2016 Interim Results

For the six months ended June 30, 2016

August 10, 2016 – Hong Kong

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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

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(US$ million)	*H1'15*	*H1'16*	*% change*
Adjusted Funds Flow	*250*	*263*	*+ 5%*

The Board has declared an Interim Distribution of 27.09 HK cents per Share Stapled Unit

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Financial Review

Susanna Hui

Group Chief Financial Officer

Sustained Growth in EBITDA and AFF

(US$ million)	H1'15	H1'16	% change
Adjusted Funds Flow	250	263	+ 5%
Revenue	2,048	2,101	+ 3%
EBITDA	740	752	+ 2%
EBITDA Margin	36%	36%	
Profit Attributable to Holders of Share Stapled Units	228	297	+ 30%

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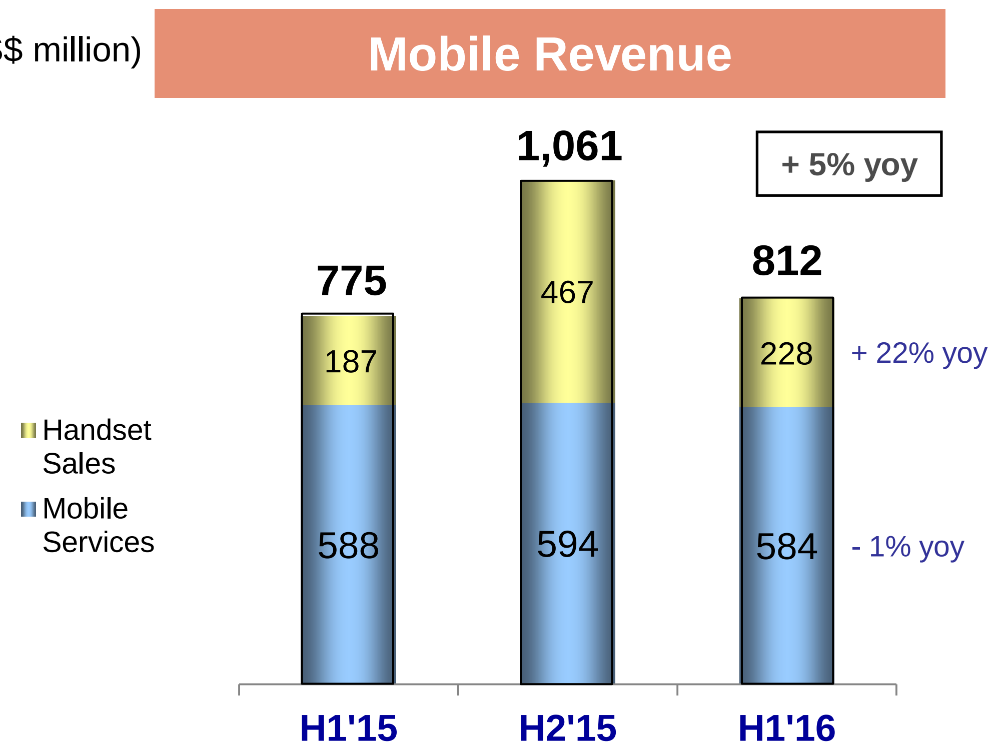
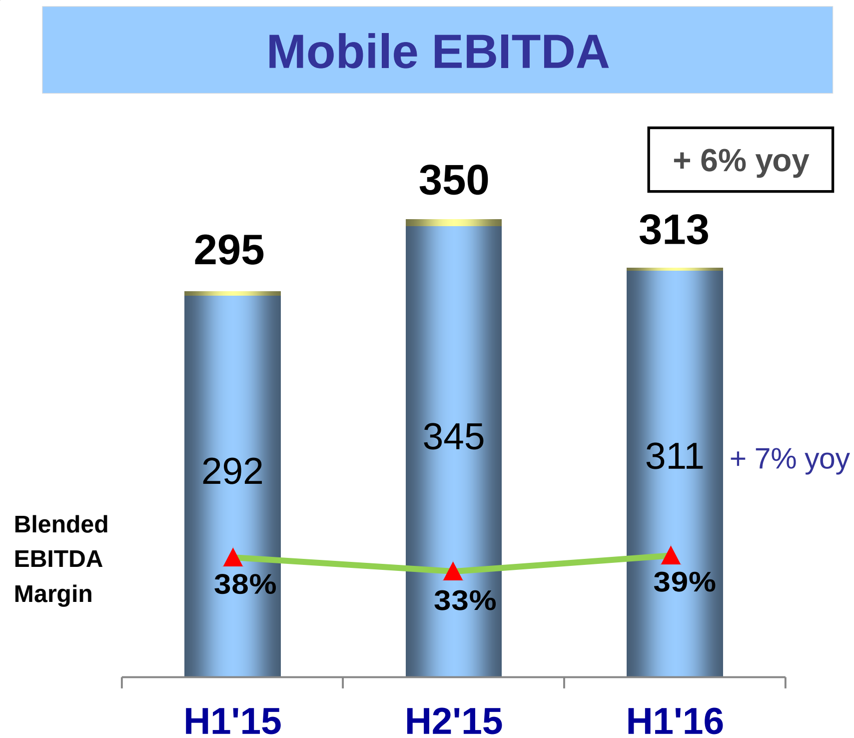
Mobile Continuing to Benefit from Cost Synergies

(US$ million)



- Leadership position with total customer base of 4.445M, of which 3.106M were post-paid customers
- Services revenue growth challenged by customers shifting to SIM only plans and continued decline in IDD and roaming revenue
- Blended post-paid exit ARPU increased to HK$228 from HK$224 a year ago
- Handset sales up 22% yoy due to increased sales of higher priced smartphones via our retail network



	H1'15	H2'15	H1'16
Mobile Services EBITDA Margin	**50%**	**58%**	**53%**

- Total Mobile EBITDA grew by 6% yoy
- Mobile Services EBITDA grew by 7% yoy with the margin expanding to 53% due to continued release of cost synergies from CSL integration

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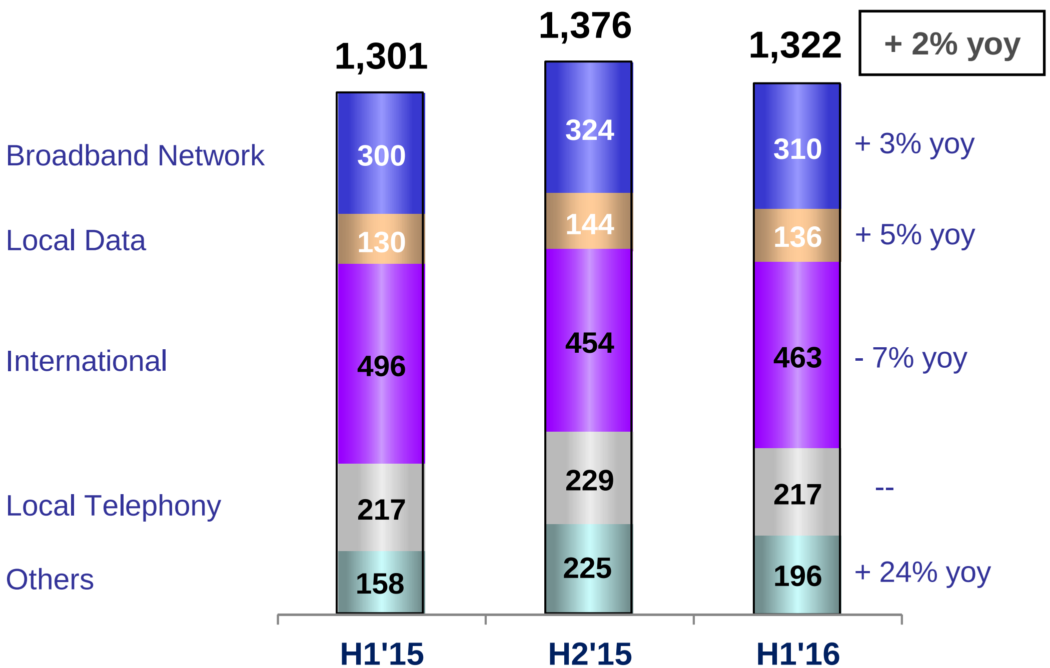
TSS Maintains Steady Performance

