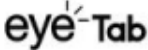
















Name of owner	Trademark	Class	Reg. No.	Territory of registration	Expiry date
PCCW-HKT DataCom Services Limited	PCCWGlobal	9, 16, 35, 36, 37, 38, 41, 42	3529691	USA	10 November 2018
PCCW-HKT DataCom Services Limited	HKT 香港電訊	38	3282482	USA	20 August 2017
PCCW-HKT DataCom Services Limited	HKT	Canadian register is not divided by class. Claim essentially covers telecommuni- cations services in class 38.	TMA625074	Canada	9 November 2019
PCCW-HKT DataCom Services Limited	HKT 香港電訊	Canadian register is not divided by class. Claim essentially covers telecommuni- cations services in class 38.	TMA631441	Canada	28 January 2020
PCCW-HKT DataCom Services Limited	Hongkong Telecom	Canadian register is not divided by class. Claim essentially covers telecommuni- cations goods in class 9 and services in class 38.	TMA458893	Canada	7 June 2026






Name of owner	Trademark	Class	Reg. No.	Territory of registration	Expiry date
PCCW-HKT DataCom Services Limited	香港電訊	Canadian register is not divided by class. Claim essentially covers telecommunications services in class 38.	TMA471927	Canada	4 March 2012
PCCW-HKT DataCom Services Limited	HONGKONG TELECOM (CANADA)	Canadian register is not divided by class. Claim essentially covers telecommunications goods in class 9 and services in class 38.	TMA473321	Canada	21 March 2012
PCCW-HKT DataCom Services Limited		Canadian register is not divided by class. Claim essentially covers telecommunications services in class 38.	TMA467372	Canada	10 December 2026

(b) Trademarks applied by the Group










As at the Latest Practicable Date, applications have been made for registration of the following trademarks:

Applicant	Trademark	Class	Application number	Country of application
PCCW-HKT DataCom Services Limited	<ul style="list-style-type: none"> * BEYOND 3G * Beyond 3G * beyond3g * BEYOND3G 	9, 16, 35, 36, 37, 38, 39, 41, 42	301235574	Hong Kong


Applicant	Trademark	Class	Application number	Country of application
PCCW-HKT DataCom Services Limited	^A NEXT GEN ^B Next Gen ^C NEXTGEN ^D nextgen	9, 16, 35, 36, 37, 38, 39, 41, 42	301235312	Hong Kong
PCCW-HKT DataCom Services Limited	^A <i>Beyond 3G</i> ^B <i>Beyond 3G</i>	9, 16, 35, 36, 37, 38, 39, 41, 42	301252052	Hong Kong
PCCW-HKT DataCom Services Limited		9, 35, 36, 38, 41, 42	301951074	Hong Kong
PCCW-HKT DataCom Services Limited	^A  ^B 	9, 16, 35, 36, 37, 38, 39, 41, 42	301321974	Hong Kong
PCCW-HKT DataCom Services Limited	^A  ^B  ^C  ^D 	6, 9, 16, 19, 25, 28, 35, 36, 37, 38, 39, 40, 41, 42, 43, 45	300849024	Hong Kong
PCCW-HKT DataCom Services Limited	a.  b. 	9, 35, 36, 38, 41, 42	301853316	Hong Kong
PCCW-HKT DataCom Services Limited	   	9, 16, 36, 37, 38, 39, 41	301574659	Hong Kong
PCCW-HKT DataCom Services Limited	^{A.}  ^{B.} 	9, 35, 38, 39, 41, 42	301884088	Hong Kong
PCCW-HKT DataCom Services Limited	^{A.}  ^{B.} 	5, 9, 10, 16, 35, 36, 37, 38, 39, 41, 42, 44	301931661	Hong Kong

Applicant	Trademark	Class	Application number	Country of application
PCCW-HKT DataCom Services Limited	^A HKT TRUST ^B HKT Trust ^C hkt trust	9, 16, 35, 36, 37, 38, 39, 41, 42	301938349	Hong Kong
PCCW-HKT DataCom Services Limited	^A HKT ^B hkt	9, 16, 35, 36, 37, 38, 39, 41, 42	301951894	Hong Kong
PCCW-HKT DataCom Services Limited	^{A.} 香港電訊 ^{B.} 香港电讯	9, 16, 35, 36, 37, 38, 39, 41, 42	301965853	Hong Kong
PCCW-HKT DataCom Services Limited	HKT ^{A.}  ^{B.} 	9, 16, 35, 36, 37, 38, 39, 41 & 42	302027538	Hong Kong
PCCW-HKT DataCom Services Limited	HKT 香港電訊 ^{A.}  ^{B.} 	9, 16, 35, 36, 37, 38, 39, 41 & 42	302027547	Hong Kong
PCCW-HKT DataCom Services Limited	^{A.} 香港電訊信託 ^{B.} 香港电讯信託	9, 16, 35, 36, 37, 38, 39, 41 and 42	302041910	Hong Kong
PCCW-HKT DataCom Services Limited		9	5266280	PRC
PCCW-HKT DataCom Services Limited	BEYOND 3G	9	7048750	PRC
PCCW-HKT DataCom Services Limited	BEYOND 3G	37	7048764	PRC
PCCW-HKT DataCom Services Limited	<i>Beyond 3G</i>	9	7097707	PRC
PCCW-HKT DataCom Services Limited	<i>Beyond 3G</i>	37	7097703	PRC











Applicant	Trademark	Class	Application number	Country of application
PCCW-HKT DataCom Services Limited	<i>Beyond 3G</i>	38	7097702	PRC
PCCW-HKT DataCom Services Limited	NEXT GEN	9	7048759	PRC
PCCW-HKT DataCom Services Limited	NEXT GEN	38	8896908	PRC
PCCW-HKT DataCom Services Limited	HKT TRUST	9	9595131	PRC
PCCW-HKT DataCom Services Limited	HKT TRUST	16	9595130	PRC
PCCW-HKT DataCom Services Limited	HKT TRUST	35	9595129	PRC
PCCW-HKT DataCom Services Limited	HKT TRUST	36	9595128	PRC
PCCW-HKT DataCom Services Limited	HKT TRUST	37	9595127	PRC
PCCW-HKT DataCom Services Limited	HKT TRUST	38	9595126	PRC
PCCW-HKT DataCom Services Limited	HKT TRUST	39	9595125	PRC
PCCW-HKT DataCom Services Limited	HKT TRUST	41	9595124	PRC
PCCW-HKT DataCom Services Limited	HKT TRUST	42	9595123	PRC
PCCW-HKT DataCom Services Limited		5	9534871	PRC
PCCW-HKT DataCom Services Limited		9	9541009	PRC
PCCW-HKT DataCom Services Limited		10	9534870	PRC






Applicant	Trademark	Class	Application number	Country of application
PCCW-HKT DataCom Services Limited		16	9534869	PRC
PCCW-HKT DataCom Services Limited		35	9534868	PRC
PCCW-HKT DataCom Services Limited		36	9541008	PRC
PCCW-HKT DataCom Services Limited		37	9541007	PRC
PCCW-HKT DataCom Services Limited		38	9541006	PRC
PCCW-HKT DataCom Services Limited		39	9541005	PRC
PCCW-HKT DataCom Services Limited		41	9541004	PRC
PCCW-HKT DataCom Services Limited		42	9541023	PRC
PCCW-HKT DataCom Services Limited		44	9534867	PRC
PCCW-HKT DataCom Services Limited	HKT TRUST	9, 16, 35, 36, 37, 38, 39, 41, 42 & 45	10045094	CTM
PCCW-HKT DataCom Services Limited	HKT	9, 16, 35, 36, 37, 38, 39, 41, 42 & 45	010106425	CTM

Applicant	Trademark	Class	Application number	Country of application
PCCW-HKT DataCom Services Limited	HKT TRUST	9, 16, 35, 36, 37, 38, 39, 41, 42	T1107703I	Singapore
PCCW-HKT DataCom Services Limited	HKT hkt	9, 16, 35, 36, 37, 38, 39, 41 & 42	T1109205D	Singapore
PCCW-HKT DataCom Services Limited	HKT TRUST	9, 16, 35, 36, 37, 38, 39, 41, 42	85350892	U.S.
PCCW-HKT DataCom Services Limited	HKT	9, 16, 35, 36, 37, 38, 39, 41 & 42	85366817	U.S.
PCCW-HKT DataCom Services Limited	HKT TRUST	9	N/57349	Macau
PCCW-HKT DataCom Services Limited	HKT TRUST	16	N/57350	Macau
PCCW-HKT DataCom Services Limited	HKT TRUST	35	N/57351	Macau
PCCW-HKT DataCom Services Limited	HKT TRUST	36	N/57352	Macau
PCCW-HKT DataCom Services Limited	HKT TRUST	37	N/57353	Macau
PCCW-HKT DataCom Services Limited	HKT TRUST	38	N/57354	Macau
PCCW-HKT DataCom Services Limited	HKT TRUST	39	N/57355	Macau
PCCW-HKT DataCom Services Limited	HKT TRUST	41	N/57356	Macau
PCCW-HKT DataCom Services Limited	HKT TRUST	42	N/57357	Macau
PCCW-HKT DataCom Services Limited	HKT	9	N/57782 (778)	Macau
PCCW-HKT DataCom Services Limited	HKT	16	N/57783 (944)	Macau
PCCW-HKT DataCom Services Limited	HKT	35	N/57784 (475)	Macau

Applicant	Trademark	Class	Application number	Country of application
PCCW-HKT DataCom Services Limited	HKT	36	N/57785 (708)	Macau
PCCW-HKT DataCom Services Limited	HKT	37	N/57786 (322)	Macau
PCCW-HKT DataCom Services Limited	HKT	38	N/57787 (813)	Macau
PCCW-HKT DataCom Services Limited	HKT	39	N/57788 (167)	Macau
PCCW-HKT DataCom Services Limited	HKT	41	N/57789 (775)	Macau
PCCW-HKT DataCom Services Limited	HKT	42	N/57790 (627)	Macau
PCCW-HKT DataCom Services Limited	HKT TRUST	9, 16, 35, 36, 37, 38, 39, 41, 42	100030810	Taiwan
PCCW-HKT DataCom Services Limited	HKT	9 & 39	100034360	Taiwan
PCCW-HKT DataCom Services Limited	HKT	9, 16, 35, 36, 37, 38, 39, 41 & 42	2011052038	Japan
PCCW-HKT DataCom Services Limited	HKT TRUST	9, 16, 35, 36, 37, 38, 39, 41 & 42	2011052039	Japan
PCCW-HKT DataCom Services Limited	Hong Kong Telecom Trust	9, 16, 35, 36, 37, 38, 39, 41 and 42	2011076223	Japan
PCCW-HKT DataCom Services Limited	HKT トラスト	9, 16, 35, 36, 37, 38, 39, 41 and 42	2011076224	Japan
PCCW-HKT DataCom Services Limited	香港テレコム・トラスト	9, 16, 35, 36, 37, 38, 39, 41 and 42	2011076225	Japan
PCCW-HKT DataCom Services Limited		9, 16, 35, 36, 37, 38, 39, 41 and 42	100057238	Taiwan

Applicant	Trademark	Class	Application number	Country of application
PCCW-HKT DataCom Services Limited		9, 16, 35, 36, 37, 38, 39, 41 and 42	100057237	Taiwan
PCCW-HKT DataCom Services Limited		9, 16, 35, 36, 37, 38, 39, 41 and 42	85461785	United States
PCCW-HKT DataCom Services Limited		9, 16, 35, 36, 37, 38, 39, 41 and 42	85461787	United States
PCCW-HKT DataCom Services Limited		9, 16, 35, 36, 37, 38, 39, 41 and 42	2001-078603	Japan
PCCW-HKT DataCom Services Limited		9, 16, 35, 36, 37, 38, 39, 41 and 42	2001-078604	Japan
PCCW-HKT DataCom Services Limited		9, 16, 35, 36, 37, 38, 39, 41, 42 and 45	010383768	CTM
PCCW-HKT DataCom Services Limited		9, 16, 35, 36, 37, 38, 39, 41, 42 and 45	010383867	CTM
PCCW-HKT DataCom Services Limited		9	N/61037	Macau
PCCW-HKT DataCom Services Limited		16	N/61038	Macau
PCCW-HKT DataCom Services Limited		35	N/61039	Macau

Applicant	Trademark	Class	Application number	Country of application
PCCW-HKT DataCom Services Limited		36	N/61040	Macau
PCCW-HKT DataCom Services Limited		37	N/61041	Macau
PCCW-HKT DataCom Services Limited		38	N/61042	Macau
PCCW-HKT DataCom Services Limited		39	N/61043	Macau
PCCW-HKT DataCom Services Limited		41	N/61044	Macau
PCCW-HKT DataCom Services Limited		42	N/61045	Macau
PCCW-HKT DataCom Services Limited		9	N/61046	Macau
PCCW-HKT DataCom Services Limited		16	N/61047	Macau
PCCW-HKT DataCom Services Limited		35	N/61048	Macau
PCCW-HKT DataCom Services Limited		36	N/61049	Macau

Applicant	Trademark	Class	Application number	Country of application
PCCW-HKT DataCom Services Limited		37	N/61050	Macau
PCCW-HKT DataCom Services Limited		38	N/61051	Macau
PCCW-HKT DataCom Services Limited		39	N/61052	Macau
PCCW-HKT DataCom Services Limited		41	N/61053	Macau
PCCW-HKT DataCom Services Limited		42	N/61054	Macau
PCCW-HKT DataCom Services Limited	HKT	Canadian register is not divided by class. Claims essentially cover classes 9, 16, 35, 36, 37, 38, 39, 41 and 42.	1549590	Canada
PCCW-HKT DataCom Services Limited	HKT TRUST	Canadian register is not divided by class. Claims essentially cover classes 9, 16, 35, 36, 37, 38, 39, 41 and 42.	1549591	Canada

B. Domain names

As at the Latest Practicable Date, the Group was the registrant of the following domain names:

Domain name	Name of registrant	Registration date	Expiry date
pccw-all-in-1.com	PCCW-HKT DataCom Services Limited	26 June 2008	26 June 2012
pccwbtc.com	PCCW-HKT DataCom Services Limited	6 July 2006	7 December 2013
pccwbtc.net	PCCW-HKT DataCom Services Limited	6 July 2006	7 December 2013
pccwhktlimited.com	PCCW-HKT DataCom Services Limited	17 July 2000	17 July 2012
pccw-telpro.com	PCCW-HKT DataCom Services Limited	27 March 2002	27 March 2012
hktquadplay.com	PCCW-HKT DataCom Services Limited	5 June 2008	5 June 2016
hkt-quadplay.com	PCCW-HKT DataCom Services Limited	5 June 2008	5 June 2016
hktquad-play.com	PCCW-HKT DataCom Services Limited	5 June 2008	5 June 2016
hktquadplay.com.hk	PCCW-HKT DataCom Services Limited	6 June 2008	18 June 2016
hkt-quadplay.com.hk	PCCW-HKT DataCom Services Limited	6 June 2008	18 June 2016
hktquad-play.com.hk	PCCW-HKT DataCom Services Limited	6 June 2008	18 June 2016
hktquadplay.hk	PCCW-HKT DataCom Services Limited	6 June 2008	18 June 2016
hkt-quadplay.hk	PCCW-HKT DataCom Services Limited	6 June 2008	18 June 2016
hktquad-play.hk	PCCW-HKT DataCom Services Limited	6 June 2008	18 June 2016
hkt-quadrupleplay.asia	PCCW-HKT DataCom Services Limited	2 July 2008	2 July 2012
hktquadrupleplay.com	PCCW-HKT DataCom Services Limited	5 June 2008	5 June 2016
hktquadrupleplay.com.hk	PCCW-HKT DataCom Services Limited	6 June 2008	18 June 2016
hktquadrupleplay.hk	PCCW-HKT DataCom Services Limited	6 June 2008	18 June 2016
pccwquadplay.com	PCCW-HKT DataCom Services Limited	13 March 2007	13 March 2012
pccw-quadplay.com	PCCW-HKT DataCom Services Limited	13 March 2007	13 March 2012
pccwquad-play.com	PCCW-HKT DataCom Services Limited	13 March 2007	13 March 2012
pccwquadplay.com.hk	PCCW-HKT DataCom Services Limited	13 March 2007	13 March 2013
pccw-quadplay.com.hk	PCCW-HKT DataCom Services Limited	13 March 2007	13 March 2013
pccwquad-play.com.hk	PCCW-HKT DataCom Services Limited	13 March 2007	13 March 2013
pccwquadplay.hk	PCCW-HKT DataCom Services Limited	13 March 2007	13 March 2013
pccw-quadplay.hk	PCCW-HKT DataCom Services Limited	13 March 2007	13 March 2013
pccwquad-play.hk	PCCW-HKT DataCom Services Limited	13 March 2007	13 March 2013
pccw-quadrupleplay.asia	PCCW-HKT DataCom Services Limited	24 March 2008	24 March 2012
pccwquadrupleplay.com	PCCW-HKT DataCom Services Limited	13 March 2007	13 March 2012
pccwquadrupleplay.com.hk	PCCW-HKT DataCom Services Limited	13 March 2007	13 March 2013
pccwquadrupleplay.hk	PCCW-HKT DataCom Services Limited	13 March 2007	13 March 2013
quad-play.com	PCCW-HKT DataCom Services Limited	27 August 2008	27 August 2012
quadplay.com.hk	PCCW-HKT DataCom Services Limited	14 March 2007	14 March 2013
quad-play.com.hk	PCCW-HKT DataCom Services Limited	14 March 2007	14 March 2013
quadplay.hk	PCCW-HKT DataCom Services Limited	14 March 2007	14 March 2013
quad-play.hk	PCCW-HKT DataCom Services Limited	14 March 2007	14 March 2013
quad-play.tel	PCCW-HKT DataCom Services Limited	23 March 2009	22 March 2012
quadrupleplay.asia	PCCW-HKT DataCom Services Limited	24 March 2008	24 March 2012
quadrupleplay.com.hk	PCCW-HKT DataCom Services Limited	14 March 2007	14 March 2013
quadrupleplay.hk	PCCW-HKT DataCom Services Limited	14 March 2007	14 March 2013
quadruple-play.tel	PCCW-HKT DataCom Services Limited	23 March 2009	22 March 2012
中盈優創.公司	PCCW-HKT DataCom Services Limited	18 June 2003	15 May 2013
中盈優創.公司.cn	PCCW-HKT DataCom Services Limited	18 June 2003	15 May 2013

