



2019 Interim Results

For the six months ended June 30, 2019

August 7, 2019 – Hong Kong

Forward Looking Statements

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

Business Review

Susanna Hui
Group Managing Director

HKT Sustains Market Leadership

Delivering Consistent Financial Performance

(US\$ million)	H1'18	H1'19	% change
Revenue (excl. Mobile Product Sales)	1,749	1,765	+ 1%
EBITDA	723	735	+ 2%
Adjusted Funds Flow	283	291	+ 3%

Interim Distribution of 30.01 HK cents per Share Stapled Unit

Current Market Dynamics

- **Price Competition in the Value Seeking Segment of the Consumer Market Continues to be Keen**
- **Similar Competition being Witnessed in the SME Segment of the Enterprise Sector which is also being Impacted by the Challenging Economic Environment**
- **Large Enterprises and Public Organizations Investing in Technology Solutions to Accelerate Digital Transformation**

Consumer Broadband Consolidates Market Leadership

Continued Expansion in Customer Base with Low Churn Rate of 0.8%

Supported by our FTTH Network and the Offering of Value-Added Services via Multi-Brand Strategy

Consumer Broadband

HKT Premier

網上行  netvigator®

LiKE100

('000)

1,439

1,446

H1'18

H1'19

Consumer Churn Rate

0.8%

0.8%

H1'18

H1'19

High-speed Consumer Broadband (FTTH + VDSL)

+ 7% YoY

904

970

161

169

743

801

H1'18

H1'19

FTTH
+8% YoY

■ VDSL
■ FTTH
('000)

Providing Smart Home Solutions

Revenue Growth Driven by Continued Penetration of Home Wi-Fi Solutions and Increasing Adoption of Smart Home Solutions

Home Wi-Fi Solutions



- Upselling our Comprehensive Home Wi-Fi Solutions to Meet Customers' Smart Living Needs
- Nearly 300,000 Households Enjoying our Home Wi-Fi Solutions with an Incremental ARPU of HK\$58-288 per month

Smart Home Solutions

Smart Living™
by **HKT**



- Partnering with Property Developers to Embed Smart Living Solutions in New Residential Properties
- Have Secured over 90 Contracts with 58 Developers

HKT Enterprise Solutions

Providing Unmatched, Total End-to-End Enterprise Solutions

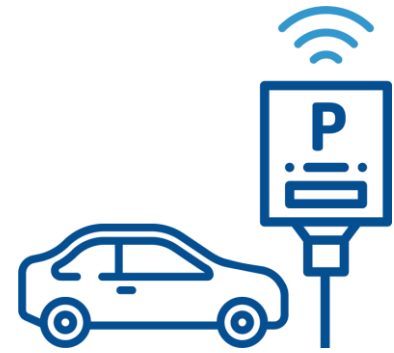
HKT Enterprise
Solutions



- Strong Revenue Growth driven by Increasing Demand for Digital Transformation, Artificial Intelligence, Video Analytics and Cyber Security Solutions
- Executing a Number of Large Scale Projects for Public Organizations and Large Corporates
 - Revenue increased by 16% yoy in H1 2019
- Secured New Wins with a Total Contract Value of more than HK\$2 Billion in H1 2019, over 60% Growth from a year earlier

Significant Large Scale Contract Wins

New Generation Parking Meter System



Smart Mobility Initiative

Design, Deployment, Operation and Maintenance of New Generation of Parking Meter System in HK

Integrated & Mobile-Connected Parking Meter Solution for Smart On-street Parking Experience and Effective City Management



Vehicle Sensor for Detecting Parking Space Occupancy



Multiple Payment Methods



Mobile App for Real-Time Parking Vacancy Information



Remote Top-up Payment through Mobile App



City Planning and Management

12,000+ Parking Meters
Contract Value Exceeds HK\$680 Million

Smart Airport Transformation



Smart Airport Initiative

Two Critical Network Infrastructure Projects to Support Upcoming Smart Airport Initiatives

1) Private LTE Project

- A Reliable and Secure Radio Network to Support Critical Communication Applications
 - Protected Radio Resource
 - Private Mobile APN
 - Private LTE SIMs
- HKT is also one of the participants in 5G Trial Projects, which include V2X, Autonomous Driving and Robotic Applications