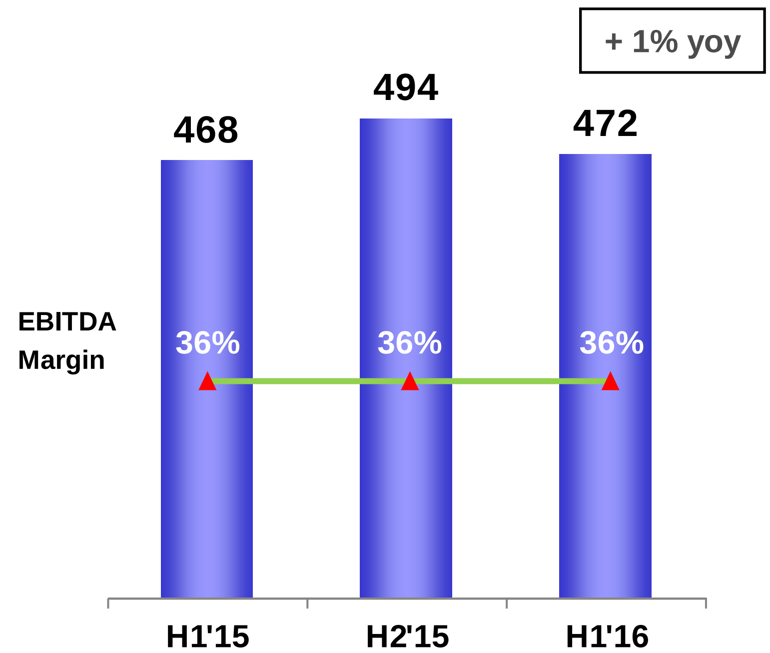
(US$ million)

TSS Revenue



- **Broadband** – Growth driven by additional FTTH customers and upgrades to higher speed, higher price plans, and video driving demand for higher speed connectivity
- **Local Data –** Growth fueled by increased connectivity services for cross data center connection and comprehensive enterprise solutions
- **International** – 2% HoH growth due to strong demand for data connectivity services and up-sell of value added services; 7% YoY decline as underlying growth masked by lumpy revenue in H1'15
- **Others** – Boosted by the 18% yoy growth in Teleservices business and increased sales of CPE

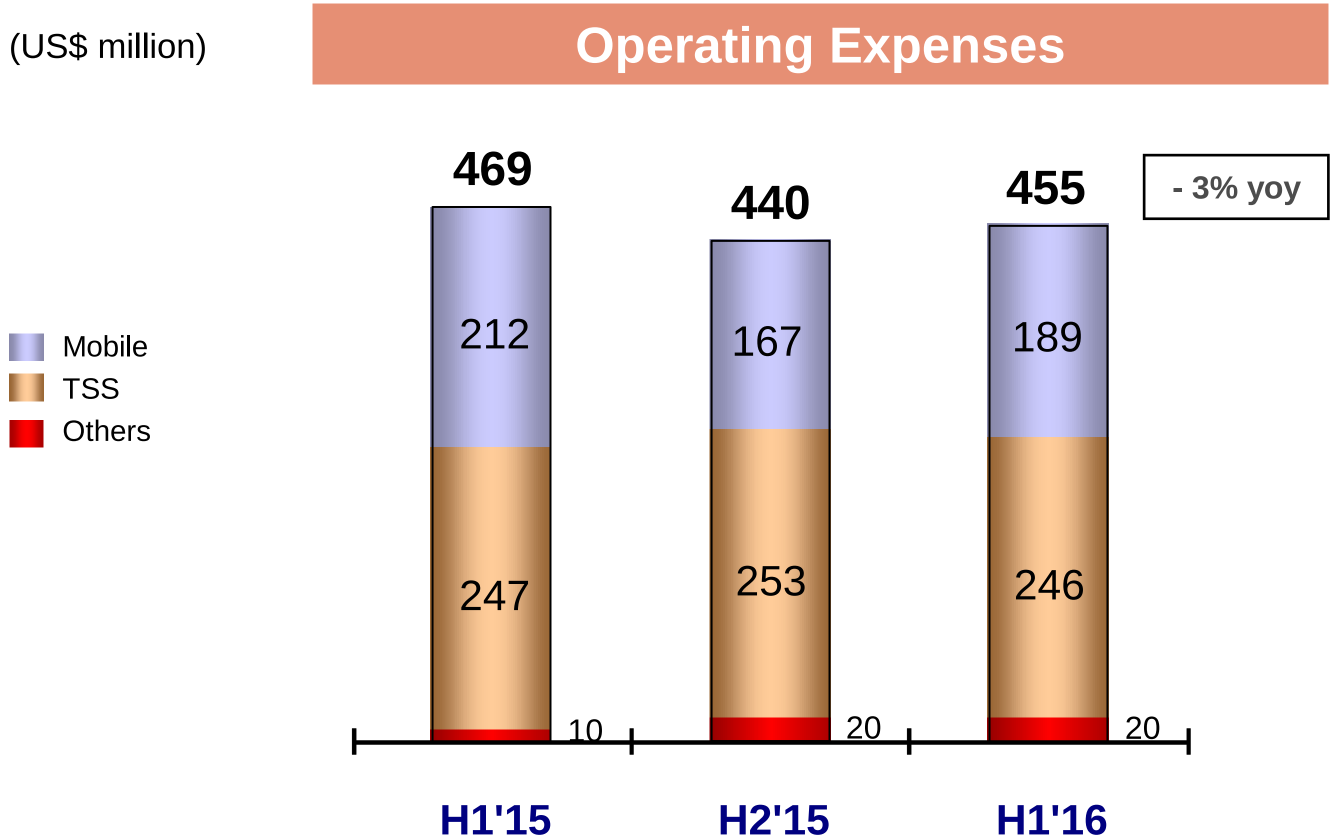
TSS EBITDA



- Steady EBITDA margin underpinned by diversified business portfolio and operating efficiency

Extracting Further Efficiencies in Opex

(US$ million)



Opex to Revenue Ratio:	22.9%	18.3%	21.7%

FY 2015: 20.4%

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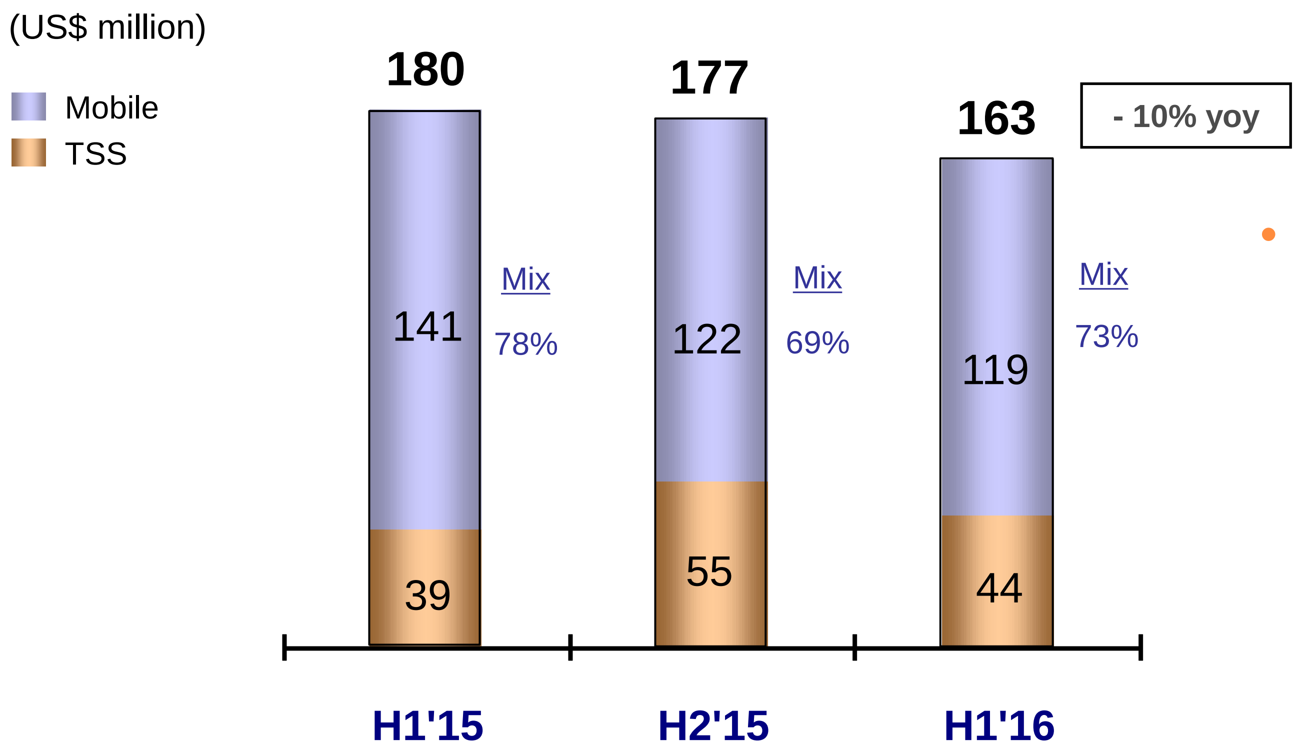
Customer Acquisition Costs Support Business Growth



