



2017 Interim Results

For the six months ended June 30, 2017

August 9, 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)	H1'16	H1'17	% change
Adjusted Funds Flow	263	273	+ 4%

The Board has declared an Interim Distribution of 28.12 HK cents per Share Stapled Unit

Financial Review

Susanna Hui

Group Chief Financial Officer

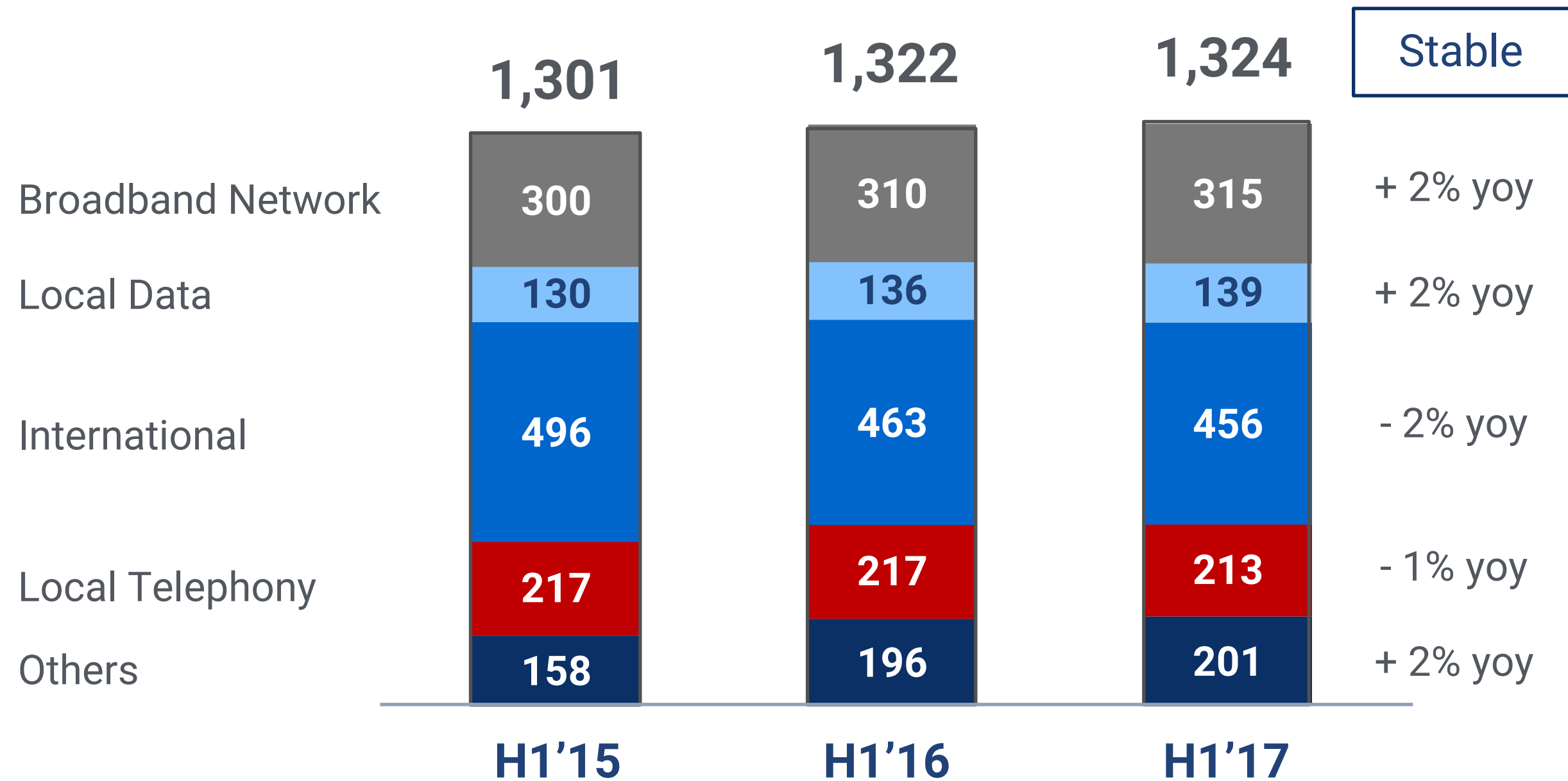
Solid Results Demonstrating HKT's Resilience In Challenging Market Conditions

(US\$ million)

	H1'16	H1'17	% change
Adjusted Funds Flow	263	273	+ 4%
Revenue (excl. Mobile Handset Sales)	1,873	1,875	—
Revenue	2,101	2,006	- 5%
EBITDA	752	765	+ 2%
<i>EBITDA Margin</i>	36%	38%	
Profit Attributable to Holders of Share Stapled Units	297	306	+ 3%

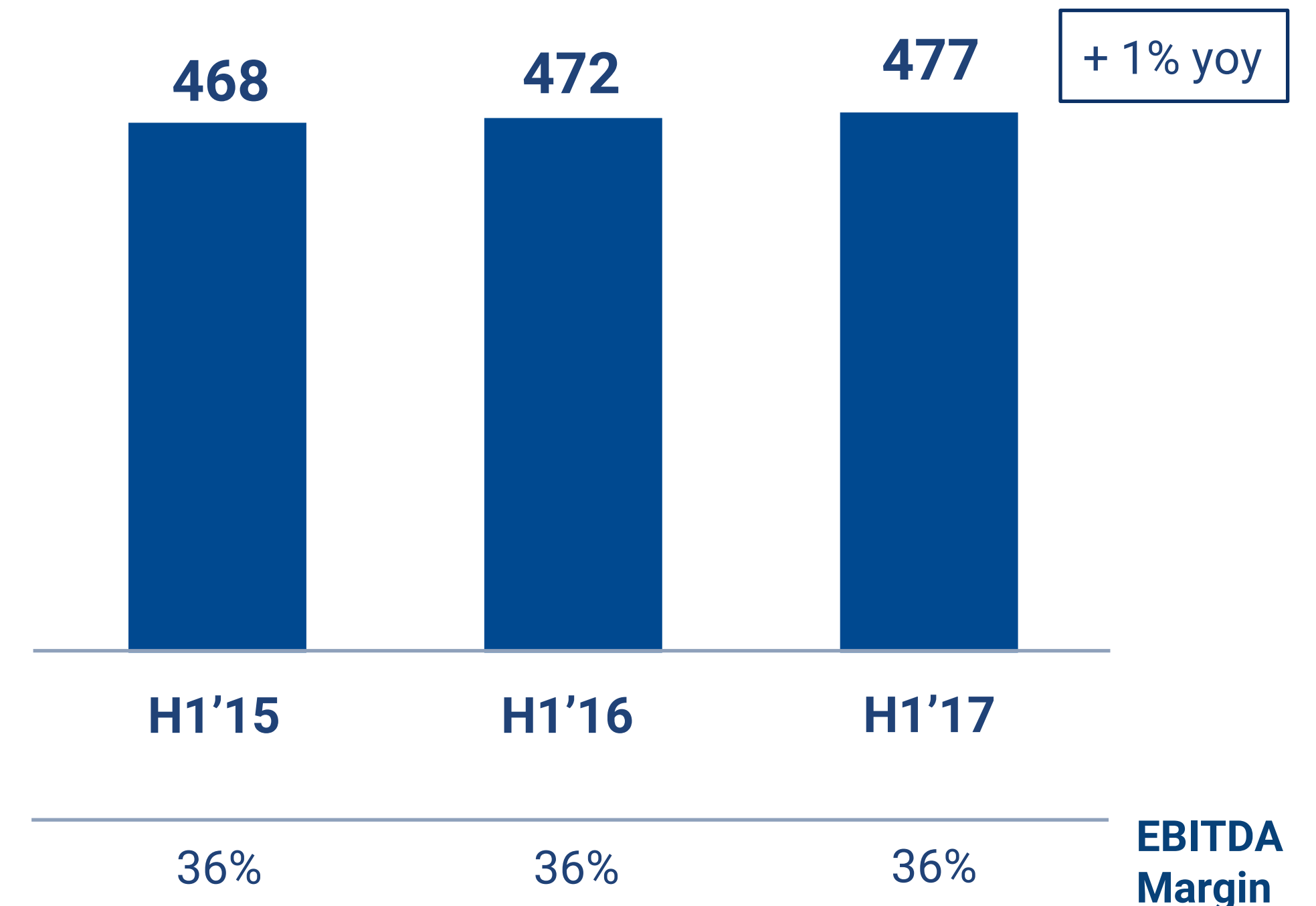
TSS Reinforces Market Leadership Position