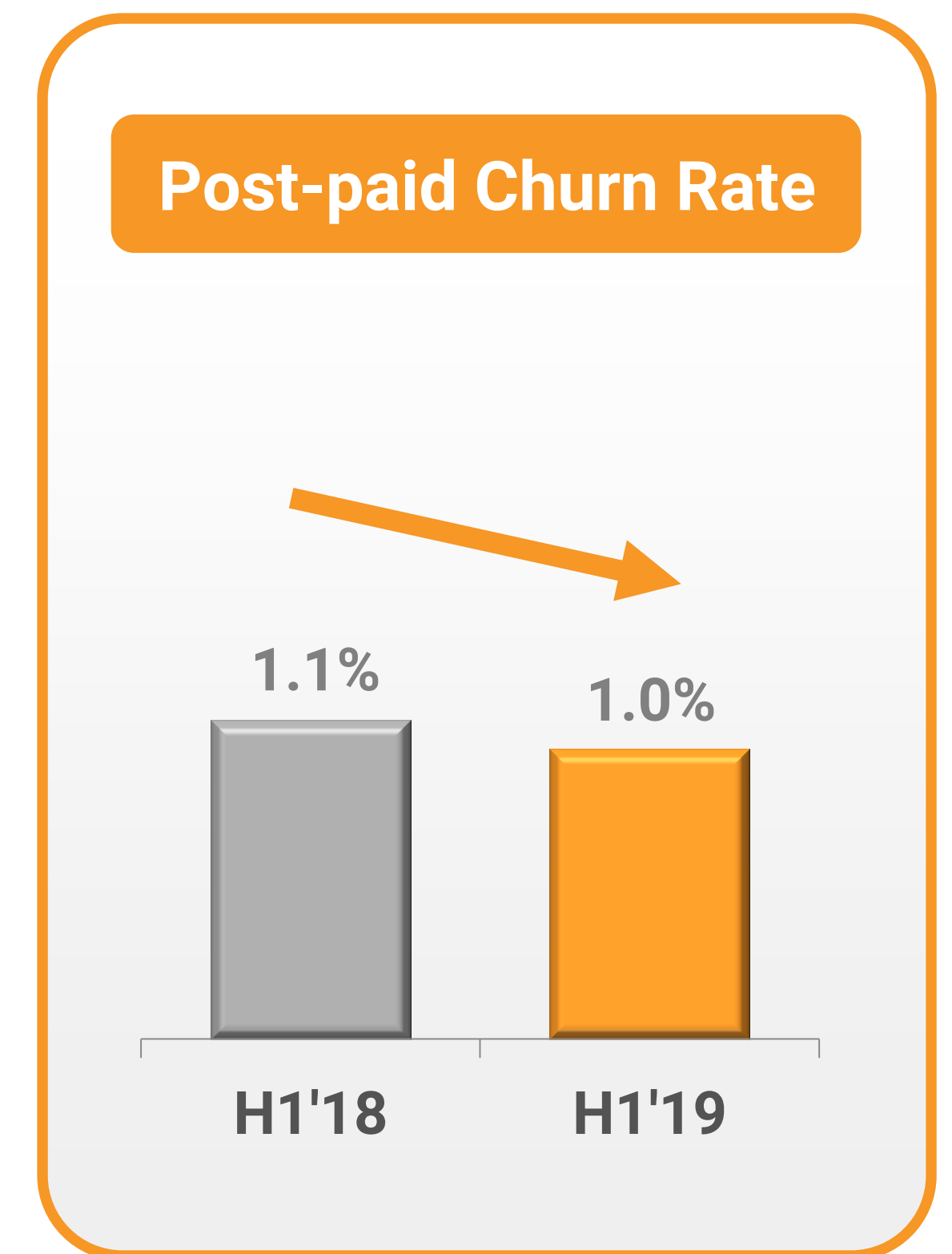
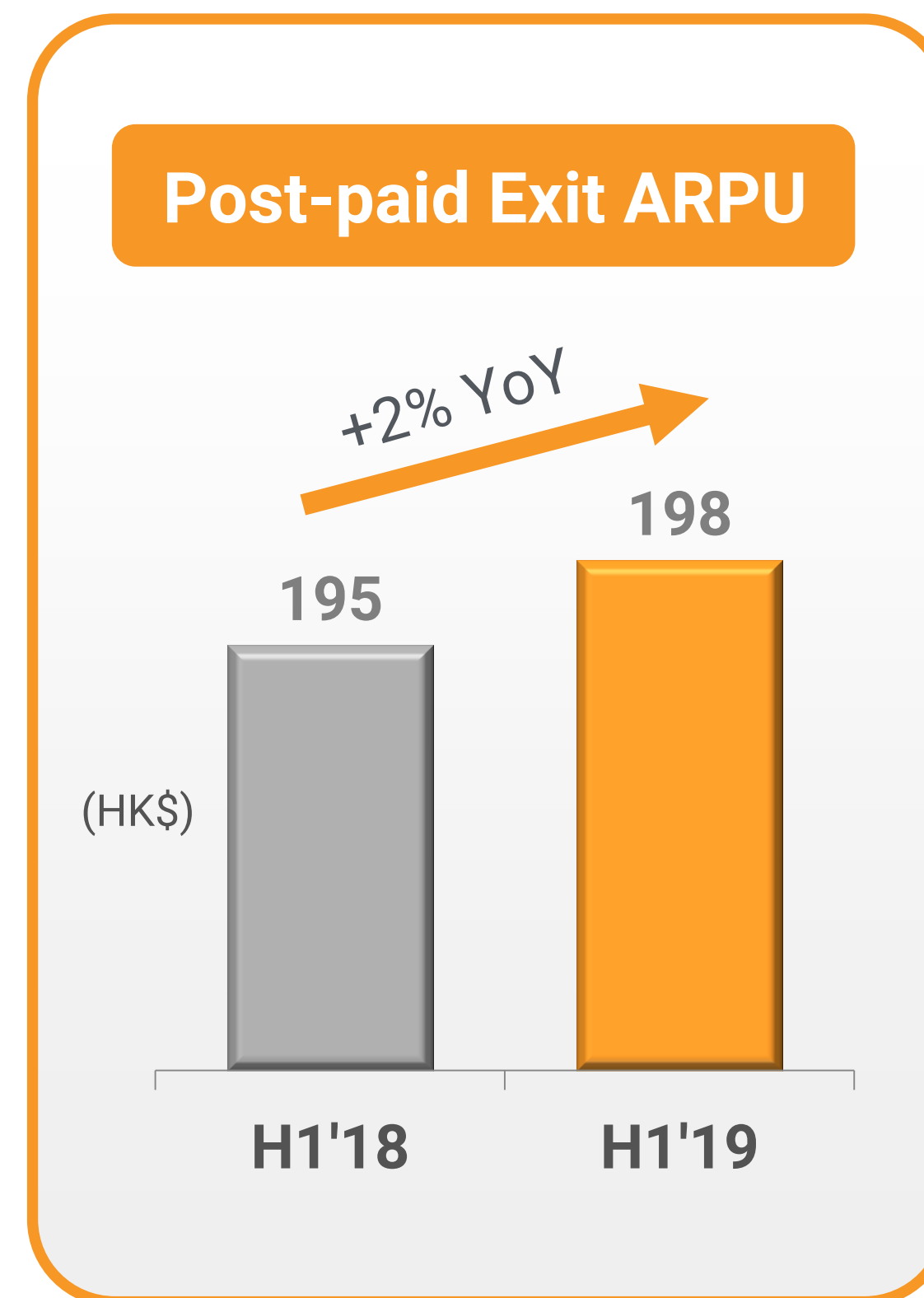
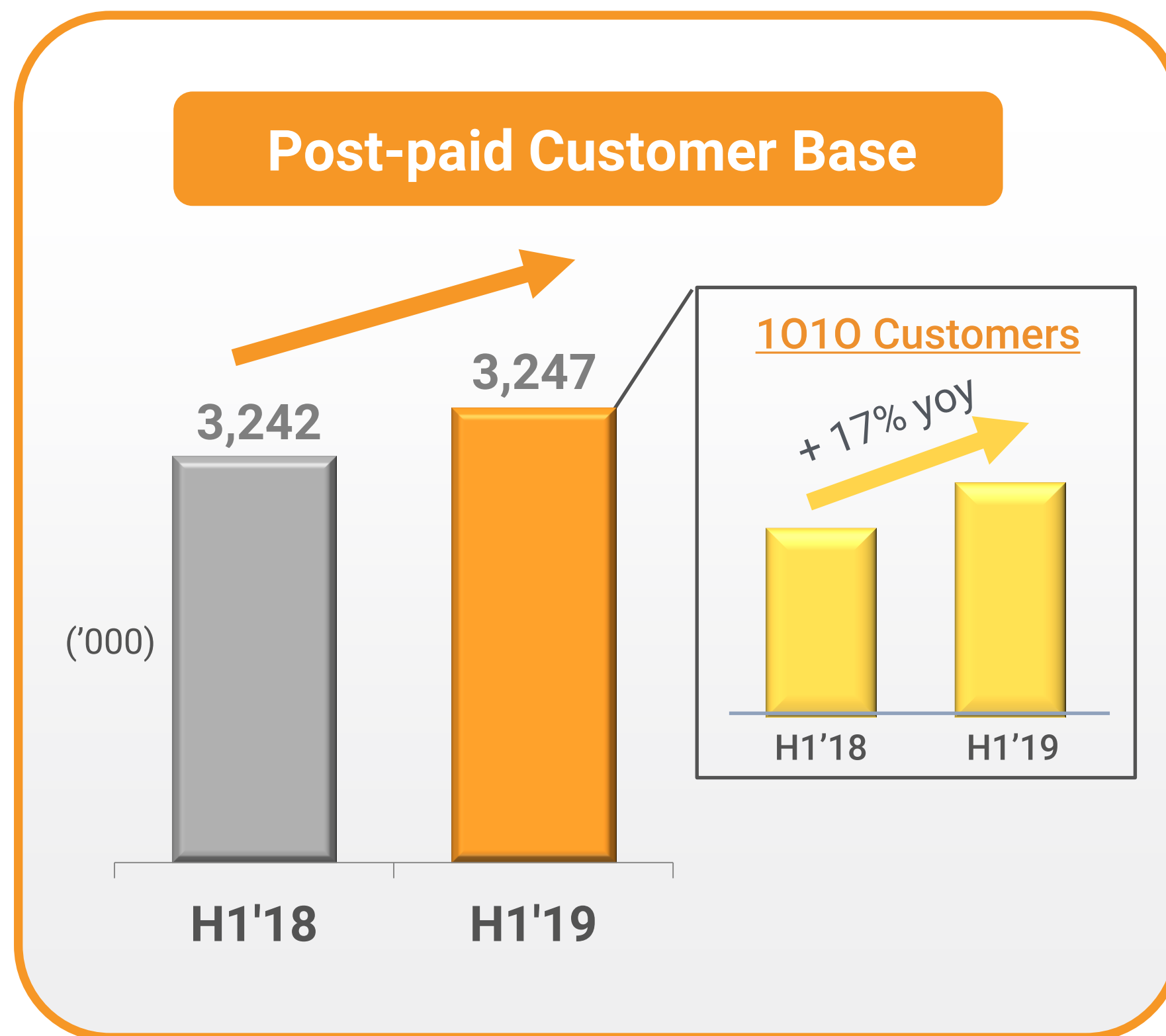
2) Cable Management System

