



2016 Annual Results

For the year ended December 31, 2016

January 13, 2017 – Hong Kong

Forward Looking Statements

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

Overview

Alex Arena
Group Managing Director

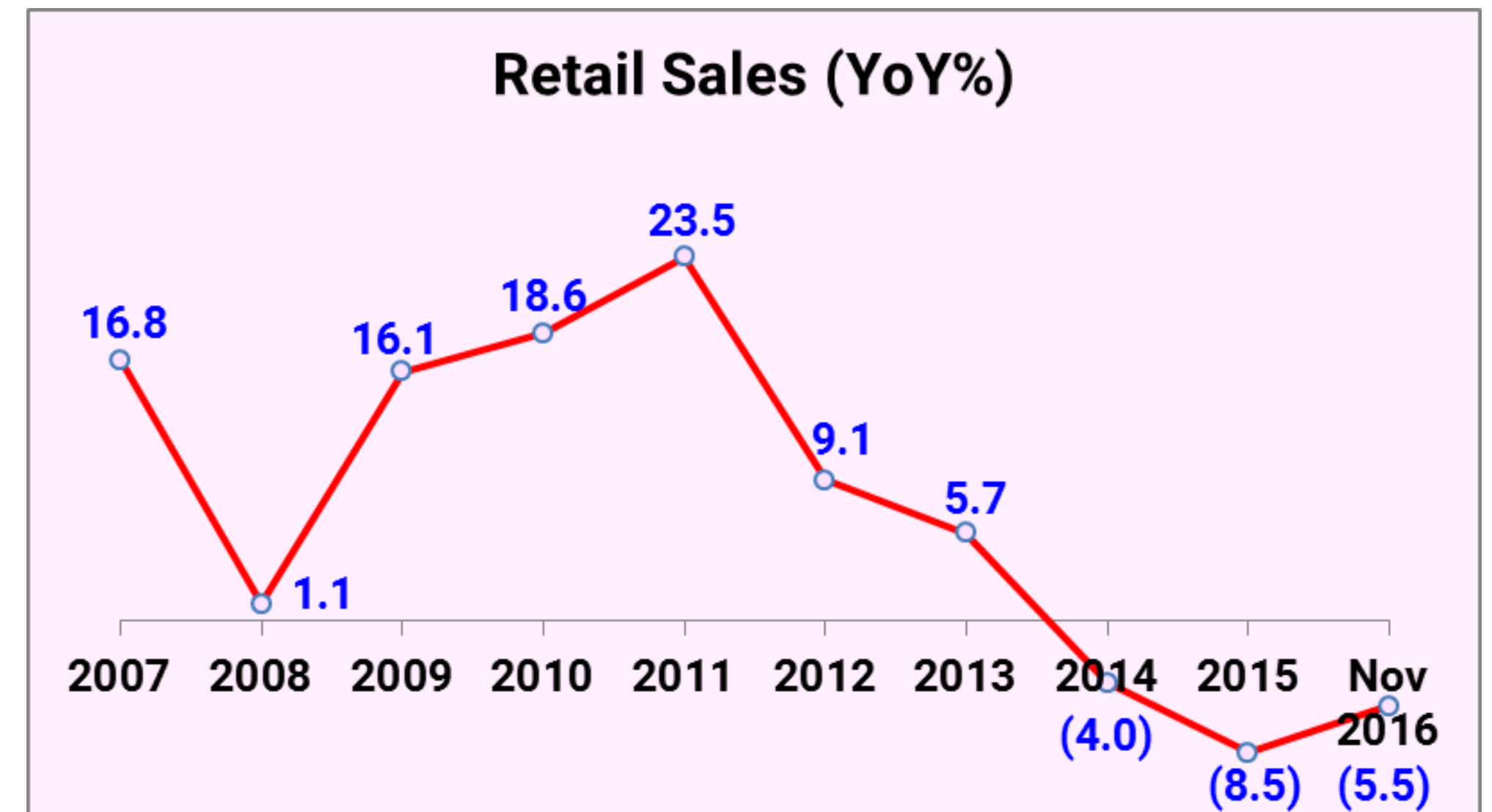
Sustained Growth in AFF and Distributions

(US\$ million)	2015	2016	% change
Adjusted Funds Flow	525	600	+ 14%

A Final Distribution of 34.76 HK cents per Share Stapled Unit is recommended,
subject to approval of unitholders

Market Overview

- Hong Kong's economic conditions remain challenging



Source: Bloomberg

- Coupled with intensified market competition, this has created a difficult operating environment
 - Competitors driving down prices
 - New entrant attempting to disrupt the mobile sector

Financial Review

Susanna Hui

Group Chief Financial Officer

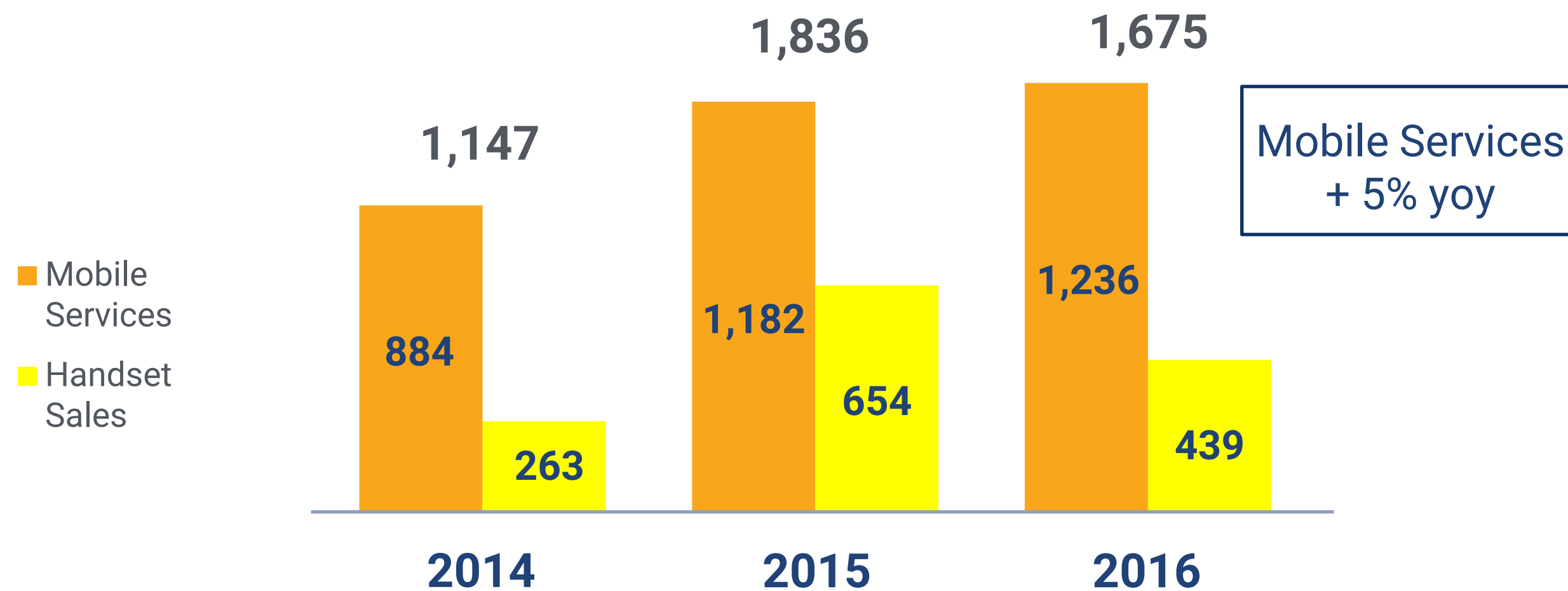
Solid Results Demonstrating Resilience of HKT Business and Strong Execution

(US\$ million)

	2015	2016	% change
Adjusted Funds Flow	525	600	+ 14%
Revenue	4,452	4,339	- 3%
Revenue (excl. Mobile Handset Sales)	3,798	3,900	+ 3%
EBITDA	1,551	1,626	+ 5%
<i>EBITDA Margin</i>	35%	37%	
Profit Attributable to Holders of Share Stapled Units	506	627	+ 24%

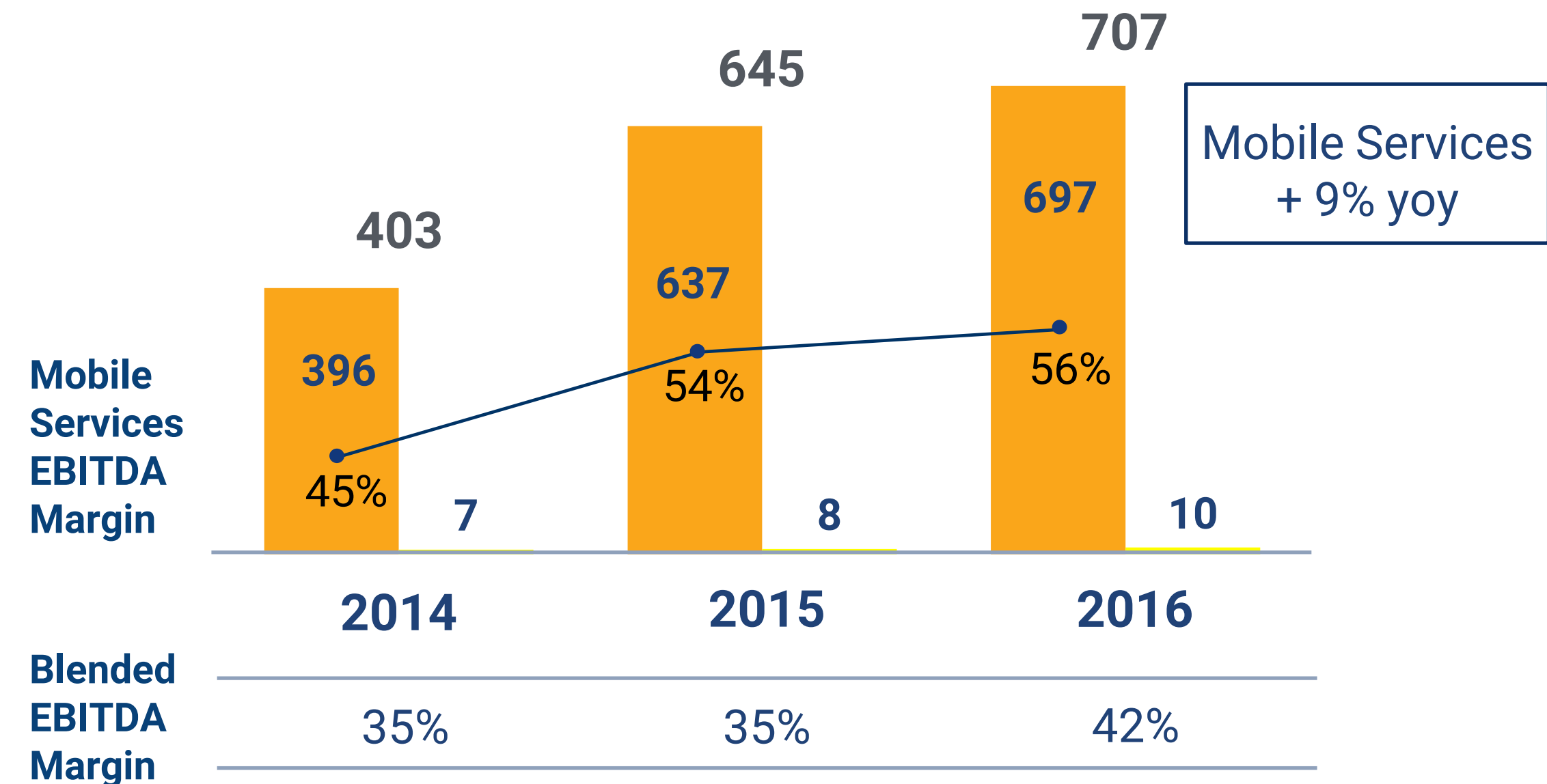
Mobile Benefited from Synergy Achievements