TSS Revenue (US\$ million)



- **Broadband** – Continued growth supported by net customer additions and increased upgrades on our FTTH service
- **Local Data** – Driven by growing demand for carrier-grade high-speed connectivity solutions, network facility management and managed cloud services from enterprise customers
- **International** – Continuing to shift focus to international data connectivity and software based services as voice business declines
- **Others** – Increase in CPE sales for managed network & infrastructure projects

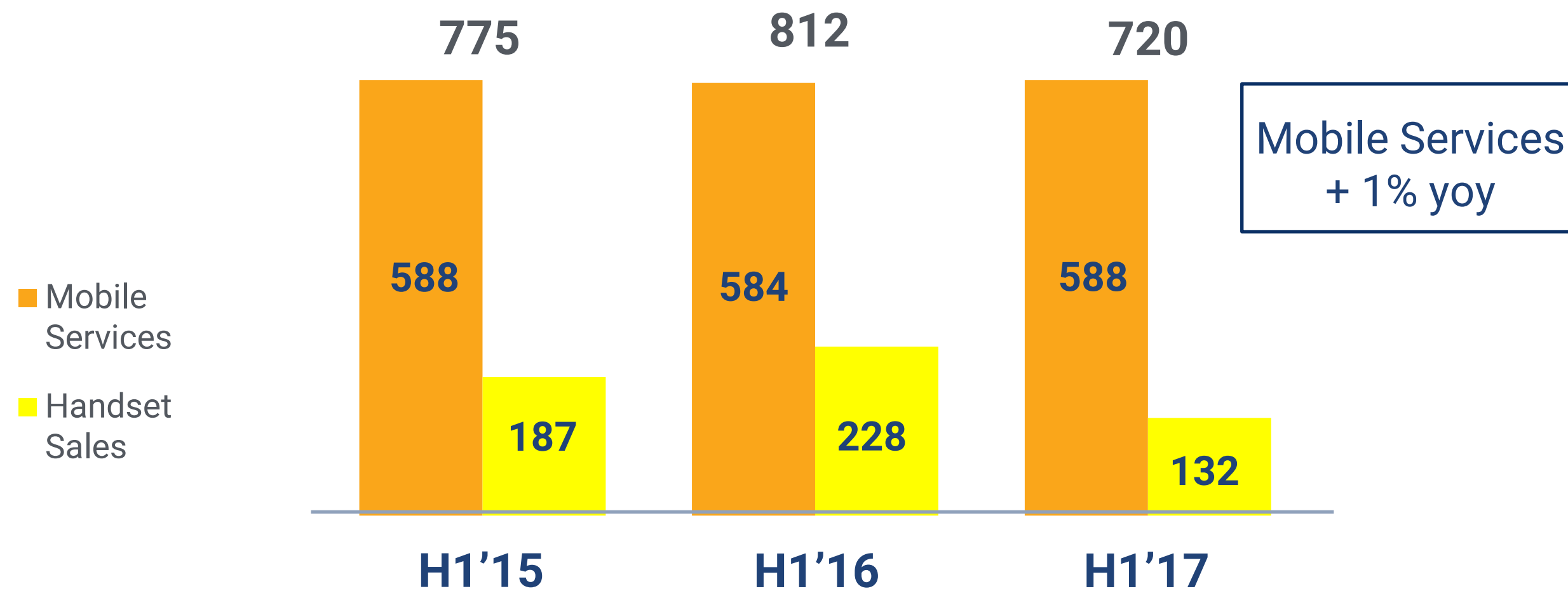
TSS EBITDA (US\$ million)



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

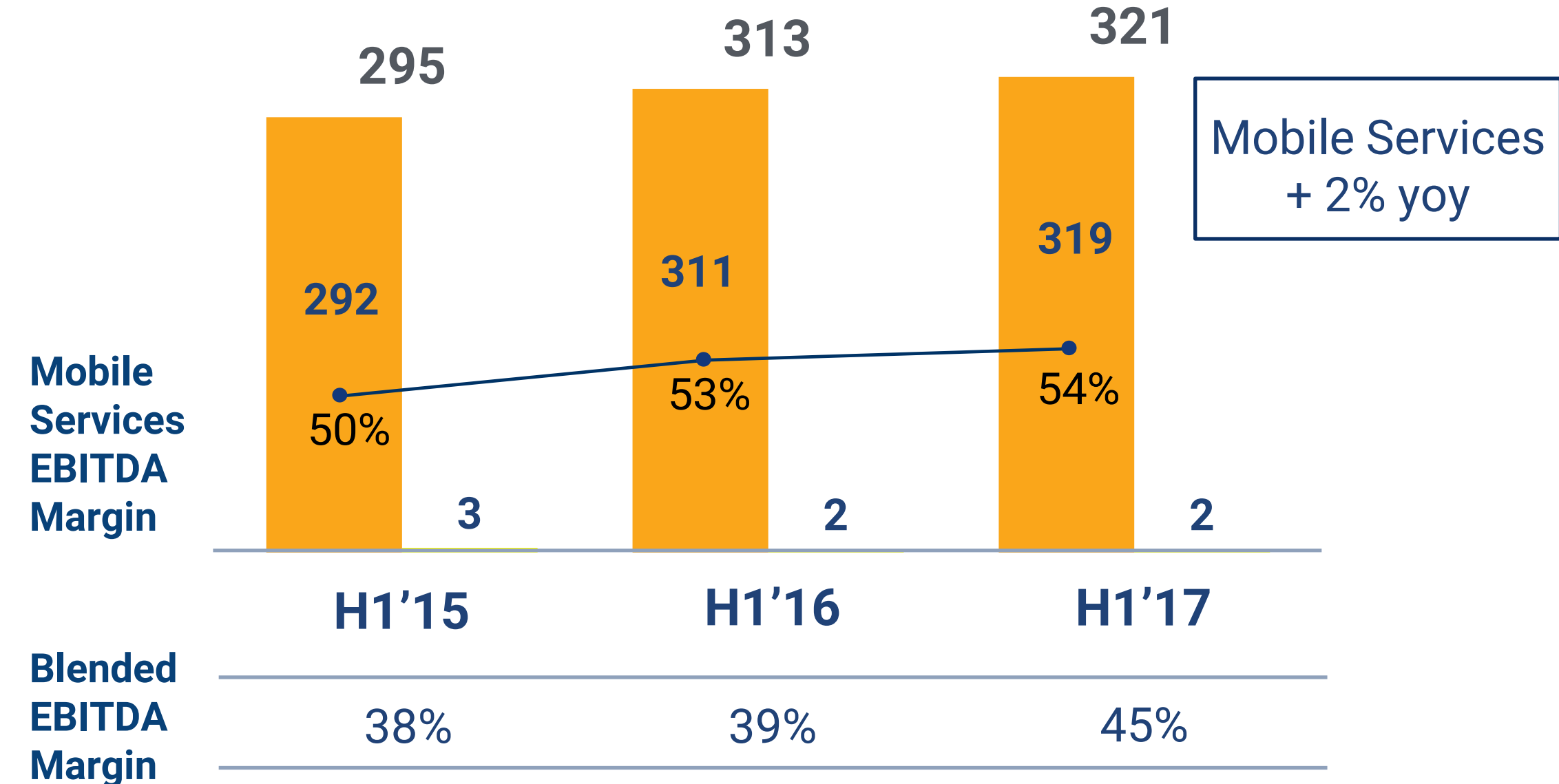
Mobile Withstood Intense Industry Competition