- From Cable Route Discovery to Design and Implementation of New Cable Management System
- Enhance Work Processes and Service Restoration
- Critical for the Operation and Planning of Smart Airport Systems and Applications



Leading the Mobile Market

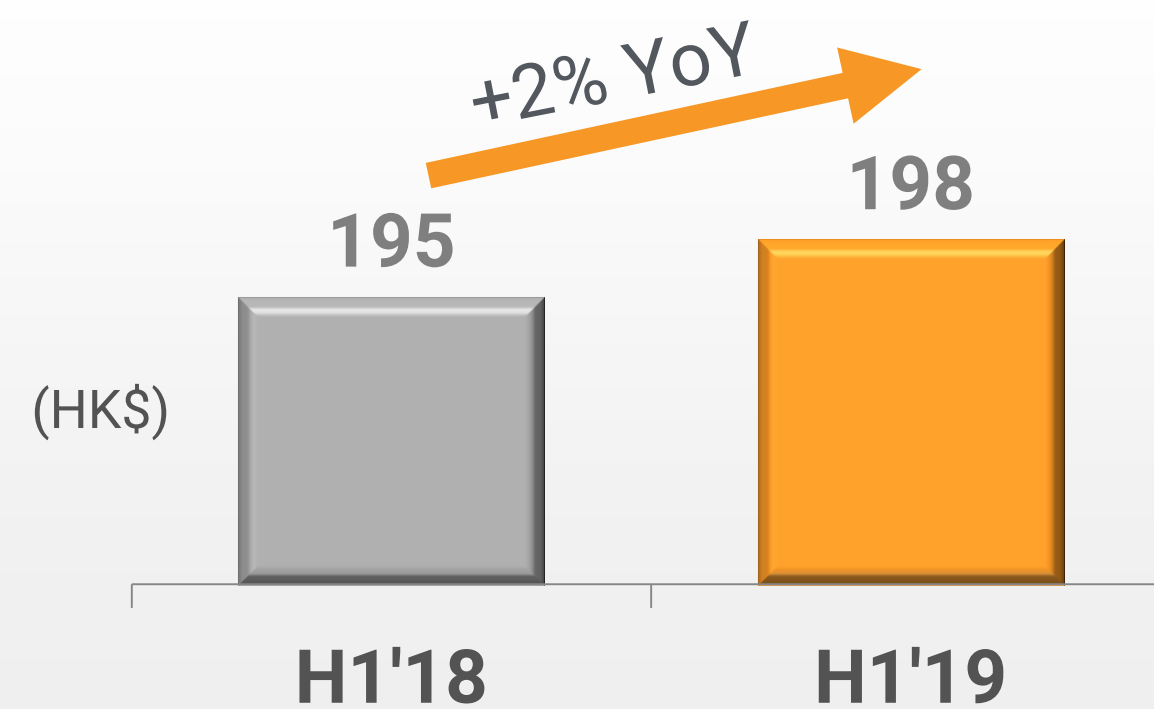
Expanded Customer Base in Post-paid Segment While Retaining Focus on Profitability
Further Improved Customer Retention