Domain name	Name of registrant	Registration date	Expiry date
中盈优创.公司	PCCW-HKT DataCom Services Limited	18 June 2003	15 May 2013
中盈优创.公司.cn	PCCW-HKT DataCom Services Limited	18 June 2003	15 May 2013
中盈优创.网络	PCCW-HKT DataCom Services Limited	18 June 2003	15 May 2013
中盈优创.网络.cn	PCCW-HKT DataCom Services Limited	18 June 2003	15 May 2013
中盈優創.網絡	PCCW-HKT DataCom Services Limited	18 June 2003	15 May 2013
中盈優創.網絡.cn	PCCW-HKT DataCom Services Limited	18 June 2003	15 May 2013
中盈优创.網絡	PCCW-HKT DataCom Services Limited	18 June 2003	15 May 2013
中盈优创.網絡.cn	PCCW-HKT DataCom Services Limited	18 June 2003	15 May 2013
中盈優創.網絡	PCCW-HKT DataCom Services Limited	18 June 2003	15 May 2013
中盈優創.網絡.cn	PCCW-HKT DataCom Services Limited	18 June 2003	15 May 2013
pccw-bizassistant.com	PCCW-HKT DataCom Services Limited	21 April 2002	21 April 2012
pccwinternetdatacenters.com	PCCW-HKT DataCom Services Limited	19 December 2000	19 December 2012
netvigator.eu	PCCW Global (UK) Limited	9 March 2006	31 August 2012
hktmobile.mobi	PCCW-HKT DataCom Services Limited	6 June 2008	6 June 2012
hktsunday.com	PCCW-HKT DataCom Services Limited	5 June 2008	5 June 2012
hktsunday.com.hk	PCCW-HKT DataCom Services Limited	6 June 2008	18 June 2013
hktsunday.hk	PCCW-HKT DataCom Services Limited	6 June 2008	18 June 2013
hktsunday.mobi	PCCW-HKT DataCom Services Limited	6 June 2008	6 June 2012
hktsunday.net	PCCW-HKT DataCom Services Limited	19 June 2008	19 June 2012
hktsundaymobile.com	PCCW-HKT DataCom Services Limited	5 June 2008	5 June 2012
hktsundaymobile.com.hk	PCCW-HKT DataCom Services Limited	6 June 2008	18 June 2013
hktsundaymobile.hk	PCCW-HKT DataCom Services Limited	6 June 2008	18 June 2013
hktsundaymobile.net	PCCW-HKT DataCom Services Limited	19 June 2008	19 June 2012
pccwsunday.com	PCCW-HKT DataCom Services Limited	13 June 2005	13 June 2016
pccwsunday.com.hk	PCCW-HKT DataCom Services Limited	14 June 2005	16 June 2013
pccwsunday.hk	PCCW-HKT DataCom Services Limited	14 June 2005	16 June 2013
pccwsunday.mobi	PCCW-HKT DataCom Services Limited	26 September 2006	26 September 2013
pccwsunday.net	PCCW-HKT DataCom Services Limited	14 June 2005	14 June 2012
sunday.mobi	PCCW-HKT DataCom Services Limited	22 May 2006	22 May 2013
sundayhkt.com	PCCW-HKT DataCom Services Limited	1 July 2008	1 July 2012
sundayhkt.com.hk	PCCW-HKT DataCom Services Limited	2 July 2008	2 July 2012
sundaypccw.com	PCCW-HKT DataCom Services Limited	14 June 2005	14 June 2012
hktteleservices.com	PCCW-HKT DataCom Services Limited	5 June 2008	5 June 2016
1000m.com.hk	PCCW-HKT DataCom Services Limited	23 November 2007	23 November 2015
boox.com.hk	PCCW-HKT DataCom Services Limited	18 January 2011	19 January 2013
boox.hk	PCCW-HKT DataCom Services Limited	18 January 2011	18 January 2013
boox.com.hk	PCCW-HKT DataCom Services Limited	21 January 2011	26 January 2013
cloud.com.hk	PCCW-HKT DataCom Services Limited	24 January 2011	26 January 2013
cloud.hk	PCCW-HKT DataCom Services Limited	19 January 2011	19 January 2013
csnetvigator.com	PCCW-HKT DataCom Services Limited	26 November 2005	26 November 2015
hkt1000m.com	PCCW-HKT DataCom Services Limited	5 June 2008	5 June 2012
hkt1000m.com.hk	PCCW-HKT DataCom Services Limited	6 June 2008	18 June 2012
hkt1000m.hk	PCCW-HKT DataCom Services Limited	6 June 2008	18 June 2012
hktims.com	PCCW-HKT DataCom Services Limited	5 December 1995	4 December 2012
hubbe.com.hk	PCCW-HKT DataCom Services Limited	14 February 2011	16 February 2013
hubbe.hk	PCCW-HKT DataCom Services Limited	14 February 2011	15 February 2013

Domain name	Name of registrant	Registration date	Expiry date
hubbee.com.hk	PCCW-HKT DataCom Services Limited	14 February 2011	16 February 2013
hubbee.hk	PCCW-HKT DataCom Services Limited	14 February 2011	15 February 2013
hubbi.com.hk	PCCW-HKT DataCom Services Limited	14 February 2011	16 February 2013
hubbi.hk	PCCW-HKT DataCom Services Limited	14 February 2011	15 February 2013
hubby.com.hk	PCCW-HKT DataCom Services Limited	14 February 2011	16 February 2013
hubby.hk	PCCW-HKT DataCom Services Limited	14 February 2011	15 February 2013
huub.com.hk	PCCW-HKT DataCom Services Limited	14 February 2011	16 February 2013
huub.hk	PCCW-HKT DataCom Services Limited	14 February 2011	15 February 2013
kloud.com.hk	PCCW-HKT DataCom Services Limited	11 February 2011	16 February 2013
kloud.hk	PCCW-HKT DataCom Services Limited	11 February 2011	15 February 2013
mboxx.com.hk	PCCW-HKT DataCom Services Limited	21 January 2011	26 January 2013
mboxx.hk	PCCW-HKT DataCom Services Limited	26 January 2011	26 January 2013
mobxx.hk	PCCW-HKT DataCom Services Limited	21 January 2011	25 January 2013
netmailnetvigator.com	PCCW-HKT DataCom Services Limited	17 July 2008	17 July 2015
netteens.net	PCCW-HKT DataCom Services Limited	14 May 1997	15 May 2012
netvigator.asia	PCCW-HKT DataCom Services Limited	7 December 2007	7 December 2015
netvigator.cn	PCCW-HKT DataCom Services Limited	17 April 2007	17 April 2012
netvigator.com	PCCW-HKT DataCom Services Limited	9 February 1996	10 February 2014
netvigator.com.cn	PCCW-HKT DataCom Services Limited	20 July 1999	20 July 2015
netvigator.com.hk	PCCW-HKT DataCom Services Limited	22 January 2003	30 April 2021
netvigator.com.sg	PCCW-HKT DataCom Services Limited	8 February 2005	8 February 2013
netvigator.hk	PCCW-HKT DataCom Services Limited	7 April 2004	8 April 2021
netvigator.info	PCCW-HKT DataCom Services Limited	30 August 2001	30 August 2016
netvigator.net.cn	PCCW-HKT DataCom Services Limited	30 August 2005	30 August 2013
netvigator.net.hk	PCCW-HKT DataCom Services Limited	8 June 2001	11 June 2015
outboxx.com.hk	PCCW-HKT DataCom Services Limited	21 January 2011	26 January 2013
outboxx.hk	PCCW-HKT DataCom Services Limited	21 January 2011	25 January 2013
pccw1000m.com	PCCW-HKT DataCom Services Limited	23 November 2007	23 November 2015
pccw1000m.com.hk	PCCW-HKT DataCom Services Limited	23 November 2007	28 November 2015
pccwims.com	PCCW-HKT DataCom Services Limited	9 November 2000	9 November 2012
uhub.com.hk	PCCW-HKT DataCom Services Limited	14 February 2011	16 February 2013
uhub.hk	PCCW-HKT DataCom Services Limited	14 February 2011	15 February 2013
zoom.com.hk	PCCW-HKT DataCom Services Limited	12 March 1999	12 March 2013
匣子.com	PCCW-HKT DataCom Services Limited	16 February 2011	16 February 2013
網上行.hk/香港	PCCW-HKT DataCom Services Limited	1 November 2006	8 April 2021
網上行.中国	PCCW-HKT DataCom Services Limited	25 November 2003	25 November 2016
網上行.中國	PCCW-HKT DataCom Services Limited	25 November 2003	25 November 2016
网上行.中国	PCCW-HKT DataCom Services Limited	25 November 2003	25 November 2016
网上行.中國	PCCW-HKT DataCom Services Limited	25 November 2003	25 November 2016
網上行.cn	PCCW-HKT DataCom Services Limited	25 November 2003	25 November 2016
网上行.cn	PCCW-HKT DataCom Services Limited	25 November 2003	25 November 2016
網上行.公司.hk/公司.香港	PCCW-HKT DataCom Services Limited	1 November 2006	30 April 2021
网上行.公司	PCCW-HKT DataCom Services Limited	20 October 2004	20 October 2015
网上行.公司.cn	PCCW-HKT DataCom Services Limited	20 October 2004	20 October 2015
網上行.公司	PCCW-HKT DataCom Services Limited	20 October 2004	20 October 2015
網上行.公司.cn	PCCW-HKT DataCom Services Limited	20 October 2004	20 October 2015

Domain name	Name of registrant	Registration date	Expiry date
网上行.网络	PCCW-HKT DataCom Services Limited	15 October 2004	15 October 2015
网上行.网络.cn	PCCW-HKT DataCom Services Limited	15 October 2004	15 October 2015
網上行.网络	PCCW-HKT DataCom Services Limited	15 October 2004	15 October 2015
網上行.网络.cn	PCCW-HKT DataCom Services Limited	15 October 2004	15 October 2015
网上行.網絡	PCCW-HKT DataCom Services Limited	15 October 2004	15 October 2015
网上行.網絡.cn	PCCW-HKT DataCom Services Limited	15 October 2004	15 October 2015
網上行.網絡	PCCW-HKT DataCom Services Limited	15 October 2004	15 October 2015
網上行.網絡.cn	PCCW-HKT DataCom Services Limited	15 October 2004	15 October 2015
netvigatoreverywhere.com	PCCW-HKT DataCom Services Limited	27 July 2007	27 July 2012
netvigatoreverywhere.com.hk	PCCW-HKT DataCom Services Limited	27 July 2007	31 July 2012
netvigatoreverywhere.hk	PCCW-HKT DataCom Services Limited	27 July 2007	27 July 2012
hktwifi.com	PCCW-HKT DataCom Services Limited	5 June 2008	5 June 2012
hkt-wifi.com	PCCW-HKT DataCom Services Limited	5 June 2008	5 June 2012
hktwi-fi.com	PCCW-HKT DataCom Services Limited	5 June 2008	5 June 2012
hktwifi.com.hk	PCCW-HKT DataCom Services Limited	6 June 2008	18 June 2012
hkt-wifi.com.hk	PCCW-HKT DataCom Services Limited	6 June 2008	18 June 2012
hktwi-fi.com.hk	PCCW-HKT DataCom Services Limited	6 June 2008	18 June 2012
hktwifi.hk	PCCW-HKT DataCom Services Limited	6 June 2008	18 June 2012
hkt-wifi.hk	PCCW-HKT DataCom Services Limited	6 June 2008	18 June 2012
hktwi-fi.hk	PCCW-HKT DataCom Services Limited	6 June 2008	18 June 2012
hktwireless.com	PCCW-HKT DataCom Services Limited	5 June 2008	5 June 2012
hktwireless.com.hk	PCCW-HKT DataCom Services Limited	6 June 2008	18 June 2012
hktwireless.hk	PCCW-HKT DataCom Services Limited	6 June 2008	18 June 2012
pccwwifi.asia	PCCW-HKT DataCom Services Limited	23 March 2008	23 March 2013
pccwwifi.com	PCCW-HKT DataCom Services Limited	21 January 2007	14 November 2016
pccw-wifi.com	PCCW-HKT DataCom Services Limited	21 January 2007	14 November 2016
pccwwi-fi.com	PCCW-HKT DataCom Services Limited	21 January 2007	14 November 2016
pccwwifi.com.hk	PCCW-HKT DataCom Services Limited	22 November 2006	24 November 2013
pccw-wifi.com.hk	PCCW-HKT DataCom Services Limited	22 November 2006	24 November 2013
pccwwi-fi.com.hk	PCCW-HKT DataCom Services Limited	22 November 2006	24 November 2013
pccwwifi.hk	PCCW-HKT DataCom Services Limited	22 November 2006	28 November 2015
pccw-wifi.hk	PCCW-HKT DataCom Services Limited	22 November 2006	28 November 2015
pccwwi-fi.hk	PCCW-HKT DataCom Services Limited	22 November 2006	28 November 2015
pccwwireless.asia	PCCW-HKT DataCom Services Limited	24 March 2008	24 March 2013
pccwwireless.com	PCCW-HKT DataCom Services Limited	21 January 2007	14 November 2016
pccwwireless.hk	PCCW-HKT DataCom Services Limited	22 November 2006	28 November 2015
pccwwireless.com.hk	PCCW-HKT DataCom Services Limited	22 November 2006	25 November 2013
snaap.asia	PCCW-HKT DataCom Services Limited	23 March 2008	23 March 2013
snaap.cn	PCCW-HKT DataCom Services Limited	4 January 2007	4 January 2012
snaap.com	PCCW-HKT DataCom Services Limited	30 September 2002	30 September 2012
snaap.com.cn	PCCW-HKT DataCom Services Limited	4 January 2007	4 January 2012
snaap.com.hk	PCCW-HKT DataCom Services Limited	3 January 2007	4 January 2012
snaap.com.tw	PCCW-HKT DataCom Services Limited	4 January 2007	4 January 2012
snaap.hk	PCCW-HKT DataCom Services Limited	3 January 2007	5 January 2012
snaap.tw	PCCW-HKT DataCom Services Limited	4 January 2007	4 January 2012
ioffice-hk.com	PCCW-HKT DataCom Services Limited	21 March 2001	21 March 2014

Domain name	Name of registrant	Registration date	Expiry date
governmentbulk.com.hk	PCCW-HKT DataCom Services Limited	27 June 2003	12 March 2014
commercial-hkt.com	PCCW-HKT DataCom Services Limited	1 July 2008	1 July 2014
commercial-hkt.com.hk	PCCW-HKT DataCom Services Limited	2 July 2008	2 July 2014
commercial-hkt.hk	PCCW-HKT DataCom Services Limited	2 July 2008	2 July 2014
commercial-pccw.com	PCCW-HKT DataCom Services Limited	11 October 2006	11 October 2014
commercial-pccw.com.hk	PCCW-HKT DataCom Services Limited	12 October 2006	13 October 2015
commercial-pccw.hk	PCCW-HKT DataCom Services Limited	12 October 2006	13 October 2015
biznetvigator.biz	PCCW-HKT DataCom Services Limited	3 May 2002	2 May 2014
biznetvigator.com	PCCW-HKT DataCom Services Limited	16 March 1999	16 March 2014
biz-netvigator.com	PCCW-HKT DataCom Services Limited	16 March 1999	16 March 2014
biznetvigator.com.hk	PCCW-HKT DataCom Services Limited	11 July 2003	12 March 2014
biznetvigator.hk	PCCW-HKT DataCom Services Limited	10 February 2006	22 February 2013
biznetvigator.net	PCCW-HKT DataCom Services Limited	6 May 2002	6 May 2014
businessnetvigator.biz	PCCW-HKT DataCom Services Limited	2 May 2002	1 May 2014
businessnetvigator.com	PCCW-HKT DataCom Services Limited	1 June 2001	1 June 2012
business-netvigator.com	PCCW-HKT DataCom Services Limited	1 June 2001	1 June 2012
businessnetvigator.com.hk	PCCW-HKT DataCom Services Limited	10 February 2006	1 February 2016
businessnetvigator.hk	PCCW-HKT DataCom Services Limited	10 February 2006	1 February 2016
businessnetvigator.net	PCCW-HKT DataCom Services Limited	30 April 2002	30 April 2014
edzone.net.hk	PCCW-HKT DataCom Services Limited	21 November 2001	14 January 2012
hkstar.com	PCCW-HKT DataCom Services Limited	3 April 1995	4 April 2014
imsbiz.com	PCCW-HKT DataCom Services Limited	28 May 1997	27 May 2012
imsbiz.com.hk	PCCW-HKT DataCom Services Limited	22 November 2005	4 April 2014
imsbiz.hk	PCCW-HKT DataCom Services Limited	22 November 2005	4 April 2014
imsbiz.net	PCCW-HKT DataCom Services Limited	4 June 1997	3 June 2012
key2connect.com	PCCW-HKT DataCom Services Limited	17 May 2002	17 May 2014
netvigator.biz	PCCW-HKT DataCom Services Limited	1 March 2006	28 February 2013
netvigator.net	PCCW-HKT DataCom Services Limited	5 April 2004	9 February 2013
portal.hk	PCCW-HKT DataCom Services Limited	4 September 2007	4 September 2012
portal.net.hk	PCCW-HKT DataCom Services Limited	6 September 2002	14 January 2012
toolatwork.com	PCCW-HKT DataCom Services Limited	13 April 2008	13 April 2012
toolatwork.com.hk	PCCW-HKT DataCom Services Limited	14 April 2008	23 April 2012
toolatwork.hk	PCCW-HKT DataCom Services Limited	14 April 2008	23 April 2012
toolsatwork.com.hk	PCCW-HKT DataCom Services Limited	14 April 2008	23 April 2012
toolsatwork.hk	PCCW-HKT DataCom Services Limited	14 April 2008	23 April 2012
wireless-hub2.net	PCCW-HKT DataCom Services Limited	15 March 2001	15 March 2012
wireless-hubhk.net	PCCW-HKT DataCom Services Limited	29 March 2001	29 March 2012
商業網上行.hk/香港	PCCW-HKT DataCom Services Limited	29 January 2007	1 February 2016
商業網上行.公司.hk/公司.香港	PCCW-HKT DataCom Services Limited	29 January 2007	1 February 2016
商业网上行.公司	PCCW-HKT DataCom Services Limited	14 November 2005	14 November 2013
商业网上行.公司.cn	PCCW-HKT DataCom Services Limited	14 November 2005	14 November 2013
商業網上行.公司	PCCW-HKT DataCom Services Limited	14 November 2005	14 November 2013
商業網上行.公司.cn	PCCW-HKT DataCom Services Limited	14 November 2005	14 November 2013
商業網上行.網絡.hk/網絡.香港	PCCW-HKT DataCom Services Limited	30 January 2007	14 January 2012
商业网上行.网络	PCCW-HKT DataCom Services Limited	14 November 2005	14 November 2014
商业网上行.网络.cn	PCCW-HKT DataCom Services Limited	14 November 2005	14 November 2014

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商業網上行.网络	PCCW-HKT DataCom Services Limited	14 November 2005	14 November 2014
商業網上行.网络.cn	PCCW-HKT DataCom Services Limited	14 November 2005	14 November 2014
商业网上行.網絡	PCCW-HKT DataCom Services Limited	14 November 2005	14 November 2014
商业网上行.網絡.cn	PCCW-HKT DataCom Services Limited	14 November 2005	14 November 2014
商業網上行.網絡	PCCW-HKT DataCom Services Limited	14 November 2005	14 November 2014
商業網上行.網絡.cn	PCCW-HKT DataCom Services Limited	14 November 2005	14 November 2014
hktshop.com	PCCW-HKT DataCom Services Limited	5 June 2008	5 June 2014
hktshop.net	PCCW-HKT DataCom Services Limited	19 June 2008	19 June 2014
hktshops.com	PCCW-HKT DataCom Services Limited	1 July 2008	1 July 2014
pccwshop.com	PCCW-HKT DataCom Services Limited	24 October 2000	24 October 2014
ipg.com.hk	PCCW-HKT DataCom Services Limited	28 October 2004	29 October 2013
ipghk.com	PCCW-HKT DataCom Services Limited	14 November 2002	14 November 2014
jiaofeiling.com.hk	PCCW-HKT DataCom Services Limited	27 November 2004	7 December 2013
pps.com.hk	PCCW-HKT DataCom Services Limited	8 November 2003	10 August 2015
pps.hk	PCCW-HKT DataCom Services Limited	7 April 2004	10 February 2016
ppshk.com	PCCW-HKT DataCom Services Limited	15 January 1999	15 January 2019
pps-hk.com	PCCW-HKT DataCom Services Limited	3 November 1999	3 November 2014
ppshk.com.hk	PCCW-HKT DataCom Services Limited	4 July 2001	17 July 2013
ppshk.hk	PCCW-HKT DataCom Services Limited	7 April 2004	15 May 2014
繳費靈.hk/.香港	PCCW-HKT DataCom Services Limited	1 November 2006	10 February 2016
繳費灵.cn	PCCW-HKT DataCom Services Limited	7 August 2006	7 August 2014
繳費灵.中国	PCCW-HKT DataCom Services Limited	7 August 2006	7 August 2014
繳費灵.中國	PCCW-HKT DataCom Services Limited	7 August 2006	7 August 2014
繳費靈.中国	PCCW-HKT DataCom Services Limited	7 August 2006	7 August 2014
繳費靈.中國	PCCW-HKT DataCom Services Limited	7 August 2006	7 August 2014
繳費靈.cn	PCCW-HKT DataCom Services Limited	7 August 2006	7 August 2014
繳費灵.公司	PCCW-HKT DataCom Services Limited	7 August 2006	7 August 2014
繳費灵.公司.cn	PCCW-HKT DataCom Services Limited	7 August 2006	7 August 2014
繳費靈.公司	PCCW-HKT DataCom Services Limited	7 August 2006	7 August 2014
繳費靈.公司.cn	PCCW-HKT DataCom Services Limited	7 August 2006	7 August 2014
繳費靈.公司.hk/.公司.香港	PCCW-HKT DataCom Services Limited	1 November 2006	10 August 2015
iddeverywhere.com	PCCW-HKT DataCom Services Limited	9 July 2008	9 July 2013
iddeverywhere.com.hk	PCCW-HKT DataCom Services Limited	25 July 2008	25 July 2013
ncall.com	PCCW-HKT DataCom Services Limited	15 May 2006	15 May 2013
ncall.com.hk	PCCW-HKT DataCom Services Limited	24 May 2006	25 May 2013
ncall.hk	PCCW-HKT DataCom Services Limited	24 May 2006	25 May 2013
長途電話0060.公司.hk/.公司.香港	PCCW-HKT DataCom Services Limited	29 January 2007	7 March 2013
長途電話IDD0060.公司.hk/ .公司.香港	PCCW-HKT DataCom Services Limited	29 January 2007	7 March 2013
國際長途電話0060.公司.hk/ .公司.香港	PCCW-HKT DataCom Services Limited	29 January 2007	7 March 2013
國際長途電話IDD0060.公司.hk/ .公司.香港	PCCW-HKT DataCom Services Limited	29 January 2007	7 March 2013
0060e.com	PCCW-HKT DataCom Services Limited	16 September 2009	16 September 2014
0060e.com.hk	PCCW-HKT DataCom Services Limited	25 July 2008	25 July 2013
0060everywhere.com	PCCW-HKT DataCom Services Limited	27 January 2008	27 January 2013
0060-everywhere.com	PCCW-HKT DataCom Services Limited	24 July 2008	24 July 2013