Mobile Revenue (US\$ million)



- Increase in Mobile Services revenue driven by postpaid subscriber additions, upgrading to premium 1010 service and higher data demand; offset by decline in IDD & roaming revenue and extensive price competition
- Post-paid customers up 2% yoy to 3.168M , and post-paid exit ARPU increased to HK\$230 from HK\$228 a year ago
- Handset sales dropped by 42% due to the absence of marquee handsets during the period

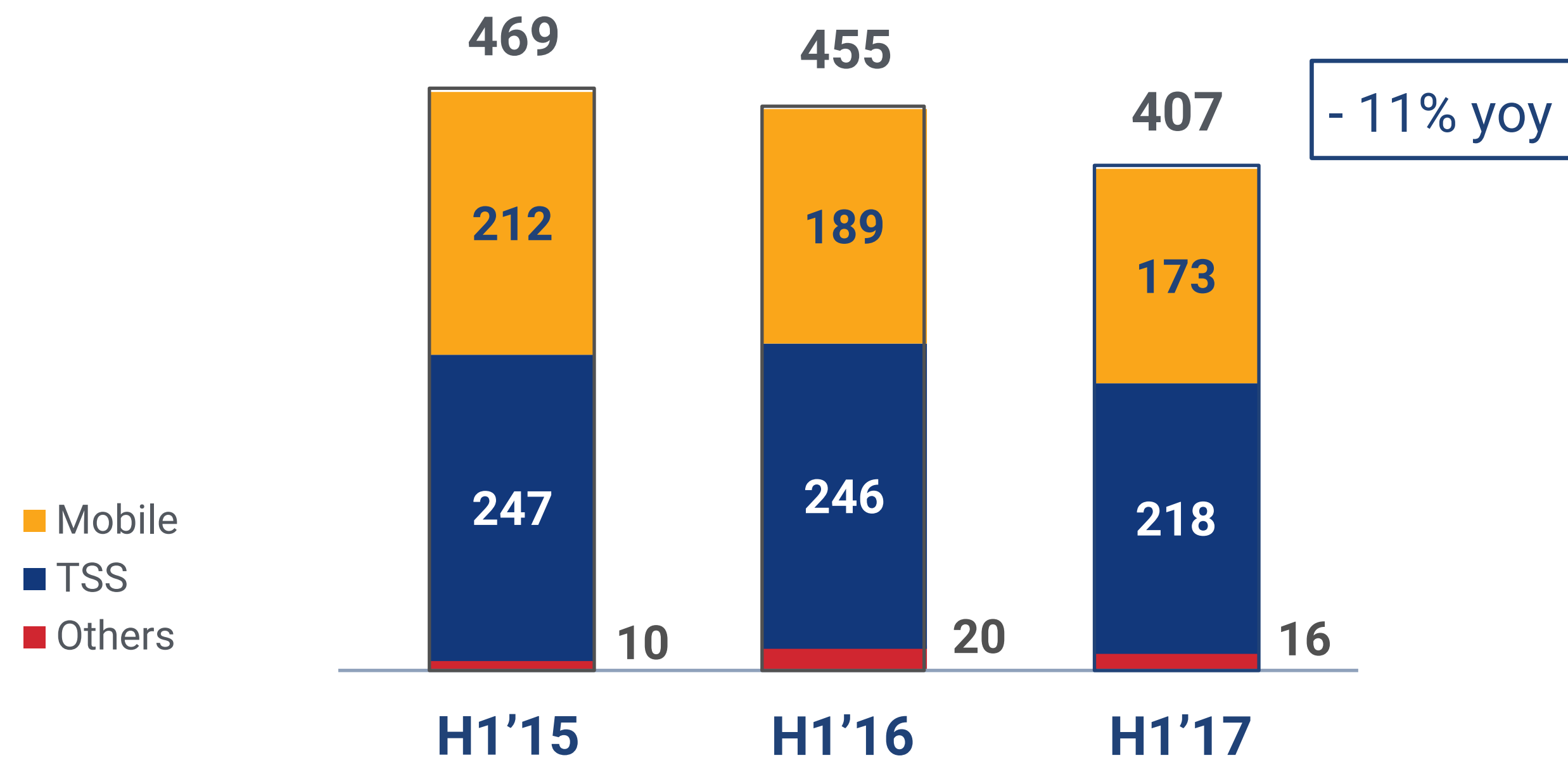
Mobile EBITDA (US\$ million)



- Total Mobile EBITDA up 3% in H1'17, while Mobile Services EBITDA grew by 2% yoy
- Mobile Services EBITDA margin further improved to 54% reflecting recurring cost synergies achieved from CSL integration completed in Q3'16 and additional operational efficiencies during the period

Deliberate Strategy of Achieving Cost Efficiencies

Operating Expenses (US\$ million)

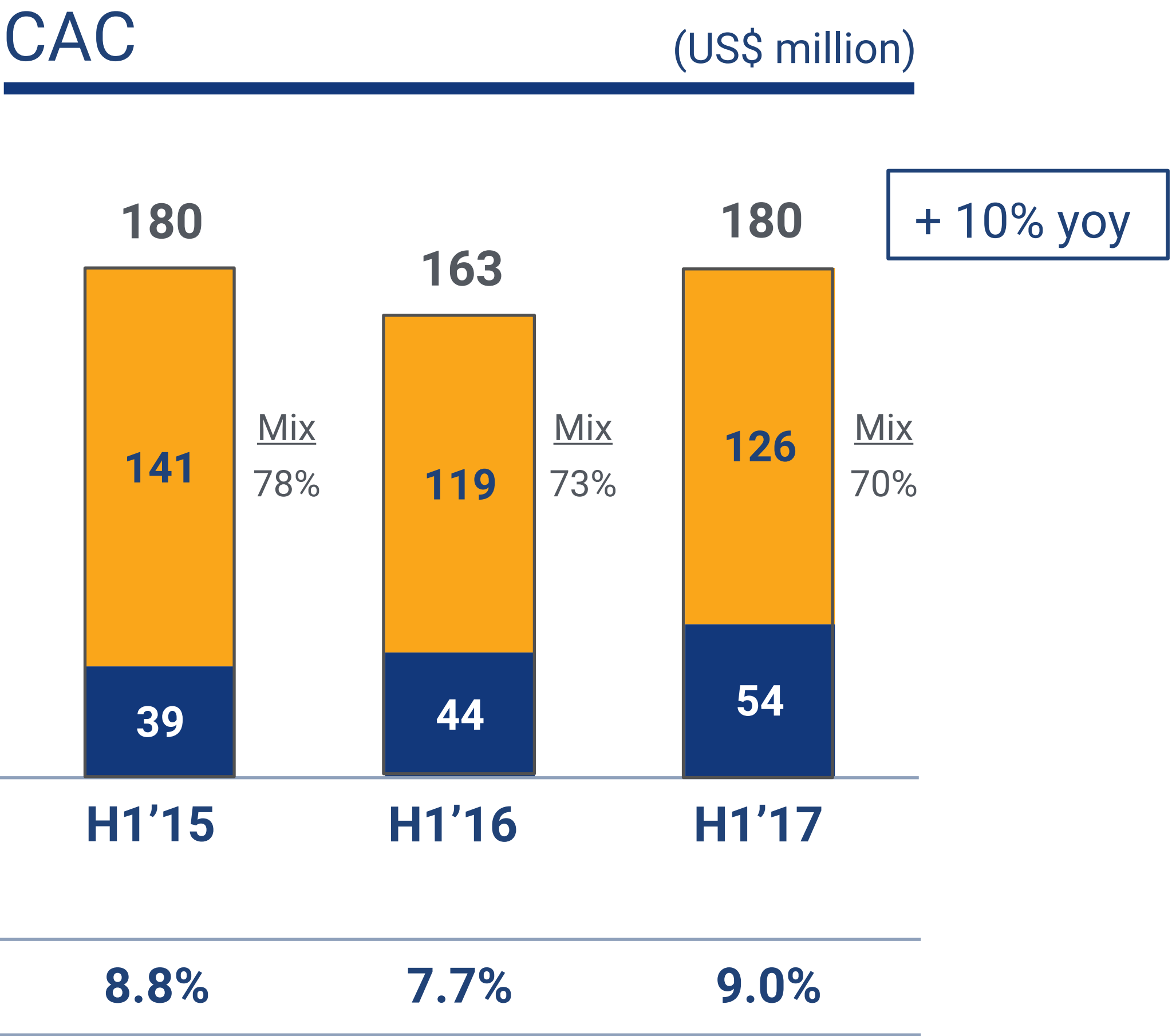


- Achieved opex improvement of 11% in H1'17, benefiting from the recurring cost synergies from CSL integration and additional operating efficiencies