Driving Increased Customer Spending and Profitability

Mobile Value-Added Services and Roaming Data Passes

Post-paid Exit ARPU



now E Package

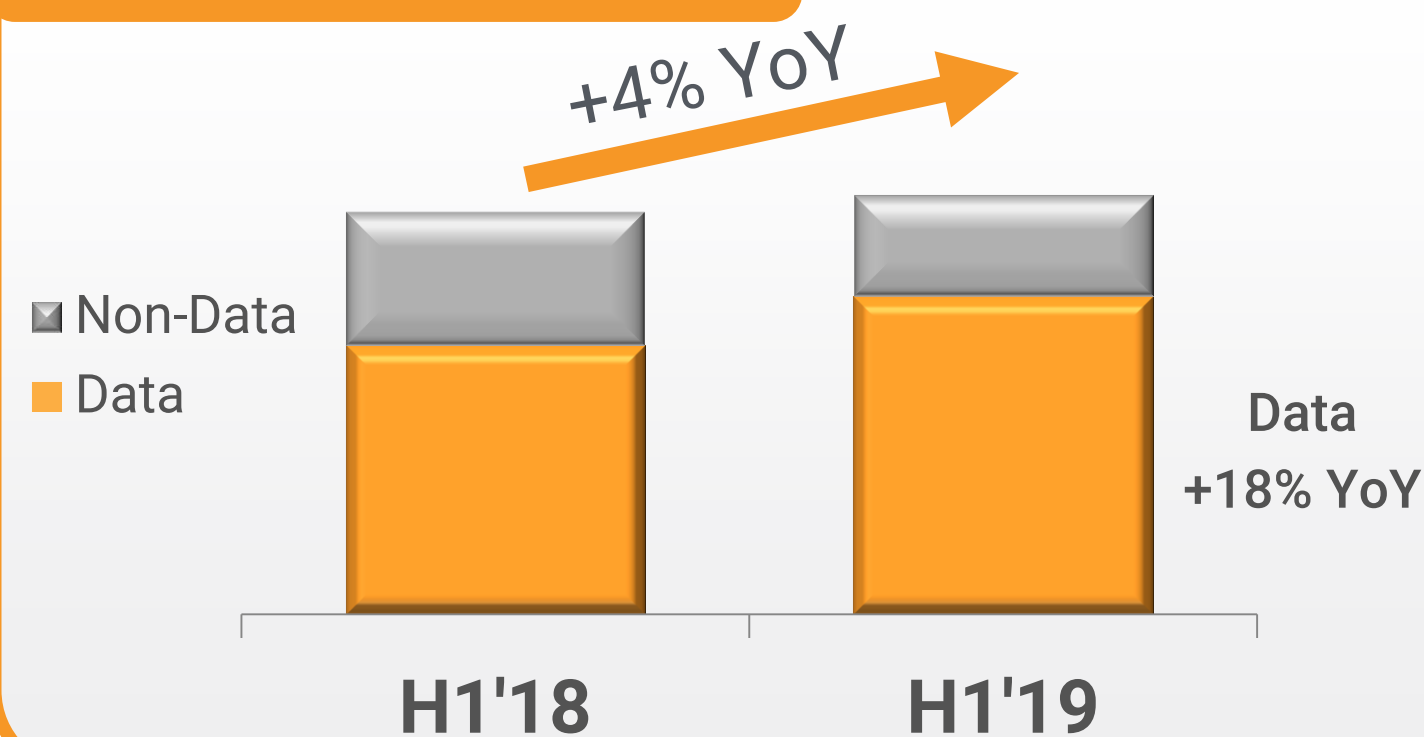


MOOV Music Package



Viu Premium Package

Roaming Revenue



Always-Be-Connected (ABC) Data Pass



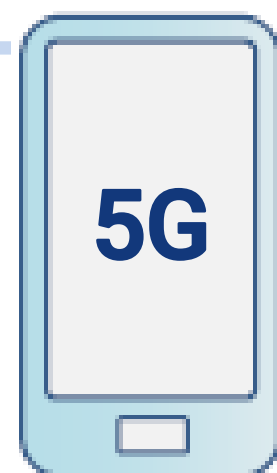
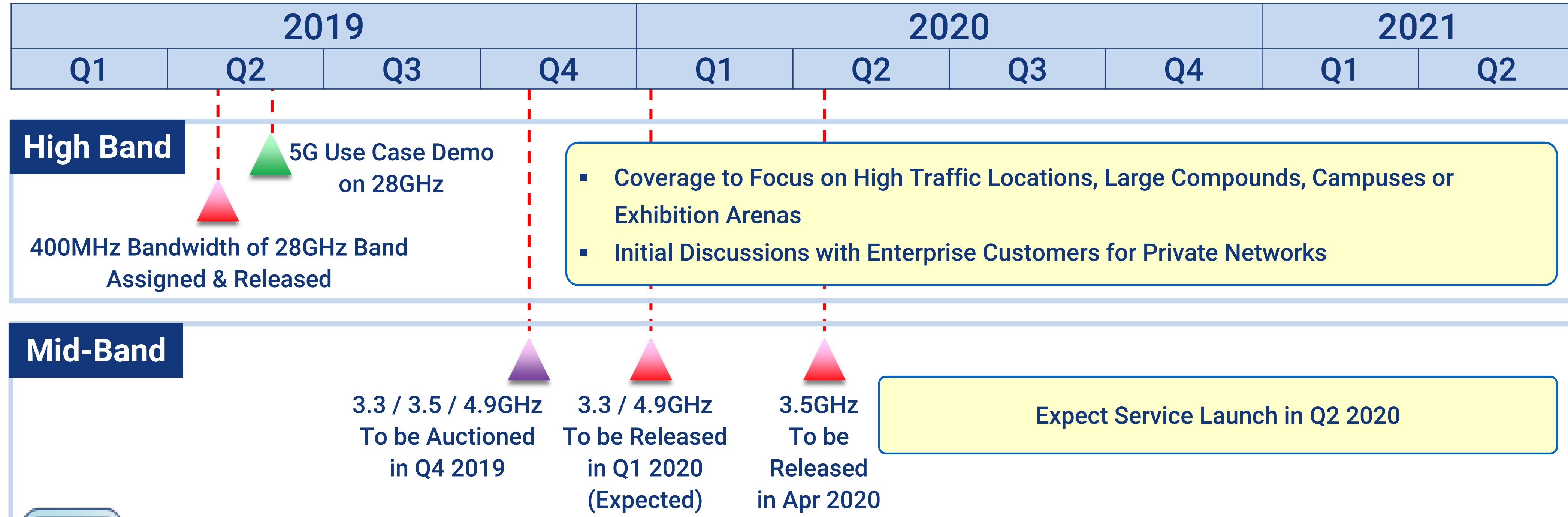
86 Easy China Number Service



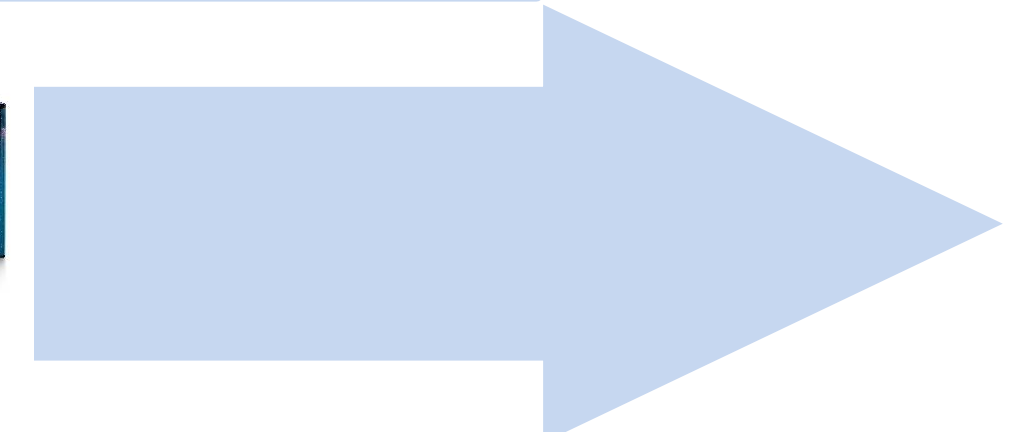
Club SIM Travel Pack

Ready to Offer High Quality 5G Services

5G Rollout Timeline



5G Device Roadmap



Building a Digital Ecosystem for Customers and Merchants

Deepening the Relationship with our Customers

Enhancing Customer Retention and Increasing Engagement through New Service Offerings

THE CLUB®



Over 2.8 million
Members

+ 13% YoY



Coalition and
Redemption
Partners

500+

Redemption Items

3,800+

Plus Flight Tickets
Available at Club Travel

THE CLUB
A Loyalty and Reward Platform

Consumer

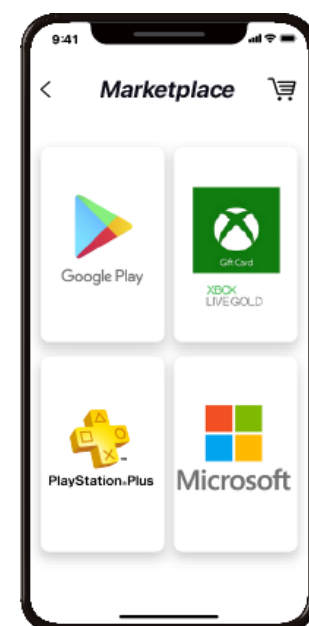
Integrate Financial Services to Streamline Customer Experience

Tap & Go eWallet

- Secure online and offline payment platform
- Accounts in service reached 2.1 million in H1'19
- New Enhancements:



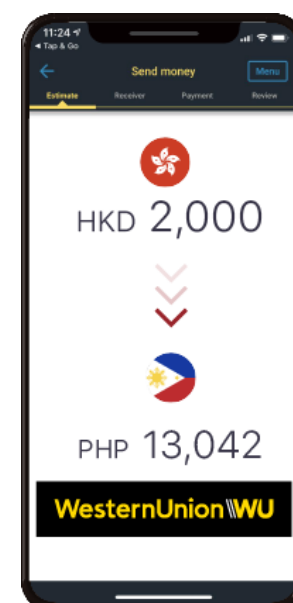
eMarket Place



HKD/CNY Instant Transfer



Remittance Service



Event Ticketing



Transport Ticketing



Value Added Insurance Service



Merchant

Total Solution to Streamline Operations and Facilitate Digital Transformation

Smart POS

- A wireless all-in-one POS to broaden payment options and facilitate data analysis



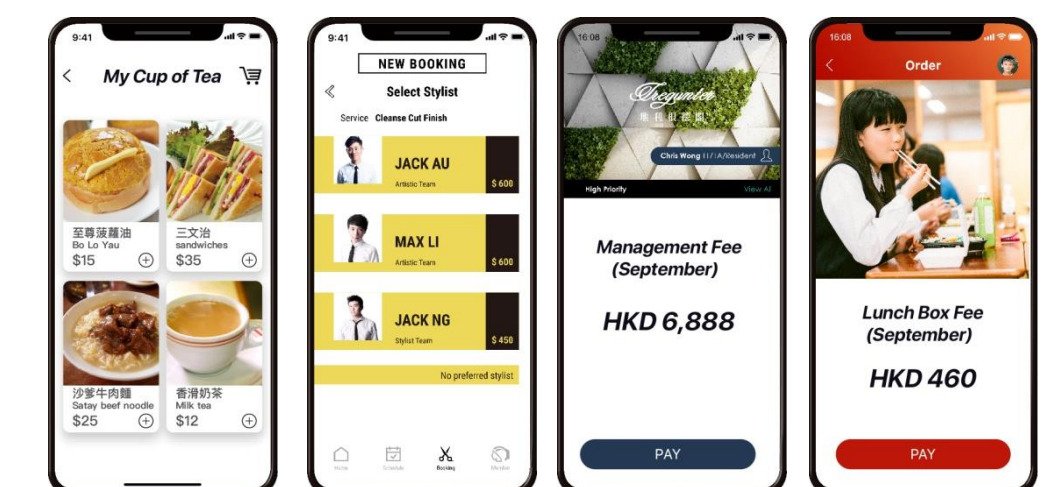
Dashboard

- Data analytics tool for real time performance tracking



O2O Applications

- End to end digital solutions tailored for different sectors



F&B

Servicing

Building Management

School Catering

Virtual Bank Joint Venture To Power HKT Digital Ecosystem

Highlights



HKT Delivered Another Solid Financial Performance
Demonstrating our Continued Market Leadership across All Lines of Business