Mobile Revenue (US\$ million)



- Leadership position with total customer base of 4.512M, of which 3.130M were post-paid customers
- Post-paid exit ARPU increased to HK\$233, driven by higher data usage and premium 1010 service, partially offset by more SIM only plans and decline in IDD & roaming revenue
- Mobile Services revenue growth also driven by mobile enterprise solutions in the corporate and wholesale segment
- Handset sales dropped by 33% due to the absence of marquee handsets throughout the year

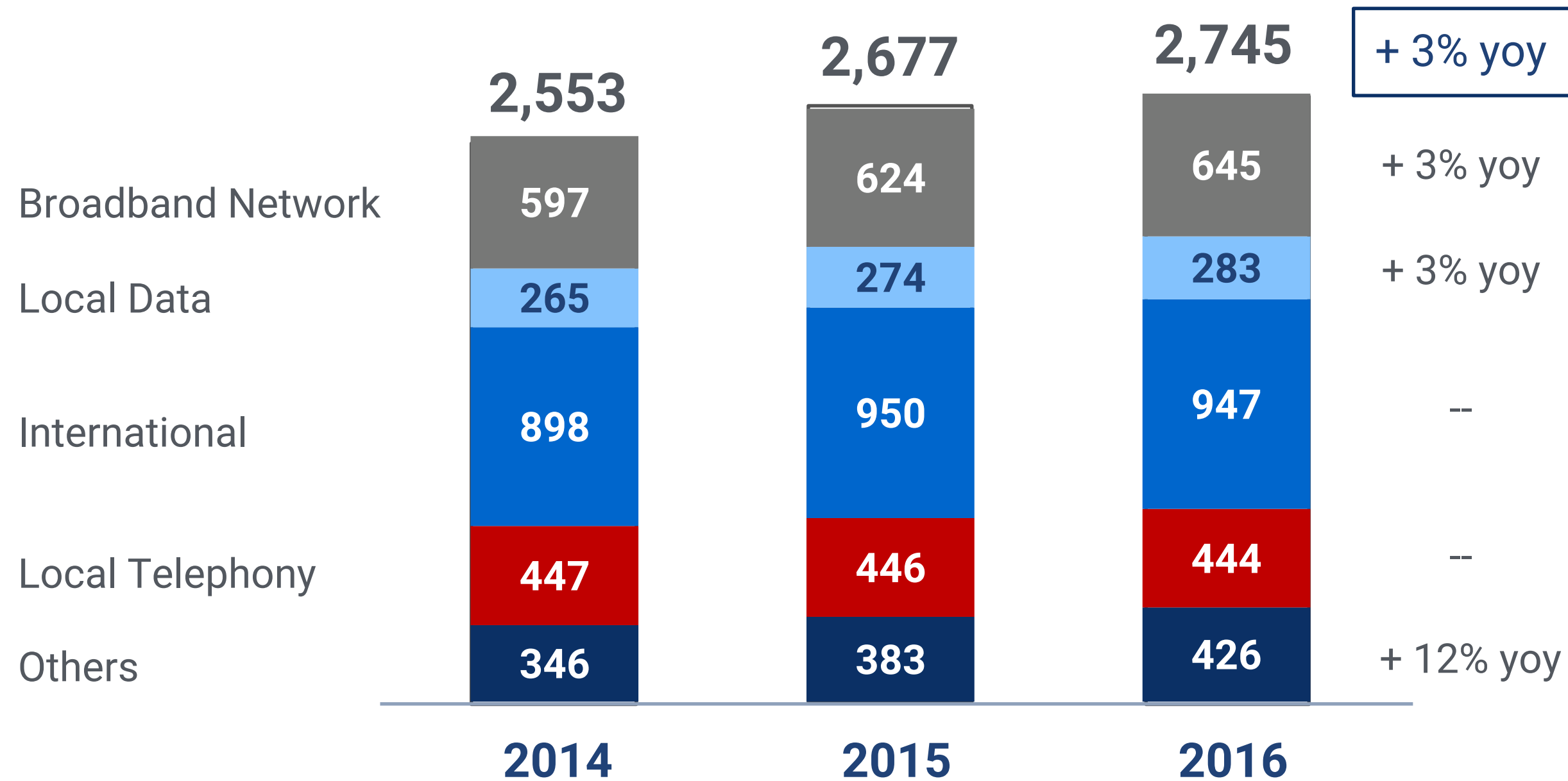
Mobile EBITDA (US\$ million)



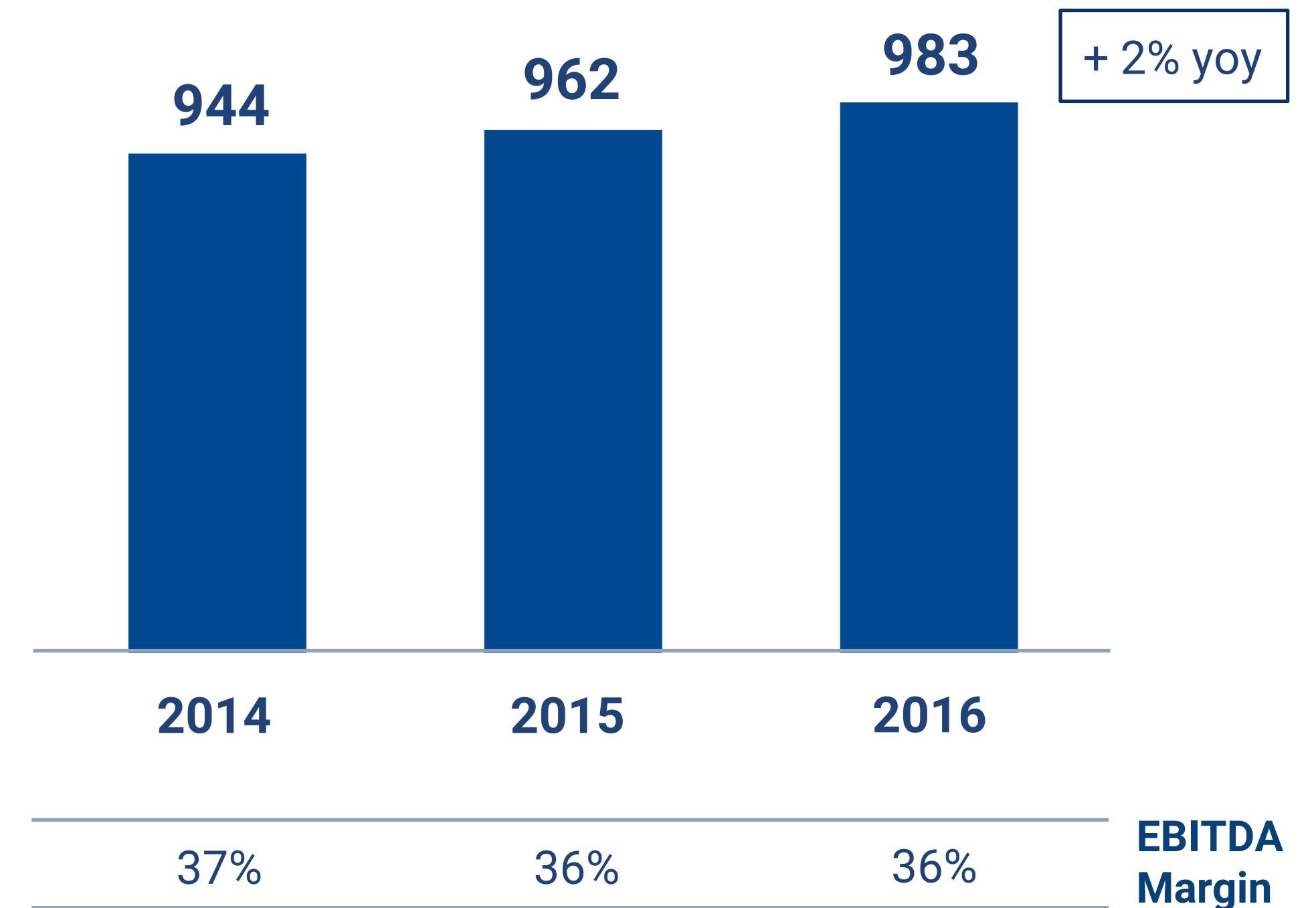
- Mobile Services EBITDA grew by 9% in 2016
- Mobile Services EBITDA margin improved to 56% reflecting cost savings from the successful CSL network integration completed in the 3rd quarter of 2016

TSS Maintains Steady Growth Trajectory

TSS Revenue (US\$ million)



TSS EBITDA (US\$ million)