Opex to Revenue Ratio:

Period	Opex to Revenue Ratio
H1'15	22.9%
H1'16	21.7%
H1'17	20.3%

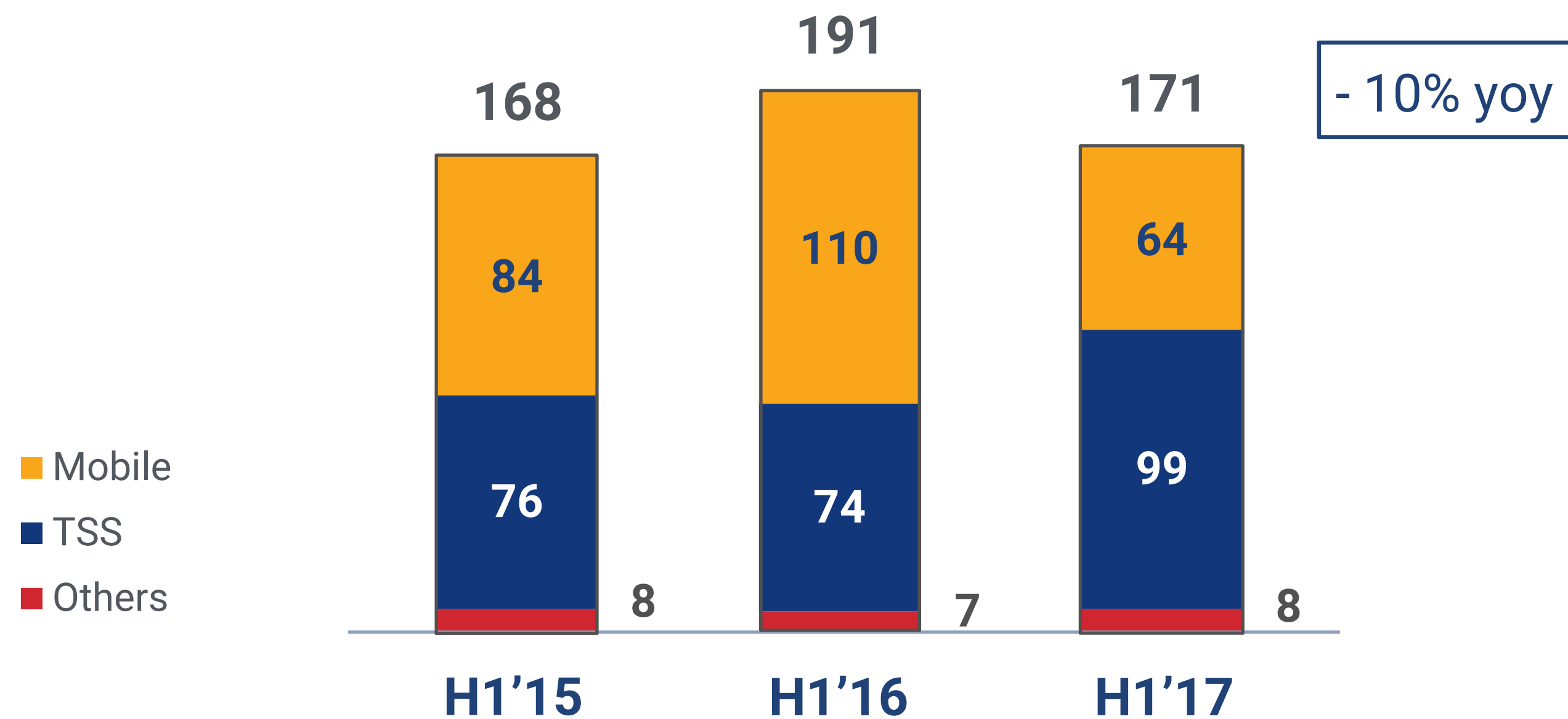
Customer Acquisition Costs Support Business Growth



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

Capex Investments to Support Customer Demands

Capex (US\$ million)



Capex to Revenue Ratio:

Period	Ratio
H1'15	8.2%
H1'16	9.1%
H1'17	8.5%

- Capex to revenue ratio improved to 8.5%, within 10% guidance
- Lower Mobile capex reflecting the completion of CSL integration in the 3rd quarter of 2016
- Increased TSS capex to meet demand for fiber broadband services and customized network solutions for enterprises

Adjusted Funds Flow (US\$ million)

	H1'15	H1'16	H1'17	YoY Better/ (Worse)
EBITDA	740	752	765	+ 2%
Less cash outflows in respect of:				
Customer acquisition costs and licence fees	(195)	(177)	(194)	
Capital expenditures	(167)	(189)	(167)	
Adjusted Funds Flow before tax paid, net finance costs paid and changes in working capital	378	386	404	+ 5%
Adjusted for:				
Tax payment	(10)	(10)	(18)	
Net finance costs paid	(56)	(53)	(54)	
Changes in working capital	(62)	(60)	(59)	
Adjusted Funds Flow for the period	250	263	273	+ 4%
Adjusted Funds Flow per Share Stapled Unit (HK cents)	25.79	27.09	28.12	
Interim Distribution per Share Stapled Unit (HK cents)	25.79	27.09	28.12	

Income Statement (US\$ million)

	H1'15	H1'16	H1'17	YoY Better/ (Worse)
Revenue	2,048	2,101	2,006	(5)%
Cost of sales	(839)	(894)	(834)	+ 7%
Opex	(469)	(455)	(407)	+ 11%
EBITDA	740	752	765	+ 2%
Depreciation & amortization expenses	(409)	(362)	(364)	
Net other gains	4	1	—	
Net finance costs	(81)	(62)	(67)	
Share of results of associates & JVs	(2)	(1)	1	
Profit before income tax	252	328	335	+ 2%
Income tax	(22)	(30)	(28)	
<i>Effective tax rate</i>	9%	9%	8%	
Profit for the period	230	298	307	
Attributable to:				
Holders of Share Stapled Units	228	297	306	+ 3%
Non-controlling interests	2	1	1	

Solid Financial Position

Affirmed by Investment Grade Credit Ratings

**BBB/Baa2
Investment
Grade Rating**

(US\$ million)	As of Dec 2015	As of Dec 2016	As of Jun 2017
Gross Debt ⁽¹⁾	4,724	4,974	4,974
Gross Debt to EBITDA ⁽²⁾	3.05x	3.06x	3.03x
Cash Balance ⁽³⁾	483	427	330
Undrawn Facilities	709	774	761
Total	1,192	1,201	1,091