Continue to Seek to Increase Profitability and Cash Flow
Of our Underlying Businesses by Providing Increased Value for Customers and
through Improved Operational Efficiencies



Stay at the Forefront of the Market, Rolling out at Opportune Times
Innovative Services & Solutions to Meet Consumers' Demand for Smart Living and
to Address the Demand of Enterprises of Different Sizes for Smarter Operations

Financial Review

Evan Wong
Chief Financial Officer

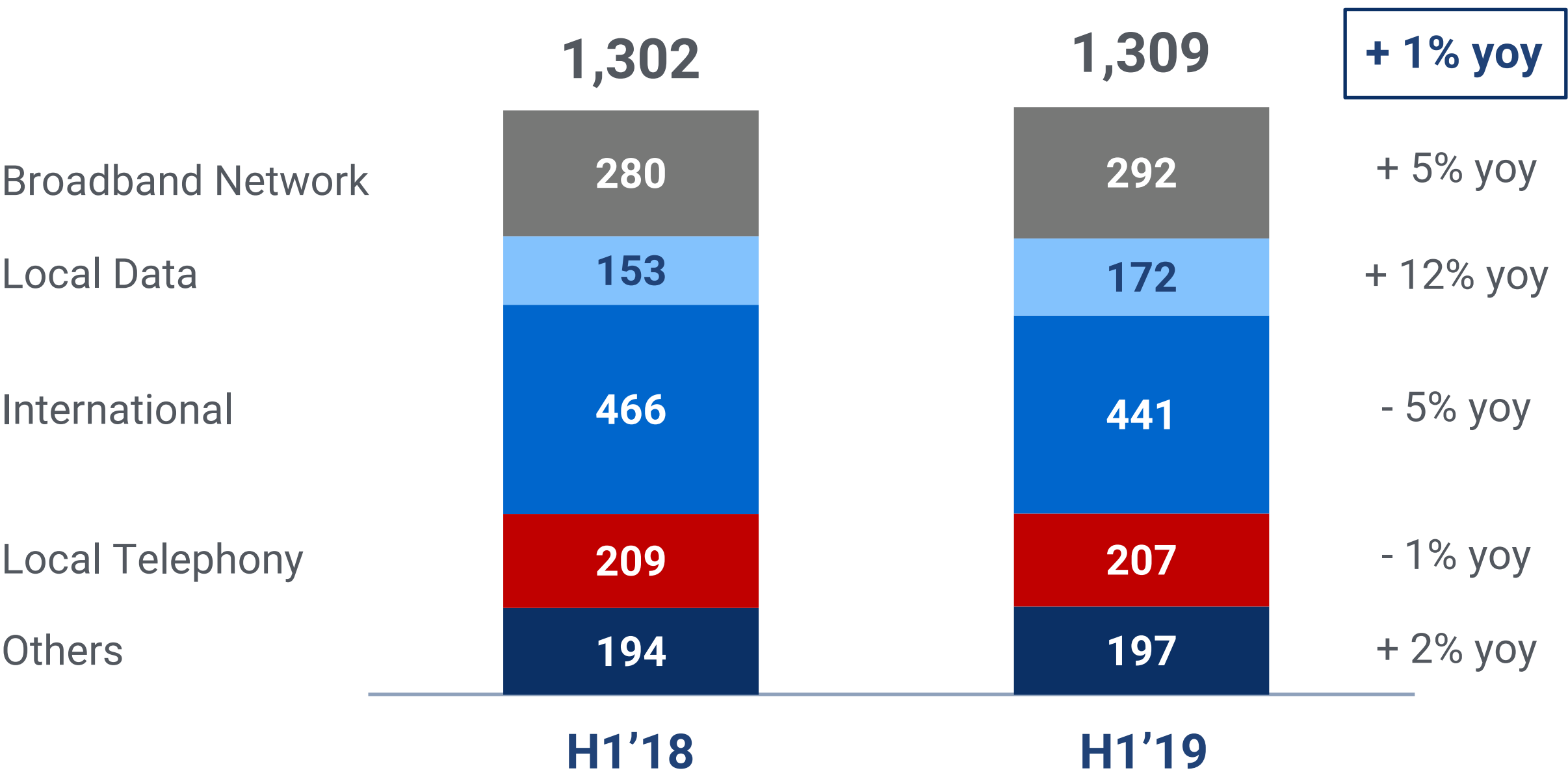
HKT Sustains Market Leadership

Delivering Consistent Financial Performance

(US\$ million)	H1'18	H1'19	% change
Adjusted Funds Flow	283	291	+ 3%
Revenue (excl. Mobile Product Sales)	1,749	1,765	+ 1%
Revenue	2,182	1,937	- 11%
EBITDA	723	735	+ 2%
<i>EBITDA Margin (excl. Mobile Product Sales)</i>	<i>42%</i>	<i>42%</i>	
<i>Overall EBITDA Margin</i>	<i>33%</i>	<i>38%</i>	
Profit Attributable to Holders of Share Stapled Units	239	277	+ 16%