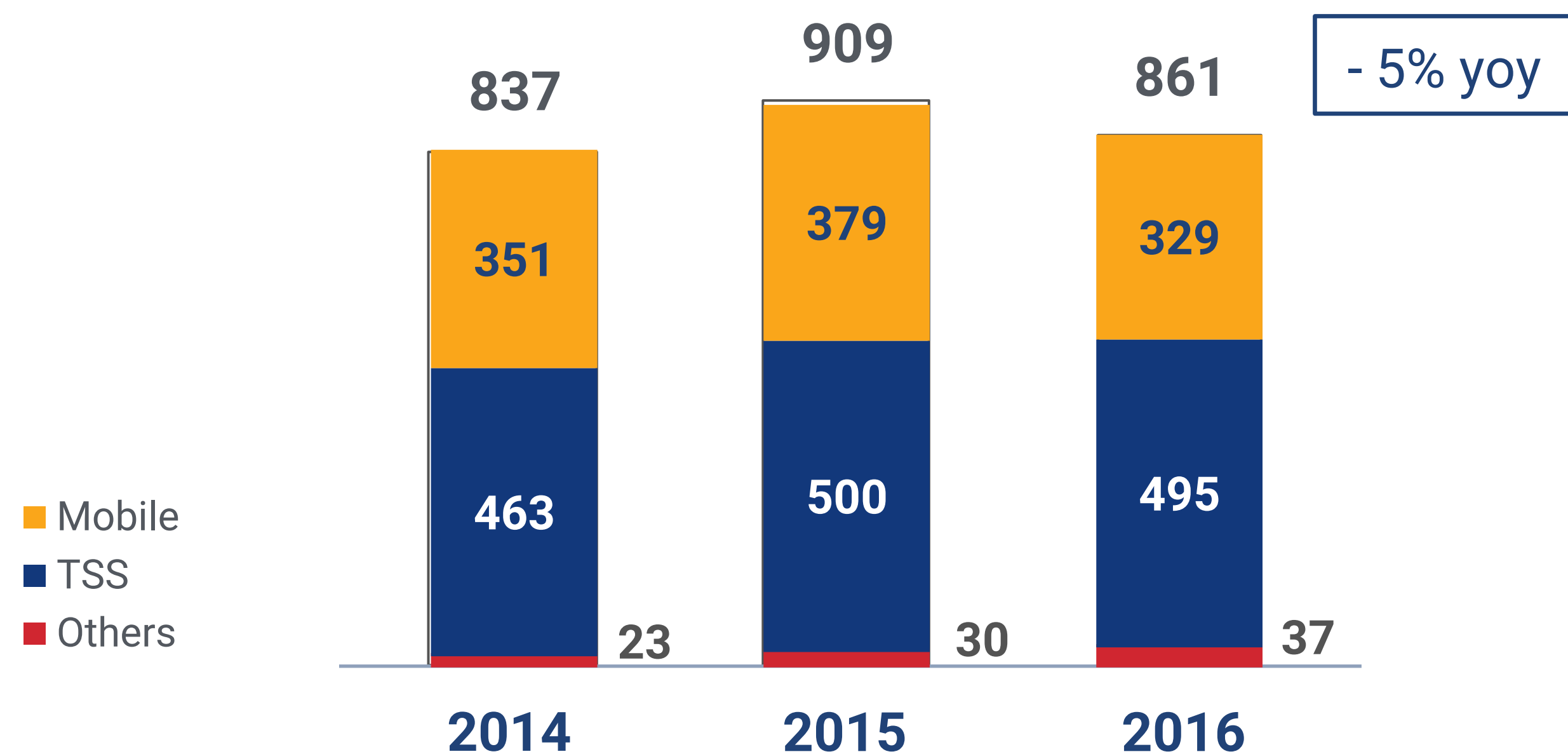


- **Broadband** – Achieved 9th consecutive year of revenue growth, driven by continued customer take-up and upgrade to higher speed, higher price FTTH plans
- **Local Data** – Growth fueled by growing demand for cross border connectivity solutions, network facility management and managed cloud services
- **International** – Held steady despite the non-recurrence of project specific revenue generated in the 1st half of 2015
- **Others** – Driven by increase in CPE sales for managed network & infrastructure projects and expansion at Teleservices

- Measured EBITDA growth with resilient margin, underpinned by diversified business portfolio and operating efficiency

Demonstrating Continued Cost Efficiencies

Operating Expenses (US\$ million)

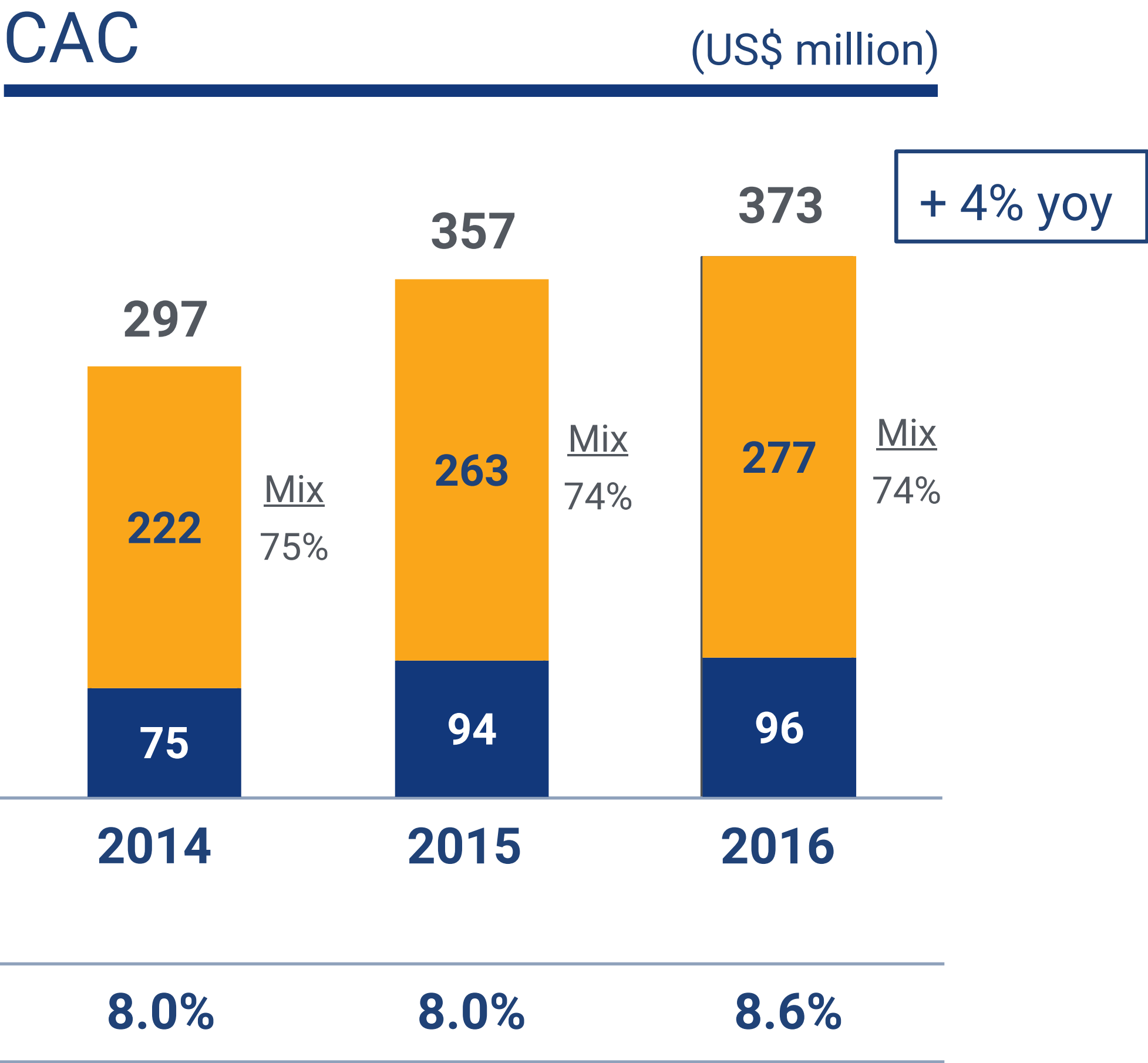


- Achieved opex savings of 5% in 2016, benefiting from full realization of cost synergies from CSL integration
- Continued focus on cost efficiency and improved productivity

Opex to Revenue Ratio:

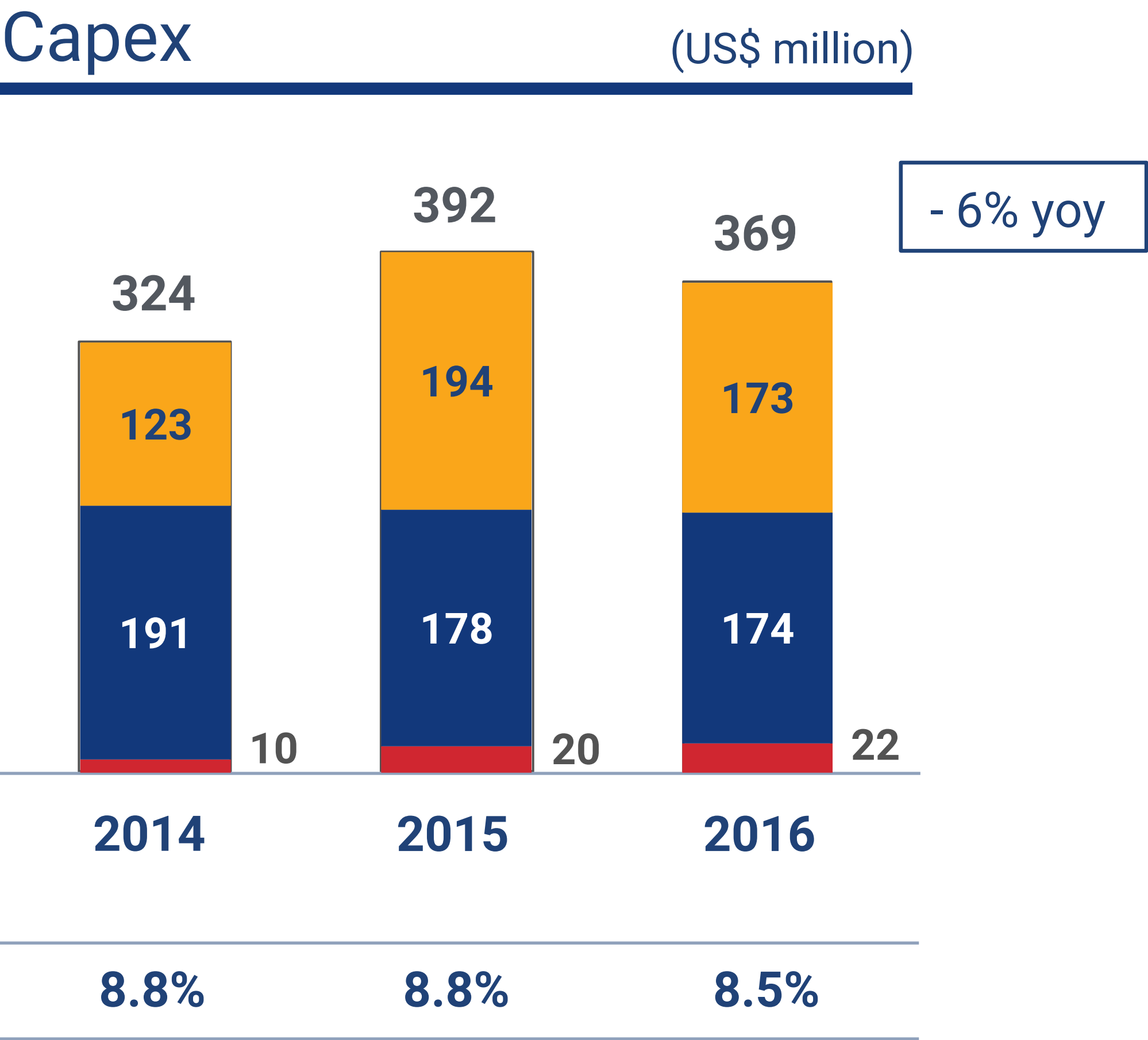
Year	Opex to Revenue Ratio
2014	22.6%
2015	20.4%
2016	19.8%