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

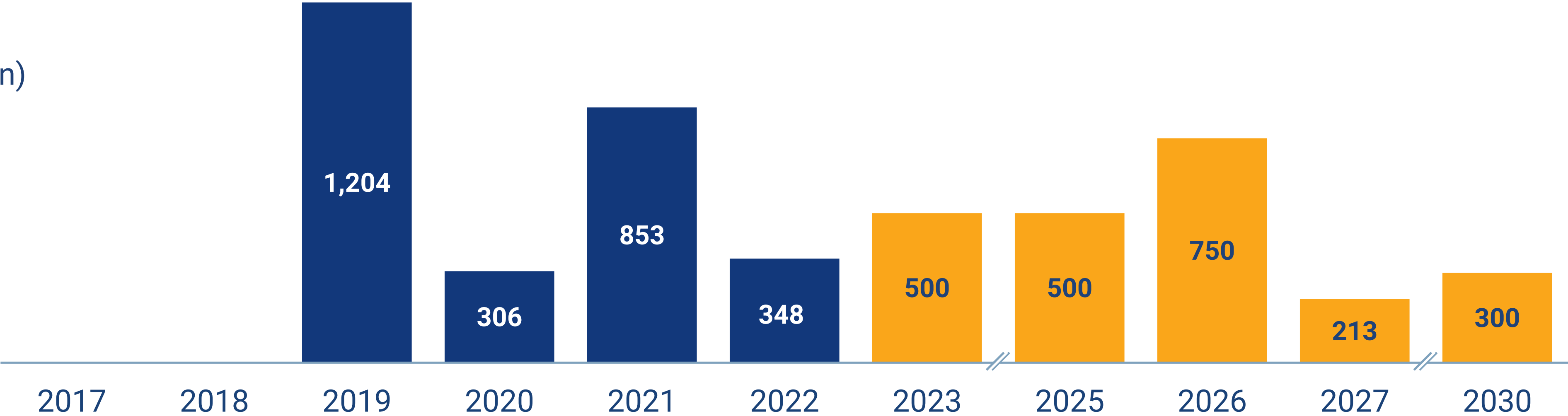
(2) Based on gross debt as at period end divided by EBITDA for the 12-month period

(3) Including short-term deposits

Debt Maturity Profile

As of June 30, 2017

■ Bank Loans
■ Bonds
(US\$ million)



- Current mix of floating and fixed rated debt is approx. 50:50
- Effective interest rate was approx. 2.6% in H1 2017
- Average maturity was approx. 5.5 years