- Lower Mobile CAC due to a larger proportion of customers shifting to SIM only plans

CAC to Revenue Ratio: **8.8%** **7.4%** **7.7%**

FY 2015: 8.0%

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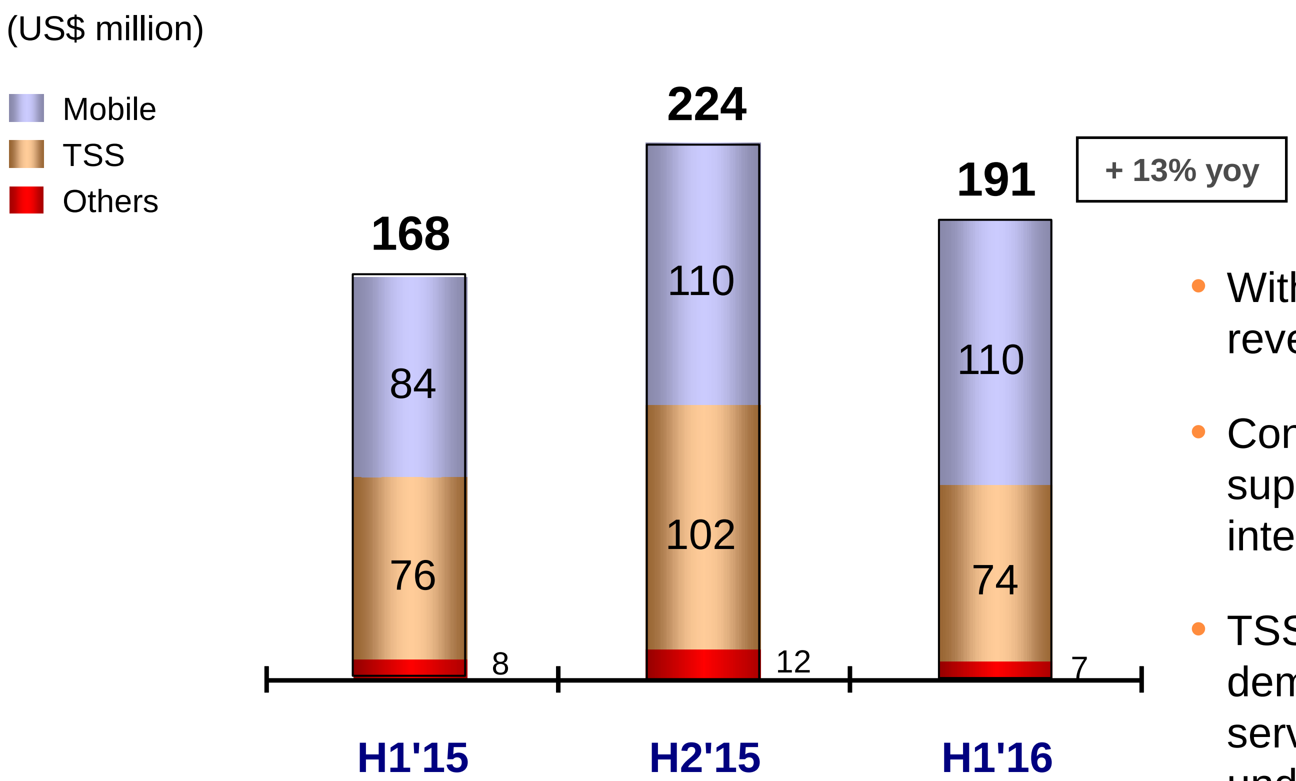
Optimizing Capex Investments for Better Networks



- Within 10% capex to revenue ratio guidance
- Continued Mobile capex to support the network integration process
- TSS capex to satisfy demand for our fiber services and investments in undersea cable capacity

Capex to Revenue Ratio: **8.2%** **9.3%** **9.1%**

FY 2015: 8.8%

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Adjusted Funds Flow

(US$ million)	H1'15	H2'15	H1'16	YoY
EBITDA	**740**	**811**	**752**	+ 2%
Less cash outflows in respect of:				
Customer acquisition costs and licence fees	(195)	(231)	(177)	
Capital expenditures	(167)	(222)	(189)	
Adjusted Funds Flow before tax paid, net finance costs paid and changes in working capital	**378**	**358**	**386**	+ 2%
Adjusted for:				
Tax payment	(10)	(37)	(10)	
Net finance costs paid	(56)	(60)	(53)	
Changes in working capital	(62)	14	(60)	
Adjusted Funds Flow for the period	**250**	**275**	**263**	+ 5%
Adjusted Funds Flow per Share Stapled Unit (HK cents)	25.79	28.27	27.09	
Interim/Final Distribution per Share Stapled Unit (HK cents)	**25.79**	**28.27**	**27.09**	

Income Statement

(US$ million)	H1'15	H2'15	H1'16	YoY Better/ (Worse)
Revenue	**2,048**	**2,404**	**2,101**	+ 3%
Cost of sales	(839)	(1,153)	(894)	
Opex	(469)	(440)	(455)	
EBITDA	**740**	**811**	**752**	+ 2%
Depreciation & Amortization expenses	**(409)**	**(386)**	**(362)**	+ 11%
Net other gains/(losses)	4	(1)	1	
Net finance costs	**(81)**	**(87)**	**(62)**	+ 23%
Share of results of associates & JVs	(2)	(1)	(1)	
Profit before income tax	252	336	328	+ 30%
Income tax	**(22)**	**(55)**	**(30)**	
Effective tax rate	***9%***	***16%***	***9%***	
Profit for the period	230	281	298	
Attributable to:				
Holders of Share Stapled Units	**228**	**278**	**297**	+ 30%
Non-controlling interests	2	3	1	

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Maintaining a Solid Financial Position and Flexibility

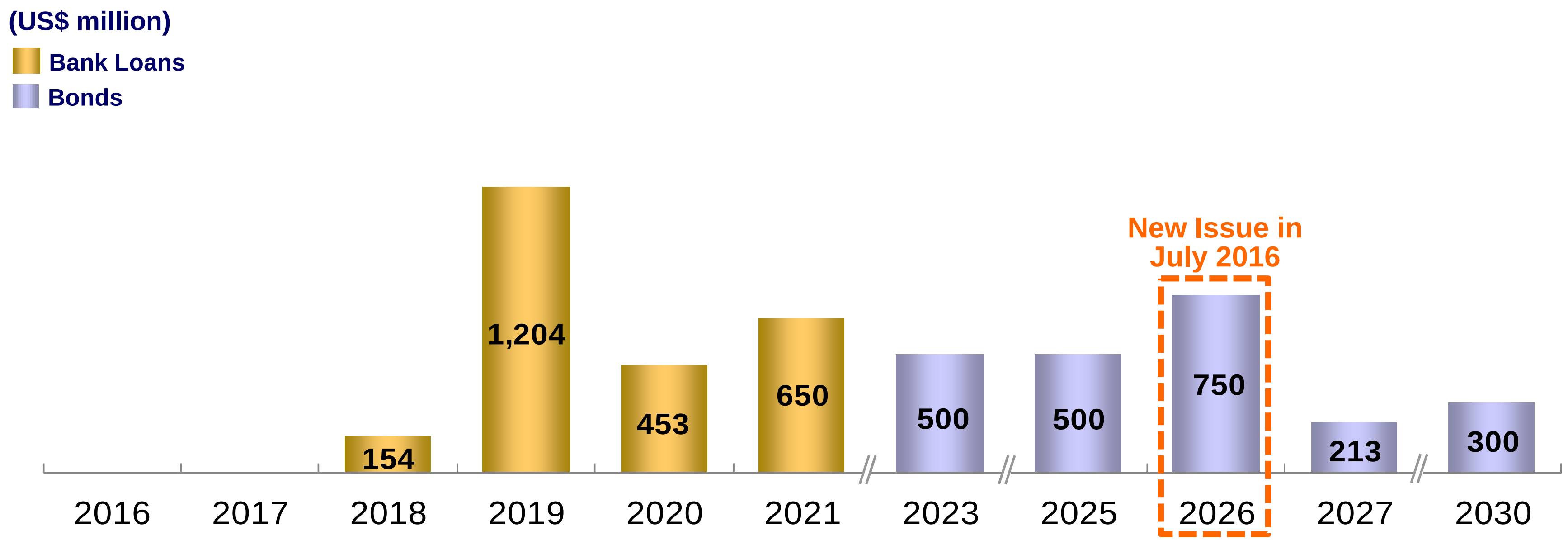
(US$ million)	As of Dec 2015	As of Jun 2016	As of Jul 2016
Gross Debt [1]	**4,724**	**4,729**	**4,724**
Gross Debt to EBITDA [2]	**3.0x**	**3.0x**	**NA**
Cash Balance	**483**	**387**	**367**
Undrawn Facilities	**709**	**809**	**1,024**
Total	**1,192**	**1,196**	**1,391**