Customer Acquisition Costs Support Business Growth



- Higher CAC reflecting increased spending to counter the subdued economic conditions and intensified industry competition

Capex Efficiency Reflecting Successful CSL Integration and Benefits of HKT Scale



- Within 10% capex to revenue ratio guidance
- Lower Mobile capex reflecting the completion of CSL integration in the 3rd quarter of 2016
- TSS capex reflected demand for our fiber services and the AAE-1 cable investment by phases

Adjusted Funds Flow (US\$ million)

	2014	2015	2016	YoY Better/ (Worse)
EBITDA	1,313	1,551	1,626	+ 5%
Less cash outflows in respect of:				
Customer acquisition costs and licence fees	(359)	(426)	(444)	
Capital expenditures	(322)	(389)	(363)	
Adjusted Funds Flow before tax paid, net finance costs paid and changes in working capital	632	736	819	+ 11%
Adjusted for:				
Tax payment	(51)	(47)	(71)	
Net finance costs paid	(102)	(116)	(100)	
Changes in working capital	(49)	(48)	(48)	
Adjusted Funds Flow for the year	430	525	600	+ 14%
Adjusted Funds Flow per Share Stapled Unit (HK cents)	44.30	54.06	61.85	
Interim Distribution (HK cents)	21.00	25.79	27.09	
Final Distribution (HK cents)	23.30	28.27	34.76	
Total Distribution for the year (HK cents)	44.30	54.06	61.85	

Income Statement (US\$ million)

	2014	2015	2016	YoY Better/ (Worse)
Revenue	3,695	4,452	4,339	(3)%
Cost of sales	(1,545)	(1,992)	(1,852)	
Opex	(837)	(909)	(861)	
EBITDA	1,313	1,551	1,626	+ 5%
Depreciation & amortization expenses	(755)	(795)	(744)	
Gain on disposal of fixed assets	—	1	—	
Net other gains / (losses)	13	2	(6)	
Net finance costs	(144)	(168)	(142)	+ 15%
Share of results of associates & JVs	(4)	(3)	(3)	
Profit before income tax	423	588	731	+ 24%
Income tax	(31)	(77)	(99)	
<i>Effective tax rate</i>	7%	13%	14%	
Profit for the year	392	511	632	
Attributable to:				
Holders of Share Stapled Units	383	506	627	+ 24%
Non-controlling interests	9	5	5	

Solid Financial Position

Supported by Investment Grade Credit Ratings

(US\$ million)	As of Dec 2014	As of Dec 2015	As of Dec 2016
Gross Debt ⁽¹⁾	4,724	4,724	4,974
Gross Debt to EBITDA ⁽²⁾	3.23x ⁽³⁾	3.05x	3.06x
Cash Balance ⁽⁴⁾	463	483	427
Undrawn Facilities	542	709	774
Total	1,005	1,192	1,201

**BBB/Baa2
Investment
Grade Rating**

Payment for the
renewed mobile
spectrum of
US\$250 million

(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

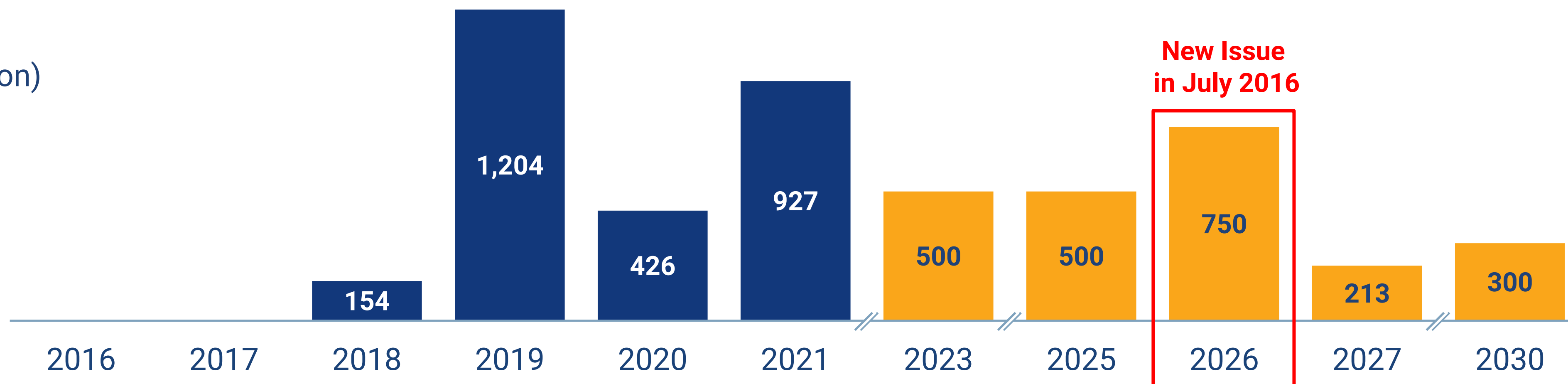
(3) Based on gross debt as at period end divided by HKT FY13 EBITDA and CSL FY13 EBITDA

(4) Including short-term deposits

Debt Maturity Profile

As of December 31, 2016

■ Bank Loans
■ Bonds
(US\$ million)



- Took advantage of a favorable market window post Brexit and raised US\$750 million 10-year bonds at a coupon rate of 3.00%
- Current mix of floating and fixed rated debt is approx. 50:50
- Effective interest rate improved from 2.8% in 2015 to 2.5% in 2016
- Average maturity extended to 6 years

Business Review

Alex Arena

Group Managing Director

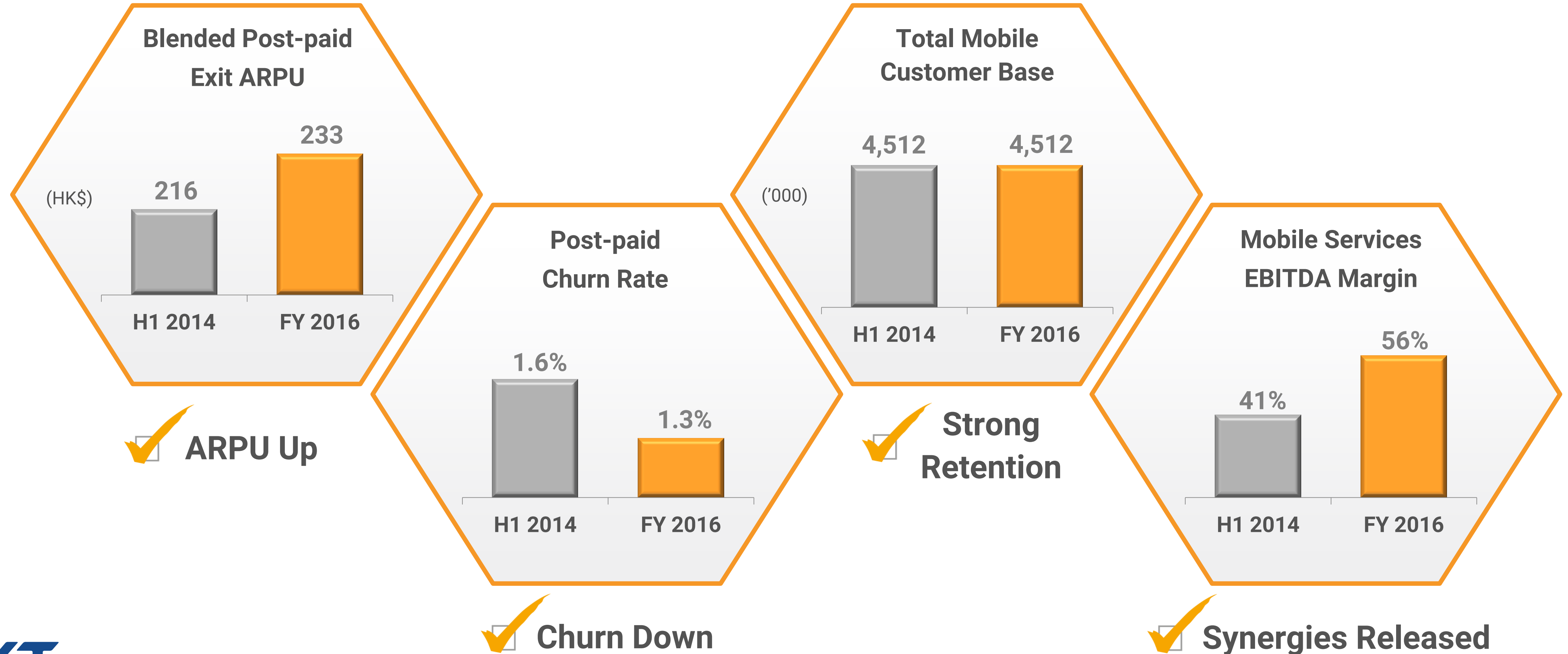
Consolidated Leadership Position in Mobile