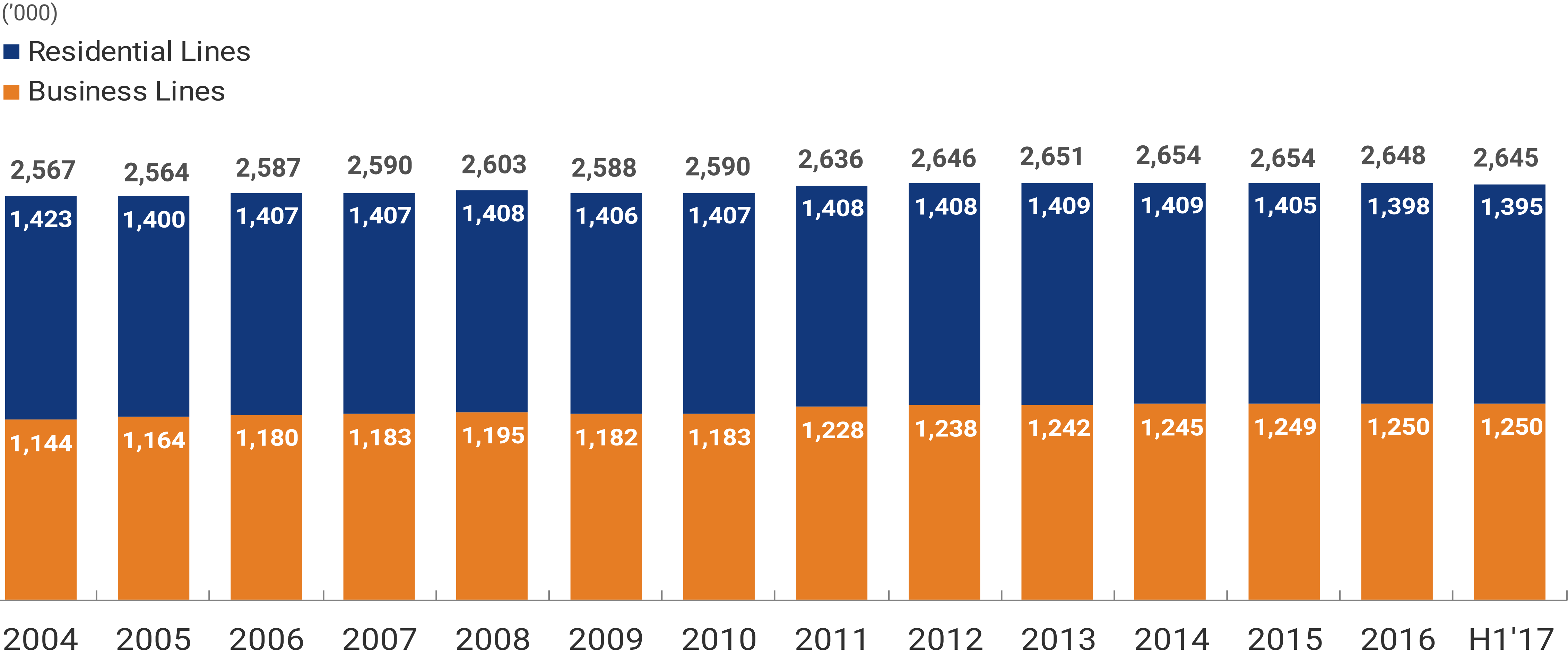
Business Review

Alex Arena

Group Managing Director

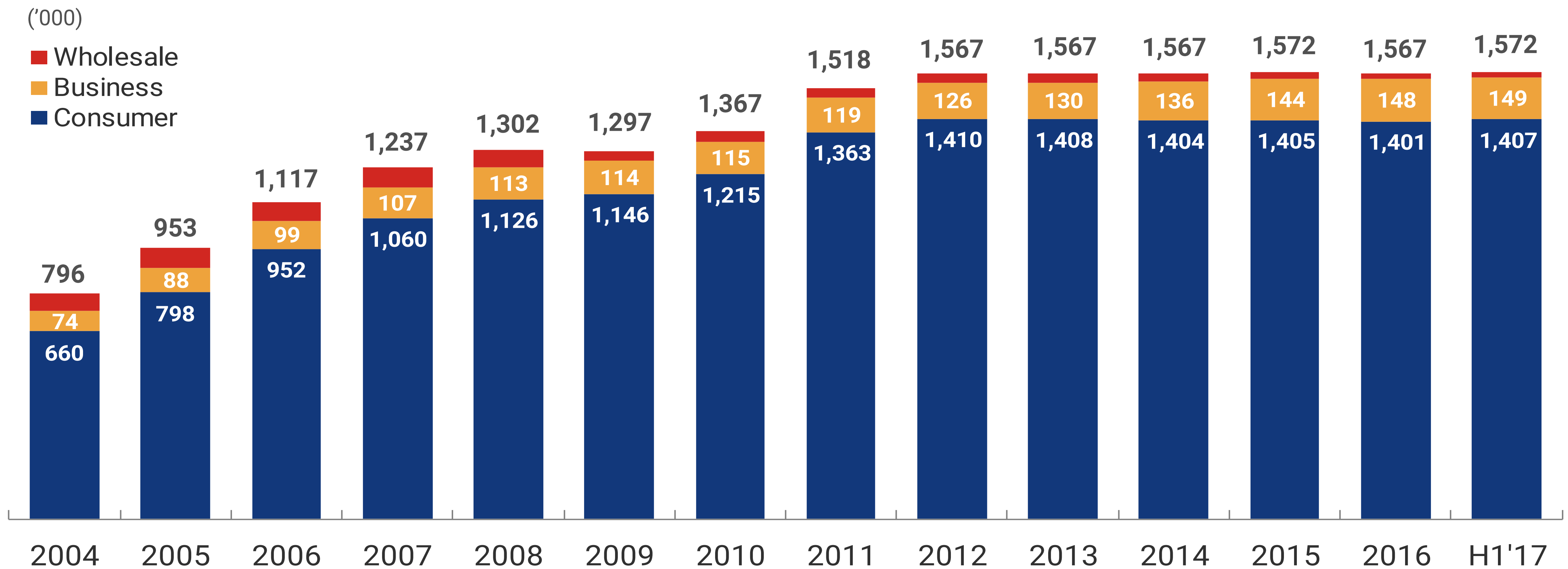
Stable Fixed-line Business

Solid Customer Base Maintained Since 2004

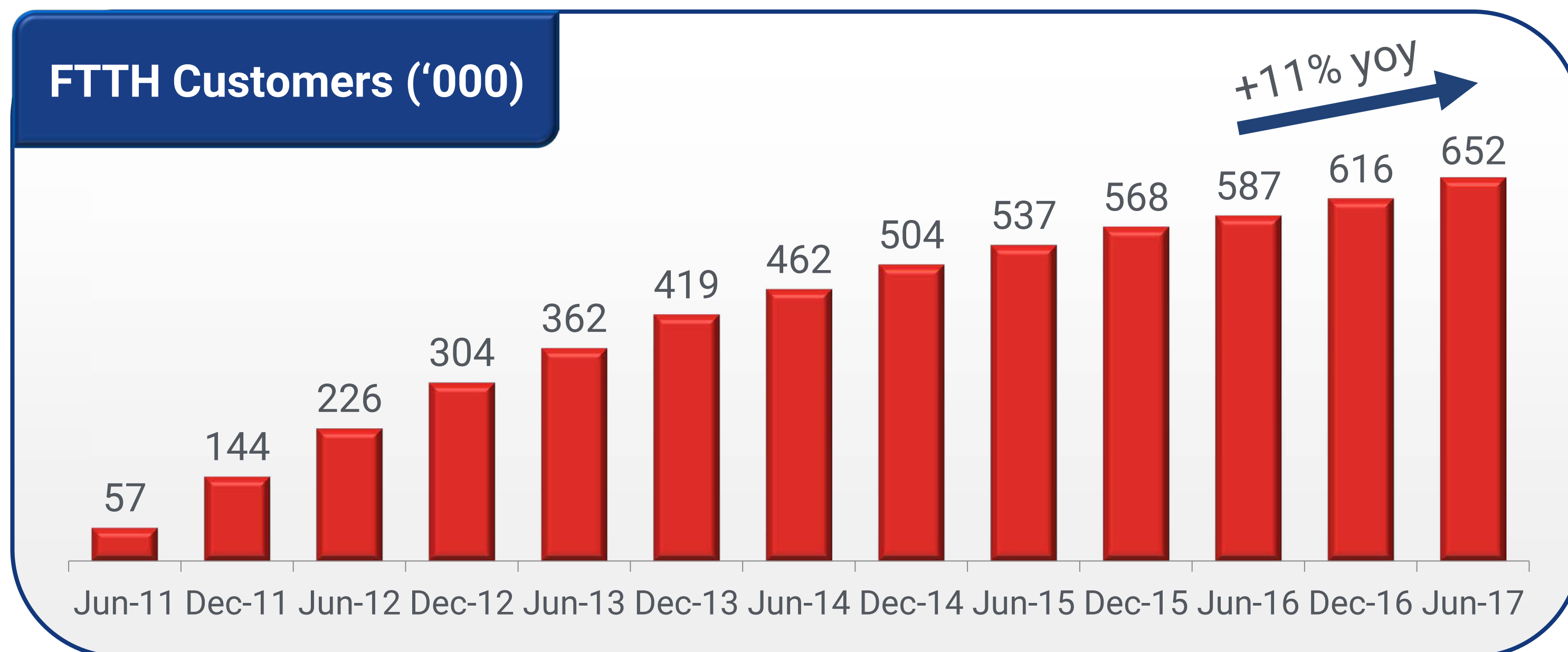


Consolidated Position in Broadband

Consolidated Broadband Market Position and Kept Churn Around 1%

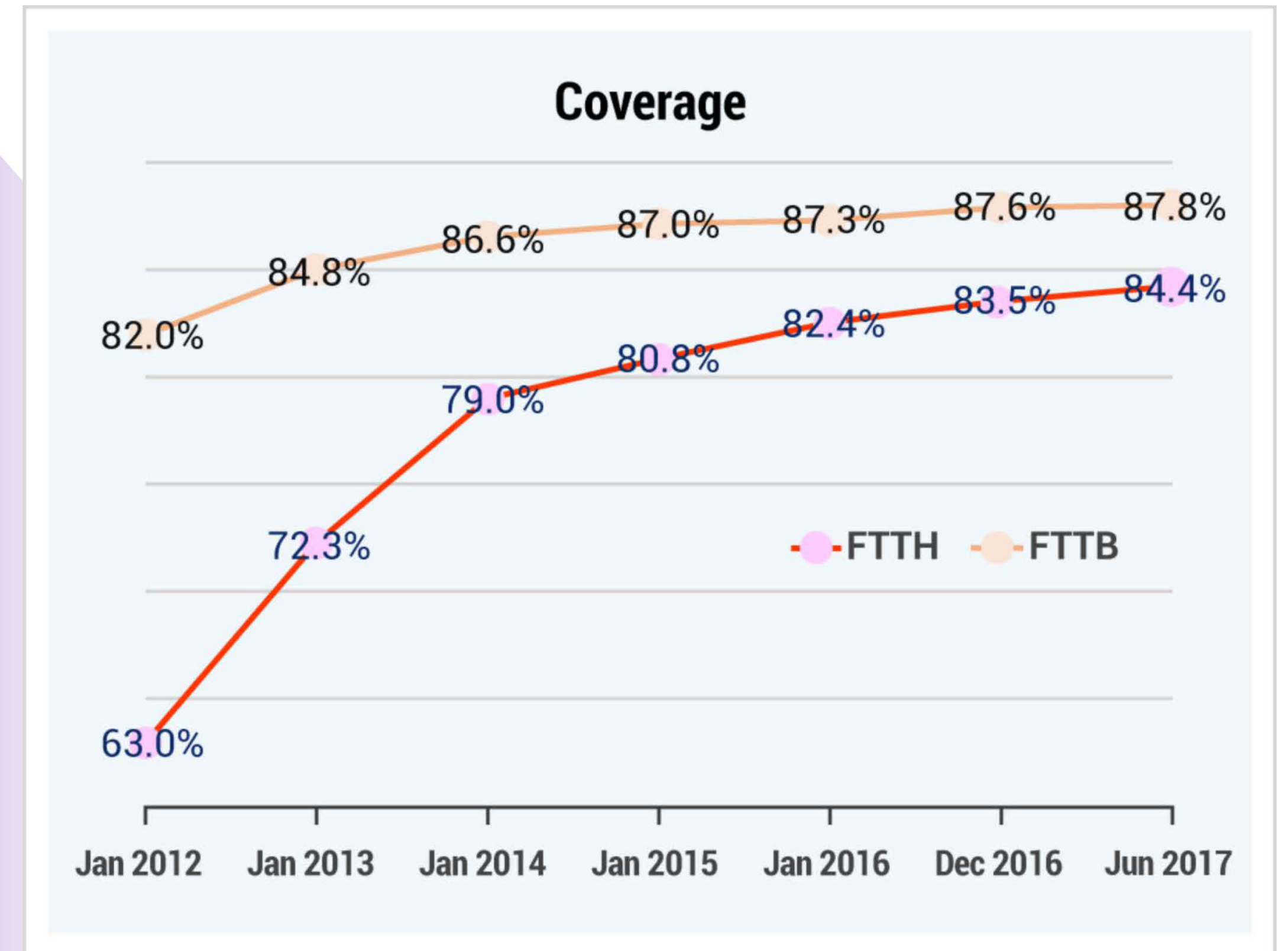
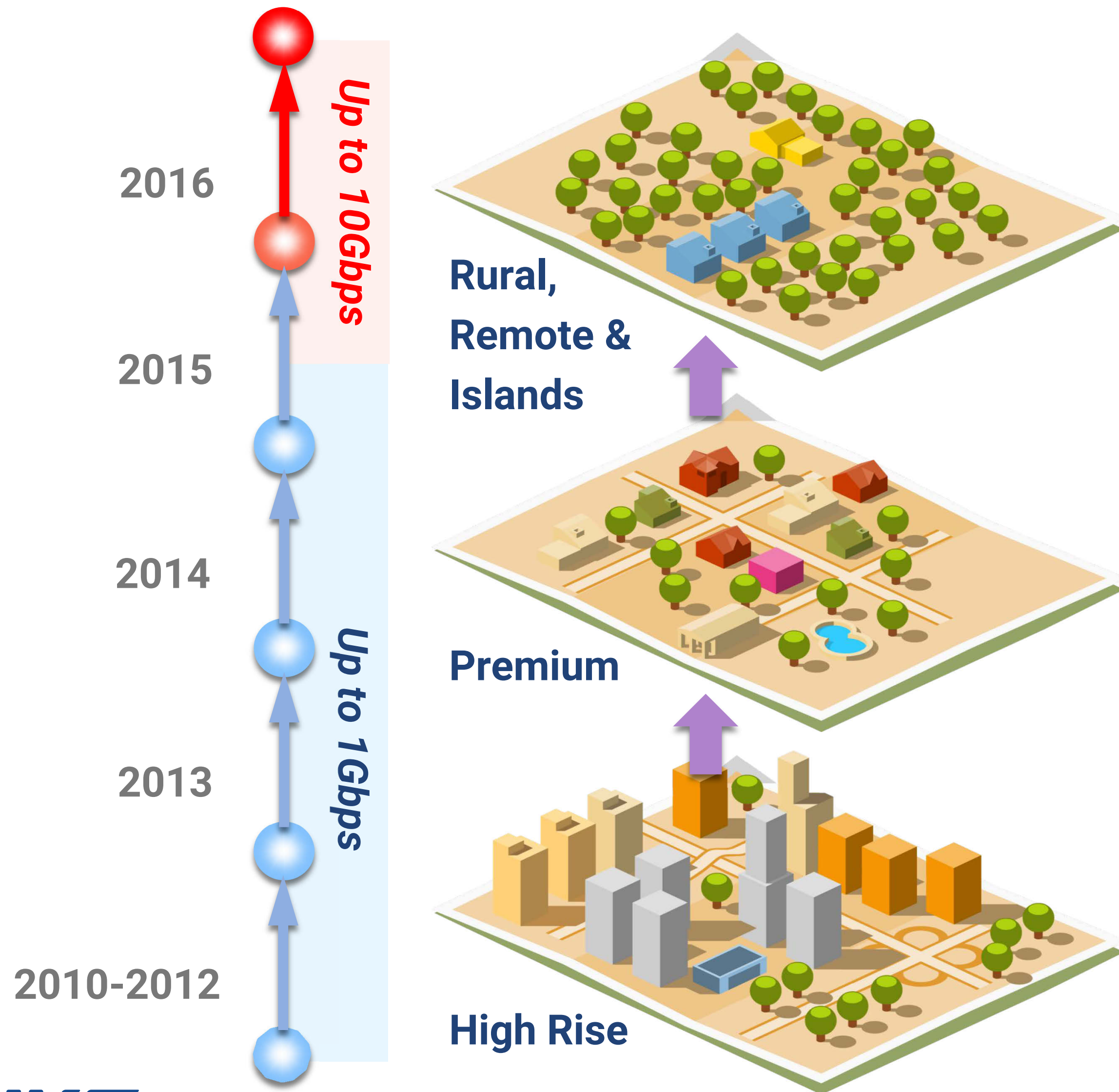


Continued Growth of Fiber Customers