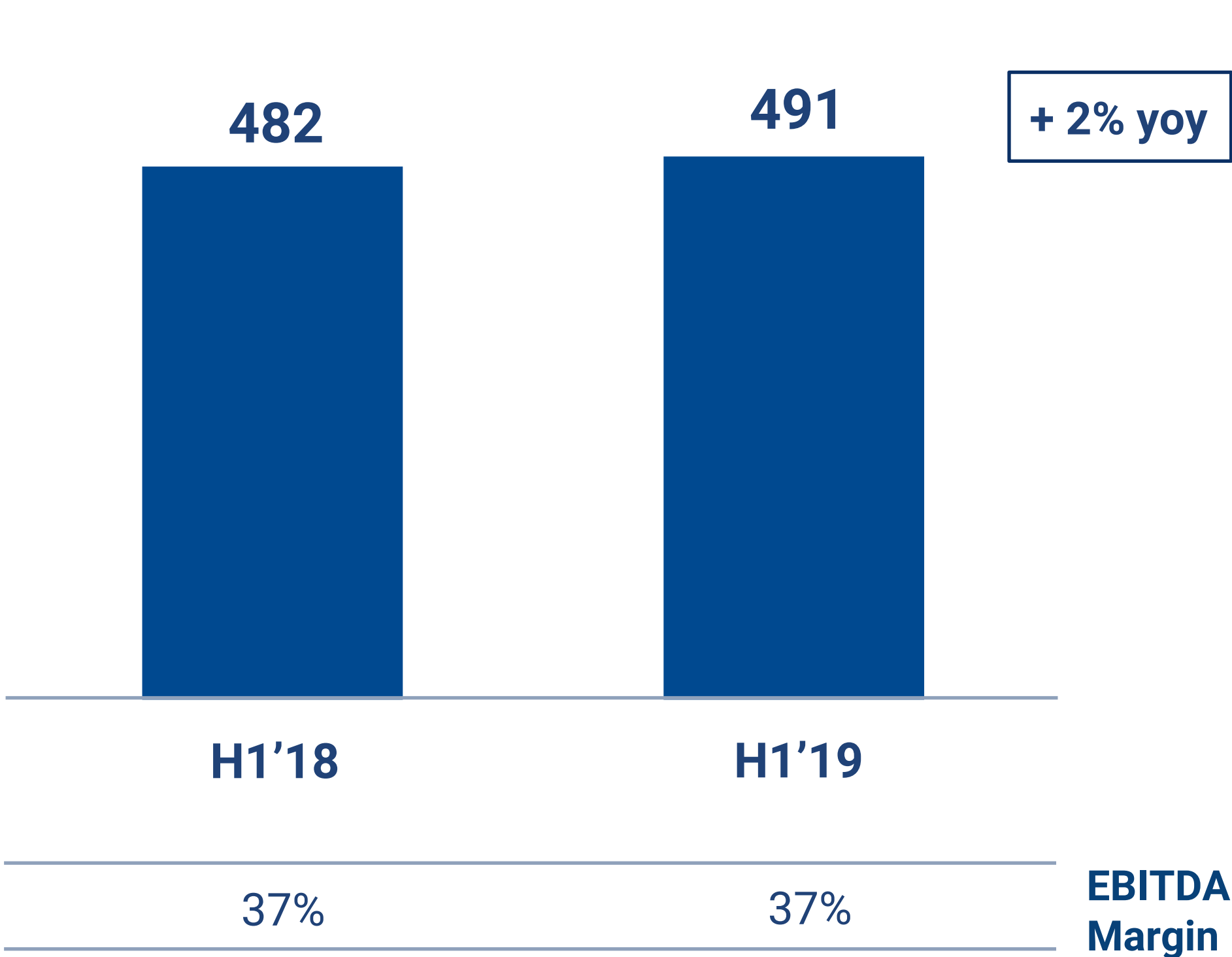
TSS Continues Steady Growth Trajectory

TSS Revenue (US\$ million)



- **Broadband** – Sustained growth driven by our leading FTTH service and deepening traction of our Home Wi-Fi and Smart Living solutions
- **Local Data** – Strong growth momentum reflecting continued demand for digital transformation initiatives from large enterprises and MNCs as well as public sector
- **International** – Continued growth in demand for data connectivity services and other value-added services, but offset by decline in wholesale voice business with certain international carriers
- **Others** – Increased sales of network equipment for managed network and infrastructure solutions for enterprise customers

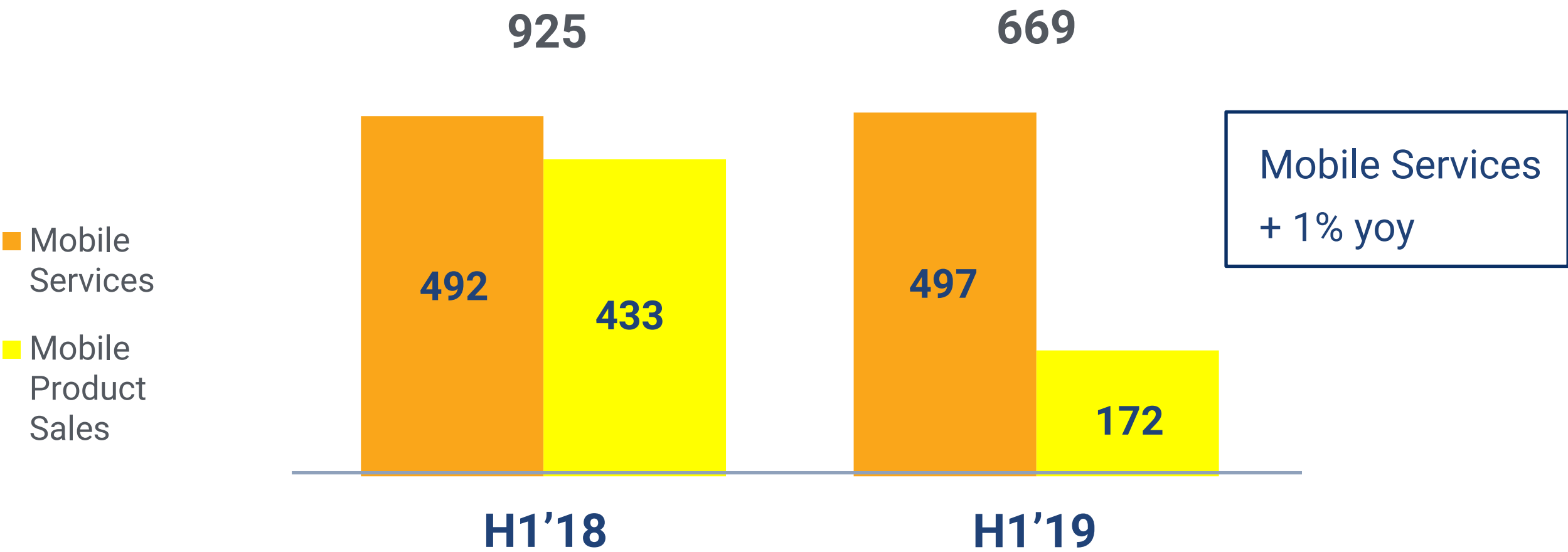
TSS EBITDA (US\$ million)



- Steady EBITDA growth underpinned by growth in enterprise sector and operating efficiencies

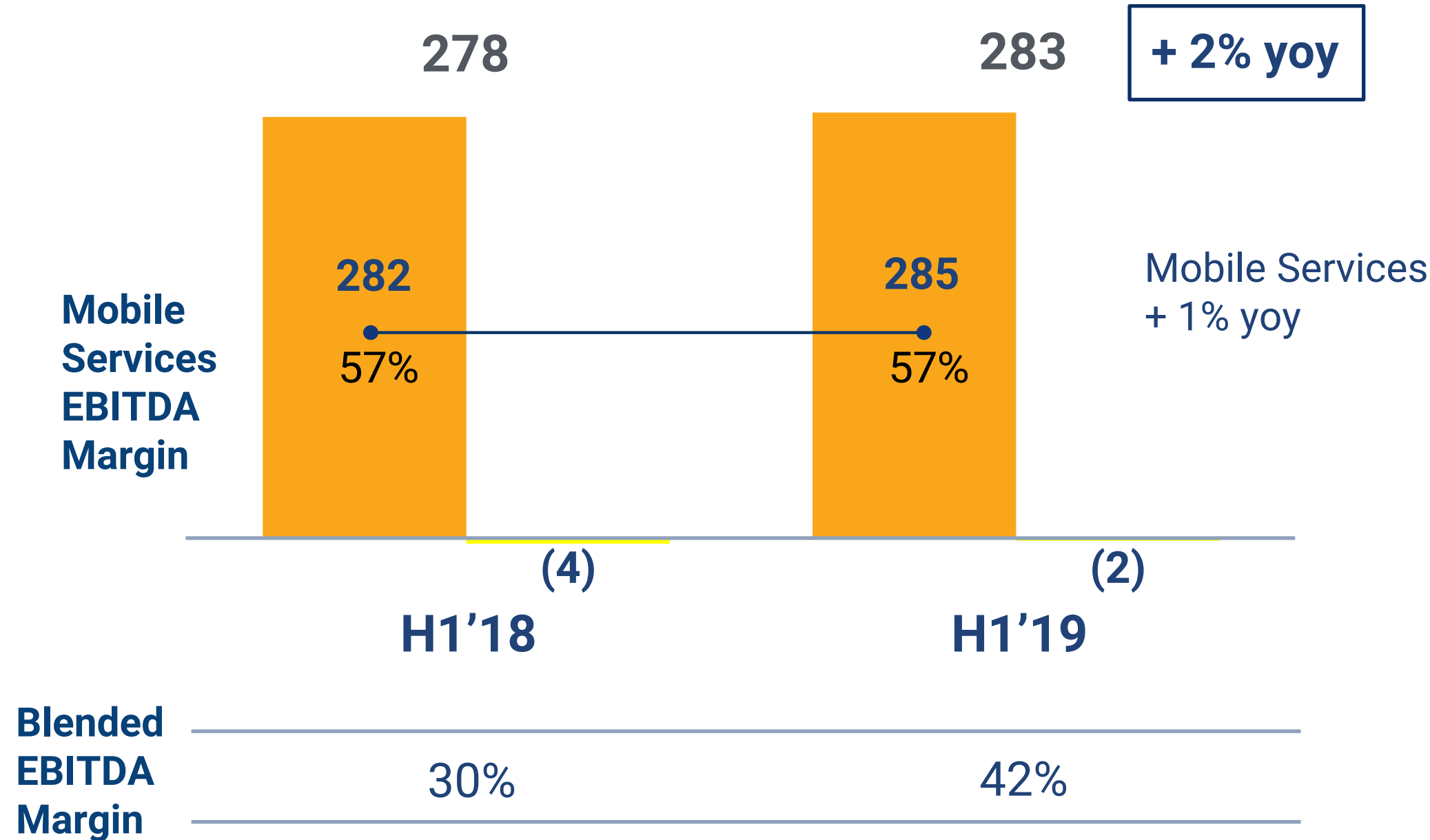
Mobile Consolidates Market Leadership

Mobile Revenue (US\$ million)