Domain name	Name of registrant	Registration date	Expiry date
0060everywhere.com.hk	PCCW-HKT DataCom Services Limited	28 January 2008	28 January 2013
0060everywhere.hk	PCCW-HKT DataCom Services Limited	28 January 2008	28 January 2013
idd0060everywhere.com	PCCW-HKT DataCom Services Limited	27 January 2008	27 January 2013
idd0060everywhere.com.hk	PCCW-HKT DataCom Services Limited	28 January 2008	28 January 2013
idd0060everywhere.hk	PCCW-HKT DataCom Services Limited	28 January 2008	28 January 2013
尊尚會.hk/.香港	PCCW-HKT DataCom Services Limited	1 November 2006	2 December 2011
尊尚會.公司.hk/.公司.香港	PCCW-HKT DataCom Services Limited	1 November 2006	2 December 2011
hkteye.asia	PCCW-HKT DataCom Services Limited	2 July 2008	2 July 2014
hkteye.com	PCCW-HKT DataCom Services Limited	1 July 2008	1 July 2013
hkt-eye.com	PCCW-HKT DataCom Services Limited	5 June 2008	5 June 2014
hkteye.com.hk	PCCW-HKT DataCom Services Limited	2 July 2008	2 July 2013
hkt-eye.com.hk	PCCW-HKT DataCom Services Limited	6 June 2008	18 June 2013
hkteye.hk	PCCW-HKT DataCom Services Limited	2 July 2008	2 July 2013
hkt-eye.hk	PCCW-HKT DataCom Services Limited	6 June 2008	18 June 2013
pccweye.asia	PCCW-HKT DataCom Services Limited	23 March 2008	23 March 2013
pccweye.com	PCCW-HKT DataCom Services Limited	29 January 2008	29 January 2013
pccw-eye.com	PCCW-HKT DataCom Services Limited	11 April 2007	11 April 2013
pccweye.com.hk	PCCW-HKT DataCom Services Limited	29 January 2008	29 January 2013
pccw-eye.com.hk	PCCW-HKT DataCom Services Limited	8 May 2007	9 May 2013
pccweye.hk	PCCW-HKT DataCom Services Limited	29 January 2008	29 January 2013
pccw-eye.hk	PCCW-HKT DataCom Services Limited	29 January 2008	29 January 2013
easyreach.hk	PCCW-HKT DataCom Services Limited	7 December 2006	23 December 2012
easywatch.com.hk	PCCW-HKT DataCom Services Limited	18 October 2006	28 October 2013
fixedline.asia	PCCW-HKT DataCom Services Limited	23 March 2008	23 March 2014
hkteasyreach.com.hk	PCCW-HKT DataCom Services Limited	6 June 2008	18 June 2014
hkteasyreach.hk	PCCW-HKT DataCom Services Limited	6 June 2008	18 June 2014
hkteasywatch.com	PCCW-HKT DataCom Services Limited	5 June 2008	5 June 2012
hkteasywatch.com.hk	PCCW-HKT DataCom Services Limited	6 June 2008	18 June 2012
hkteasywatch.hk	PCCW-HKT DataCom Services Limited	6 June 2008	18 June 2012
hktfixedline.asia	PCCW-HKT DataCom Services Limited	2 July 2008	2 July 2013
pccweasyreach.com.hk	PCCW-HKT DataCom Services Limited	7 December 2006	22 December 2012
pccweasyreach.hk	PCCW-HKT DataCom Services Limited	7 December 2006	21 December 2012
pccweasywatch.com	PCCW-HKT DataCom Services Limited	19 October 2006	19 October 2013
pccweasywatch.com.hk	PCCW-HKT DataCom Services Limited	18 October 2006	28 October 2013
pccwfixedline.asia	PCCW-HKT DataCom Services Limited	23 March 2008	23 March 2014
ishop.hk	PCCW-HKT DataCom Services Limited	28 October 2009	28 October 2016
pccwshop.net	PCCW-HKT DataCom Services Limited	25 October 2006	25 October 2012
bbi-hkt.com	PCCW-HKT DataCom Services Limited	1 July 2008	1 July 2012
bbi-pccw.com	PCCW-HKT DataCom Services Limited	6 February 2001	6 February 2012
cascade.com.bn	PCCW Cascade (Asia) Pte. Limited	14 October 2007	None
cascade.com.sa	PCCW Cascade (Middle East) Limited	16 February 2008	None
cascade-ltd.com	PCCW-HKT DataCom Services Limited	7 January 2003	7 January 2012
datapak.biz	PCCW-HKT DataCom Services Limited	7 November 2001	6 November 2014
datapak.info	PCCW-HKT DataCom Services Limited	30 August 2001	30 August 2014
fibernet.com.hk	PCCW-HKT DataCom Services Limited	26 September 2006	27 September 2013
fibernet.hk	PCCW-HKT DataCom Services Limited	26 September 2006	27 September 2013

Domain name	Name of registrant	Registration date	Expiry date
framelink.biz	PCCW-HKT DataCom Services Limited	7 November 2001	6 November 2014
ipvpn.com	PCCW-HKT DataCom Services Limited	29 September 1998	28 September 2013
pccw-fibernet.com.hk	PCCW-HKT DataCom Services Limited	27 September 2006	28 September 2012
pccw-fibernet.hk	PCCW-HKT DataCom Services Limited	27 September 2006	28 September 2013
videolink.info	PCCW-HKT DataCom Services Limited	30 August 2001	30 August 2014
hktinternational.com	PCCW-HKT DataCom Services Limited	28 October 2008	28 October 2012
hkt-international.com	PCCW-HKT DataCom Services Limited	28 October 2008	28 October 2012
hktinternational.com.hk	PCCW-HKT DataCom Services Limited	28 October 2008	12 November 2012
hkt-international.com.hk	PCCW-HKT DataCom Services Limited	28 October 2008	12 November 2012
hktinternational.hk	PCCW-HKT DataCom Services Limited	28 October 2008	12 November 2012
hkt-international.hk	PCCW-HKT DataCom Services Limited	28 October 2008	12 November 2012
pccwinternational.com	PCCW-HKT DataCom Services Limited	9 September 2008	9 September 2012
pccw-international.com	PCCW-HKT DataCom Services Limited	9 September 2008	9 September 2012
pccw-intl.com	PCCW-HKT DataCom Services Limited	9 September 2008	9 September 2012
pccw-voice1.com	PCCW-HKT DataCom Services Limited	23 June 2004	23 June 2015
hkt-fibernet.com.hk	PCCW-HKT DataCom Services Limited	6 June 2008	18 June 2012
hkt-fibernet.hk	PCCW-HKT DataCom Services Limited	6 June 2008	18 June 2012
hktconvergence.com	PCCW-HKT DataCom Services Limited	5 June 2008	5 June 2014
hkt-convergence.com	PCCW-HKT DataCom Services Limited	5 June 2008	5 June 2014
hkt-convergence.com.hk	PCCW-HKT DataCom Services Limited	6 June 2008	18 June 2014
hkt-convergence.hk	PCCW-HKT DataCom Services Limited	6 June 2008	18 June 2014
hkt-cvg.com	PCCW-HKT DataCom Services Limited	5 June 2008	5 June 2014
hkt-cvg.com.hk	PCCW-HKT DataCom Services Limited	6 June 2008	18 June 2014
hkt-cvg.hk	PCCW-HKT DataCom Services Limited	6 June 2008	18 June 2014
hktpartners.com	PCCW-HKT DataCom Services Limited	5 June 2008	5 June 2014
pccwconvergence.com	PCCW-HKT DataCom Services Limited	1 November 2005	1 November 2012
pccw-convergence.com	PCCW-HKT DataCom Services Limited	31 October 2003	31 October 2014
pccw-convergence.com.hk	PCCW-HKT DataCom Services Limited	23 December 2003	24 December 2014
pccw-cvg.com	PCCW-HKT DataCom Services Limited	31 October 2003	31 October 2014
pccw-cvg.com.hk	PCCW-HKT DataCom Services Limited	23 December 2003	24 December 2014
beyond-network.com	PCCW-HKT DataCom Services Limited	28 January 2001	28 January 2013
beyondthenetwork.com	PCCW-HKT DataCom Services Limited	28 January 2001	28 January 2013
btnaccess.com	PCCW-HKT DataCom Services Limited	16 January 2003	16 January 2013
btnaccess.net	PCCW-HKT DataCom Services Limited	16 January 2003	16 January 2013
cais.com	PCCW-HKT DataCom Services Limited	16 August 1993	15 August 2014
cais.net	PCCW-HKT DataCom Services Limited	5 April 1994	6 April 2012
hktbtc.com	PCCW-HKT DataCom Services Limited	5 June 2008	5 June 2012
hktbtc.net	PCCW-HKT DataCom Services Limited	19 June 2008	19 June 2012
hktbtn.com	PCCW-HKT DataCom Services Limited	5 June 2008	5 June 2012
hktbtn.net	PCCW-HKT DataCom Services Limited	19 June 2008	19 June 2012
hktglobal.ae	PCCW-HKT DataCom Services Limited	24 July 2008	24 July 2012
hktglobal.asia	PCCW-HKT DataCom Services Limited	26 September 2011	26 September 2014
hktglobal.cn	PCCW-HKT DataCom Services Limited	6 June 2008	6 June 2012
hktglobal.co.kr	PCCW Global Korea Limited	26 June 2008	26 June 2012
hktglobal.co.uk	PCCW-HKT DataCom Services Limited	26 June 2008	26 June 2012
hktglobal.com	PCCW-HKT DataCom Services Limited	5 June 2008	5 June 2012

Domain name	Name of registrant	Registration date	Expiry date
hktglobal.com.au	PCCW-HKT DataCom Services Limited	7 Aug 2008	7 August 2012
hktglobal.com.cn	PCCW-HKT DataCom Services Limited	6 June 2008	6 June 2012
hktglobal.com.hk	PCCW-HKT DataCom Services Limited	6 June 2008	18 June 2012
hktglobal.com.sg	PCCW-HKT DataCom Services Limited	23 June 2008	23 June 2012
hktglobal.com.tw	PCCW-HKT DataCom Services Limited	25 June 2008	25 June 2012
hktglobal.hk	PCCW-HKT DataCom Services Limited	6 June 2008	18 June 2012
hktglobal.in	PCCW-HKT DataCom Services Limited	26 June 2008	26 June 2012
hktglobal.jp	PCCW-HKT DataCom Services Limited	25 June 2008	30 June 2012
hktglobal.kr	PCCW Global Korea Limited	26 June 2008	26 June 2012
hktglobal.mobi	PCCW-HKT DataCom Services Limited	6 June 2008	6 June 2012
hktglobal.net	PCCW-HKT DataCom Services Limited	19 June 2008	19 June 2012
hktglobal.sg	PCCW-HKT DataCom Services Limited	23 June 2008	23 June 2012
hktglobal.tw	PCCW-HKT DataCom Services Limited	25 June 2008	26 June 2012
hktglobal.us	PCCW-HKT DataCom Services Limited	19 June 2008	18 June 2012
hktglobal.co.nz	PCCW-HKT DataCom Services Limited	3 July 2008	3 July 2014
hktglobal.cz	PCCW-HKT DataCom Services Limited	9 September 2011	9 September 2014
hktglobal.my	PCCW Cascade (Malaysia) Sdn. Bhd.	13 October 2011	13 October 2013
h-pbx.com	PCCW-HKT DataCom Services Limited	15 June 2005	15 June 2014
pccwbtn.com	PCCW-HKT DataCom Services Limited	7 May 2001	7 May 2014
pccwbtn.net	PCCW-HKT DataCom Services Limited	7 May 2001	7 May 2014
pccwglobal.ae	PCCW-HKT DataCom Services Limited	20 March 2006	19 March 2012
pccwglobal.asia	PCCW-HKT DataCom Services Limited	26 July 2008	26 July 2012
pccwglobal.cn	PCCW-HKT DataCom Services Limited	20 October 2005	20 October 2014
pccwglobal.co.kr	PCCW Global Korea Limited	3 March 2006	3 March 2012
pccwglobal.co.nz	PCCW-HKT DataCom Services Limited	28 April 2006	28 April 2014
pccwglobal.co.uk	PCCW-HKT DataCom Services Limited	20 October 2005	20 October 2013
pccwglobal.co.za	PCCW-HKT DataCom Services Limited	25 May 2006	1 June 2012
pccwglobal.com	PCCW-HKT DataCom Services Limited	16 September 2005	16 September 2014
pccwglobal.com.au	PCCW-HKT DataCom Services Limited	17 May 2006	16 May 2012
pccwglobal.com.hk	PCCW-HKT DataCom Services Limited	21 September 2005	28 September 2014
pccwglobal.com.my	PCCW Cascade (Malaysia) Sdn. Bhd.	9 April 2009	9 April 2012
pccwglobal.com.sa	PCCW Cascade (Middle East) Limited	16 February 2008	None
pccwglobal.com.sg	PCCW-HKT DataCom Services Limited	21 October 2005	21 October 2013
pccwglobal.com.tw	PCCW-HKT DataCom Services Limited	1 November 2005	1 November 2014
pccwglobal.cz	PCCW-HKT DataCom Services Limited	22 February 2006	22 February 2013
pccwglobal.hk	PCCW-HKT DataCom Services Limited	21 September 2005	28 September 2014
pccwglobal.in	PCCW-HKT DataCom Services Limited	20 October 2005	20 October 2014
pccwglobal.jp	PCCW-HKT DataCom Services Limited	11 April 2006	30 April 2012
pccwglobal.kr	PCCW Global Korea Limited	22 June 2007	22 June 2012
pccwglobal.my	PCCW Cascade (Malaysia) Sdn. Bhd.	23 February 2009	23 February 2012
pccwglobal.net	PCCW-HKT DataCom Services Limited	16 September 2005	16 September 2014
pccwglobal.ru	PCCW-HKT DataCom Services Limited	22 February 2006	22 February 2012
pccwglobal.sg	PCCW-HKT DataCom Services Limited	21 October 2005	21 October 2013
pccwglobal.tw	PCCW-HKT DataCom Services Limited	3 November 2005	3 November 2014
pccwglobal.us	PCCW-HKT DataCom Services Limited	20 October 2005	19 October 2014

Domain name	Name of registrant	Registration date	Expiry date
hdonmobile.com	PCCW-HKT DataCom Services Limited	13 November 2007	13 November 2013
hdonmobile.com.hk	PCCW-HKT DataCom Services Limited	14 November 2007	19 November 2013
hdonmobile.hk	PCCW-HKT DataCom Services Limited	14 November 2007	19 November 2013
hkt3g.com	PCCW-HKT DataCom Services Limited	5 June 2008	5 June 2013
hkt3g.com.hk	PCCW-HKT DataCom Services Limited	6 June 2008	18 June 2013
hkt3g.hk	PCCW-HKT DataCom Services Limited	6 June 2008	18 June 2013
hktmobile.asia	PCCW-HKT DataCom Services Limited	2 July 2008	2 July 2013
hktmobile.cn	PCCW-HKT DataCom Services Limited	6 June 2008	6 June 2013
hktmobile.com.cn	PCCW-HKT DataCom Services Limited	6 June 2008	6 June 2013
hktmobile.com.hk	PCCW-HKT DataCom Services Limited	6 June 2008	18 June 2013
hktmobile.hk	PCCW-HKT DataCom Services Limited	6 June 2008	18 June 2013
hktmobile.net	PCCW-HKT DataCom Services Limited	19 June 2008	19 June 2013
hktmobilityservices.com	PCCW-HKT DataCom Services Limited	5 June 2008	5 June 2013
mobilepccw.com	PCCW-HKT DataCom Services Limited	13 May 2010	13 May 2012
next-gens.com	PCCW-HKT DataCom Services Limited	6 November 2008	6 November 2013
now-mobile.com	PCCW-HKT DataCom Services Limited	6 February 2003	6 February 2012
nowmobile.com.hk	PCCW-HKT DataCom Services Limited	25 April 2006	12 May 2013
now-mobile.com.hk	PCCW-HKT DataCom Services Limited	15 May 2006	16 May 2013
nowmobile.hk	PCCW-HKT DataCom Services Limited	25 April 2006	12 May 2013
now-mobile.hk	PCCW-HKT DataCom Services Limited	15 May 2006	16 May 2013
pccw3g.com	PCCW-HKT DataCom Services Limited	10 June 2007	10 June 2013
pccw3g.com.hk	PCCW-HKT DataCom Services Limited	12 June 2007	12 June 2013
pccw3g.hk	PCCW-HKT DataCom Services Limited	12 June 2007	12 June 2013
pccwmobile.asia	PCCW-HKT DataCom Services Limited	28 January 2011	28 January 2012
pccwmobile.cn	PCCW-HKT DataCom Services Limited	20 January 2006	20 January 2012
pccwmobile.com	PCCW-HKT DataCom Services Limited	10 October 2000	10 October 2016
pccwmobile.com.hk	PCCW-HKT DataCom Services Limited	22 August 2005	24 August 2013
pccwmobile.hk	PCCW-HKT DataCom Services Limited	22 August 2005	23 August 2013
pccwmobile.mobi	PCCW-HKT DataCom Services Limited	26 September 2006	26 September 2013
pccwmobile.net	PCCW-HKT DataCom Services Limited	22 August 2005	22 August 2013
pccwmobile.tel	PCCW-HKT DataCom Services Limited	23 March 2009	22 March 2012
pccwmobilityservices.com	PCCW-HKT DataCom Services Limited	19 December 2000	19 December 2013
sunday.com	PCCW-HKT DataCom Services Limited	17 September 1997	16 September 2014
sunday.com.hk	PCCW-HKT DataCom Services Limited	12 September 1997	14 January 2012
sunday.hk	PCCW-HKT DataCom Services Limited	29 April 2004	14 January 2012
sundaypccw.com.hk	PCCW-HKT DataCom Services Limited	15 June 2005	16 June 2013
webandtalk.com	PCCW-HKT DataCom Services Limited	16 August 2009	16 August 2012
webandtalk.com.hk	PCCW-HKT DataCom Services Limited	26 August 2008	2 September 2013
webandtalk.hk	PCCW-HKT DataCom Services Limited	26 August 2008	2 September 2013
hktcontactcenter.com	PCCW-HKT DataCom Services Limited	5 June 2008	5 June 2012
hktteleservices.cn	PCCW-HKT DataCom Services Limited	6 June 2008	6 June 2012
hktteleservices.com.cn	PCCW-HKT DataCom Services Limited	6 June 2008	6 June 2012
hktteleservices.hk	PCCW-HKT DataCom Services Limited	6 June 2008	18 June 2012
pccwcontactcenter.com	PCCW-HKT DataCom Services Limited	4 October 2006	4 October 2013
pccwcontactcenter.hk	PCCW-HKT DataCom Services Limited	27 September 2006	6 October 2013
pccwteleservices.asia	PCCW-HKT DataCom Services Limited	23 March 2008	23 March 2014