- Continued increase in customer subscription to our Fiber-To-The-Home (FTTH) service and customer upgrades to higher speed, higher price FTTH plans
- 652K customers enjoying genuine FTTH service as of Jun 2017, which represented a net increase of 65K customers or 11% vs. Jun 2016
- 797K customers enjoying high speed service (FTTH and VDSL) as of Jun 2017

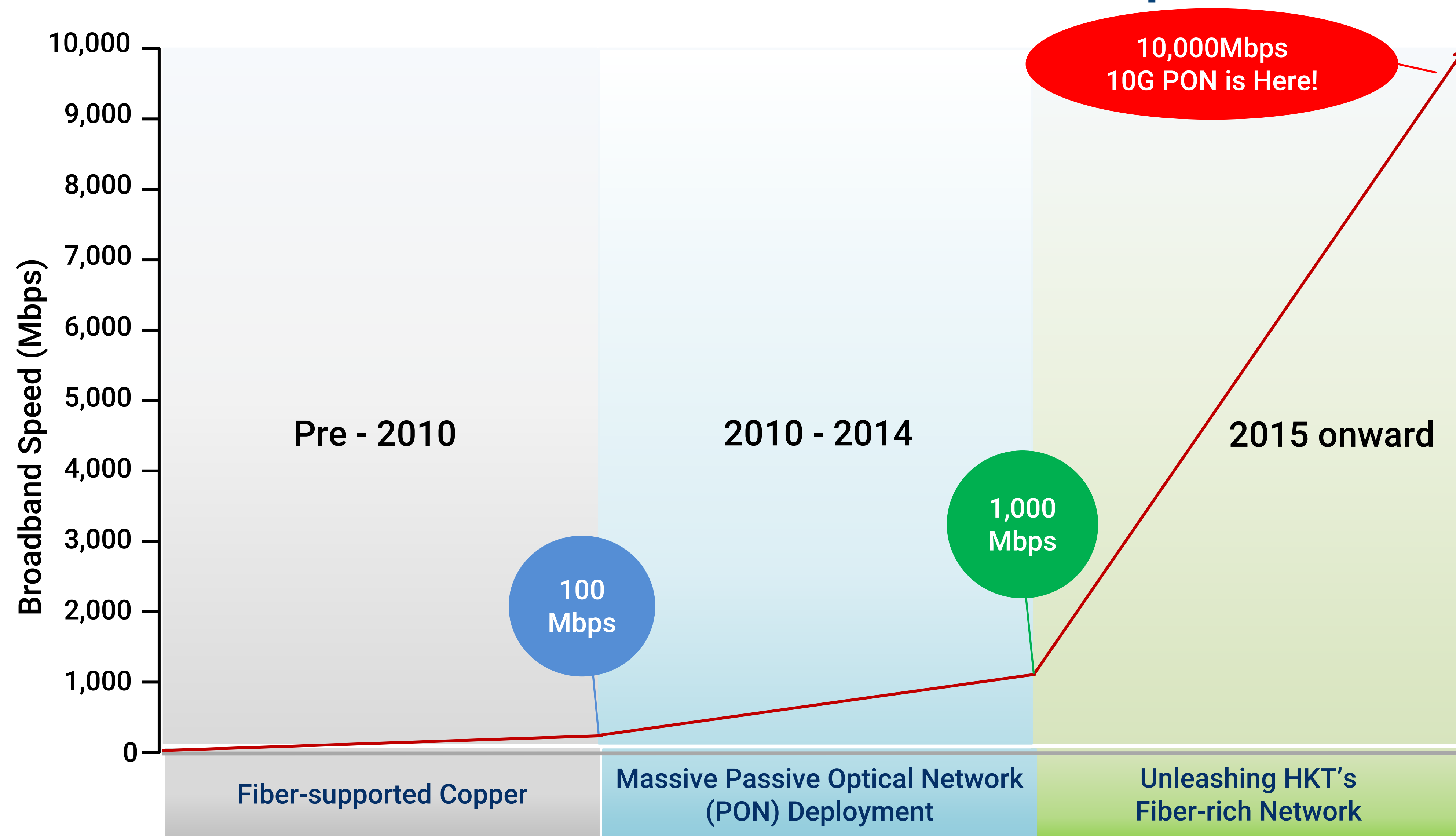
HKT's Path to Territory-Wide Fiber Broadband