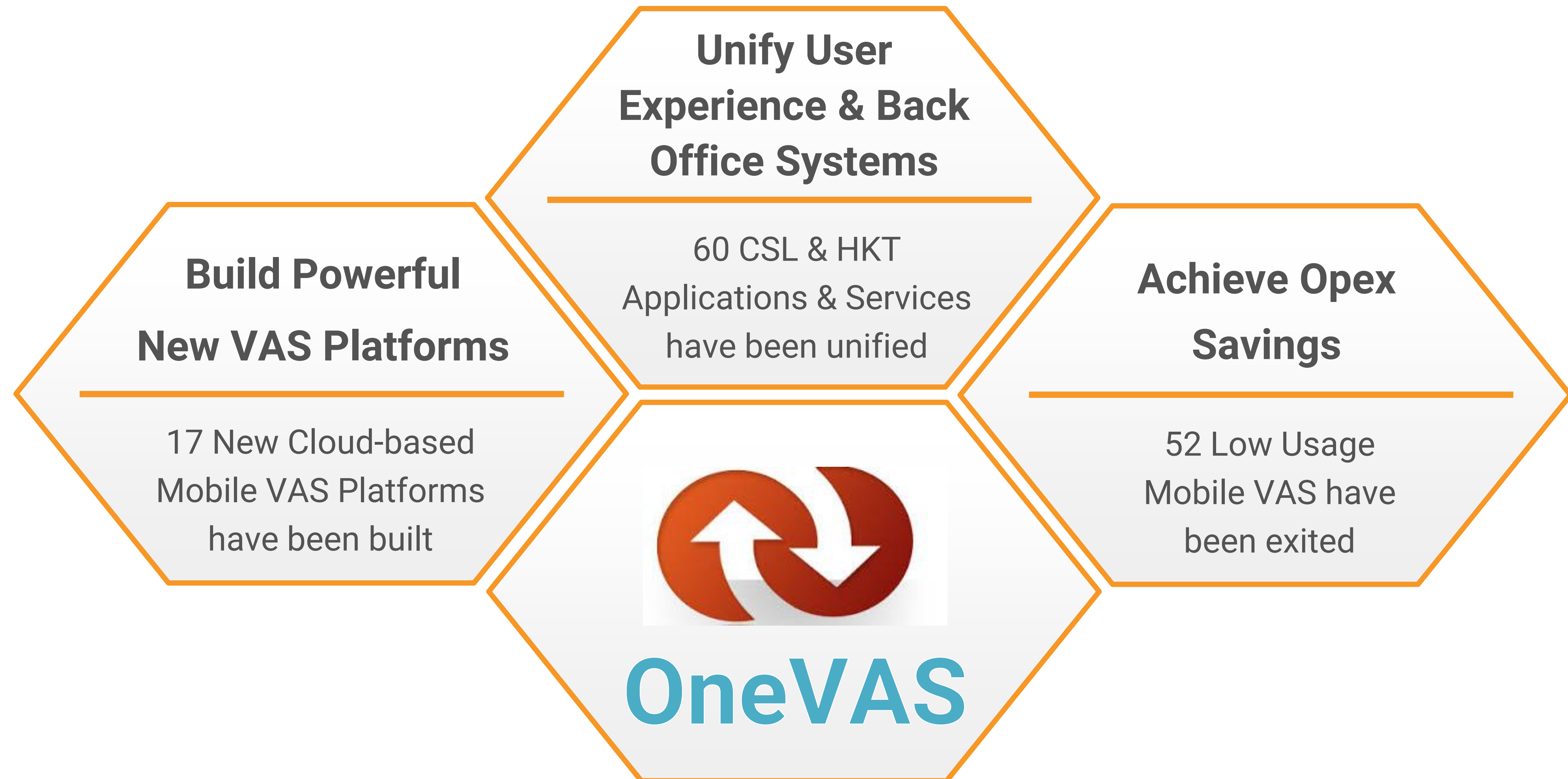
- Total customer base of 4.512M
 - Post-paid customer base of 3.130M
- Post-paid exit ARPU of HK\$233
- IDD and roaming represent 14% of total services revenue
- Mobile data represents 78% of total services revenue
- 81% of post-paid customers are smart device users
- Post-paid churn rate was 1.3%

Key Achievements Since CSL Acquisition

Sustained Improvements in Mobile ARPU, Churn Rate, Customer Base and Operating Margins



Synergies Beyond the Network



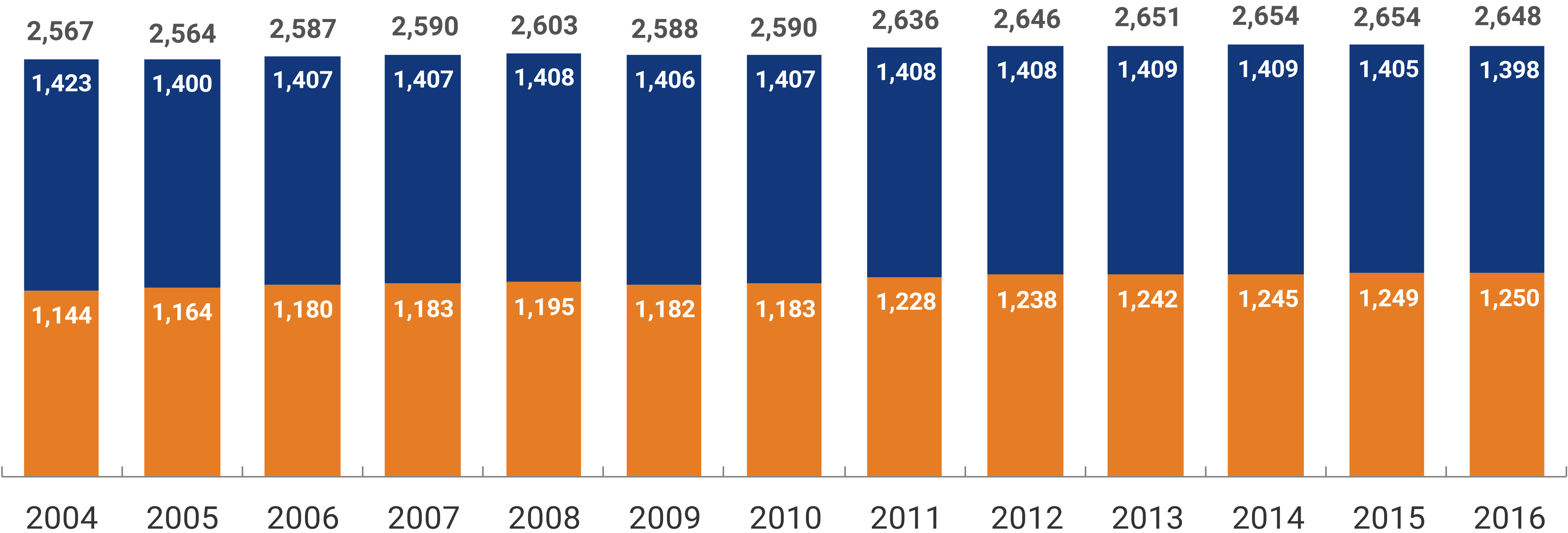
A Strategic Plan to Unify Entire CSL and HKT VAS Platforms for Cost Efficiency, Enhanced Customer Experience and Future Growth

Stable Fixed-line Business

Solid Customer Base Maintained Since 2004

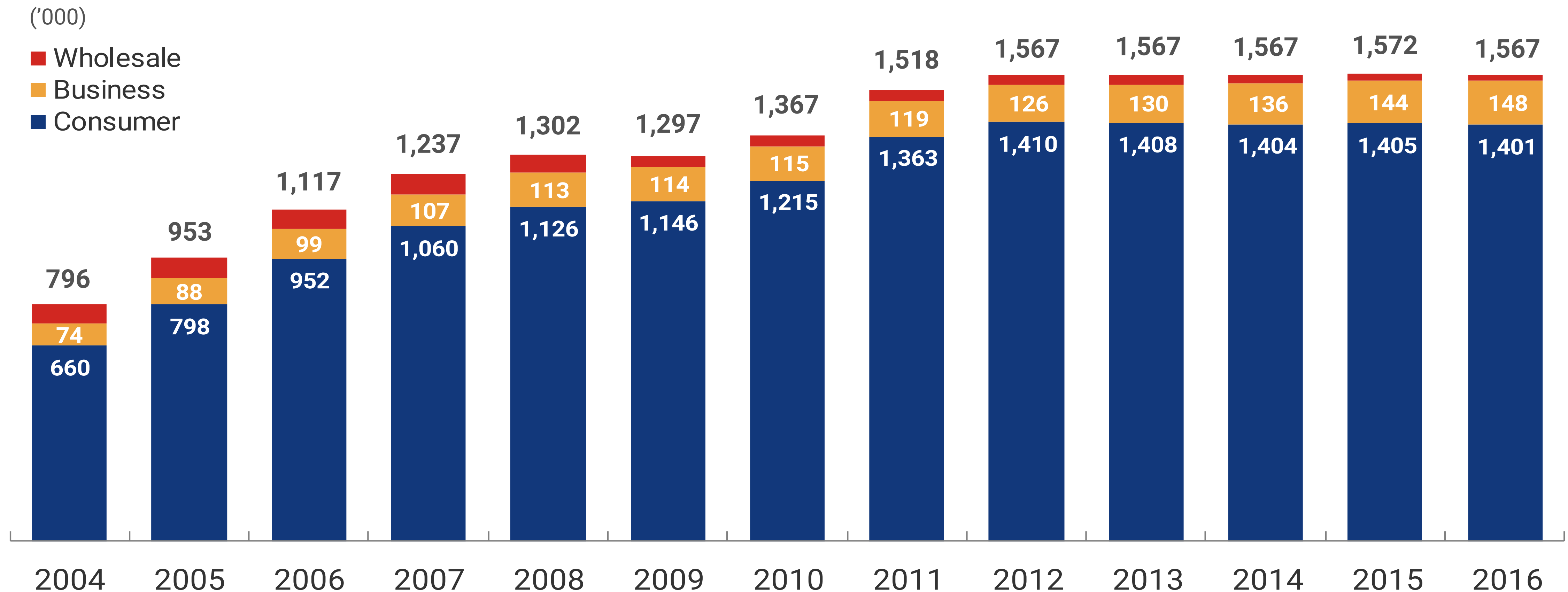
(’000)

■ Residential Lines
■ Business Lines



Consolidated Position in Broadband

Consolidated Broadband Market Position and Kept Churn Around 1%



Continued Growth of Fiber Customers

網上行

NETVIGATOR極速光纖
帶際超流暢、超高清畫質
盡享最強娛樂!