Domain name	Name of registrant	Registration date	Expiry date
pccwteleservices.biz	PCCW-HKT DataCom Services Limited	5 January 2011	4 January 2014
pccwteleservices.co.in	PCCW-HKT DataCom Services Limited	5 January 2011	5 January 2014
pccwteleservices.co.kr	PCCW Global Korea Limited	11 January 2011	11 January 2014
pccwteleservices.co.nz	PCCW-HKT DataCom Services Limited	5 January 2011	5 January 2014
pccwteleservices.co.uk	PCCW-HKT DataCom Services Limited	5 January 2011	5 January 2013
pccwteleservices.com	PCCW-HKT DataCom Services Limited	26 December 2006	4 October 2013
pccwteleservices.com.cn	PCCW-HKT DataCom Services Limited	7 May 2007	7 May 2015
pccwteleservices.com.hk	PCCW-HKT DataCom Services Limited	4 October 2006	5 October 2014
pccwteleservices.com.ph	PCCW-HKT DataCom Services Limited	16 November 2009	16 November 2013
pccwteleservices.com.tw	PCCW-HKT DataCom Services Limited	5 January 2011	5 January 2014
pccwteleservices.hk	PCCW-HKT DataCom Services Limited	4 October 2006	6 October 2013
pccwteleservices.in	PCCW-HKT DataCom Services Limited	5 January 2011	5 January 2014
pccwteleservices.info	PCCW-HKT DataCom Services Limited	5 January 2011	5 January 2014
pccwteleservices.jp	PCCW-HKT DataCom Services Limited	5 January 2011	31 January 2012
pccwteleservices.kr	PCCW Global Korea Limited	11 January 2011	11 January 2014
pccwteleservices.net	PCCW-HKT DataCom Services Limited	4 January 2011	4 January 2014
pccwteleservices.org	PCCW-HKT DataCom Services Limited	5 January 2011	5 January 2014
pccwteleservices.ph	PCCW-HKT DataCom Services Limited	16 November 2009	16 November 2013
pccwteleservices.sg	PCCW-HKT DataCom Services Limited	18 January 2011	18 January 2012
pccwteleservices.tw	PCCW-HKT DataCom Services Limited	5 January 2011	5 January 2014
pccwteleservices.us	PCCW-HKT DataCom Services Limited	5 January 2011	4 January 2014
teleservices.asia	PCCW-HKT DataCom Services Limited	13 November 2008	13 November 2013
teleservices.com.cn	PCCW-HKT DataCom Services Limited	13 February 2001	13 February 2013
teleservices.hk	PCCW-HKT DataCom Services Limited	4 October 2006	6 October 2013
teleservices.tw	PCCW-HKT DataCom Services Limited	13 November 2008	13 November 2013
hkt-bbpl.com	PCCW-HKT DataCom Services Limited	5 June 2008	5 June 2013
hktnetservices.com	PCCW-HKT DataCom Services Limited	5 June 2008	5 June 2013
hkt-ngfl1.com	PCCW-HKT DataCom Services Limited	5 June 2008	5 June 2013
hkt-pa.com	PCCW-HKT DataCom Services Limited	5 June 2008	5 June 2013
hkt-sms.com.hk	PCCW-HKT DataCom Services Limited	6 June 2008	18 June 2013
hkt-sms.hk	PCCW-HKT DataCom Services Limited	6 June 2008	18 June 2013
homefax.com.hk	PCCW-HKT DataCom Services Limited	22 June 2001	17 July 2014
pccw-bbpl.com	PCCW-HKT DataCom Services Limited	11 April 2007	11 April 2013
pccw-pa.com	PCCW-HKT DataCom Services Limited	25 April 2002	25 April 2013
pccw-sms.com	PCCW-HKT DataCom Services Limited	11 November 2002	11 November 2013
pccw-sms.com.hk	PCCW-HKT DataCom Services Limited	11 November 2002	26 November 2013
umail.com.hk	PCCW-HKT DataCom Services Limited	27 June 2001	17 July 2014
pccw-ngfl1.com	PCCW-HKT DataCom Services Limited	26 September 2004	26 September 2013
managedservice.com.hk	PCCW-HKT DataCom Services Limited	27 September 2006	28 September 2012
networkmanagedservice.com.hk	PCCW-HKT DataCom Services Limited	27 September 2006	28 September 2012
conferencing.hk	PCCW-HKT DataCom Services Limited	4 October 2006	6 October 2014
idd001.hk	PCCW-HKT DataCom Services Limited	4 October 2006	6 October 2014
idd0060.hk	PCCW-HKT DataCom Services Limited	4 October 2006	6 October 2014
superhotline.hk	PCCW-HKT DataCom Services Limited	4 October 2006	6 October 2014
tollfree.hk	PCCW-HKT DataCom Services Limited	4 October 2006	6 October 2014
citinet.biz	PCCW-HKT DataCom Services Limited	7 November 2001	6 November 2014

Domain name	Name of registrant	Registration date	Expiry date
citinet.info	PCCW-HKT DataCom Services Limited	30 August 2001	30 August 2014
hkt-one.com	PCCW-HKT DataCom Services Limited	5 June 2008	5 June 2014
hktone.com.hk	PCCW-HKT DataCom Services Limited	6 June 2008	18 June 2014
hkt-one.com.hk	PCCW-HKT DataCom Services Limited	6 June 2008	18 June 2014
hktone.hk	PCCW-HKT DataCom Services Limited	6 June 2008	18 June 2014
hkt-one.hk	PCCW-HKT DataCom Services Limited	6 June 2008	18 June 2014
hktonecommunication.com	PCCW-HKT DataCom Services Limited	5 June 2008	5 June 2014
hkt-onecommunication.com	PCCW-HKT DataCom Services Limited	5 June 2008	5 June 2014
hktonecommunication.com.hk	PCCW-HKT DataCom Services Limited	6 June 2008	18 June 2014
hkt-onecommunication.com.hk	PCCW-HKT DataCom Services Limited	6 June 2008	18 June 2014
hktonecommunication.hk	PCCW-HKT DataCom Services Limited	6 June 2008	18 June 2014
hkt-onecommunication.hk	PCCW-HKT DataCom Services Limited	6 June 2008	18 June 2014
hktonecommunications.com	PCCW-HKT DataCom Services Limited	5 June 2008	5 June 2014
hktonecommunications.com.hk	PCCW-HKT DataCom Services Limited	6 June 2008	18 June 2014
hktonecommunications.hk	PCCW-HKT DataCom Services Limited	6 June 2008	18 June 2014
onecommunication.cn	PCCW-HKT DataCom Services Limited	23 May 2007	23 May 2012
one-communication.cn	PCCW-HKT DataCom Services Limited	23 May 2007	23 May 2012
onecommunication.com.cn	PCCW-HKT DataCom Services Limited	23 May 2007	23 May 2012
one-communication.com.cn	PCCW-HKT DataCom Services Limited	23 May 2007	23 May 2012
onecommunication.com.hk	PCCW-HKT DataCom Services Limited	23 May 2007	23 May 2012
one-communication.com.hk	PCCW-HKT DataCom Services Limited	23 May 2007	23 May 2012
onecommunication.hk	PCCW-HKT DataCom Services Limited	23 May 2007	23 May 2012
one-communication.hk	PCCW-HKT DataCom Services Limited	23 May 2007	23 May 2012
onecommunications.cn	PCCW-HKT DataCom Services Limited	23 May 2007	23 May 2012
onecommunications.com.cn	PCCW-HKT DataCom Services Limited	23 May 2007	23 May 2012
onecommunications.com.hk	PCCW-HKT DataCom Services Limited	23 May 2007	23 May 2012
onecommunications.hk	PCCW-HKT DataCom Services Limited	23 May 2007	23 May 2012
pccwone.com	PCCW-HKT DataCom Services Limited	22 May 2007	22 May 2012
pccw-one.com	PCCW-HKT DataCom Services Limited	22 May 2007	22 May 2012
pccwone.com.hk	PCCW-HKT DataCom Services Limited	23 May 2007	23 May 2012
pccw-one.com.hk	PCCW-HKT DataCom Services Limited	23 May 2007	23 May 2012
pccwone.hk	PCCW-HKT DataCom Services Limited	23 May 2007	23 May 2012
pccw-one.hk	PCCW-HKT DataCom Services Limited	23 May 2007	23 May 2012
pccwonecommunication.com	PCCW-HKT DataCom Services Limited	22 May 2007	22 May 2012
pccw-onecommunication.com	PCCW-HKT DataCom Services Limited	22 May 2007	22 May 2012
pccwonecommunication.com.hk	PCCW-HKT DataCom Services Limited	23 May 2007	23 May 2012
pccw-onecommunication.com.hk	PCCW-HKT DataCom Services Limited	23 May 2007	23 May 2012
pccwonecommunication.hk	PCCW-HKT DataCom Services Limited	23 May 2007	23 May 2012
pccw-onecommunication.hk	PCCW-HKT DataCom Services Limited	23 May 2007	23 May 2012
pccwonecommunications.com	PCCW-HKT DataCom Services Limited	22 May 2007	22 May 2012
pccwonecommunications.com.hk	PCCW-HKT DataCom Services Limited	23 May 2007	23 May 2012
pccwonecommunications.hk	PCCW-HKT DataCom Services Limited	23 May 2007	23 May 2012
hkt.ae	PCCW-HKT DataCom Services Limited	24 July 2008	24 July 2016
hkt.asia	PCCW-HKT DataCom Services Limited	1 February 2008	1 February 2012
hkt.co.im	PCCW-HKT DataCom Services Limited	27 May 2011	5 July 2013
hkt.co.in	PCCW-HKT DataCom Services Limited	2 July 2008	2 July 2016

Domain name	Name of registrant	Registration date	Expiry date
hkt.co.nz	PCCW-HKT DataCom Services Limited	2 July 2008	2 July 2016
hkt.co.za	PCCW-HKT DataCom Services Limited	31 July 2008	31 July 2012
hkt.com	PCCW-HKT DataCom Services Limited	13 August 1995	12 August 2016
hkt.com.es	PCCW-HKT DataCom Services Limited	23 July 2008	23 July 2012
hkt.com.hk	PCCW-HKT DataCom Services Limited	6 June 1994	12 March 2013
hkt.com.my	PCCW Cascade (Malaysia) Sdn. Bhd.	17 July 2008	17 July 2013
hkt.com.ph	PCCW-HKT DataCom Services Limited	20 August 2008	20 August 2012
hkt.com.pk	PCCW-HKT DataCom Services Limited	18 July 2008	18 July 2012
hkt.com.sg	PCCW-HKT DataCom Services Limited	24 July 2008	24 July 2013
hkt.com.vn	PCCW-HKT DataCom Services Limited	2 July 2008	3 July 2013
hkt.cz	PCCW-HKT DataCom Services Limited	23 July 2008	23 July 2012
hkt.eu	PCCW Global (UK) Limited	1 July 2006	31 August 2012
hkt.hk	PCCW-HKT DataCom Services Limited	4 June 2006	6 June 2013
hkt.im	PCCW-HKT DataCom Services Limited	27 May 2011	5 July 2013
hkt.kr	PCCW Global Korea Limited	3 June 2009	3 June 2012
hkt.my	PCCW Cascade (Malaysia) Sdn. Bhd.	17 July 2008	17 July 2013
hkt.net	PCCW-HKT DataCom Services Limited	17 August 1995	16 August 2012
hkt.net.hk	PCCW-HKT DataCom Services Limited	2 July 2008	10 July 2012
hkt.net.sg	PCCW-HKT DataCom Services Limited	24 July 2008	24 July 2013
hkt.ph	PCCW-HKT DataCom Services Limited	20 August 2008	20 August 2012
hkt.sg	PCCW-HKT DataCom Services Limited	24 July 2008	24 July 2013
hkt.tel	PCCW-HKT DataCom Services Limited	23 March 2009	22 March 2014
hkt-all-in-1.com	PCCW-HKT DataCom Services Limited	1 July 2008	1 July 2012
hktblog.com	PCCW-HKT DataCom Services Limited	5 June 2008	5 June 2013
hktconnect.com	PCCW-HKT DataCom Services Limited	5 June 2008	5 June 2013
hktconnect.com.hk	PCCW-HKT DataCom Services Limited	6 June 2008	18 June 2013
hktconnect.net	PCCW-HKT DataCom Services Limited	19 June 2008	19 June 2013
hktconnectivity.com	PCCW-HKT DataCom Services Limited	5 June 2008	5 June 2013
hktel.mobi	PCCW-HKT DataCom Services Limited	26 September 2006	26 September 2016
hktelecom.net	PCCW-HKT DataCom Services Limited	6 October 1996	5 October 2012
hktgroup.asia	PCCW-HKT DataCom Services Limited	29 May 2008	29 May 2014
hktgroup.cn	PCCW-HKT DataCom Services Limited	29 May 2008	29 May 2014
hktgroup.com.cn	PCCW-HKT DataCom Services Limited	29 May 2008	29 May 2014
hktgroup.com.hk	PCCW-HKT DataCom Services Limited	29 May 2008	11 June 2014
hktgroup.hk	PCCW-HKT DataCom Services Limited	29 May 2008	11 June 2014
hktgroupholdings.asia	PCCW-HKT DataCom Services Limited	29 May 2008	29 May 2014
hktgroupholdings.com	PCCW-HKT DataCom Services Limited	29 May 2008	29 May 2014
hktgroupholdings.cn	PCCW-HKT DataCom Services Limited	29 May 2008	29 May 2014
hktgroupholdings.com.cn	PCCW-HKT DataCom Services Limited	29 May 2008	29 May 2014
hktgroupholdings.com.hk	PCCW-HKT DataCom Services Limited	29 May 2008	11 June 2014
hktgroupholdings.hk	PCCW-HKT DataCom Services Limited	29 May 2008	11 June 2014
hkthk.com	PCCW-HKT DataCom Services Limited	5 June 2008	5 June 2013
hkthklimited.com	PCCW-HKT DataCom Services Limited	5 June 2008	5 June 2016
hkthongkong.com	PCCW-HKT DataCom Services Limited	5 June 2008	5 June 2016
hkt-ic.com	PCCW-HKT DataCom Services Limited	5 June 2008	5 June 2013
hktjapan.com	PCCW-HKT DataCom Services Limited	1 July 2008	1 July 2012

Domain name	Name of registrant	Registration date	Expiry date
hkt-japan.com	PCCW-HKT DataCom Services Limited	5 June 2008	5 June 2016
hktjapan.net	PCCW-HKT DataCom Services Limited	19 June 2008	19 June 2016
hktlimited.com	PCCW-HKT DataCom Services Limited	25 June 2008	25 June 2014
hktltd.cn	PCCW-HKT DataCom Services Limited	6 June 2008	6 June 2016
hktltd.com.cn	PCCW-HKT DataCom Services Limited	6 June 2008	6 June 2016
hktltd.net.cn	PCCW-HKT DataCom Services Limited	6 June 2008	6 June 2016
hkt-sms.com	PCCW-HKT DataCom Services Limited	5 June 2008	5 June 2013
hkttelecommunications.com	PCCW-HKT DataCom Services Limited	5 June 2008	5 June 2016
hkt-telpro.com	PCCW-HKT DataCom Services Limited	5 June 2008	5 June 2013
hkttv.com.hk	PCCW-HKT DataCom Services Limited	6 June 2008	18 June 2016
hktventures.com	PCCW-HKT DataCom Services Limited	5 June 2008	5 June 2016
hkt-voice1.com	PCCW-HKT DataCom Services Limited	5 June 2008	5 June 2016
HKT香港電訊.hk/.香港	PCCW-HKT DataCom Services Limited	7 November 2006	5 December 2016
HKT香港電訊.公司.hk/公司.香港	PCCW-HKT DataCom Services Limited	7 November 2006	5 December 2016
onlyhkt.com	PCCW-HKT DataCom Services Limited	1 July 2008	1 July 2012
onlyhkt.com.hk	PCCW-HKT DataCom Services Limited	2 July 2008	2 July 2013
onlyhkt.hk	PCCW-HKT DataCom Services Limited	2 July 2008	2 July 2013
pccwconnect.com	PCCW-HKT DataCom Services Limited	11 December 2005	11 December 2013
pccwconnect.com.hk	PCCW-HKT DataCom Services Limited	12 December 2005	13 December 2013
pccwconnect.hk	PCCW-HKT DataCom Services Limited	12 December 2005	13 December 2013
pccwconnect.net	PCCW-HKT DataCom Services Limited	11 December 2005	11 December 2013
pccwconnectivity.com	PCCW-HKT DataCom Services Limited	19 December 2000	19 December 2012
pccw-hkt.asia	PCCW-HKT DataCom Services Limited	7 December 2007	7 December 2016
pccwhkt.biz	PCCW-HKT DataCom Services Limited	7 November 2001	6 November 2012
pccwhkt.com.hk	PCCW-HKT DataCom Services Limited	9 November 2007	9 November 2012
pccw-hkt.com.hk	PCCW-HKT DataCom Services Limited	9 November 2007	9 November 2012
pccwhkt.eu	PCCW Global (UK) Limited	11 August 2008	31 August 2012
pccwhkt.hk	PCCW-HKT DataCom Services Limited	18 May 2006	19 May 2013
pccw-hkt.hk	PCCW-HKT DataCom Services Limited	18 May 2006	19 May 2013
pccwhkt.info	PCCW-HKT DataCom Services Limited	30 August 2001	30 August 2012
pccw-hkt.info	PCCW-HKT DataCom Services Limited	30 August 2001	30 August 2012
pccwhkt.mobi	PCCW-HKT DataCom Services Limited	26 September 2006	26 September 2016
pccw-hkt.org	PCCW-HKT DataCom Services Limited	14 June 2005	14 June 2012
pccw-hkt.tel	PCCW-HKT DataCom Services Limited	23 March 2009	22 March 2014
pccwtelecommunications.com	PCCW-HKT DataCom Services Limited	19 December 2000	19 December 2012
esmarthealth.com	PCCW-HKT DataCom Services Limited	18 April 2011	18 April 2014
esmarthealth.com.hk	PCCW-HKT DataCom Services Limited	18 April 2011	19 April 2014
esmarthealth.hk	PCCW-HKT DataCom Services Limited	18 April 2011	18 April 2014
esmart-health.com	PCCW-HKT DataCom Services Limited	18 April 2011	18 April 2014
esmart-health.com.hk	PCCW-HKT DataCom Services Limited	18 April 2011	19 April 2014
esmart-health.hk	PCCW-HKT DataCom Services Limited	18 April 2011	18 April 2014
esh.com.hk	PCCW-HKT DataCom Services Limited	18 April 2011	19 April 2014
esh.hk	PCCW-HKT DataCom Services Limited	18 April 2011	18 April 2014
ehealthy.com.hk	PCCW-HKT DataCom Services Limited	18 April 2011	19 April 2014
ehealthy.hk	PCCW-HKT DataCom Services Limited	18 April 2011	18 April 2014
e-healthy.com.hk	PCCW-HKT DataCom Services Limited	18 April 2011	19 April 2014