BBB/Baa2 Investment Grade Rating

(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

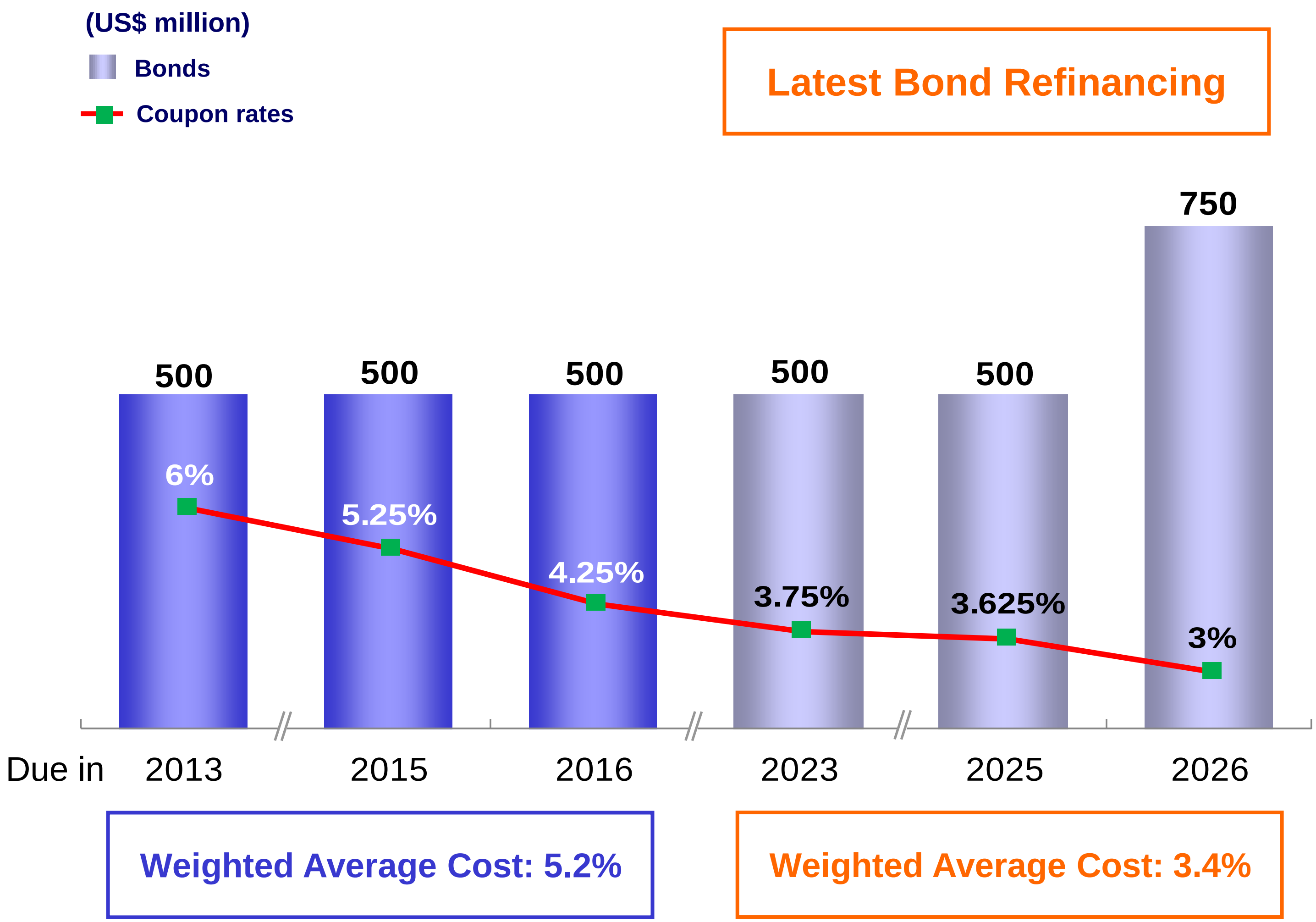
Debt Maturity Profile

As of July 2016



- 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 2.9% in H1'15 to 2.5% in H1'16
- Average maturity extended to over 6 years

Recent Bond Refinancing Yields Lower Cost



- Continue to take advantage of favorable interest rate environment to refinance bonds at lower coupon rates
- Lower coupon rates also reflect tighter spread arising from robust institutional investor support for HKT credit

Business Review

Alex Arena

Group Managing Director

Market Overview

- Soft economic conditions
- Consumer resistance to price increases
- Significant cost cutting in the Enterprise and SME markets
- Witnessing business closures and downsizing
- Competition remains fierce across all business segments

Consolidated Leadership Position in Mobile

- **Total customer base of 4.445M**
  - **Post-paid customer base of 3.106M**
- **Post-paid exit ARPU of HK$228**
- **IDD and roaming represent 15% of total services revenue**
- **Mobile data represents 77% of total services revenue**
- **79% of post-paid customers are smart device users**
- **Post-paid churn rate was 1.3%**

* *Figures stated as at June 30, 2016 or for the six months ended June 30, 2016*

Extracting CSL Synergies

- **Completed cell site integration leading to unified outdoor radio network**
- **Integrated in-building radio sites to enhance indoor coverage**

Indoor Sites	**Total Before Integration**	**Zone Integrated (end H1'16)**		**Zone Yet To Integrate**	**Site Count (end 1H16)**	**Change vs. Original**
		Before	**After**			
Serving HKT Customers	806	660	763	146	909	+103 *(13%)*
Serving CSL Customers	809	607		202	965	+156 *(19%)*
Total :	**1,615**	**1,267**	**763**	**348**	**1,111**	**-504**

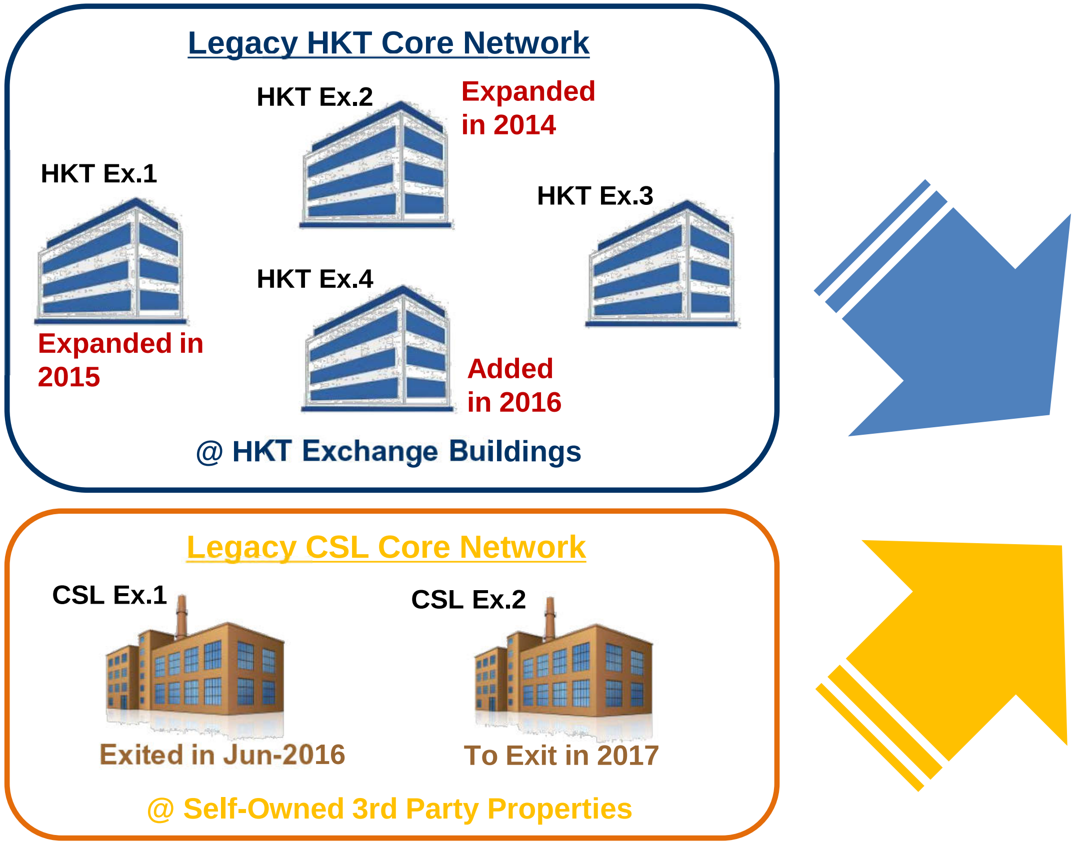
- ***Coverage improvements*** **– sites serving both CSL & HKT Customers increased by 103 and 156 respectively**
- ***Opex savings*** **– a total of 504 duplicated indoor sites removed in the process**