全新及現有
1000M*或以上客戶
免費搬走now one 4KUHD全功能機頂盒*
送超過40條Now TV頻道及自選服務* (價值\$1,632)

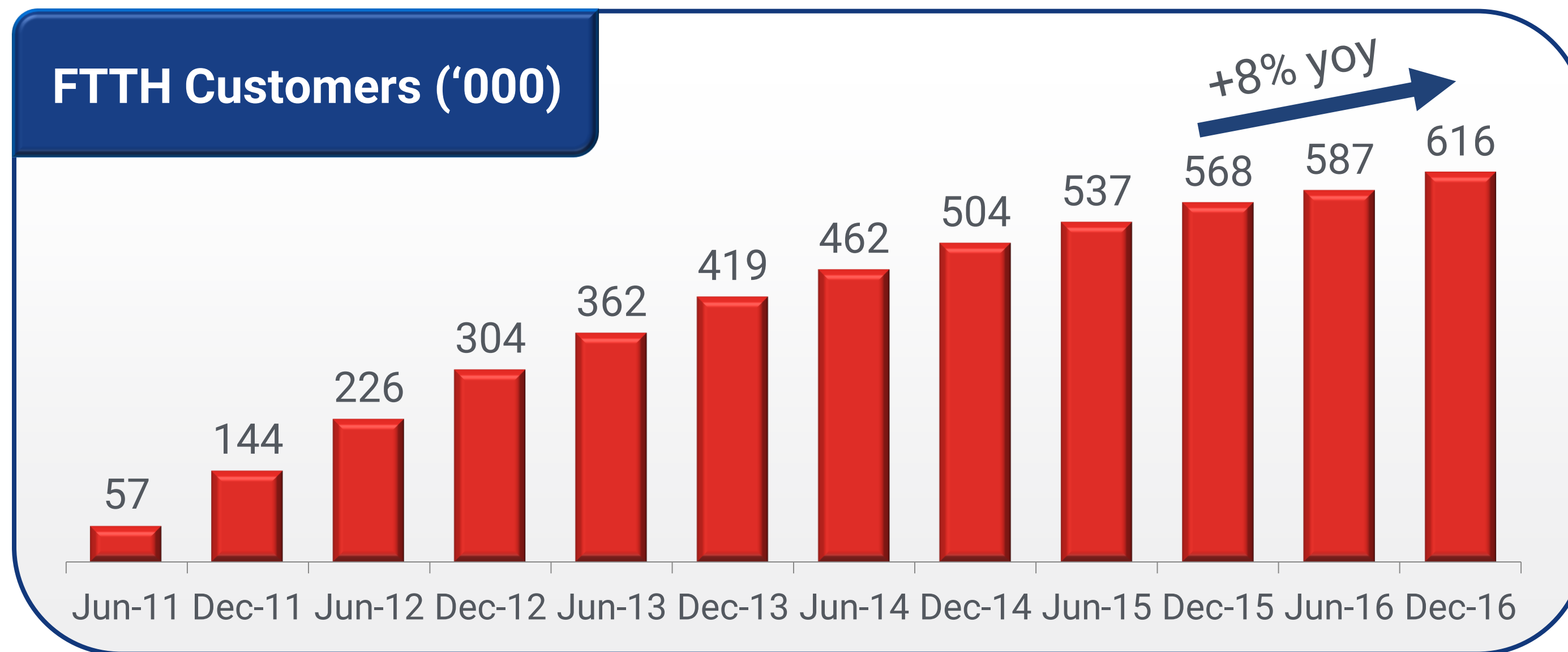
更快速度 更強覆蓋
全面發揮網絡優勢

- 全港首間提供10G光纖入屋寬頻
- 覆蓋全面 網絡遍佈全港
- 連接至強海外網寬 順暢瀏覽外國網站

即打2888 1888 (後按1) 或親臨HKT專門店
或登入www.netvigator.com了解詳情

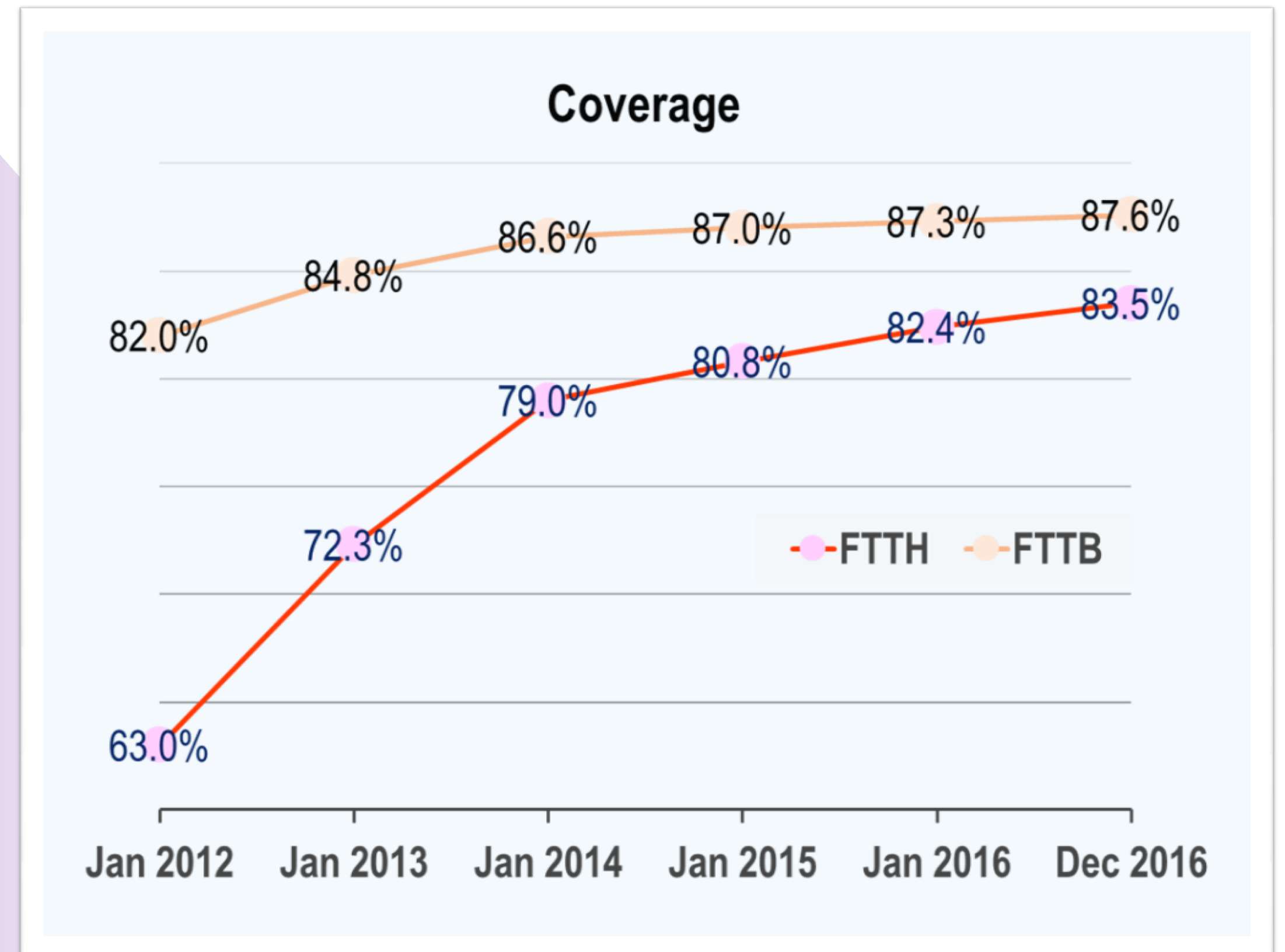
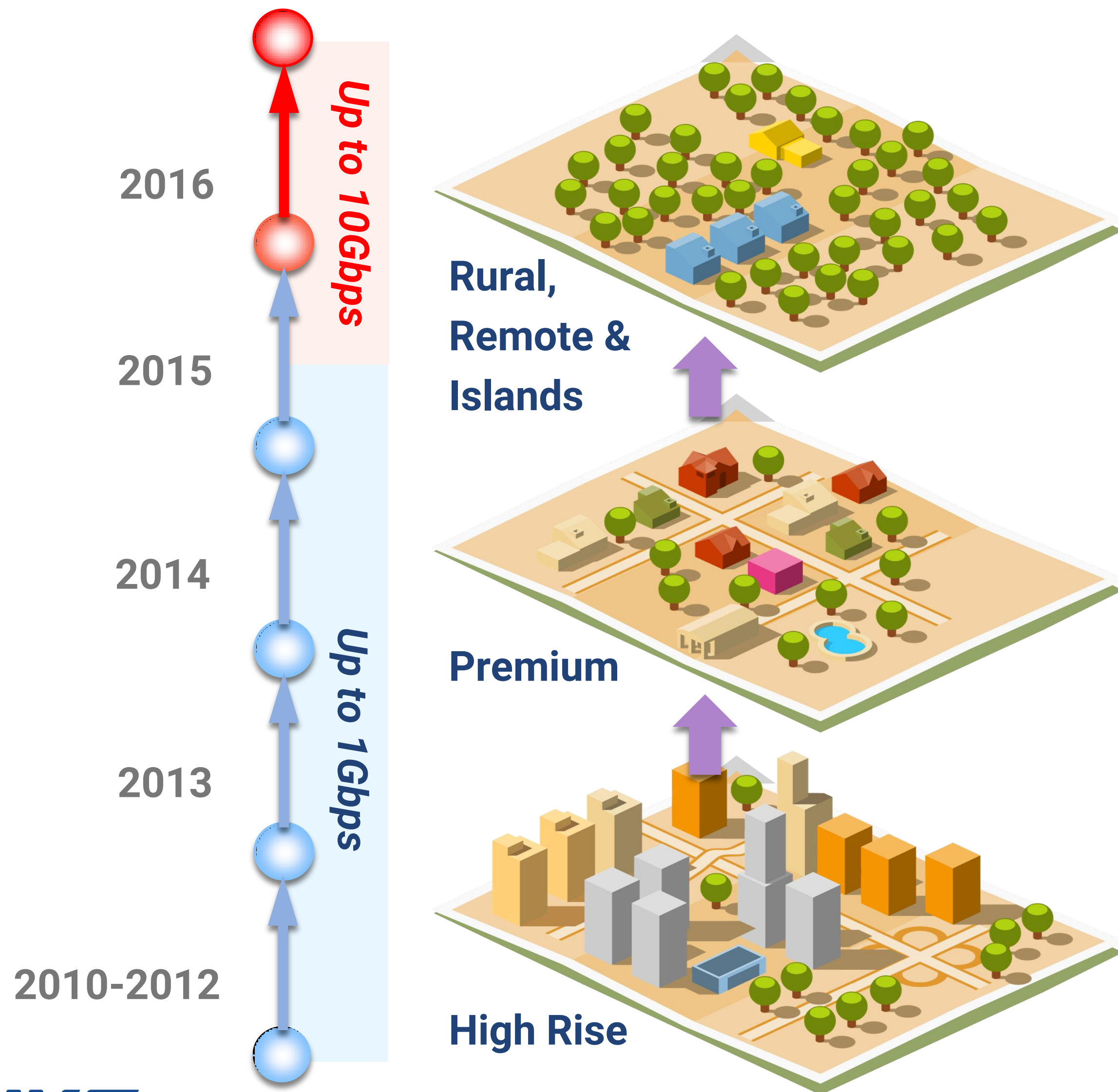
HKT 熱誠為你