Domain name	Name of registrant	Registration date	Expiry date
e-healthy.hk	PCCW-HKT DataCom Services Limited	18 April 2011	18 April 2014
e健體.公司.香港	PCCW-HKT DataCom Services Limited	13 June 2011	14 June 2014
e體健.香港	PCCW-HKT DataCom Services Limited	13 June 2011	13 June 2014
e體健.公司.香港	PCCW-HKT DataCom Services Limited	13 June 2011	14 June 2014
e健體.香港	PCCW-HKT DataCom Services Limited	13 June 2011	13 June 2014
imagent.com	PCCW-HKT DataCom Services Limited	9 February 1996	10 February 2012
i-lifeworld.com.hk	PCCW-HKT DataCom Services Limited	5 April 2000	14 January 2012
pccwnetservices.com	PCCW-HKT DataCom Services Limited	19 December 2000	19 December 2012
roamsave.com.hk	PCCW-HKT DataCom Services Limited	1 April 2011	4 April 2013
roamsave.hk	PCCW-HKT DataCom Services Limited	1 April 2011	1 April 2013
roamsave.net	PCCW-HKT DataCom Services Limited	1 April 2011	1 April 2013
roamsave.mobi	PCCW-HKT DataCom Services Limited	1 April 2011	1 April 2013
roam-save.com	PCCW-HKT DataCom Services Limited	7 April 2011	7 April 2013
roamsave.asia	PCCW-HKT DataCom Services Limited	11 April 2011	11 April 2013
roamsave.biz	PCCW-HKT DataCom Services Limited	11 April 2011	10 April 2013
roamsave.tel	PCCW-HKT DataCom Services Limited	12 April 2011	11 April 2013
roam-save.asia	PCCW-HKT DataCom Services Limited	11 April 2011	11 April 2013
roam-save.com.hk	PCCW-HKT DataCom Services Limited	11 April 2011	12 April 2013
roam-save.hk	PCCW-HKT DataCom Services Limited	11 April 2011	12 April 2013
roam-save.biz	PCCW-HKT DataCom Services Limited	11 April 2011	10 April 2013
roam-save.mobi	PCCW-HKT DataCom Services Limited	11 April 2011	11 April 2013
roam-save.net	PCCW-HKT DataCom Services Limited	11 April 2011	11 April 2013
roam-save.tel	PCCW-HKT DataCom Services Limited	12 April 2011	11 April 2013
uhub.com	PCCW-HKT DataCom Services Limited	29 March 2002	29 March 2013
中盈.公司/公司.cn	PCCW-HKT DataCom Services Limited	18 June 2003	15 May 2013
體健.香港	PCCW-HKT DataCom Services Limited	13 June 2011	14 June 2014
體健.公司.香港	PCCW-HKT DataCom Services Limited	13 June 2011	14 June 2014
HKTTrust.asia	PCCW-HKT DataCom Services Limited	8 June 2011	8 June 2013
HKTTrust.biz	PCCW-HKT DataCom Services Limited	8 June 2011	7 June 2013
HKTTrust.com	PCCW-HKT DataCom Services Limited	8 June 2011	8 June 2013
HKTTrust.eu	PCCW-HKT DataCom Services Limited	8 June 2011	30 June 2014
HKTTrust.hk	PCCW-HKT DataCom Services Limited	8 June 2011	8 June 2013
HKTTrust.com.hk	PCCW-HKT DataCom Services Limited	8 June 2011	9 June 2013
HKTTrust.info	PCCW-HKT DataCom Services Limited	8 June 2011	8 June 2013
HKTTrust.mobi	PCCW-HKT DataCom Services Limited	8 June 2011	8 June 2013
HKTTrust.net	PCCW-HKT DataCom Services Limited	8 June 2011	8 June 2013
HKTTrust.org	PCCW-HKT DataCom Services Limited	8 June 2011	8 June 2013
HKTTrust.tel	PCCW-HKT DataCom Services Limited	8 June 2011	7 June 2013
HKTTrust.tv	PCCW-HKT DataCom Services Limited	9 June 2011	9 June 2013
hkttrust.sg	PCCW-HKT DataCom Services Limited	22 June 2011	22 June 2012
hkttrust.com.sg	PCCW-HKT DataCom Services Limited	22 June 2011	22 June 2013
hkttrust.net.hk	PCCW-HKT DataCom Services Limited	8 June 2011	21 June 2013
hkttrust.tw	PCCW-HKT DataCom Services Limited	4 July 2011	4 July 2013
hkttrust.jp	PCCW-HKT DataCom Services Limited	4 July 2011	31 July 2012
HKT-Trust.asia	PCCW-HKT DataCom Services Limited	8 June 2011	8 June 2013
HKT-Trust.biz	PCCW-HKT DataCom Services Limited	8 June 2011	7 June 2013

Domain name	Name of registrant	Registration date	Expiry date
HKT-Trust.com	PCCW-HKT DataCom Services Limited	8 June 2011	8 June 2013
HKT-Trust.eu	PCCW-HKT DataCom Services Limited	8 June 2011	30 June 2014
HKT-Trust.hk	PCCW-HKT DataCom Services Limited	8 June 2011	8 June 2013
HKT-Trust.com.hk	PCCW-HKT DataCom Services Limited	8 June 2011	9 June 2013
HKT-Trust.info	PCCW-HKT DataCom Services Limited	8 June 2011	8 June 2013
HKT-Trust.mobi	PCCW-HKT DataCom Services Limited	8 June 2011	8 June 2013
HKT-Trust.net	PCCW-HKT DataCom Services Limited	8 June 2011	8 June 2013
HKT-Trust.org	PCCW-HKT DataCom Services Limited	8 June 2011	8 June 2013
HKT-Trust.tel	PCCW-HKT DataCom Services Limited	10 June 2011	9 June 2013
HKT-Trust.tv	PCCW-HKT DataCom Services Limited	9 June 2011	9 June 2013
hkt-trust.sg	PCCW-HKT DataCom Services Limited	22 June 2011	22 June 2012
hkt-trust.com.sg	PCCW-HKT DataCom Services Limited	22 June 2011	22 June 2012
hkt-trust.net.hk	PCCW-HKT DataCom Services Limited	8 June 2011	21 June 2013
hkt-trust.tw	PCCW-HKT DataCom Services Limited	4 July 2011	4 July 2013
hkt-trust.jp	PCCW-HKT DataCom Services Limited	4 July 2011	31 July 2012
hkttrust.com.tw	PCCW-HKT DataCom Services Limited	5 July 2011	5 July 2012
hkt-trust.com.tw	PCCW-HKT DataCom Services Limited	5 July 2011	5 July 2012
hkttv.hk	PCCW-HKT DataCom Services Limited	6 June 2008	18 June 2016
hkttv.com	PCCW-HKT DataCom Services Limited	5 June 2008	5 June 2016
hktitv.com	PCCW-HKT DataCom Services Limited	1 July 2008	1 July 2012
hkttv.asia	PCCW-HKT DataCom Services Limited	2 July 2008	2 July 2012
zhong-ying.net	PCCW-HKT DataCom Services Limited	13 June 2003	13 June 2013
zhong-ying.com	PCCW-HKT DataCom Services Limited	13 June 2003	13 June 2013
中盈优创.中国	PCCW-HKT DataCom Services Limited	18 June 2003	16 June 2013
中盈优创.中國	PCCW-HKT DataCom Services Limited	18 June 2003	16 June 2013
中盈優創.中国	PCCW-HKT DataCom Services Limited	18 June 2003	16 June 2013
中盈優創.中國	PCCW-HKT DataCom Services Limited	18 June 2003	16 June 2013
中盈优创.cn	PCCW-HKT DataCom Services Limited	18 June 2003	16 June 2013
中盈優創.cn	PCCW-HKT DataCom Services Limited	18 June 2003	16 June 2013
香港电讯有限公司.com	PCCW-HKT DataCom Services Limited	17 February 2009	17 February 2013
香港電訊有限公司.net	PCCW-HKT DataCom Services Limited	17 February 2009	17 February 2013

Save as disclosed above, there are no other trademarks, patents or other intellectual property rights which are material in relation to the Telecommunications Business.

D. FURTHER INFORMATION ABOUT DIRECTORS, MANAGEMENT STAFF AND SUBSTANTIAL HOLDER OF SHARE STAPLED UNITS

1. Disclosure of interests or short position of (i) the Directors; (ii) chief executives of Trustee-Manager; and (iii) the chief executives of the Company in the Share Stapled Units and the Shares or any other shares or debentures of the Company and its associated corporations

Immediately following the completion of the Global Offering, the interests and/or short positions of (i) the Directors; (ii) the chief executives of Trustee-Manager; and (iii) the chief executives of the Company in any Share Stapled Units and the Shares or any other shares and debentures of the Company or any of their associated corporations (within the meaning of Part XV of the SFO), which once the Share Stapled Units are listed, (a) will have to be disclosed pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have taken under such provisions of the SFO), (b) will be required pursuant to section 352 of the SFO, to be entered in the register required to be kept therein once the Share Stapled Units are listed, or (c) will be required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules to be notified to the Trustee-Manager, the Company and the Stock Exchange, once the Share Stapled Units are listed on the Stock Exchange, are as follows:

(i) Interests in the Share Stapled Units

Name of Director/chief executive of the Trustee-Manager/chief executive of the Company	Number of Share Stapled Units	Nature of interest	Note	Approximate percentage of issued Share Stapled Units immediately after the Global Offering (assuming the Over-Allotment Option is not exercised)
LI Tzar Kai, Richard	57,476,318	corporate and other interests	1	0.90%
Alexander Anthony ARENA	21,714	personal interest	2	0.0003%
HUI Hon Hing, Susanna	Nil	N.A.	N.A.	Nil
Peter Anthony ALLEN	7,234	personal interest	2	0.0001%
CHUNG Cho Yee, Mico	34,134	personal and family interests	2, 3	0.0005%
LU Yimin	Nil	N.A.	N.A.	Nil
LI Fushen	Nil	N.A.	N.A.	Nil
Professor CHANG Hsin Kang	1,828	personal interest	1	0.0000%
Sir Rogerio (Roger) Hyndman LOBO	Nil	N.A.	N.A.	Nil
The Hon Raymond George Hardenbergh SEITZ	Nil	N.A.	N.A.	Nil
Sunil VARMA	Nil	N.A.	N.A.	Nil

Notes:

1. Assuming those corporations that Mr. Li has deemed interests in will take up their Assured Entitlement to the Reserved Share Stapled Units in full in the Preferential Offering. Please refer to note 1 in the paragraph headed "(ii)

Interests in shares and underlying shares of PCCW (being a holding company of the HKT Trust and the Company and therefore an associated corporation) — (a) Interests in PCCW Shares” in the section headed “D. Further information about Directors, management staff and substantial holder of Share Stapled Units — 1. Disclosure of interests or short position of (i) the Directors; (ii) chief executives of Trustee-Manager; and (iii) the chief executives of the Company in the Share Stapled Units and the Shares or any other shares or debentures of the Company and its associated corporations” for more detail.

2. Assuming the Directors will take up their Assured Entitlement to the Reserved Share Stapled Units in full in the Preferential Offering.
3. This includes 527 Share Stapled Units that may be taken up by the spouse of Chung Cho Yee, Mico, assuming his spouse will take up her Assured Entitlement to the Reserved Share Stapled Units in full in the Preferential Offering.

(ii) Interests in shares and underlying shares of PCCW (being a holding company of the HKT Trust and the Company and therefore an associated corporation)

(a) Interests in PCCW Shares

Name of Director/ chief executive of the Trustee-Manager/chief executive of the Company	Number of PCCW Shares				Number of underlying shares of PCCW held under equity derivatives	Total	Approximate percentage of issued share capital of PCCW immediately after the Global Offering (assuming the number of issued PCCW Shares remains unchanged after the Latest Practicable Date until completion of the Global Offering)
	Personal interests	Family interests	Corporate interests	Other interests			
LI Tzar Kai, Richard	—	—	271,666,824 <i>(Note 1(a))</i>	1,740,004,335 <i>(Note 1(b))</i>	—	2,011,671,159	27.66
Alexander Anthony ARENA <i>(Note 3)</i>	760,000	—	—	—	6,400,200 <i>(Note 2)</i>	7,160,200	0.10
Peter Anthony ALLEN	253,200	—	—	—	2,000,000 <i>(Note 4)</i>	2,253,200	0.03
CHUNG Cho Yee, Mico	1,176,260	18,455 <i>(Note 5)</i>	—	—	5,695,200 <i>(Note 4)</i>	6,889,915	0.09
Professor CHANG Hsin Kang	64,000	—	—	—	—	64,000	0.001

Notes:

1. (a) Of these PCCW Shares, Pacific Century Diversified Limited, a wholly-owned subsidiary of Chiltonlink Limited, held 237,919,824 PCCW Shares and Eisner Investments Limited held 33,747,000 PCCW Shares. Li Tzar Kai, Richard owned 100% of the issued share capital of Chiltonlink Limited and Eisner Investments Limited.
- (b) These interests represented:
 - (i) a deemed interest in 36,726,857 PCCW Shares held by Yue Shun Limited, a subsidiary of Hutchison Whampoa Limited (“HWL”). Cheung Kong (Holdings) Limited (“**Cheung Kong**”) through certain subsidiaries held more than one-third of the issued share capital of HWL. Li Tzar Kai, Richard was a discretionary beneficiary of certain discretionary trusts which held units in unit trusts which in turn held interests in certain shares of Cheung Kong and HWL. Li Tzar Kai, Richard was also interested in

one-third of the issued share capital of two companies, which owned all the shares of the trustee companies which acted as trustees of such discretionary trusts and unit trusts. Accordingly, Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the 36,726,857 PCCW Shares held by Yue Shun Limited;

- (ii) a deemed interest in 154,785,177 PCCW Shares held by Pacific Century Group Holdings Limited (“**PCGH**”). Li Tzar Kai, Richard was the founder of certain trusts which held 100% interests in PCGH. Accordingly, Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the 154,785,177 PCCW Shares held by PCGH;
 - (iii) a deemed interest in 1,548,211,301 PCCW Shares held by PCRD, a company in which PCGH had, through certain wholly-owned subsidiaries being Anglang Investments Limited, Pacific Century Group (Cayman Islands) Limited, Pacific Century International Limited and Borsington Limited, an aggregate of 75.74% interest. Li Tzar Kai, Richard was the founder of certain trusts which held 100% interests in PCGH. Li Tzar Kai, Richard was also deemed to be interested in 0.91% of the issued share capital of PCRD through Hopestar Holdings Limited, a company wholly-owned by Li Tzar Kai, Richard. Accordingly, Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the 1,548,211,301 PCCW Shares held by PCRD; and
 - (iv) a deemed interest in 281,000 PCCW Shares held by PineBridge Investments LLC (“**PBI LLC**”) in the capacity as investment manager. PBI LLC was an indirect subsidiary of Chiltonlink Limited and Li Tzar Kai, Richard owned 100% of the issued share capital of Chiltonlink Limited. Accordingly, Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the 281,000 PCCW Shares held by PBI LLC.
2. These interests represented Alexander Anthony Arena’s beneficial interest in: (a) 200 underlying shares held in the form of 20 American Depositary Receipts which constituted listed equity derivatives; and (b) 6,400,000 underlying shares in respect of share options granted by PCCW to Alexander Anthony Arena as beneficial owner pursuant to a share option scheme of PCCW adopted on 20 September 1994, termination of which was approved by the shareholders of PCCW at its annual general meeting held on 19 May 2004 (“**1994 PCCW Scheme**”), the details of which are set out in paragraph (iv) below.
3. As disclosed previously in the annual reports and interim reports of PCCW, a private company owned by Li Tzar Kai, Richard has provided a seven year interest free-loan in the amount of US\$10,000,000 to Alexander Anthony Arena at his request and for personal reasons. Alexander Anthony Arena has entered into a seven year consultancy agreement with another private company owned by Li Tzar Kai, Richard with an annual consultancy fee sufficient to repay the aforementioned loan over its seven year term. This private arrangement was reviewed by the remuneration committee of PCCW prior to its finalisation. The committee noted that the consultancy services provided to the private company would be publicly disclosed, would not conflict with Alexander Anthony Arena’s duties at PCCW and overall would be in the interests of PCCW.
4. These interests represented the interests in underlying shares in PCCW in respect of share options granted by PCCW to these directors as beneficial owners pursuant to the 1994 PCCW Scheme, the details of which are set out in paragraph (iv) below.
5. These shares were held by the spouse of Chung Cho Yee, Mico.

(iii) Interests in associated corporations of PCCW

(a) PCCW-HKT Capital No.2 Limited

PineBridge Investments Asia Limited (“**PBIA**”) in the capacity of investment manager held US\$10,000,000 of 6% guaranteed notes due 2013 (the “**Notes**”) issued by PCCW-HKT Capital No.2 Limited, an associated corporation of PCCW. PBIA is an indirect subsidiary of Chiltonlink Limited and Li Tzar Kai, Richard owned 100% of the issued share capital of Chiltonlink Limited. Accordingly, Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the amount of US\$10,000,000 of the Notes held by PBIA.

(b) PCPD

The table below sets out the long position in the shares and underlying shares of PCPD held by (i) the Directors, (ii) the chief executives of the Trustee-Manager; and (iii) the chief executives of the Company:

Name of Director/ chief executive of the Trustee-Manager/chief executive of the Company	Number of ordinary shares of PCPD				Number of underlying shares of PCPD held under equity derivatives	Total	Approximate percentage of issued share capital of PCPD immediately after the Global Offering (assuming the number of issued shares of PCPD remains unchanged after the Latest Practicable Date until completion of the Global Offering)
	Personal interests	Family interests	Corporate interests	Other interests			
CHUNG Cho Yee, Mico	—	—	—	—	5,000,000	5,000,000	0.21

The above interests represented the interests in underlying shares in respect of share options granted by PCPD to (i) the Directors; (ii) the chief executives of the Trustee-Manager; and (iii) the chief executives of the Company as beneficial owner pursuant to a share option scheme of PCPD adopted on 17 March 2003, the termination of which was approved by the shareholders of PCPD at its annual general meeting held on 13 May 2005 (“**2003 PCPD Scheme**”). Details of the share options outstanding under the 2003 PCPD Scheme are as follows:

Name of Director/chief executive of the Trustee-Manager/chief executive of the Company	Date of grant (Note)	Vesting period (Note)	Exercisable period (Note)	Exercise price HK\$	Number of options outstanding
CHUNG Cho Yee, Mico	12.20.2004	Fully vested on 12.20.2004	12.20.2004 to 12.19.2014	2.375	5,000,000

Note: All dates are shown month/day/year.

(iv) Directors' rights to acquire PCCW Shares

As at the Latest Practicable Date, the interests of (i) the Directors; (ii) the chief executives of the Trustee-Manager; and (iii) the chief executives of the Company in share options of PCCW which remain outstanding under the 1994 PCCW Scheme are summarised below:

Name of Director/chief executive of the Trustee-Manager/chief executive of the Company	Date of grant (Note)	Vesting period (Note)	Exercisable period (Note)	Exercise price HK\$	Number of options outstanding
Alexander Anthony ARENA	07.25.2003	07.25.2004 to 07.25.2006	07.25.2004 to 07.23.2013	4.35	6,400,000
Peter Anthony ALLEN	07.25.2003	07.25.2004 to 07.25.2006	07.25.2004 to 07.23.2013	4.35	2,000,000
CHUNG Cho Yee, Mico	07.25.2003	07.25.2004 to 07.25.2006	07.25.2004 to 07.23.2013	4.35	5,695,200

Note: All dates are shown month/day/year.

2. Particulars of service contracts and letters of appointment**(a) Executive Directors**

Alexander Anthony ARENA, being an executive director of the Company, will have his service contract novated from a subsidiary of PCCW to a subsidiary of the Company immediately prior to Listing. The contract is for a continuous term and either party can terminate the contract by giving to the other twelve months' notice in writing or payment of twelve months' salary in lieu of such notice.

HUI Hon Hing, Susanna, being an executive director of the Company, will have her service contract novated from a subsidiary of PCCW to a subsidiary of the Company immediately prior to Listing. The contract is for a continuous term and either party can terminate the contract by giving to the other three months' notice in writing or payment of three months' salary in lieu of such notice.