Improved Network Quality for Mobile Customers
Whilst Achieving Cost Efficiencies

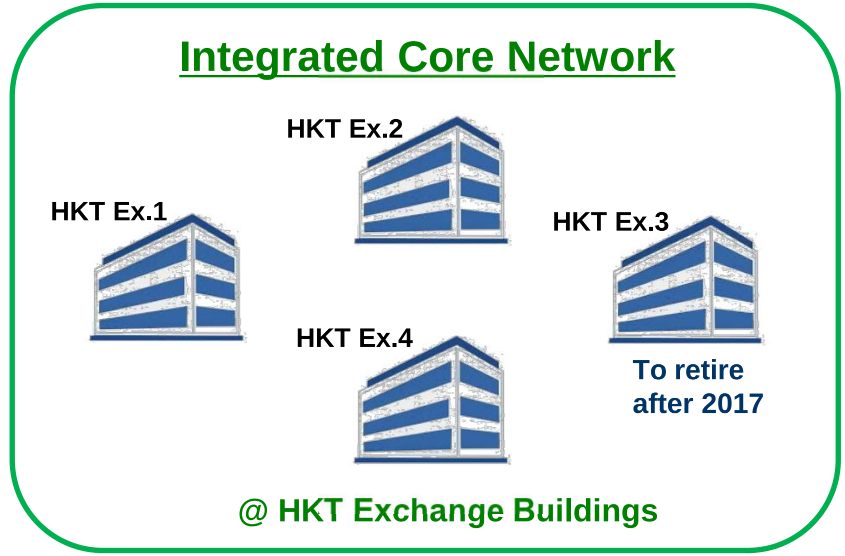
Next Step in Integration – Switching Centre Consolidation

Next phase of network integration will result in the consolidation of HKT's and CSL's switching centres

Before Core Network Integration



- **Consolidating mobile switching centres to HKT self-owned exchange buildings during core network integration**
- **Core network integration will result in a more robust and resilient mobile network leading to improved customer experience**



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Variety of Mobile Data Options to Suit Customer Needs

Speed Data Package

- Launched in September 2015
- Target high data usage customers who demand fastest network speed
- $150/month for extra 10GB data

Capacity Data Package

- Launched in April 2016
- Target high data usage customers who value peace of mind
- $150/month for hassle free mobile data usage

Flexi Top-up Plan

- Target ad hoc, on-demand top up customers
- $28/200MB, $50/GB top-up data options

Piggy Bank Data Rollover Plan

- Launched in Nov 2015
- Target customers with irregular data usage
- $48/month

Capture Revenue from Growing Mobile Data Usage

Launch of New Mobile Value-added Services

Call Macau Home Pass

- Launched in March 2016
- Local voice & data entitlements of service plan can be used in Macau
- Day Pass - $38/day, Monthly Pass - $138/month

Tap & Go Mobile Payment Service

- Available to all mobile customers in Hong Kong
- Makes mobile payment easy, convenient and secure

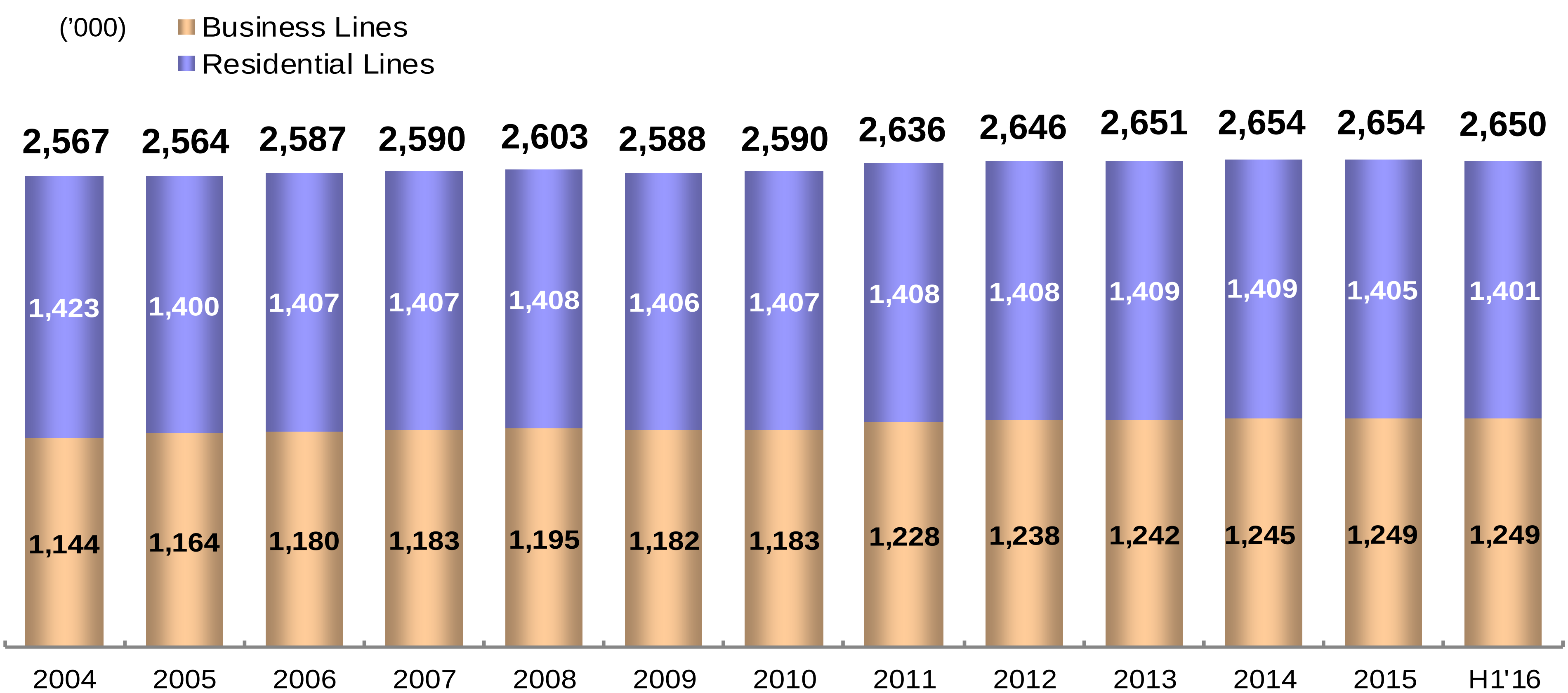
Viu Premium Service (Exclusive to csl./1O1O)

- Launched in February 2016
- Unlimited number of video downloads
- $18/month or free to customers subscribing to Capacity Data Package