電訊盈科集團成員



- Continued increase in customer subscription to our Fiber-To-The-Home (FTTH) service and customer upgrades to higher speed, higher price FTTH plans
- 616K customers enjoying genuine FTTH service as of Dec 2016, which represented a net increase of 48K customers or 8% vs. Dec 2015
- 747K customers enjoying high speed service (FTTH and VDSL) as of Dec 2016

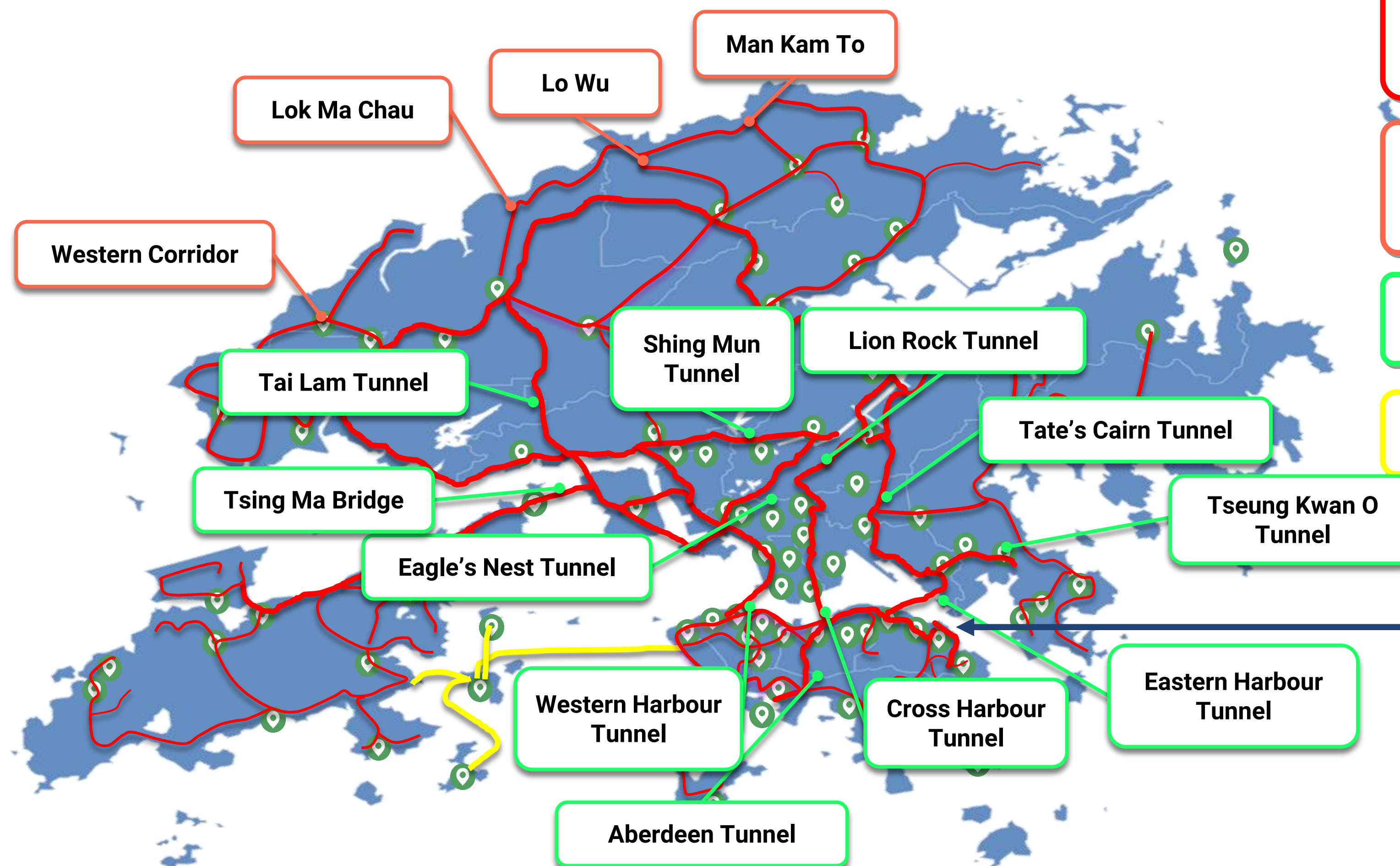
HKT's Path to Territory-Wide Fiber Broadband