LI Tzar Kai, Richard will not enter into a service contract with the Company or a subsidiary of the Company.

The executive directors of the Company have also entered into letters of appointment as directors with the Trustee-Manager but are not paid any salary by the Trustee-Manager.

Pursuant to the terms of the service contracts, the annual remuneration (excluding discretionary bonus) of each executive director is as follows:

Remuneration from the Company
(in HK\$ million)

Name of executive director	Salaries, allowances and benefits in kind	Retirement scheme contributions
Mr. Alexander Anthony ARENA	18.75	1.41
Ms. HUI Hon Hing, Susanna	5.23	0.40
Mr. LI Tzar Kai, Richard	—	—

The basic salary payable by the Company to the relevant executive director is subject to annual review with such increment (if any) at such rate to be determined by the remuneration committee of the Company.

Each of the executive directors will be entitled to a discretionary bonus as may be determined by the remuneration committee of the Company from time to time by reference to the then prevailing market conditions, the performance of the Company as well as his/her individual performance.

(b) Non-executive Directors and INEDs

Each of the non-executive Directors and INEDs has entered into a letter of appointment with the Company for a period of 3 years commencing from the Listing Date subject to the provision of retirement and rotation of Directors under the Company's Articles. Each of the non-executive Directors and INEDs has also entered into a separate letter of appointment with the Trustee-Manager. Under the Trust Deed, the directors of the Trustee-Manager must be the same individuals who serve as directors of the Company at the relevant time. Accordingly, the retirement by rotation provisions will also be applicable, indirectly, in relation to the Trustee-Manager Board.

Pursuant to the terms of the letters of appointment entered into between the non-executive Directors and INEDs on the one part and the Company on the other part, the aggregate annual director's fees payable to each of them are as follows:

Name	Aggregate annual Director's fees and relevant board committees chairman's fees under the letter of appointment with the Company (HK\$)
Mr. Peter Anthony ALLEN	—
Mr. CHUNG Cho Yee, Mico	210,000
Mr. LU Yimin	210,000
Mr. LI Fushen	210,000
Professor CHANG Hsin Kang, FREng, GBS, JP	210,000
Sir Rogerio (Roger) Hyndman LOBO, CBE, LLD, JP	315,000
The Hon Raymond George Hardenbergh SEITZ	315,000
Mr. Sunil VARMA	315,000

Pursuant to the terms of the letters of appointment entered into between the non-executive Directors and INEDs on the one part and the Trustee-Manager on the other part, the aggregate annual directors fees payable to each of them are as follow:

Name	Aggregate annual Director's fees under the letter of appointment with the Trustee-Manager (HK\$)
Mr. Peter Anthony ALLEN	Not applicable
Mr. CHUNG Cho Yee, Mico	Not applicable
Mr. LU Yimin	Not applicable
Mr. LI Fushen	Not applicable
Professor CHANG Hsin Kang, FREng, GBS, JP	Not applicable
Sir Rogerio (Roger) Hyndman LOBO, CBE, LLD, JP	Not applicable
The Hon Raymond George Hardenbergh SEITZ	Not applicable
Mr. Sunil VARMA	Not applicable

The non-executive Directors and the INEDs are not entitled to any bonus.

(c) Each of the Directors is entitled to reimbursement for all necessary and reasonable out-of-pocket expenses properly incurred in connection with the performance and discharge of his/her duties under the relevant service contract(s) or letter(s) of appointment.

(d) Save as disclosed in this prospectus, none of the Directors has entered into any service contracts with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

3. Directors' remuneration

- (a) As the Directors joined the Company in 2011, no remuneration was paid or is payable to any Director during the three years ended 31 December 2010. Save for Mr. Varma, an independent non-executive Director, all other Directors received remuneration from the PCCW Group in respect of their services to the PCCW Group including the Group. The amounts paid by the PCCW Group were not specifically allocated between their services to the Group and their services to the PCCW Group, respectively, as there is no arrangement to recharge the Group such expenses and it is not meaningful to perform a retrospective allocation of the services rendered by the Directors to the various group companies within the PCCW Group. Further information in respect of the Directors' remuneration is set out in Note 13 of the Accountant's Report in Appendix I to this prospectus.
- (b) Under the arrangements currently in force, it is estimated that an aggregate of approximately HK\$5.8 million will be paid to the Directors as remuneration (including benefits in kind but excluding any discretionary bonus which may be paid to any executive Director) by the Group for the financial year ending 31 December 2011.
- (c) None of the Directors has been paid any sum of money for each of the three financial years ended 31 December 2008, 31 December 2009 and 31 December 2010 respectively for (a) the loss of office as director or any other office in connection with the management affairs of any member of the Group or (b) as an inducement to join or upon joining the Group or any member of the Group.

- (d) There has been no arrangement under which a Director has waived or agreed to waive any emoluments in each of the three financial years ended 31 December 2008, 31 December 2009 and 31 December 2010 respectively.

4. Substantial Holder of Share Stapled Units

So far as the Directors are aware as at the Latest Practicable Date, immediately following completion of the Global Offering (assuming the Over-Allotment Option is not exercised and before the PCCW Distributions), the following persons (other than the Directors, the chief executives of the Trustee-Manager and the chief executives of the Company) will have an interest and/or a short position in the Share Stapled Units and the Shares or any other shares of the Company that would fall to be disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO (including interests and/or short positions which they are taken or deemed to have under such provisions of the SFO) or who is, directly or indirectly, interested in 10% or more of nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group, once the Share Stapled Units are listed on the Stock Exchange:

(a) Interests and long positions in the Share Stapled Units

Name	Capacity	Number of Share Stapled Units held	Approximate percentage (%)	Note
PCCW	Interest in controlled entity	4,363,376,792	68.0	1
CAS Holding No. 1 Limited	Beneficial interest	4,363,376,792	68.0	—

Notes:

The Trustee-Manager holds all of the issued Ordinary Shares in its capacity as trustee and manager of the HKT Trust, upon and subject to the terms and conditions of the Trust Deed.

- (1) PCCW indirectly holds these interests through its direct wholly-owned subsidiary, CAS Holding No. 1 Limited.

(b) Interests in shares of other members of the Group

Name of non wholly-owned subsidiaries	Name of shareholder(s)	Approximate percentage of issued share capital (%)
PCCW (Macau), Limitada	Mappa - Macau Projects and Promotions Agency Limited	25
PCCW Teleservices (Philippines) Inc.	IPVG Corp.	30
PCCW Teleservices (US), Inc.	Mr. Andrew C. Jacobs and Ms. Catherine M. Jacobs ^(Note)	15 ^(Note)

Name of non wholly-owned subsidiaries	Name of shareholder(s)	Approximate percentage of issued share capital (%)
中盈優創資訊科技有限公司 (Unihub China Information Technology Company Limited)	中國華信郵電經濟開發中心 (China Huaxin Post and Telecommunications Economy Development Centre [#])	50
Unihub Global Network Technology (China) Limited	I-Strength Developments Limited	23.57

Note: Mr. Andrew C. Jacobs and Ms. Catherine M. Jacobs respectively hold approximately 9.80% and 5.20% of the total issued share capital of PCCW Teleservices (US), Inc.

5. Agency fees or commissions received

Save as disclosed in this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of the HKT Trust, the Company or any of their subsidiaries within the two years ended on the date of this prospectus.

6. Personal guarantees

The Directors have not provided personal guarantees in favour of lenders in connection with banking facilities granted to the Group.

7. Disclosure under Rule 8.10(2) of the Listing Rules

The Directors (except the INEDs) have undertaken in favour of the HKT Trust and the Company to the effect that, save for those interests as disclosed in this prospectus (please refer to the disclosure in this section, the section headed “Relationship with PCCW — Directors’ interests in competing business” of this prospectus above) or interest in any company which a director together with any of his associates own less than 5%, at any time during which he is a Director, he will not engage, and will procure its associates not to engage, on its own account or with each other or in conjunction with or on behalf of any person, firm or company, carry on or be engaged in, concerned with or interested in, directly or indirectly, whether as a shareholder (other than being a director or a shareholder of the Group or its associated companies), partner, agent or otherwise, in the provisions of telecommunications business, or in any other business that may compete, directly or indirectly, with such businesses.

8. Disclosure under Rule 13.51 of the Listing Rules

The PCCW Group entered into a small telecommunications joint venture in India in 2000, with the PCCW Group holding a non-controlling interest and the Indian joint venture partner holding the controlling interest and operating and managing the joint venture. In 2003, the PCCW Group reduced its interest in the joint venture, by selling part of its shareholding to the Indian controlling shareholder, prior to the commencement of the winding up of the joint venture in 2005. In July 2004, the Indian controlling shareholder of the joint venture sold his controlling interest in the joint venture

[#] For identification only

to another Indian national without PCCW's knowledge or involvement. In connection with that sale and purchase, the Indian buyer of the controlling interest made various claims against the Indian seller in relation to the sale and purchase transaction, including breach of representations allegedly made by the seller in connection with the transaction and the financial condition of the joint venture company. The claims arise out of a commercial dispute between the Indian seller and the Indian buyer of the controlling interest in the joint venture. Despite the commercial nature of the dispute, for what are believed were purely tactical reasons to put pressure on the Indian seller, complaints were made to a governmental authority which Indian law requires be formally investigated even if the complaint is unfounded or misconceived. The large number of individuals named in the complaint (again, it is believed, for purely tactical reasons) included Mr. Richard Li and Mr. Alexander Arena without any verification of their roles. Mr. Li did not at any time serve as a director or officer of the joint venture, no specific allegations of wrongdoing have been made against Mr. Li in the complaint; and Indian legal counsel has accordingly advised that Mr. Li cannot be liable in respect of the complaint and that the complaint is misconceived. Mr. Arena served as a non-executive director of the joint venture, resigning in April 2004 (well before the Indian controlling shareholder sold his controlling interest in July 2004) and he had no knowledge of the sale negotiations or the terms of the sale. Mr. Arena was not involved in the day to day operations or management of the joint venture. No specific allegations of wrongdoing have been made against Mr. Arena in the complaint and Indian legal counsel has also advised that the complaint against Mr. Arena is misconceived and will not result in liability. The formal investigation conducted by the governmental authority concluded that the case is civil in nature and that the evidence and documents collected during the investigation do not support the allegations made in the complaint and recommended that the case be closed. The procedures are still ongoing, but it is expected that the matter will be closed within the 2011 financial year.

Separately, in 2005, the Indian tax authority filed a complaint alleging that an amount of tax withheld by the joint venture (allegedly about US\$4.3 million) had not been paid to the tax authority. Mr. Arena, in his capacity as a former non-executive director of the joint venture company, was named in the complaint together with all other directors and former directors of the joint venture company. No process has been ever served on Mr. Arena, despite the fact that the complaint was filed in 2005. Indian legal counsel has advised that since Mr. Arena was not involved in the management of the joint venture, he cannot have any liability in relation to the matters complained of and that the allegation against Mr. Arena is legally untenable.

9. Disclaimers

Save as disclosed in this prospectus:

- (a) none of the Directors or the chief executive of the Trustee-Manager or the chief executive of the Company has any interest or short position in the Share Stapled Units and the Shares or any other shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) immediately following the completion of the Global Offering which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests which they are taken or deemed to have taken under such provision of the SFO), or will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules, in each case once the Share Stapled Units are listed on the Stock Exchange;

- (b) the Directors are not aware of any person (other than the Directors, the chief executives of Trustee-Manager and the chief executives of the Company) who will, immediately following completion of the Global Offering, have an interest and/or a short position in the Share Stapled Units and the Shares or any other shares and debentures, of the Company that would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO (including interests and/or short positions which they are taken or deemed to have under such provisions of the SFO) or who will be expected, directly or indirectly, to be interested in 10% or more of nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group;
- (c) none of the Directors nor experts referred to in the paragraph headed “Qualification and consent of experts” under the section headed “Other information” in this Appendix has any direct or indirect interest in the promotion of the HKT Trust or the Company, or in any assets which have, within the two years immediately preceding the date of this prospectus, been acquired or disposed of by, or leased to, any member of the Group, or are proposed to be acquired or disposed of by, or leased to, any member of the Group;
- (d) save in connection with the Underwriting Agreements, none of the Directors nor experts referred to in the paragraph headed “Qualification and consent of experts” under the section headed “Other information” in this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of the Group taken as a whole;
- (e) none of the Directors has any existing or proposed service contracts with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation));
- (f) save in connection with the Underwriting Agreements, none of the Directors nor experts referred to in the paragraph headed “Qualification and consent of experts” under the section headed “Other information” in this Appendix has received any agency fee, commissions, discounts, brokerage or other special terms from the Group within the two years immediately preceding the date of this prospectus in connection with the issue or sale of any capital of any member of the Group;
- (g) none of the Controlling Holder of Share Stapled Units and the Directors are interested in any business apart from the Group’s business which competes or is likely to compete, directly or indirectly, with the business of the Group;
- (h) no cash, securities or other benefit has been paid, allotted or given within the two years preceding the date of this prospectus to any promoter of the HKT Trust or the Company nor is any such cash, securities or benefit intended to be paid, allotted or given on the basis of the Global Offering or related transactions as mentioned in this prospectus; and
- (i) so far as is known to the Directors, none of the Directors, Holders of Share Stapled Units of the HKT Trust and shareholders of the Company who are expected to be interested in 5% or more of the issued Units of the HKT Trust and the issued share capital of the Company and its associates has any interest in the five largest customers or the five largest suppliers of the Group.

F. 2011-2021 OPTION SCHEME

The purpose of the 2011-2021 Option Scheme is to enable the HKT Trust and the Company, acting jointly by mutual agreement between them, to grant options to full-time or part-time employees, directors

(including executive, non-executive or independent non-executive) and any consultants or advisers (whether professional or otherwise and whether on an employment or contractual or honorary basis or otherwise and whether paid or unpaid), distributor, contractor, supplier service provider, agent, customer and business partner of the Company and/or any of its subsidiaries (the “**Eligible Participants**”) as incentives or rewards for their contribution to the growth of the Group and to provide the Group with a more flexible means to reward, remunerate, compensate and/or provide benefits to the Eligible Participants. The following is a summary of the principal terms of the 2011-2021 Option Scheme as required under Chapter 17 of the Listing Rules conditionally adopted by a written resolution of the Shareholder on 7 November 2011 (the “**Adoption Date**”).

No options will be granted under the 2011-2021 Option Scheme unless the grant of such options is in compliance with all the requirements of the Listing Rules.

1. Terms of the 2011-2021 Option Scheme

(a) Who may join

The Board may, at its absolute discretion, offer the Eligible Participants, options to subscribe for such number of Share Stapled Units as the Board may determine at a subscription price determined in accordance with paragraph (b) below, and subject to the other terms of the 2011-2021 Option Scheme summarised below.

An offer of grant of an option shall remain open for acceptance by the Eligible Participant concerned for such period as determined by the Board, which period shall not be more than 14 days from the date of the offer, provided that no such offer shall be open for acceptance after the tenth anniversary of the Adoption Date or after the 2011-2021 Option Scheme has been terminated in accordance with the provisions thereof. Upon acceptance of the offer, the grantee shall pay HK\$1.00 to the Company by way of consideration for the grant and the date on which the option is offered shall be deemed to be the date of grant of the relevant option, except in determining the date of grant for the purpose of calculating the subscription price under paragraph (b) where paragraphs (c)(v) and (d)(iii) apply.

The Trustee-Manager is not an Eligible Participant under the 2011-2021 Option Scheme.

(b) Price of Share Stapled Units

The subscription price for Share Stapled Units in respect of any particular option granted under the 2011-2021 Option Scheme shall be such price as the Board shall determine, provided that such price shall not be less than the highest of (i) the closing price per Share Stapled Unit on the Main Board as stated in the Stock Exchange’s daily quotation sheet on the date of offer of the option, which must be a business day; and (ii) the average closing prices per Share Stapled Unit on the Main Board as stated in the Stock Exchange’s daily quotation sheets for the five (5) business days immediately preceding the date of offer of the option and (iii) the aggregate of the nominal values of the Preference Share and Ordinary Share components of a Share Stapled Unit. For the purpose of determining the subscription price for Share Stapled Units under this paragraph (b), where the Share Stapled Units have been listed on Main Board for less than five (5) business days, the final offer price per Share Stapled Unit (exclusive of brokerage fee, SFC transaction levy and Stock Exchange trading fee) at which Share Stapled Units are to be subscribed or purchased pursuant to the Global Offering shall be taken as the “closing price per Share Stapled Unit” for any business day falling within the period before the Listing Date.

(c) Maximum number of Share Stapled Units

- (i) Notwithstanding any other provisions of the 2011-2021 Option Scheme, no options may be granted under the 2011-2021 Option Scheme if the exercise of the option may result in PCCW ceasing to hold at least 51% of the Share Stapled Units in issue (on a fully diluted basis assuming full conversion or exercise of all outstanding options and other rights of subscription, conversion and exchange for Share Stapled Units).
- (ii) In addition, as prescribed by the Listing Rules, the maximum aggregate number of Share Stapled Units which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2011-2021 Option Scheme and any other share option schemes of the Company and the HKT Trust must not exceed 30% of the issued Share Stapled Units from time to time. No options may be granted under the 2011-2021 Option Scheme if this will result in such limit being exceeded.
- (iii) Subject to the further limitation in (i) above, as required by the Listing Rules the total number of Share Stapled Units which may be issued upon exercise of all options to be granted under the 2011-2021 Option Scheme and any other share option schemes of the Company and the HKT Trust must not, in aggregate, exceed 10% of the issued Share Stapled Units as at the Listing Date (the “**Scheme Mandate Limit**”) unless the approval of Holders of Share Stapled Units has been obtained pursuant to paragraph (iv) or (v) below. Any options lapsed in accordance with the terms of the 2011-2021 Option Scheme or any other share option scheme of the Company and the HKT Trust shall not be counted for the purpose of calculating the Scheme Mandate Limit.
- (iv) Subject to the further limitation in (i) above, the Board may seek approval by Holders of Share Stapled Units in general meeting to renew the Scheme Mandate Limit. However, the total number of Share Stapled Units which may be issued upon exercise of all options to be granted under the 2011-2021 Option Scheme and any other share option schemes of the Company and the HKT Trust in these circumstances must not exceed 10% of the issued Share Stapled Units at the date of approval of the renewed limit (the “**Renewed Scheme Mandate Limit**”), as required by the Listing Rules.
- (v) Unless approved by the Holders of Share Stapled Units in the manner set out in this paragraph (v), the total number of Share Stapled Units issued and to be issued upon exercise of the options granted to each Eligible Participant (including both exercised and outstanding options under the 2011-2021 Option Scheme) in any 12-month period must not exceed 1% of the issued Share Stapled Units. Where any further grant of options to an Eligible Participant would result in the total number of Share Stapled Units issued and to be issued upon exercise of all options granted and to be granted to such Eligible Participant (including exercised, cancelled and outstanding options under the 2011-2021 Option Scheme) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the issued Share Stapled Units as at the date of such further grant, such further grant must be subject to the separate approval of the Holders of Share Stapled Units at general meeting with such Eligible Participant and his associates abstaining from voting. A circular must be sent to the Holders of Share Stapled Units, disclosing the identity of the Eligible Participant, the number and the terms of the options previously granted and to be granted and containing

the information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules. The number and terms (including the subscription price for Share Stapled Units) of the options to be granted to such Eligible Participant must be fixed before Holders of Share Stapled Units' approvals and the date of the meeting of the Board for proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price under paragraph (b) above.