- Mobile services revenue benefited from a 17% growth in premium 1010 customer base and customers upgrading to higher-tier plans
- Increasing popularity and adoption of our easy-to-use and affordable roaming data passes also helped stimulate the growth in roaming revenue
- Post-paid customers standing at 3.247M, with post-paid exit ARPU increasing 2% to HK\$198 from HK\$195 in H1'18
- Sluggish Mobile product sales reflecting continued lengthening of handset replacement cycle especially in view of the impending arrival of 5G handsets

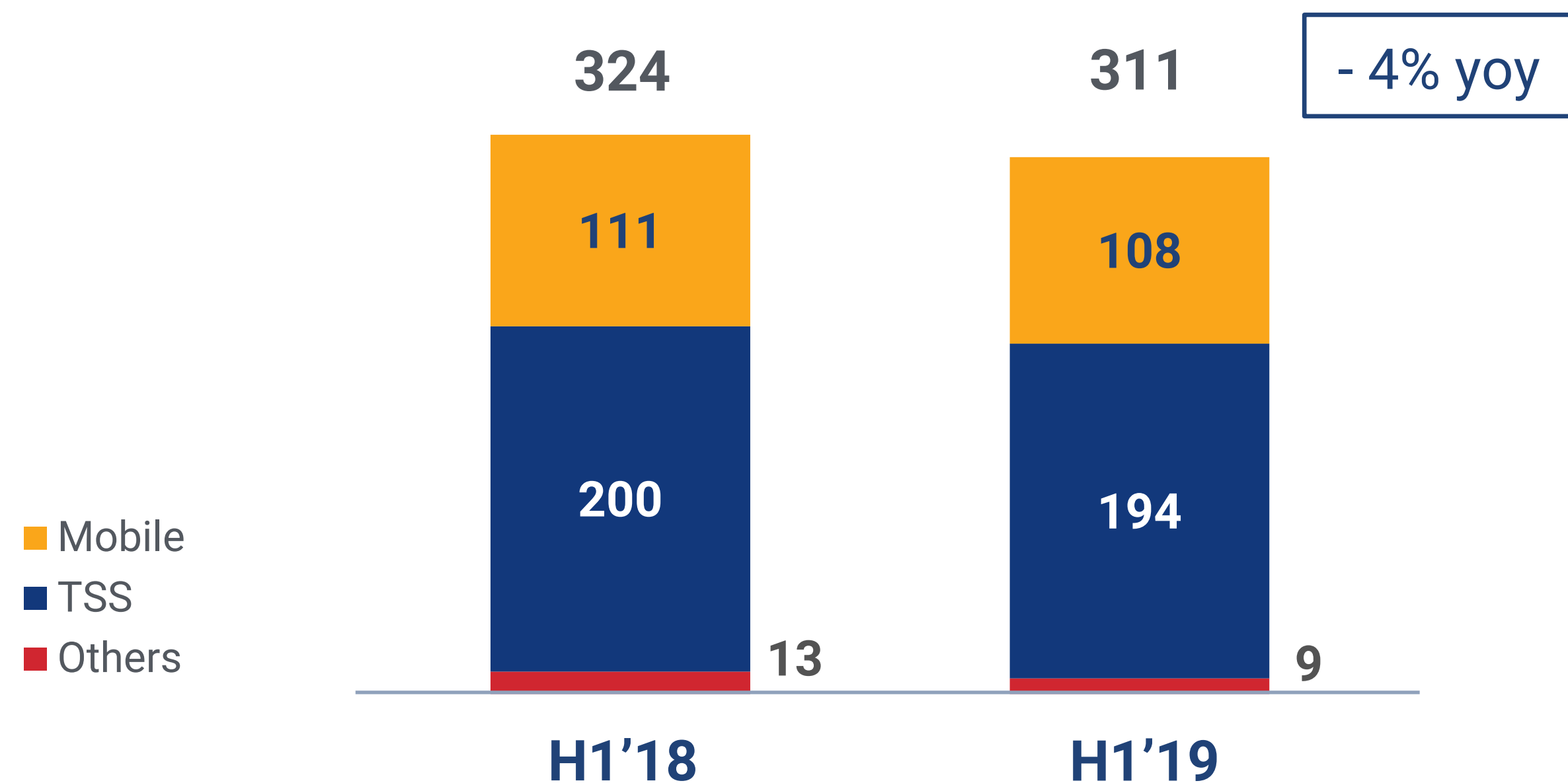
Mobile EBITDA (US\$ million)



- Total Mobile EBITDA up 2%, with margin improved to 42% reflecting reduced contribution from lower margin Mobile product sales
- Mobile Services EBITDA grew by 1% and held margin steady at 57%

Continued Focus to Drive Operating Efficiencies

Operating Expenses (US\$ million)



- Opex savings of 4% in H1'19, benefiting from our continued focus on maximizing efficiencies across all lines of business
- Areas of improvement included enhanced staff efficiency through business automation/digitalization processes and retail shop rationalization