As of Dec 2016, FTTH Coverage has reached 83.5% and FTTB Coverage is at 87.6%

** FTTH coverage means HKT can provide FTTH service to customer within 4 days*

HKT's Superior Fiber Network Coverage in Hong Kong

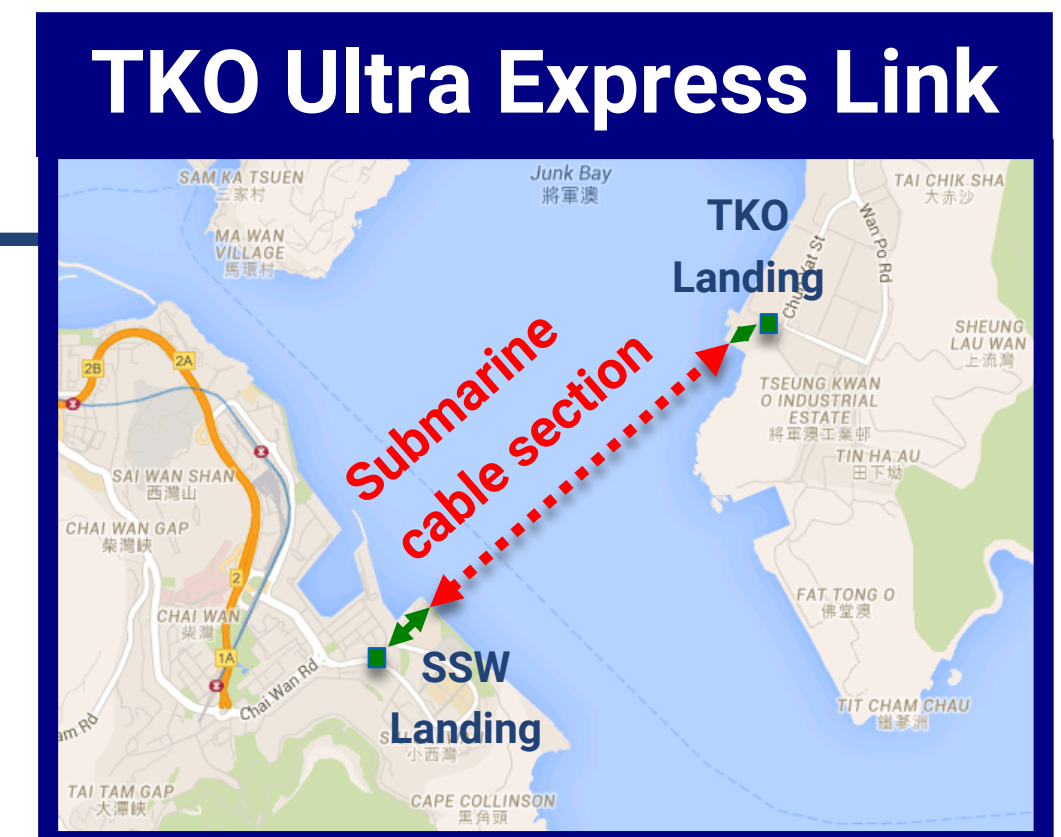


Extensive fiber coverage providing resilience and high availability

4 cross-border points connecting fiber network to Mainland China

11 tunnels/bridges with fiber networks

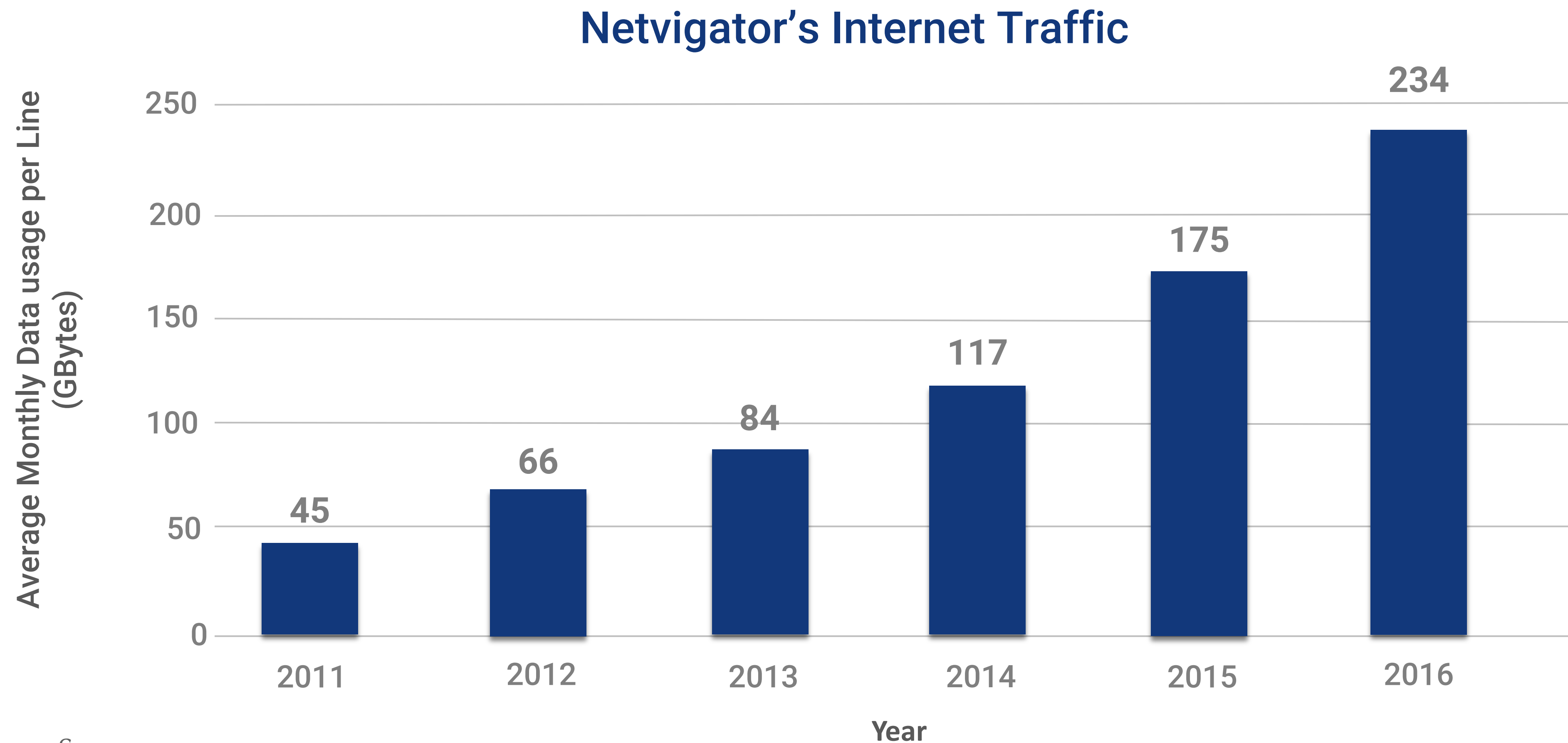
Outlying islands with submarine cables



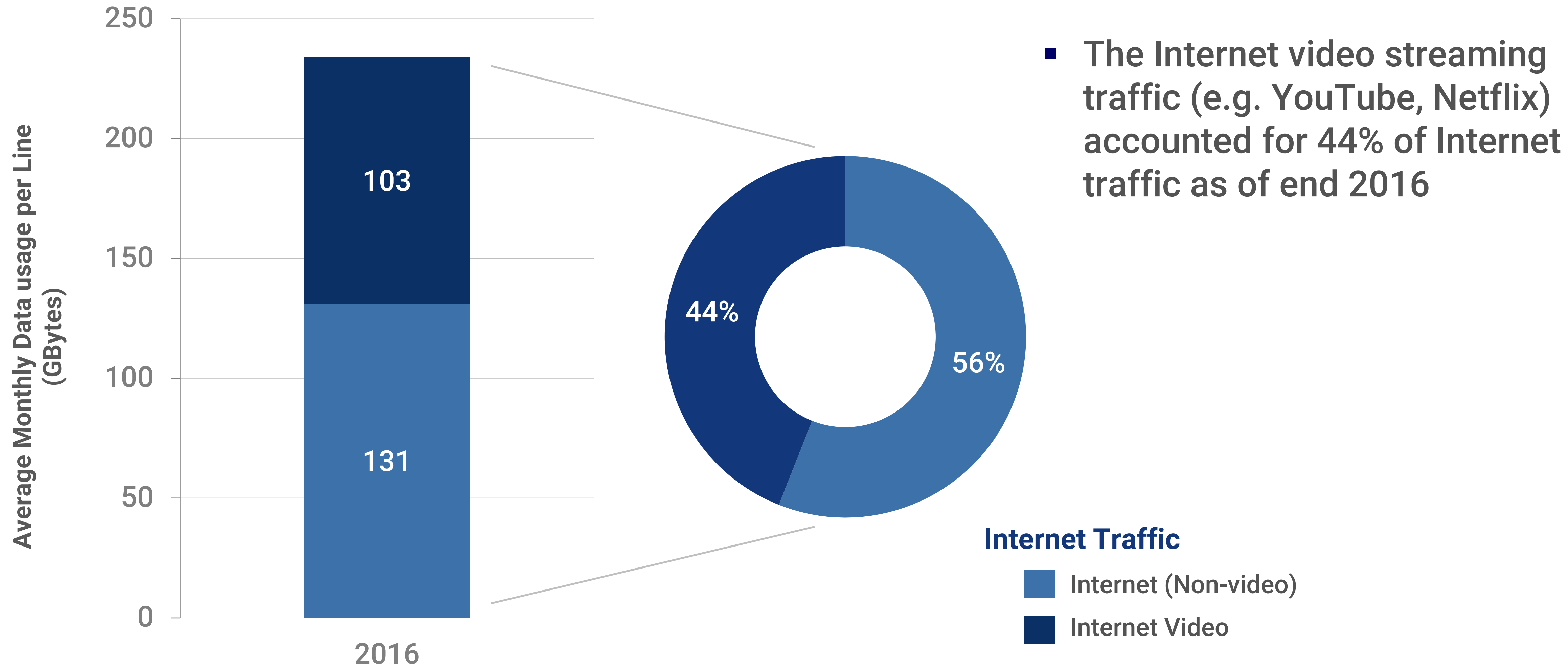
- 📍 Telephone exchange
- Major inter-exchange fiber cable routes

Netvigator's Internet Traffic Growth

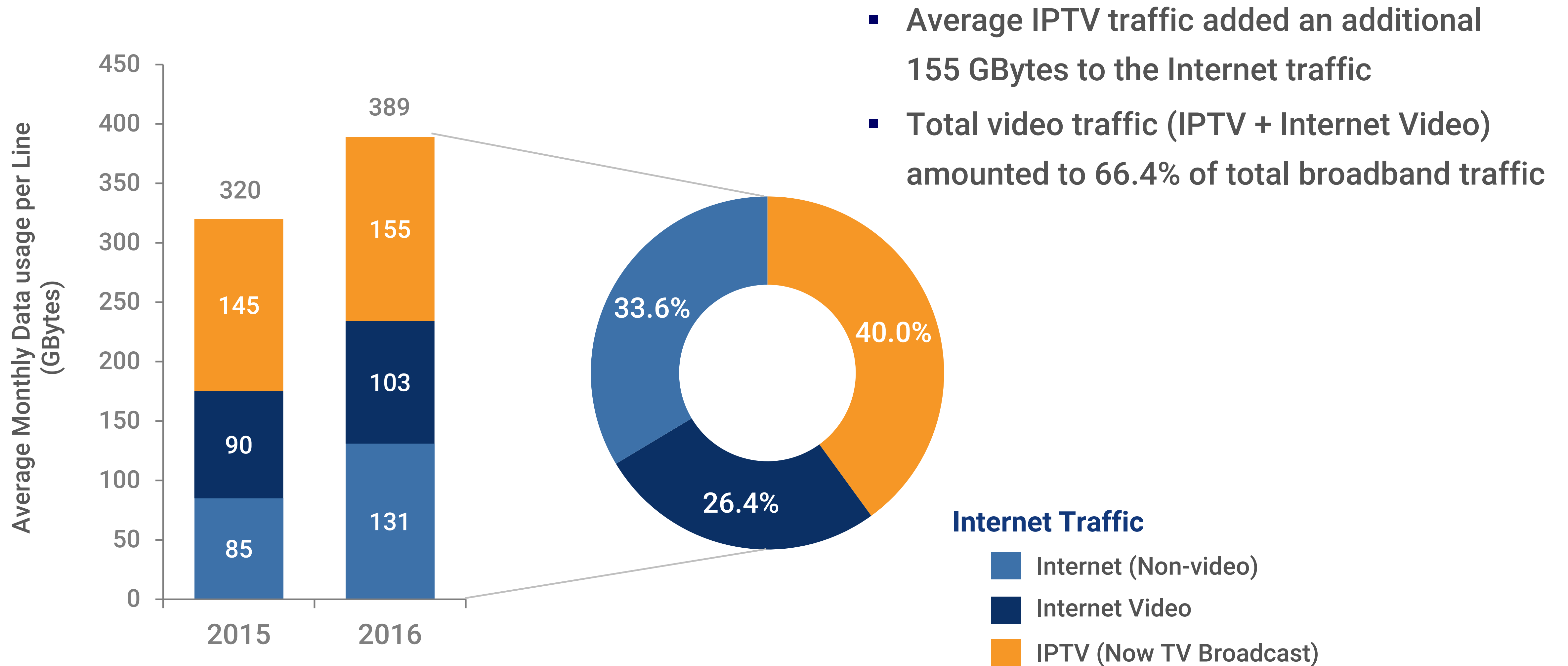
- In 2016, the Average Monthly Data Usage per Line has increased by 34% YoY reaching 234 GBytes



Internet Video Traffic



Overall Video Traffic



Highlights



Solid performance demonstrating the resilience of our operations, quality of our network and strength of our brand despite an increasingly challenging macroeconomic environment and intensified market competition



Ensuring the continued success of our core businesses whilst developing new initiatives such as **Tap&Go**[®] and **Smart**  **Charge**[™]



Continue to build out our infrastructure to meet the increasing needs of consumers and business customers

Building for Tomorrow, Today