(d) Restrictions on grant of options

- (i) No offer or the grant of an option shall be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision of the Directors, until such price sensitive information has been announced in accordance with the relevant requirements of the Listing Rules and, in particular, no Eligible Participant shall be granted an option during the period commencing one month immediately preceding the earlier of:-
 - (1) the date of meeting of the Board (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the annual results, the interim results or the quarterly or any other interim period results of the Company and the HKT Trust (whether or not required under the Listing Rules); and
 - (2) the deadline for the Company and the HKT Trust to publish announcement of its annual results, interim results or quarterly results under the Listing Rules or any other interim period results (whether or not required under the Listing Rules), and ending on the date of announcement for such results. For the avoidance of doubt, the period in which no options shall be granted mentioned above shall include any period of delay in the publications of a results announcement.
- (ii) Any grant of options to a Director, chief executive or Substantial Holder of Share Stapled Units or any of its associates must be approved by all of the INEDs (excluding any independent non-executive Director who is the grantee of the options).
- (iii) Where options are proposed to be granted to a Substantial Holder of Share Stapled Units or an independent non-executive Director or any of their respective associates, and the proposed grant of options would result in the total number of Share Stapled Units issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant representing in aggregate over 0.1% of the total issued Share Stapled Units on the date of offer and having an aggregate value, based on the closing price of the Share Stapled Units on the date of each grant, in excess of HK\$5 million, such further grant of options must be subject to the approval of Holders of Share Stapled Units taken on a poll in general meeting. In addition, the date of the meeting of the Board for proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price under paragraph (b) above. The connected person involved in such proposed grant and all other connected persons of the Company and the HKT Trust must abstain from voting in such general meeting (except that any connected person may vote against the proposed grant provided that his intention to do so has been stated in the Holders of Share Stapled Units' circulars respectively). Holders of Share Stapled Units' circular must be prepared and sent by the Company and the Trustee-Manager, containing (1) details of the number and terms (including the subscription price) of the options to be granted to each participant, which must be fixed before the Holders of Share Stapled Units' meeting; (2) a recommendation from the INEDs (excluding a recommendation from the INEDs who are the

grantees of the options) to the independent Holders of Share Stapled Units as to voting; (3) the information required under Rules 17.02(2)(c) and (d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules; and (4) the information required under Rule 2.17 of the Listing Rules.

(e) *Time of and restrictions on exercise of option*

An option may be exercised in whole or in part in accordance with the terms of the 2011-2021 Option Scheme at any time during a period to be notified by the Board to each grantee, the expiry date of such period not to exceed ten (10) years from the date of grant of the option.

There is no general requirement on the minimum period for which an option must be held or the performance targets which must be achieved before an option can be exercised under the terms of the 2011-2021 Option Scheme. However, the Board may offer to grant any options subject to such terms and conditions in relation to the minimum period of the options to be held and/or the performance targets to be achieved before such options can be exercised as the Board may determine in its absolute discretion.

(f) *Assignment*

Options granted under the 2011-2021 Option Scheme must be personal to the grantee, which shall not sell, transfer, charge, mortgage, encumber or create any interest in favour of any third party over or in relation to any option or attempt so to do. Any breach of the foregoing by the grantee shall entitle the Trustee-Manager and the Company to cancel any option granted to such grantee (to the extent not already exercised).

(g) *Rights on cessation of employment by death*

If the grantee of an option (being an individual) ceases to be an Eligible Participant by reason of death and none of the events set out in paragraph (i) below which would be a ground for the termination of his/her employment, directorship, appointment or engagement arises, his/her personal representative(s) may exercise the option up to the entitlement of the grantee as at the date of death (to the extent which has become exercisable but not already exercised) within a period of twelve (12) months from the date of death (or such longer period as the Board may determine or, if any of the events referred to in paragraphs (k), (l) and (m) below occurs during such period, his/her personal representative(s) may exercise the option pursuant to paragraphs (k), (l) and (m) below within such period), failing which the option will lapse.

(h) *Right on winding up of, or material changes in, the grantee*

If a grantee (being a corporation):

- (i) commences winding up by whatever means, whether voluntarily or not; or
- (ii) suffer a change in its constitution, management, directors, shareholding or beneficial ownership which in the opinion of the Board is material, the option (to the extent not already exercised) shall lapse on the date of the commencement of winding up of the grantee or on the date of notification by the Trustee-Manager and the Company that the said change in constitution, management, directors, shareholding or beneficial ownership is material, as the case may be, and not be exercisable unless the Board otherwise determines in which event the option (or such remaining part thereof) shall be exercisable within such period as the

Board may in its absolute discretion determine following the date of such occurrence. A resolution of the Board resolving that the grantee's option has lapsed by reason of material change in the constitution, management, directors, shareholding or beneficial ownership as aforesaid shall be final and conclusive.

(i) *Rights on dismissal of the grantee*

If the grantee of an option ceases to be an Eligible Participant by reason of the termination of his employment, directorship, appointment or engagement on any one or more of the grounds that he has been guilty of serious misconduct, or appears either to be unable to pay or to have no reasonable prospect of being able to pay his debts or has become insolvent or has made any arrangements or composition with his creditors generally, or has breached or failed to comply with any provisions of the relevant service contract, letter of appointment or other contracts or agreements of the grantee with the Company or the relevant subsidiary for the employment, appointment or engagement, or has been convicted of any criminal offence involving his integrity or honesty or on any other ground on which an employer would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the service contract or letter of appointment or other contract or agreement for employment, appointment or engagement of the grantee with the Company or the relevant subsidiary, his option (to the extent not already exercised) will lapse and not be exercisable on the date of termination of his employment, directorship, appointment or engagement. A resolution of the Board or the board of directors or governing body of the relevant subsidiary to the effect that the employment, directorship, appointment or engagement of a grantee has or has not been terminated on one or more of the grounds specified in this paragraph (i) shall be conclusive.

(j) *Right on cessation of eligibility for other reasons*

If the grantee of an option ceases to be an Eligible Participant for any other reason, the grantee may exercise the option up to his entitlement at the date of cessation (to the extent which has become exercisable but has not already been exercised) within three (3) months following the date of such cessation (or such longer period as the Board may determine or, if any of the events referred to in paragraphs (k), (l) and (m) below occurs during such period, he may exercise the option pursuant to paragraphs (k), (l) and (m) below within such period), failing which the option will lapse. The date of cessation as aforesaid shall be the last working day with the Company or the relevant subsidiary, whether salary or compensation is paid in lieu of notice or not, or the last date of office or appointment as director, or the last date of appointment or engagement as consultant or adviser to the Company or the relevant subsidiary, as the case may be, in the event of which, the date of cessation as determined by a resolution of the Board or the board of directors or governing body of the relevant subsidiary shall be conclusive.

(k) *Rights on a general offer or a scheme of arrangement (if permitted)*

If a general or partial offer, whether by way of take-over offer, share re-purchase offer, or otherwise in like manner is made to all the Holders of Share Stapled Units, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror or if there is proposed a scheme of arrangement, the Company and the Trustee-Manager shall use all reasonable endeavors to procure that such offer is extended to all the grantees on the same terms, with appropriate changes; and assuming that they will become, by the exercise in full of the options granted to them (whether or not they have then become exercisable), Holders of Share Stapled Units. If such offer becomes or is declared unconditional or such scheme of arrangement is formally proposed to the Holders of Share Stapled Units, a grantee

shall, notwithstanding any other terms on which his options were granted, be entitled to exercise his option (to the extent not already exercised) to its full extent or to the extent specified in the grantee's notice to the Trustee-Manager and the Company in exercise of his option at any time up to the close of such offer (or any revised offer) or the record date for entitlements under a scheme of arrangement. Subject to the above, an option (to the extent not already exercised) will lapse automatically on the date on which such offer (or, as the case may be, revised offer) closes or the record date for entitlements under a scheme of arrangement.

(l) *Rights on winding up*

In the event that a notice is given to the Holders of Share Stapled Units to convene a general meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind up the Company and/or the HKT Trust, the Company and the Trustee-Manager shall on the same date as they dispatch such notice of the proposed general meeting to each Registered Holder of Share Stapled Units, give notice thereof to the grantee (or his personal representatives), who may, by notice in writing to the Company or the Trustee-Manager, as the case may be, (such notice to be received by the Company or the Trustee-Manager, as the case may be, not later than five (5) business days prior to the proposed general meeting) accompanied by a remittance/payment for the full amount of the aggregate subscription price for the Share Stapled Units in respect of which the notice is given, exercise the option (to the extent which it has become exercisable but has not been already exercised) either to its full extent or to the extent specified in such notice and the Company and the Trustee-Manager shall, as soon as possible and in any event no later than the business day immediately prior to the date of the proposed general meeting, allot and issue such number of Share Stapled Units to the grantee which falls to be issued on such exercise, credited as fully paid up and register the grantee as holder thereof. Any options shall, to the extent they have not been so exercised, lapse and determine.

(m) *Rights on compromise or arrangement*

If, pursuant to the Cayman Companies Law or other applicable law, a compromise or scheme of arrangement between the Company and its members and/or creditors is proposed for the purpose of or in connection with the reconstruction of the Company or its amalgamation with any other company or companies, the Trustee-Manager and/or the Company shall give notice thereof to all grantees (or to their personal representatives) on the same day as it gives notice to the members or creditors of the Company summoning a meeting to consider such a compromise or scheme of arrangement. Upon receipt of the notice, the grantee may, during the period commencing on the date of the notice and ending on earlier of:

- (i) the date two calendar months thereafter; and
- (ii) the date on which such compromise or arrangement is sanctioned by the court,

exercise his option (to the extent it has become exercisable but has not already been exercised), conditional upon the compromise or arrangement being sanctioned by the court and becoming effective. The Company may require the grantee to transfer or otherwise deal with the Share Stapled Units issued as a result of the exercise of the options in these circumstances so as to place the grantee in the same position as nearly would have been the case had such Share Stapled Units been subject to the compromise or arrangement. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been so exercised, lapse and determine. If for any reason such compromise or arrangement is not approved by the court (whether upon the terms presented to the court or upon any other terms as may be approved by such court) the rights of grantees to exercise their respective options shall with effect from the date

of the making of the order by the court be restored in full but only up to the extent not already exercised and shall thereupon become exercisable (but subject to the other terms of the 2011-2021 Option Scheme) as if such compromise or arrangement had not been proposed by the Company and no claim shall lie against the HKT Trust, the Trustee-Manager, the Company or any of its subsidiaries or any of their respective officers for any loss or damage sustained by any grantee as a result of the aforesaid suspension.

(n) *Effects of alterations to share capital*

In the event of any capitalisation of profits or reserves, rights issue or other similar offer of securities to Holders of Share Stapled Units, consolidation, subdivision, or reduction of the share capital of the Company or the Units in the HKT Trust in accordance with legal requirements and the requirements of the Stock Exchange (other than an issue of Share Stapled Units as consideration in respect of a transaction to which the HKT Trust, the Company and/or any of its subsidiaries is a party), the number or nominal amount of Share Stapled Units subject to the option granted pursuant to 2011-2021 Option Scheme so far as unexercised and/or the subscription price or any combination thereof, shall be adjusted in such manner as the auditors for the time being of the HKT Trust and the Company or an independent financial adviser to be appointed by the HKT Trust and the Company for such purpose shall certify in writing to the Board to be in their opinion fair and reasonable provided always that:

- (i) no such alterations shall be made the effect of which would be to enable any Preference Share or Ordinary Share which is a component of a Share Stapled Unit to be issued at less than its respective nominal value; and
- (ii) such adjustments shall be made on the basis that the grantee shall have as nearly as possible the same proportion of the issued Share Stapled Units to which the grantee was entitled before such adjustments,

and in each case, any adjustment must be made in compliance with the Listing Rules (including Chapter 17 thereof), the supplemental guidance issued on 5 September 2005 and any further guidance or interpretation of the Listing Rules issued by the Stock Exchange from time to time. In addition, in respect of any such adjustments, other than any adjustment made on a capitalisation issue, the auditors for the time being of the HKT Trust and the Company or an independent financial adviser must confirm to the Directors in writing that the adjustments satisfy the requirements of the relevant provision of the Listing Rules or the relevant guidance or interpretation thereof.

(o) *Ranking of Share Stapled Units*

The Share Stapled Units to be issued and allotted upon the exercise of options granted under the 2011-2021 Options Scheme will be subject to all the provisions of the Trust Deed and the Company's Articles for the time being in force and will rank *pari passu* in all respects with the fully paid Share Stapled Units in issue on the date on which Share Stapled Units are allotted to the grantee (or his personal representative(s)) (the "**Allotment Date**") and accordingly will entitle the holders to participate in all dividends or other distributions declared paid or made on or after the Allotment Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor is before the Allotment Date.

(p) Lapse of option

The right to exercise an option shall lapse automatically (to the extent not already exercised) immediately upon the earliest of:

- (i) the expiry of the period referred to in paragraph (e) above;
- (ii) the expiry of the periods referred to paragraphs (g), (h), (j), (k), (l) and (m) above;
- (iii) subject to paragraph (l) above, the date of the commencement of the winding-up of the Company or the HKT Trust, as the case may be;
- (iv) the date on which the grantee ceases to be an Eligible Participant by reason of the termination of his employment, directorship, appointment or engagement referred to in paragraph (i) above;
- (v) the date on which the grantee sells, transfers, charges, mortgages, encumbers or creates any interest in favour of any third party over or in relation to any option or attempt to do so in breach of the 2011-2021 Option Scheme.

(q) Period of the 2011-2021 Option Scheme

Subject to the fulfillment of the conditions of the 2011-2021 Option Scheme and the earlier termination by an Ordinary Resolution in general meeting of Registered Holders of Share Stapled Units' or resolutions of the Board, the 2011-2021 Option Scheme shall be valid and effective for a period of ten (10) years commencing from the Adoption Date, after which period no further options will be offered or granted but the provisions of the 2011-2021 Option Scheme shall remain in full force and effect in all other respects with respect to options granted during the life of the 2011-2021 Option Scheme.

(r) Alteration to the 2011-2021 Option Scheme and the terms of options granted under the 2011-2021 Option Scheme

All provisions of the 2011-2021 Option Scheme may, subject to the Listing Rules, be altered from time to time in any respect by a resolution of the Board save that the following alterations shall require the prior sanction of an Ordinary Resolution in general meeting of Registered Holders of Share Stapled Units (with all grantees, prospective grantee and their associates abstaining from voting and the votes taken by poll):

- (i) any alterations of the provisions relating to the matters set out in Rule 17.03 of the Listing Rules to the advantage of the grantee or the Eligible Participants;
- (ii) any alterations of the terms and conditions of the 2011-2021 Option Scheme which are of a material nature or any change to the terms of options granted under the 2011-2021 Option Scheme (except where the alterations take effect automatically under the existing terms of the 2011-2021 Option Scheme); and
- (iii) any change to the authority of the Board in relation to any alteration to the terms of the 2011-2021 Option Scheme.

No such alteration shall operate to affect adversely the terms of issue of any option granted or agreed to be granted prior to such alteration except with the consent or sanction of such majority of the grantees as would be required of the Registered Holders of Share Stapled Units under the Trust Deed, for the time being for a variation of the rights attached to the Share Stapled Units. Any amended terms of the 2011-2021 Option Scheme or options shall still comply with the relevant requirements of Chapter 17 of the Listing Rules (subject to such waiver as may be granted by the Stock Exchange from time to time).

In respect of any meeting of the grantees which may be held for this purpose, all the provisions of the constitutional documents for the time being of the Company and the HKT Trust as to general meetings of the Registered Holders of Share Stapled Units shall mutatis mutandis apply as though the options were a class of Share Stapled Units except that:

- (i) not less than seven (7) day's notice of such meeting shall be given;
- (ii) a quorum at any such meeting shall be two (2) grantees present in person or by proxy and holding options entitling them to the issue of one-tenth in nominal value of all Share Stapled Units which would fall to be issued upon the exercise of all options then outstanding unless there is only one grantee holding all options then outstanding, in which case the quorum shall be one grantee;
- (iii) every grantee present in person or by proxy at any such meeting shall be entitled on show of hands to one vote, and on a poll, to one vote for each Share Stapled Unit to which he would be entitled upon exercise in full of his options then outstanding;
- (iv) any grantee present in person or by proxy may demand a poll; and
- (v) if any such meeting is adjourned for want of a quorum, such adjournment shall be to such date and time, not being less than seven (7) or more than fourteen (14) days thereafter, and to such place as may be appointed by the chairman of the meeting. At any adjourned meeting those grantees who are then present in person or by proxy shall form a quorum and at least seven (7) days' notice of any adjourned meeting shall be given in the same manner as for an original meeting and such notice shall state that those grantees who are then present in person or by proxy shall form a quorum.

Where there is any proposed change to the terms of any options granted to a connected person of the Company and the HKT Trust who is also a Substantial Holder of Share Stapled Units or an independent non-executive Director or any of their respective associates (except where the change takes effect automatically under the existing terms of the 2011-2021 Option Scheme), then the proposed change must be subject to the approval of the Registered Holders of Share Stapled Units taken on poll at general meeting of the Registered Holders of Share Stapled Units and to such other requirements of the Listing Rules. The connected person involved in such proposed change and all other connected persons of the Company and the HKT Trust must abstain from voting in such general meeting (except that any connected person may vote against the proposed change provided that his intention to do so has been stated in the circular). Holders of Share Stapled Units' circulars must be prepared and sent by the Company and the Trustee-Manager explaining the proposed change and disclosing the original terms of the options, and containing a recommendation from the INEDs (excluding an independent non-executive Director who is the holder of the options which terms are to be changed) on whether or not to vote in favour of the proposed change and containing such other information required under the Listing Rules.

(s) Administration of the 2011-2021 Option Scheme

The 2011-2021 Option Scheme shall be administered by the Board.

Options may be granted on such terms and conditions in relation to their vesting, exercise or otherwise as the Board may determine in its absolute discretion, provided that such terms and conditions shall not be inconsistent with any other terms and conditions of the 2011-2021 Option Scheme.

(t) Termination of the 2011-2021 Option Scheme

The Registered Holders of Share Stapled Units by Ordinary Resolution in general meeting of Registered Holders of Share Stapled Units or by resolutions passed by the Board may at any time terminate the operation of the 2011-2021 Option Scheme and in such event no further option shall be offered but the provisions of the 2011-2021 Option Scheme shall remain in full force and effect in all other respects in respect of any options granted prior thereto but not yet exercised at the time of termination. Upon such termination, details of the options granted, including options exercised or outstanding shall be disclosed in the circular to Holders of Share Stapled Units seeking approval of the first new scheme to be established after such termination.

(u) Cancellation of Options

Subject to paragraph (f) above, any cancellation of options granted but not exercised shall be approved by the Board. Cancelled options may be re-issued after such cancellation has been approved, provided that re-issued options shall only be granted in compliance with the terms of the 2011-2021 Option Scheme and the requirements of the Listing Rules and provided further that new options may be issued to a grantee in place of his cancelled options only if there are available unissued options (excluding the cancelled options) within the Scheme Mandate Limit or the Renewed Scheme Mandate Limit.

Any reference to the “**Board**” above shall include a duly authorised committee of the Board.

2. Present status of the 2011-2021 Option Scheme

The 2011-2021 Option Scheme is conditional on:-

- (a) the Listing Committee granting (i) approval of the listing of, and permission to deal in, the Share Stapled Units in issue and to be issued as mentioned in this prospectus (including the Share Stapled Units which may fall to be issued pursuant to the exercise of options granted under the 2011-2021 Option Scheme) and (ii) if so required by the Stock Exchange, approval of the 2011-2021 Option Scheme and the grant of options thereunder;
- (b) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver of any conditions) and the Underwriting Agreements not being terminated in accordance with their terms or otherwise; and
- (c) commencement of dealings in the Share Stapled Units on the Main Board.

As at the date of this prospectus, no option has been granted or agreed to be granted under the 2011-2021 Option Scheme.

Application has been made to the Listing Committee for the approval of the 2011-2021 Option Scheme and the subsequent granting of options under the 2011-2021 Option Scheme and for the listing of, and permission to deal in, the Share Stapled Units which may fall to be issued pursuant to the exercise of the options granted under the 2011-2021 Option Scheme.

G. SHARE STAPLED UNITS AWARD SCHEMES

The Company has conditionally adopted two award schemes pursuant to which awards of Share Stapled Units may be made, namely the HKT Share Stapled Units Purchase Scheme and the HKT Share Stapled Units Subscription Scheme.