Expand Service Offerings to Broaden Mobile Revenue Streams

Stable Fixed-line Business

Solid Customer Base Maintained Since 2004



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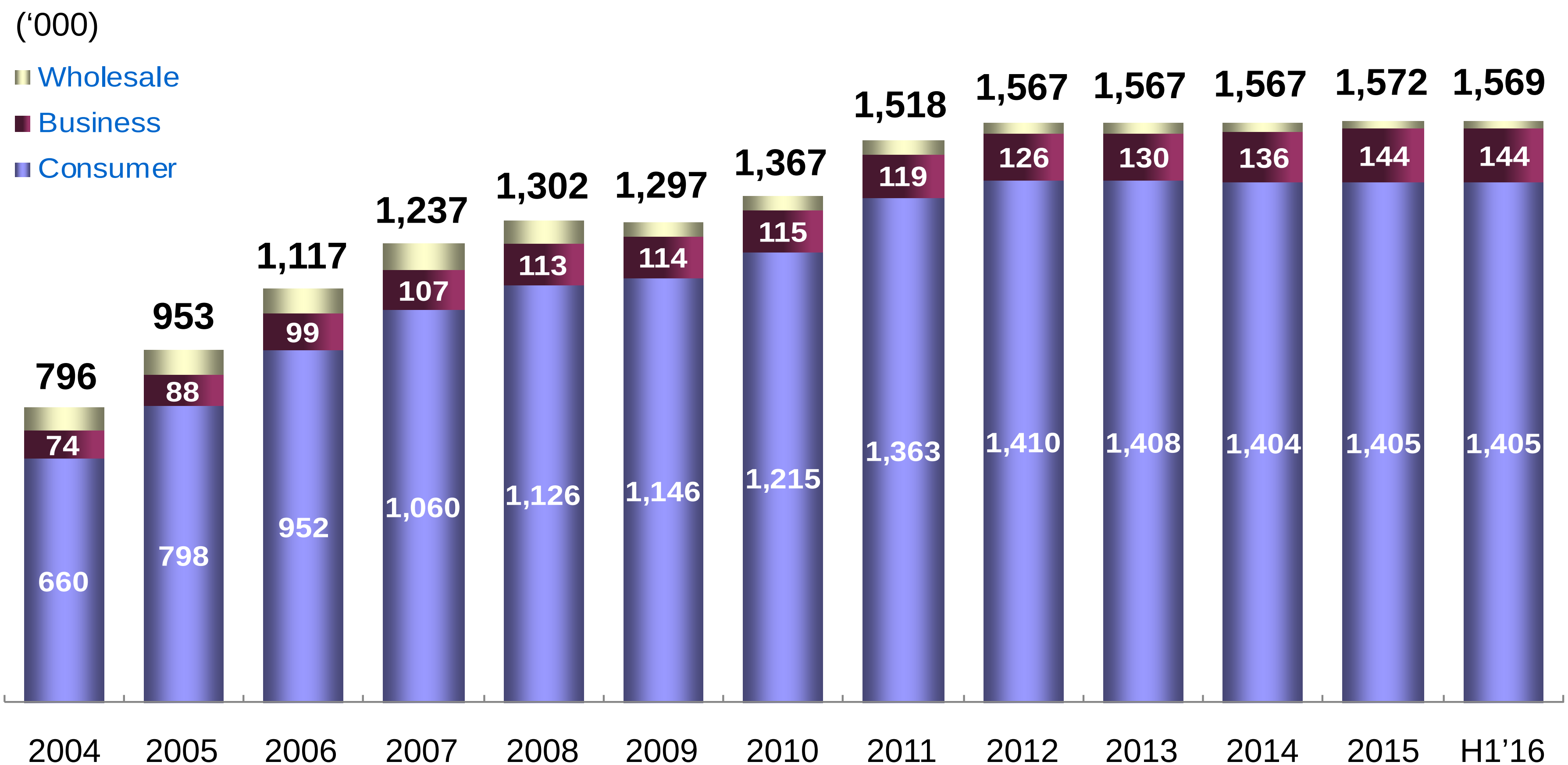
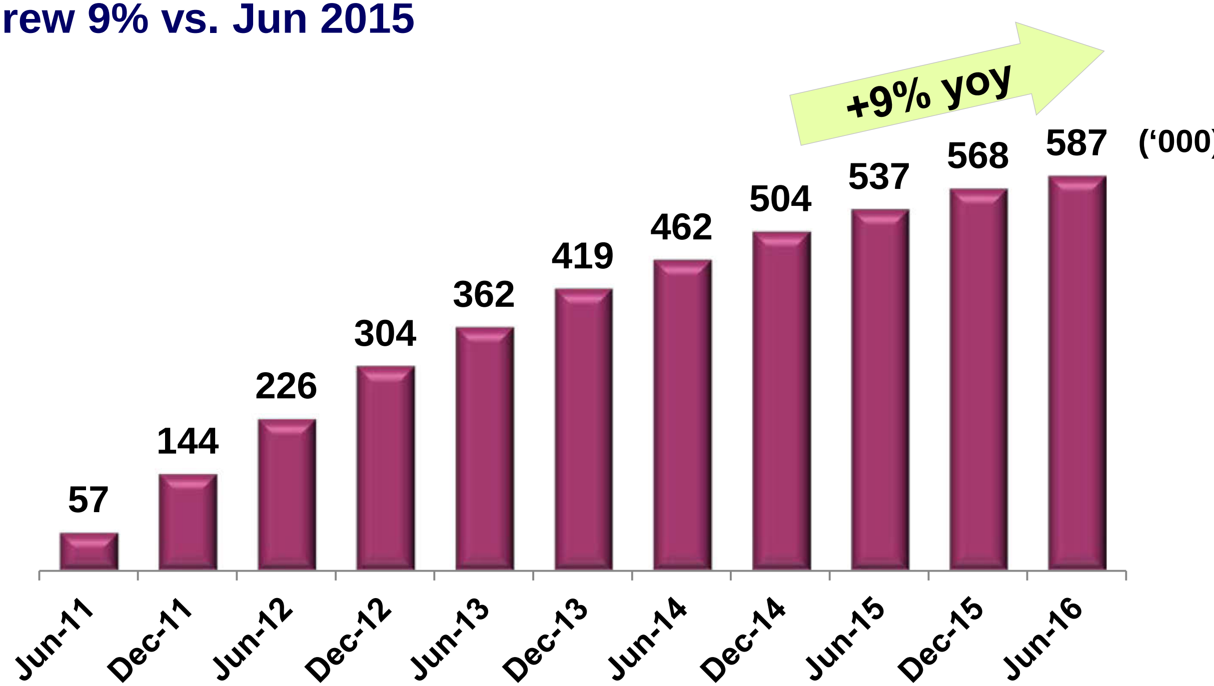
Consolidated Position in Broadband

Consolidated Broadband Market Position and Kept Churn Around 1%



Continued Growth of Fiber Customers

- Fiber-To-The-Home (FTTH) service continued to attract new customers and existing customers for service upgrade
- 587K customers enjoying genuine FTTH service as of Jun 2016, grew 9% vs. Jun 2015



- Growing genuine FTTH customer base creates future upgrade opportunity to higher speed, higher price service plans
- 708K customers enjoying high speed service (FTTH and VDSL) as of Jun 2016