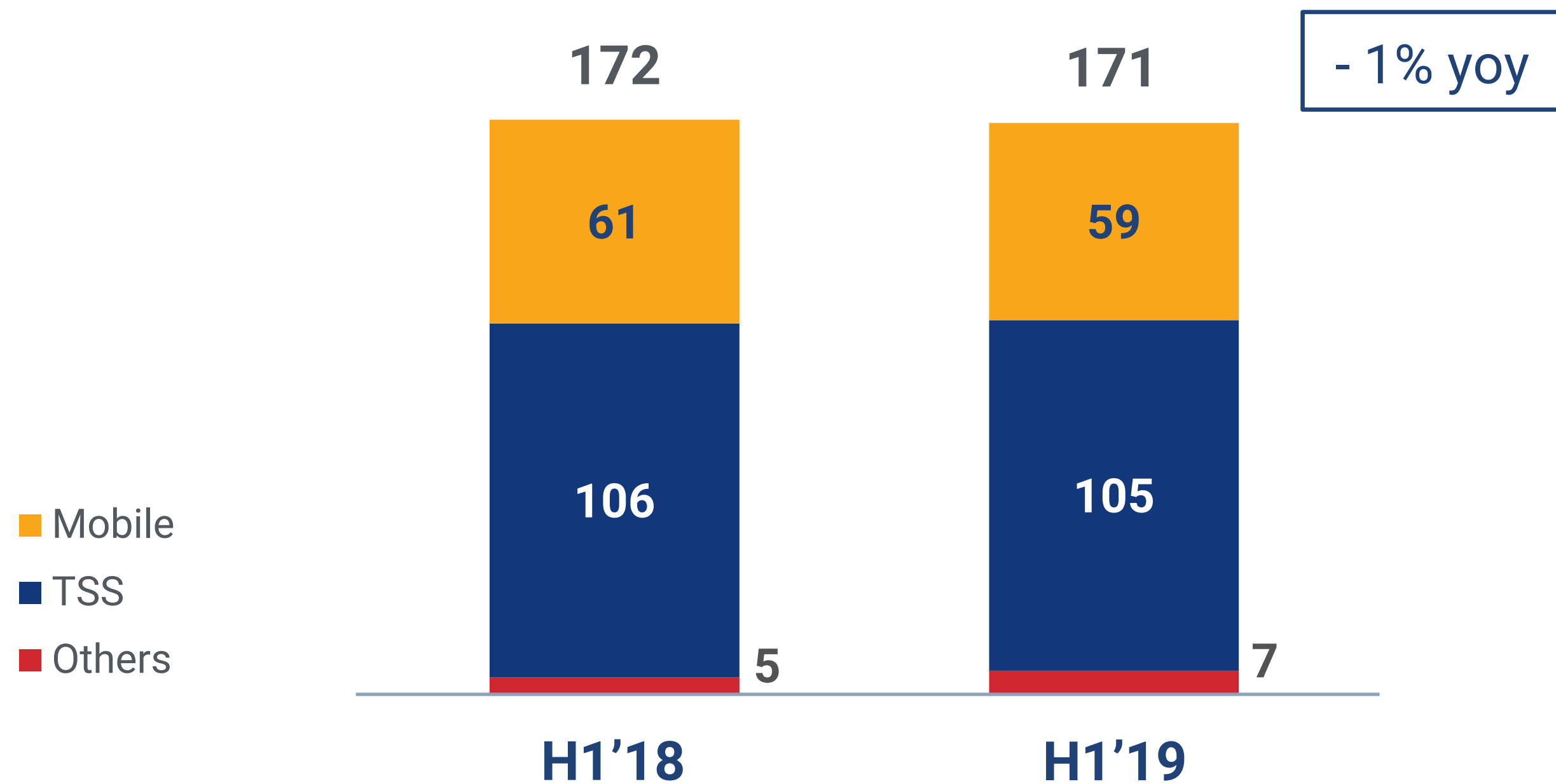
Opex to Revenue Ratio:

14.8%

16.1%

Disciplined Capital Investments while Investing for the Future

Capex (US\$ million)



- Capex spending was steady and within stated guidance
- Mobile spending focused on critical infrastructure enhancements, network capacity expansion to support data traffic growth and preparation for 5G rollout
- TSS capex incurred for continued demand for FTTH services and undersea cable investments

Capex to Revenue Ratio:

7.9%

8.8%

Adjusted Funds Flow (US\$ million)

	H1'18	H1'19	YoY Better/ (Worse)
EBITDA	723	735	+ 2%
Less cash outflows in respect of capital expenditures, customer acquisition costs and licence fees:			
Capital expenditures	(169)	(166)	
Customer acquisition costs and licence fees	(57)	(51)	
Fulfillment costs	(23)	(35)	
Right-of-use assets	(109)	(109)	
Adjusted Funds Flow before tax paid, net finance costs paid and changes in working capital	365	374	+ 3%
Adjusted for:			
Tax payment	(22)	(24)	
Net finance costs paid	(56)	(61)	
Changes in working capital	(4)	2	
Adjusted Funds Flow for the period	283	291	+ 3%
Adjusted Funds Flow per Share Stapled Unit (HK cents)	29.12	30.01	
Interim Distribution per Share Stapled Unit (HK cents)	29.12	30.01	

Income Statement (US\$ million)

	H1'18	H1'19	YoY Better/ (Worse)
Revenue	2,182	1,937	(11)%
Revenue (excluding Mobile product sales)	1,749	1,765	+ 1%
Cost of sales	(1,135)	(891)	+ 22%
Opex	(324)	(311)	+ 4%
EBITDA	723	735	+ 2%
Depreciation & amortization expenses	(346)	(304)	
Net finance costs	(81)	(85)	
Share of results of associates & JVs	(1)	(3)	
Profit before income tax	295	343	+ 16%
Income tax	(54)	(65)	
<i>Effective tax rate</i>	<i>18%</i>	<i>19%</i>	
Profit for the period	241	278	
Attributable to:			
Holders of Share Stapled Units	239	277	+ 16%
Non-controlling interests	2	1	

Solid Financial Position

Investment Grade Credit Ratings

BBB/Baa2
Investment
Grade Rating

(US\$ million)	As of Dec 2018	As of Jun 2019
Gross Debt ⁽¹⁾	5,178	5,178
Gross Debt to EBITDA ⁽²⁾	3.22x	3.19x
Cash Balance ⁽³⁾	392	277
Undrawn Facilities	849 ⁽⁴⁾	1,174
Total	1,241	1,451

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

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

(3) Including short-term deposits

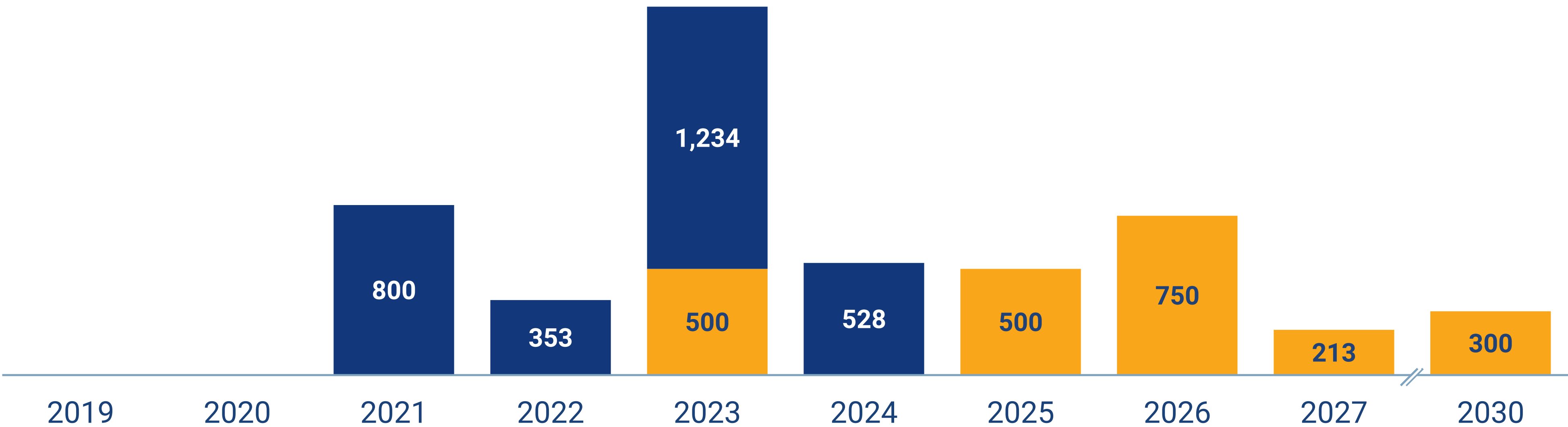
(4) Undrawn and committed facilities as at Feb 22, 2019

Debt Maturity Profile

As of June 30, 2019

(US\$ million)

■ Bank Loans
■ Bonds



- Current mix of floating and fixed rate debt is approx. 50:50
- Effective interest rate was approx. 3.1% in H1'19
- Average maturity was approx. 5 years

Highlights

HKT Here To Serve



HKT Delivered Another Solid Financial Performance
Demonstrating our Continued Market Leadership across All Lines of Business



Continue to Seek to Increase Profitability and Cash Flow
Of our Underlying Businesses by Providing Increased Value for Customers and
through Improved Operational Efficiencies



Stay at the Forefront of the Market, Rolling out at Opportune Times
Innovative Services & Solutions to Meet Consumers' Demand for Smart Living and
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