The two Share Stapled Units Award Schemes are on similar terms and were conditionally adopted by the Company, pursuant to resolutions of the Board, as a potential means to incentivise and reward:

In the case of the HKT Share Stapled Units Purchase Scheme:

- (a) any full-time or part-time employees of the Company and/or any subsidiary;
- (b) any director (including executive, non-executive and independent non-executive director) of the Company and/or any subsidiary; and
- (c) any consultant or adviser (whether professional or otherwise and whether on an employment or contractual or honorary basis or otherwise and whether paid or unpaid), distributor, contractor, supplier, service provider, agent, customer and business partner of the Company and/or any subsidiary who, at the sole determination of the Board, have contributed or will contribute to the Company and/or any subsidiary.

In the case of the HKT Share Stapled Units Subscription Scheme:

The same group of potential eligible participants as referred to above except for any directors of the Company.

The HKT Share Stapled Units Award Schemes will be administered by the Company Board and an independent trustee (the “Trustee”), as trustee appointed to hold the relevant Share Stapled Units until such time as the Share Stapled Units vest in the selected participants.

Awards may be made by the Company Board or any duly appointed committee or sub-committee, such as the Remuneration Committee and, in the case of Share Stapled Units that fail to vest in any selected participant, may be made by the Trustee, having taken into consideration the recommendations of the Company Board.

The following is a summary of the principal terms of the Share Stapled Units Award Schemes, which are on similar terms, save as described below. The terms of the Share Stapled Units Award Schemes have yet to be settled with the Trustee and may accordingly vary from the description below.

1. Proposed terms of the Share Stapled Units Award Schemes

(a) *Who may join*

The eligible participants who may be selected for awards under the respective Share Stapled Units Award Schemes (each a “Selected Eligible Participant”) are identified in the introduction to these schemes set out above. The reason why directors of the Company are excluded from participation in the HKT Share Stapled Units Subscription Scheme is to avoid the connected transactions that would otherwise arise on the allotment of new Share Stapled Units to the Trustee to be held on trust for such directors (or other connected persons).

(b) How the awards are made

In the case of the HKT Share Stapled Units Purchase Scheme, the Company Board may either (i) set aside a sum of money or (ii) determine a number of Share Stapled Units which it wishes to be the subject of a bonus award. The Company Board must then pay (or cause to be paid) that amount or an amount sufficient to purchase that number of Share Stapled Units, as the case may be, (the “**Referable Amount**”) to the Trustee (or as it shall direct) from the Group’s resources. Within 15 business days of receiving the Referable Amount, the Trustee will apply the same towards the purchase of the relevant Share Stapled Units on the Stock Exchange. In the case where the Referable Amount is not specifically linked to a pre-determined number of Share Stapled Units, the Trustee will purchase the maximum number of Share Stapled Units possible from the Referable Amount at the time of purchase, taking into account all costs and expenses associated with such a purchase (including but not limited to stamp duty and brokerage charges).

In the case of the HKT Share Stapled Units Subscription Scheme, the Company Board will determine a number of Share Stapled Units which it wishes to be the subject of a bonus award. The Company Board must then pay (or cause to be paid) an amount (the “**Referable Amount**”) sufficient to subscribe that number of Share Stapled Units at the Specified Price. The Referable Amount (together with the amount necessary to cover all related costs and expenses of the Trustee associated with the subscription) shall be paid to the Trustee (or as it shall direct) from the Group’s resources. At the same time the Company shall submit, as soon as practicable, an application to the Stock Exchange for the listing of, and permission to deal in, such Share Stapled Units (including the Units, Preference Shares and Ordinary Shares comprised therein). Within 15 business days of receiving the Referable Amount, the Trustee will apply the same towards the subscription of the awarded Share Stapled Units at the Specified Price, provided always that no Share Stapled Units shall be allotted in respect of such subscription unless and until the Company shall have received from the Stock Exchange a grant of the listing of, and permission to deal in, such Share Stapled Units (including the Units, Preference Shares and Ordinary Shares comprised therein). The allotment to be approved by the Company Board will be subject to such Stock Exchange approval. For these purposes, the ‘**Specified Price**’ means the price determined by the Company in conjunction with the Trustee-Manager as being the higher of:

- (i) the closing price of the Share Stapled Units on the Stock Exchange on the trading day immediately preceding the relevant award date; and
- (ii) the average of the closing prices of the Share Stapled Units on the Stock Exchange in the ten (10) trading days immediately prior to the earlier of:
 - (1) the date of announcement (if applicable) of the proposed allotment of the relevant Share Stapled Units pursuant to an award under the Scheme;
 - (2) the relevant award date; and
 - (3) the date on which the allotment price for the relevant Share Stapled Units is otherwise fixed.

It should be noted that, other than satisfying any vesting conditions, the Selected Eligible Participant is not required to provide any consideration in order to acquire the Share Stapled Units awarded to him or her. Rather, it is the Company's responsibility to fund or procure funding of the relevant consideration, subject to due compliance with all relevant laws, rules, and regulations governing the provision of financial assistance by the Company for the acquisition of its own shares.

In the case of both Share Stapled Units Award Schemes, the Company Board or the Trustee (as the case may be) is entitled to impose any conditions it deems appropriate with respect to the entitlement of a Selected Eligible Participant to the award of Share Stapled Units, including a schedule as to the vesting of the Share Stapled Units, and a requirement that any Selected Eligible Participant who is an employee of or consultant to the Company or any subsidiary remains, at all times after the award date and on the relevant vesting date an employee of or consultant to the Company or any subsidiary.

Where Share Stapled Units which are referable to a Selected Eligible Participant do not vest or are not taken up by the Selected Eligible Participant in accordance with the procedures set out in the relevant scheme rules, the Trustee shall hold those Share Stapled Units and any income deriving therefrom exclusively for the benefit of all or one or more of the eligible participants under the relevant Share Stapled Units Award Scheme as the Trustee, in its absolute discretion after having taken into consideration the recommendations of the Company Board.

(c) *Maximum number of Share Stapled Units*

Under the HKT Share Stapled Units Purchase Scheme, no sum of money shall be set aside and no Share Stapled Units shall be purchased nor any amounts paid to the Trustee for the purpose of making such a purchase, if, as a result of such purchase, the number of Share Stapled Units administered under the scheme would represent in excess of 1% of the total number of Share Stapled Units in issue from time to time, provided that Share Stapled Units which have been transferred to Selected Eligible Participants upon vesting shall be left out of account when ascertaining such amount.

Under the HKT Share Stapled Units Subscription Scheme, no sum of money shall be set aside and no Share Stapled Units shall be subscribed pursuant to the Scheme, nor any amounts paid to the Trustee for the purpose of making such a subscription:

- (i) if, as a result of such subscription, the number of Share Stapled Units administered under the Scheme would represent in excess of 1% of the total number of Share Stapled Units in issue from time to time, provided that Share Stapled Units which have been transferred to Selected Eligible Participants upon vesting shall be left out of account when ascertaining such amount; or
- (ii) if, as a result of such subscription, PCCW's aggregate holding of Share Stapled Units would on a fully-diluted basis (which shall take into account the relevant subscription(s) proposed to be made under the Scheme, the amount of all outstanding options in respect of Share Stapled Units as granted pursuant to the 2011-2021 Option Scheme of the HKT Trust and the Company, and all other rights or entitlements granted by the Company concerning the prospective allotment of new Share Stapled Units) represent less than 51% of the total number of Share Stapled Units as would exist were all such commitments to allot new Share Stapled Units to be duly fulfilled; or
- (iii) if, the Company does not have a relevant general mandate or specific mandate from the holders of the Share Stapled Units necessary to effect the allotment and issue of Share Stapled Units pursuant to the Scheme.

(d) Application of the Model Code and the Listing Rules

No payment shall be made to the Trustee and no instructions to acquire or subscribe Share Stapled Units shall be given to the Trustee under the relevant scheme where any member of the Company Board is in possession of unpublished price sensitive information in relation to the Company or the HKT Trust or where dealings by directors are prohibited under the Model Code for Securities Transactions by Directors of Listed Companies as set out in the appendices to the Listing Rules or any applicable laws or regulation or any internal code of conduct in securities dealings adopted by the Company from time to time.

In respect of the operation of each Share Stapled Units Award Scheme, the Company shall comply with all applicable disclosure regulations including without limitation those imposed by the Listing Rules.

(e) Takeovers

If an offer by way of takeover, merger, scheme of arrangement or otherwise is made to all the holders of Share Stapled Units (or all such holders other than the offeror, any person controlled by the offeror and any person acting in association or concert with the offeror) and such offer becomes or is declared unconditional (i.e. all conditions to which such transaction is subject have been satisfied) prior to the vesting of Share Stapled Units in the Selected Eligible Participant pursuant to either of the Share Stapled Units Award Schemes, then, notwithstanding any timetable for vesting determined by the Company Board or the Trustee, such Share Stapled Units shall immediately so vest.

(f) Duration and termination

Unless terminated earlier, each of the Share Stapled Units Award Schemes shall be valid and effective for a term of 10 years commencing from the date of adoption.

In the case of either of the Share Stapled Units Award Schemes, the Company Board may by resolution terminate the operation of the scheme at any time provided that such termination shall not affect any subsisting rights of any Selected Eligible Participant hereunder and provided further that if, at the date of such termination, the Trustee holds Share Stapled Units which it has not designated in favour of any particular Eligible Participant(s), then the Trustee shall within 21 business days of receiving notice of such termination, sell such Share Stapled Units and remit the proceeds of sale (after making appropriate deductions in respect of stamp duty and other costs, liabilities and expenses) to the Company.

(g) Alterations

Either of the Share Stapled Units Award Schemes may be altered in any respect by a resolution of the Company Board provided that no such alteration shall operate to affect adversely any subsisting rights of any Selected Eligible Participant under the relevant scheme except with:

- (i) the consent in writing of Selected Eligible Participants on whose behalf an aggregate number of Share Stapled Units are held by the Trustee on the date on which such consent is obtained amounting to three-fourths in nominal value of all Share Stapled Units so held by the Trustee on that date under the relevant scheme; or
- (ii) the sanction of a special resolution passed at a meeting of the Selected Eligible Participants to whom awards have been made under the relevant scheme.

To any such meeting of Selected Eligible Participants referred to above, the provisions of the Trust Deed and the Company's Articles as to general meetings of the HKT Trust and the Company shall mutatis mutandis apply as though the Share Stapled Units then held by the Trustee on behalf of Selected Eligible Participants were a separate class of Share Stapled Units except that:

- (i) not less than 5 days' notice of such meeting shall be given;
- (ii) a quorum at any such meeting shall be two Selected Eligible Participants present in person or by proxy and on whose behalf an aggregate number of Share Stapled Units are held by the Trustee amounting to three-fourths in nominal value of all Share Stapled Units so held by the Trustee on that date;
- (iii) every Selected Eligible Participant present in person or by proxy at any of such meeting shall be entitled on a show of hands to one vote, and on a poll, to one vote for each Share Stapled Unit then held on his behalf by the Trustee (but for the avoidance of doubt excluding for this purpose any such Share Stapled Units in respect of which that date is a Vesting Date);
- (iv) any Selected Eligible Participant present in person or by proxy may demand a poll; and
- (v) if any such meeting is adjourned for want of a quorum, such adjournment shall be to such date and time, not being less than 7 or more than 14 days thereafter, and to such place as may be appointed by the chairman of the meeting. At any adjourned meeting those Selected Eligible Participants who are then present in person or by proxy shall form a quorum and at least 7 days' notice of any adjourned meeting shall be given in the same manner as for an original meeting and such notice shall state that those Selected Eligible Participants who are then present in person or by proxy shall form a quorum.

(h) *Rights pending vesting*

A Selected Eligible Participant is afforded the right to receive dividend(s) that are declared in respect of the Share Stapled Units awarded to him the record date for which dividend(s) falls on or after the relevant Vesting Date. Prior to that, all dividends received on such Share Stapled Units are held by the Trustee on trust for all or such one or more of the Selected Eligible Participants as the Company Board may decide, subject to the following point. The Trustee has the discretion to apply the income of the trust fund, which would include dividends received, towards the acquisition or subscription of Share Stapled Units under the relevant scheme, to be held on trust for Selected Eligible Participant(s) chosen by the Company Board (whereupon the amount to be paid by the Company to the Trustee in respect of such Selected Eligible Participant(s) would be reduced accordingly). In any event, dividends paid on Share Stapled Units pending vesting are not treated as the Company's assets.

Pending vesting of the relevant Share Stapled Units in favour a Selected Eligible Participant, all voting rights attaching to those Share Stapled Units (or the Ordinary Shares or Preference Share comprised thereon) are exercisable at the complete discretion of the Trustee.

2. Present status of the Share Stapled Units Award Schemes

Each of the Share Stapled Units Award Schemes remains conditional on:

- (i) the appointment of the Trustee and settling the terms of Share Stapled Units Award Schemes with the Trustee;
- (ii) the approval of the Share Stapled Units Award Schemes by the Company Board, which has been obtained;
- (iii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, following the waiver of any condition(s)) and not being terminated in accordance with its terms or otherwise; and
- (iv) the commencement of dealings in the Share Stapled Units on the Main Board.

As at the date of this prospectus, no awards have been made or agreed to be made under either of the Share Stapled Units Award Schemes.

H. OTHER INFORMATION

1. Litigation

As at the Latest Practicable Date, no member of the Group is engaged in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance is known to the Directors to be pending or threatened by or against any member of the Group.

2. Joint Sponsors

The Joint Sponsors have made an application on behalf of the Trustee-Manager and the Company to the Listing Committee of the Stock Exchange for listing of, and permission to deal in, the Share Stapled Units in issue and to be issued as mentioned in this prospectus.

All necessary arrangements have been made to enable the Share Stapled Units to be admitted into the CCASS.

3. Registration procedures

The Units Register of the HKT Trust will be maintained in Hong Kong by Computershare Hong Kong Investor Services Limited.

The register of members of the Company will be maintained in Cayman Islands by Maples Corporate Services Limited and a Hong Kong register of members of the Company will be maintained in Hong Kong by Computershare Hong Kong Investor Services Limited. Save where the directors of the Company otherwise agree, all transfers and other documents of title to Shares must be lodged for registration with, and registered by, the Company's branch share register in Hong Kong and may not be lodged in Cayman Islands.

The Share Stapled Units Register will be maintained in Hong Kong by Computershare Hong Kong Investor Services Limited.

4. Preliminary expenses

The total preliminary expenses of the HKT Trust and the Company are estimated to be approximately HK\$0.2 million and are payable by the HKT Trust and the Company.

5. Promoter

The promoter of the HKT Trust is CAS Holding No. 1 Limited and the promoter of the Company is CAS Holding No. 1 Limited. Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefits has been paid, allotted or given to the promoters in connection with the Global Offering or the related transactions described in this prospectus.

6. Qualification and consent of experts

The following are the qualifications of the experts which have given opinions or advice which are contained in, or referred to in, this prospectus:

Expert	Qualification
China International Capital Corporation Hong Kong Securities Limited	Registered for Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) of the regulated activities under the SFO
Deutsche Bank AG, Hong Kong Branch	Registered for Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) of the regulated activities under the SFO and a licensed bank under the Banking Ordinance (Chapter 155 of due Laws of Hong Kong)
Goldman Sachs (Asia) L.L.C.	Registered for Type 1 (dealing in securities), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance), Type 7 (providing automated trading services) and Type 9 (asset management) of the regulated activities under the SFO
PricewaterhouseCoopers	Certified Public Accountants
King & Wood	Legal advisers as to PRC laws
Conyers Dill & Pearman	Cayman Islands attorneys-at-law

Each of China International Capital Corporation Hong Kong Securities Limited, Deutsche Bank AG, Hong Kong Branch, Goldman Sachs (Asia) L.L.C., PricewaterhouseCoopers, King & Wood and Conyers Dill & Pearman has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or opinion and/or the references to its name included herein in the form and context in which they are respectively included.

7. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

8. No material adverse change

The Directors confirmed that there has been no material adverse change in the financial or trading position or prospects of the Trust Group since 30 June 2011, being the date to which the latest audited combined financial statements of the Trust Group were made up.

9. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided in Section 4 of the Companies Ordinance (Exemption of Companies and Prospectus from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

10. Miscellaneous

(a) Save as disclosed in this prospectus:

- (i) within the two years preceding the date of this prospectus, no Unit of the HKT Trust, no share or loan capital of the Company or any of its subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;
- (ii) no Unit of the HKT Trust, no share or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
- (iii) no founders, management or deferred units of the HKT Trust and no founders, management or deferred shares of the Company or any of its subsidiaries have been issued or agreed to be issued;
- (iv) none of the equity and debt securities of the HKT Trust or the Company is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought;
- (v) each of the HKT Trust and the Company has no outstanding convertible debt securities or debentures; and
- (vi) within the two years preceding the date of this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any security of the HKT Trust or share or loan capital of the Company or any of their subsidiaries.

- (b) None of the Joint Global Coordinators, PricewaterhouseCoopers, King & Wood and Conyers Dill & Pearman:
 - (i) is interested beneficially or non-beneficially in any shares in any member of the Group; or
 - (ii) has any right (save in their respective capacities as Qualifying PCCW Shareholders, if applicable) or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group save in connection with the Underwriting Agreements.
- (c) No company within the Group is presently listed on any stock exchange or traded on any trading system.
- (d) The English texts of this prospectus and the application forms shall prevail over their respective Chinese texts.
- (e) There has not been any interruption in the business of the Group which may have or has had a significant effect on the financial position of the Group in the 12 months preceding the date of this prospectus.
- (f) Save as disclosed in the section headed “Distributions — Exchange controls” in this prospectus, there is no restriction affecting the remittance of profits or repatriation of capital into Hong Kong and from outside Hong Kong.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

A copy of this prospectus, together with copies of the **WHITE, YELLOW, GREEN** and **BLUE** Application Forms, the written consents referred to the paragraph headed “Qualification and consent of experts” in Appendix V to this prospectus and copies of the material contracts referred to in the paragraph headed “Summary of material contracts” in Appendix V to this prospectus have been delivered to the Registrar of Companies in Hong Kong for registration.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Reed Smith Richards Butler at 20th Floor, Alexandra House, 18 Chater Road, Central, Hong Kong during normal business hours from the date of this prospectus up to and including the date which is 14 days from the date of this prospectus:

- (a) the Trust Deed;
- (b) the amended and restated memorandum of association of the Company and the Company’s Articles;
- (c) the Accountant’s Report from PricewaterhouseCoopers, the text of which is set out in Appendix I to this prospectus;
- (d) the report from PricewaterhouseCoopers on unaudited pro forma financial information, the text of which is set out in Appendix II to this prospectus;
- (e) the audited combined financial statements of the HKT Trust, the Company and its subsidiaries for each of the three years ended 31 December 2010 and the six months ended 30 June 2011;
- (f) the letters from PricewaterhouseCoopers and the Joint Sponsors relating to the profit forecast and profit projection of the Trust Group, the texts of which are set out in Appendix III to this prospectus;
- (g) the service contracts and letters of appointment referred to in the paragraph headed “Particulars of service contracts and letters of appointment” in Appendix V to this prospectus;
- (h) the material contracts referred to in the paragraph headed “Summary of material contracts” in Appendix V to this prospectus;
- (i) the written consents referred to in the paragraph headed “Qualification and consent of experts” in Appendix V to this prospectus;
- (j) the letter of advice dated the date of this prospectus and prepared by Conyers Dill & Pearman summarising certain aspects of Cayman Companies Law as referred to in Appendix IV to this prospectus;
- (k) the rules of the 2011-2021 Option Scheme;
- (l) the respective rules relating to each of the Share Stapled Units Award Schemes;
- (m) the Cayman Companies Law; and
- (n) the PRC legal opinion dated the date of this prospectus issued by King & Wood, the legal advisers to the Trustee-Manager and the Company as to PRC law in respect of, among other things, general corporate matters and property matters of the Group.