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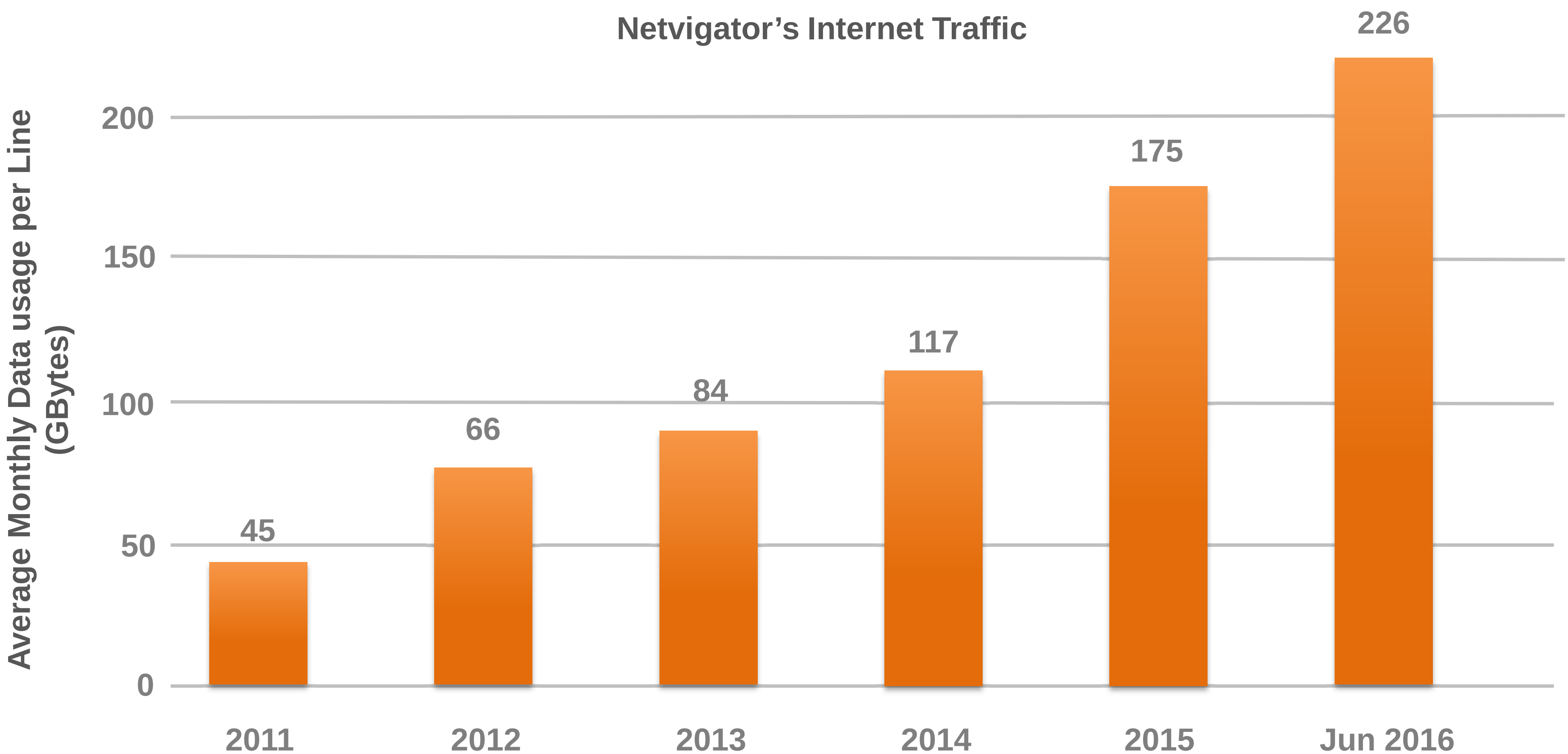
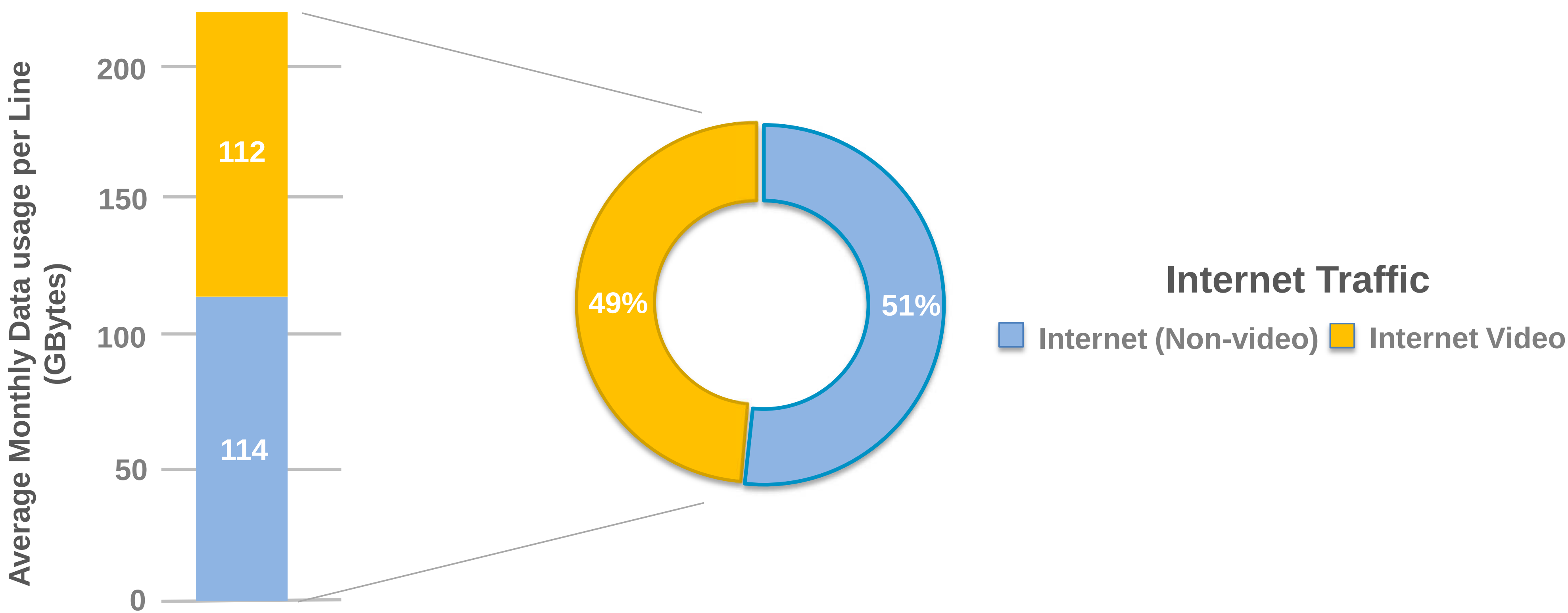
Netvigator's Internet Traffic Growth

- **During the first half of 2016, the Average Monthly Data Usage per Line has increased by 29% since end 2015, reaching 226 GBytes**



Internet Video Traffic

- **The Internet video streaming traffic (e.g. YouTube, NowTV) accounted for 49.6% of Internet traffic as of June 2016**



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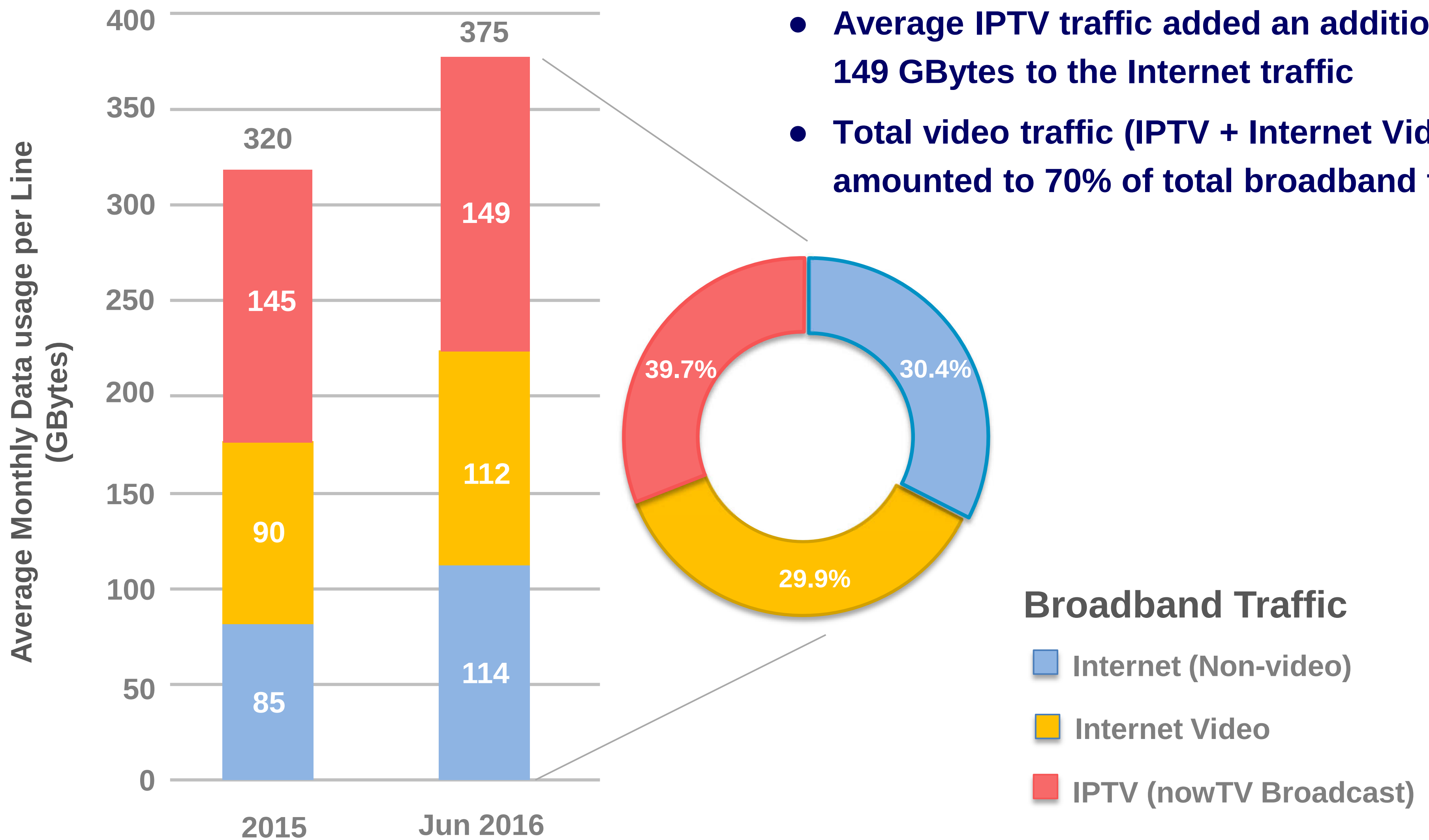
Overall Video Traffic



- Average IPTV traffic added an additional 149 GBytes to the Internet traffic
- Total video traffic (IPTV + Internet Video) amounted to 70% of total broadband traffic

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Fiber Network Ready to Support Massive Data Consumption

Robust Network Architecture and Design

- Massive fiber deployment

Fastest Network in Hong Kong

- Available speeds of up to 10Gbps

Widest Coverage

- Broadest coverage territory-wide with FTTH service available to 83.0% of households

Superior International Connectivity

- Connection beyond Hong Kong, provided through PCCW Global

Building for Tomorrow, Today

Enterprise and SME Market

Total Solutions Approach for our Customers

Enterprise Cloud with Managed Services

- 100% uptime availability
- Carrier-grade service, security and quality assurance
- Offer managed services for enterprises

Industry Solutions and Productivity App

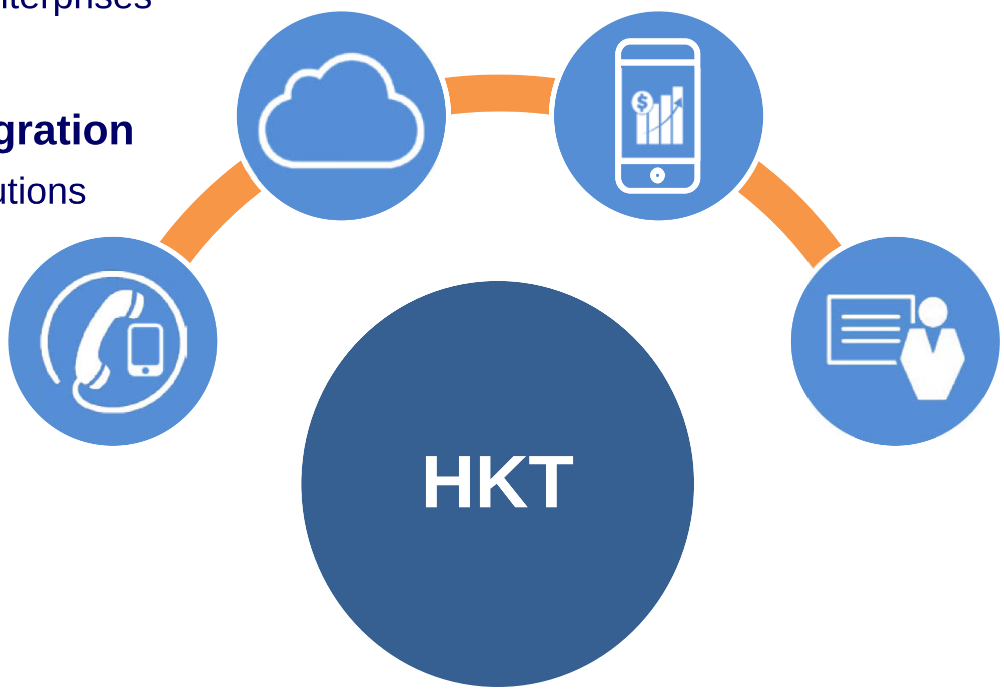
- Tailor-made to meet specific industry requirements
- Mobile apps to enhance productivity for various industries

Fixed and Mobile Integration

- Connectivity based solutions supported by unrivalled integrated fixed-mobile network
- In-house system integration expertise

Partnership Ecosystem

- Collaborate with complementary partners
- Partnership approach enriches application portfolio and facilitates total integrated solutions



Case Study #1: Digital Solutions for Retail Industry

HKT Service Offerings to Retailers

Social Wi-Fi	Big Data	Mobile Apps	Payment	Cloud
Shop Wi-Fi with social media integration	Data analytics provides in-depth insights on markets & customers	Reach your customers anytime, anywhere	Payment solution for omni-channel sales	ICT infrastructure with lower total cost of ownership

Benefits to Retailers

- Increase Customer Engagement via Social Media
- Capture New Revenue & Sales Opportunities through Omni-channels
- Helping to Drive Business Growth for the Retail Customers

Case Study #2: Digital Office

HKT Service Offerings for the Digital Office

Fixed Mobile Integration

Seamless communication through fixed & mobile integration

Flexible Seating

Same amount of office space can support larger team

Cloud Office Desk

Cloud applications enable easy document management

Productivity App

Tailor-made mobile apps to facilitate working outside office

Virtual Service Kiosk

Provide multiple sites service support through centralized resources

Cloud based eTraining

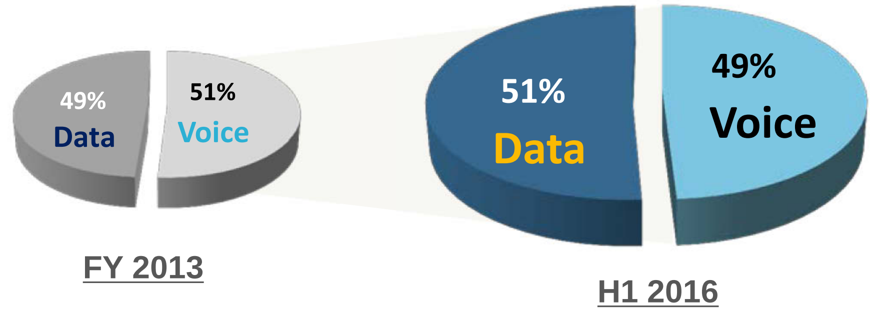
eCurriculum enables uniform training across departments

Benefits of Digital Office

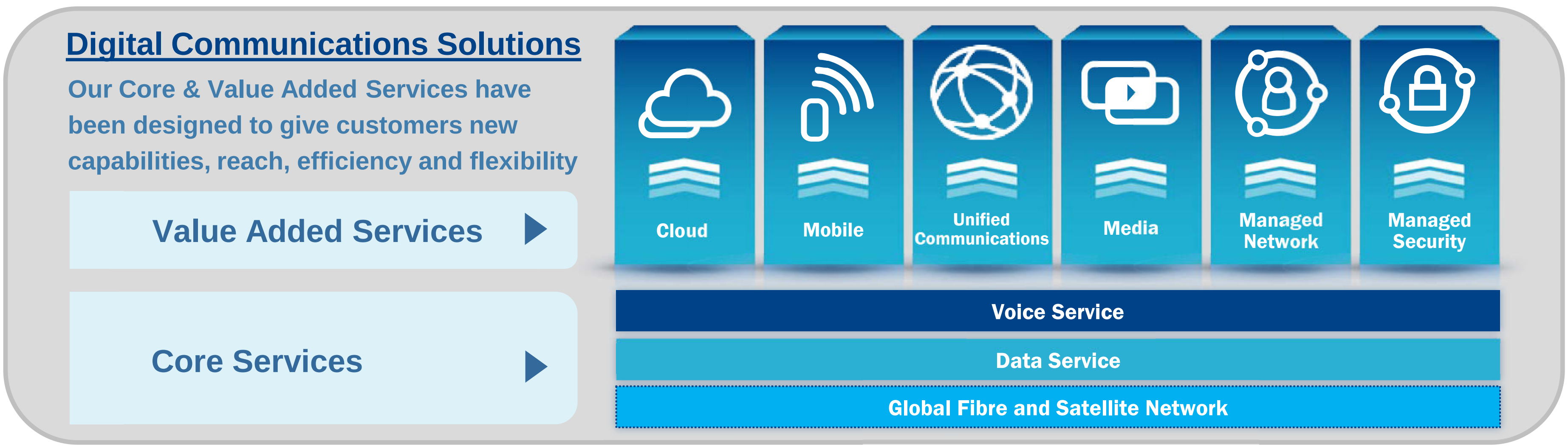
- Enhance Workforce Mobility & Productivity
- Reduce Real Estate Related Costs
- Avoid Upfront Capex Spend
- Opens Opportunity for Increased Telecom Spend to Decrease Costs in Other Areas

International – Rebalancing of Business Mix

** Voice excl. retail IDD revenue*



- **Wholesale voice business facing pressure because of the technological shift to OTT voice and messaging applications**
- **Data business with higher margin continues to grow to offset the impact of wholesale voice business**
- **Data business has been progressively growing as we evolve from a network bandwidth business to digital communications solutions to meet customer requirements**



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Highlights

- Satisfactory performance across all lines of business despite weak economic conditions in HK and globally

- Continue to innovate with our technology and provide customers with new services such as Tap&Go 拍住賞™

- Enhance value proposition through customer segmentation, customer care and loyalty program

HKT Premier

THE CLUB™