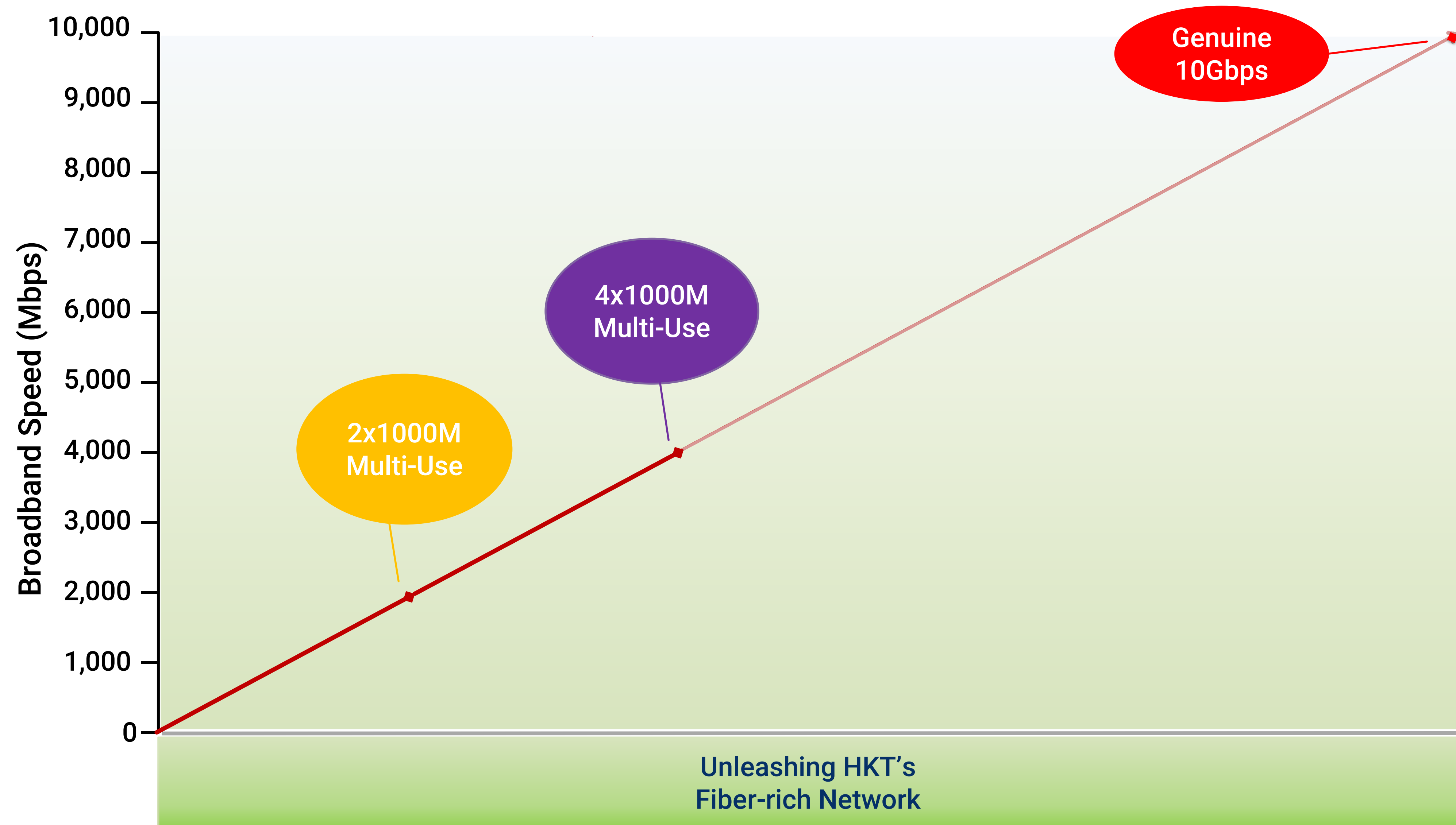
As of Jun 2017, FTTH Coverage has reached 84.4% and FTTB Coverage was at 87.8%

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

HKT's Fiber Broadband Roadmap

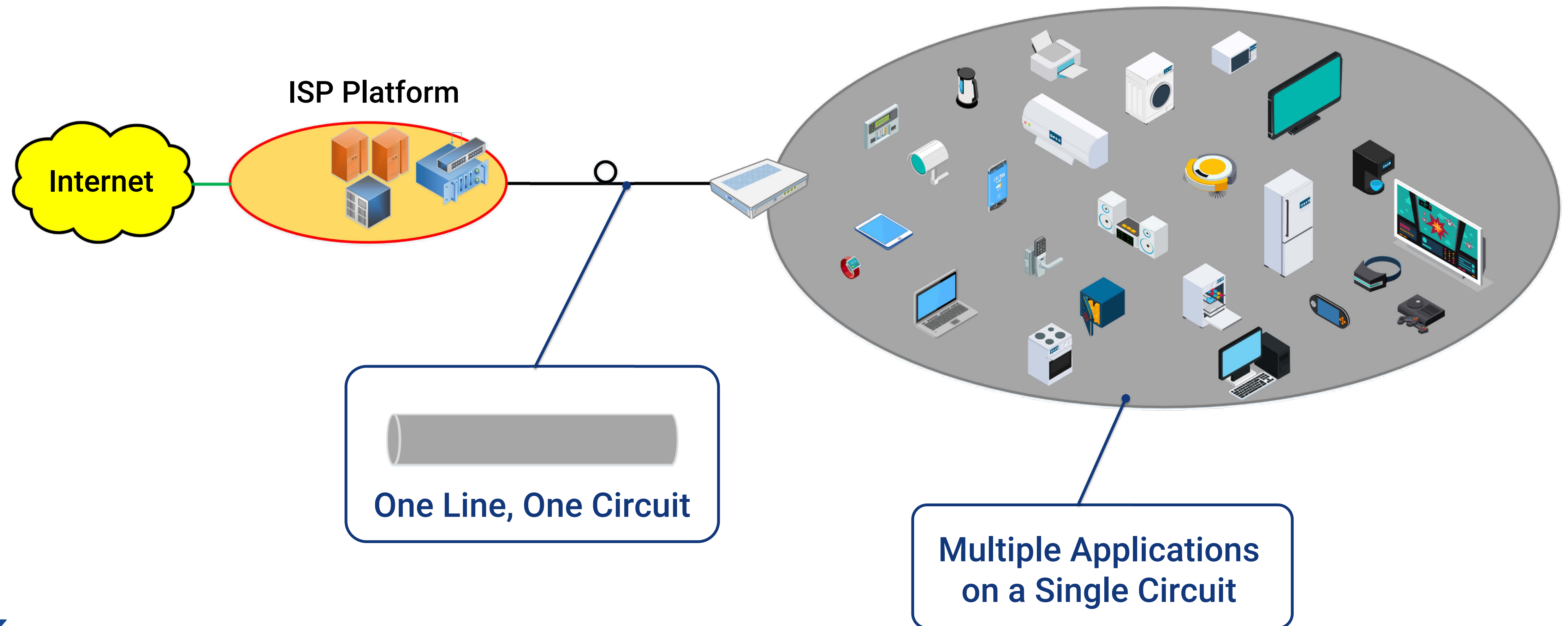


HKT's Fiber Broadband Roadmap



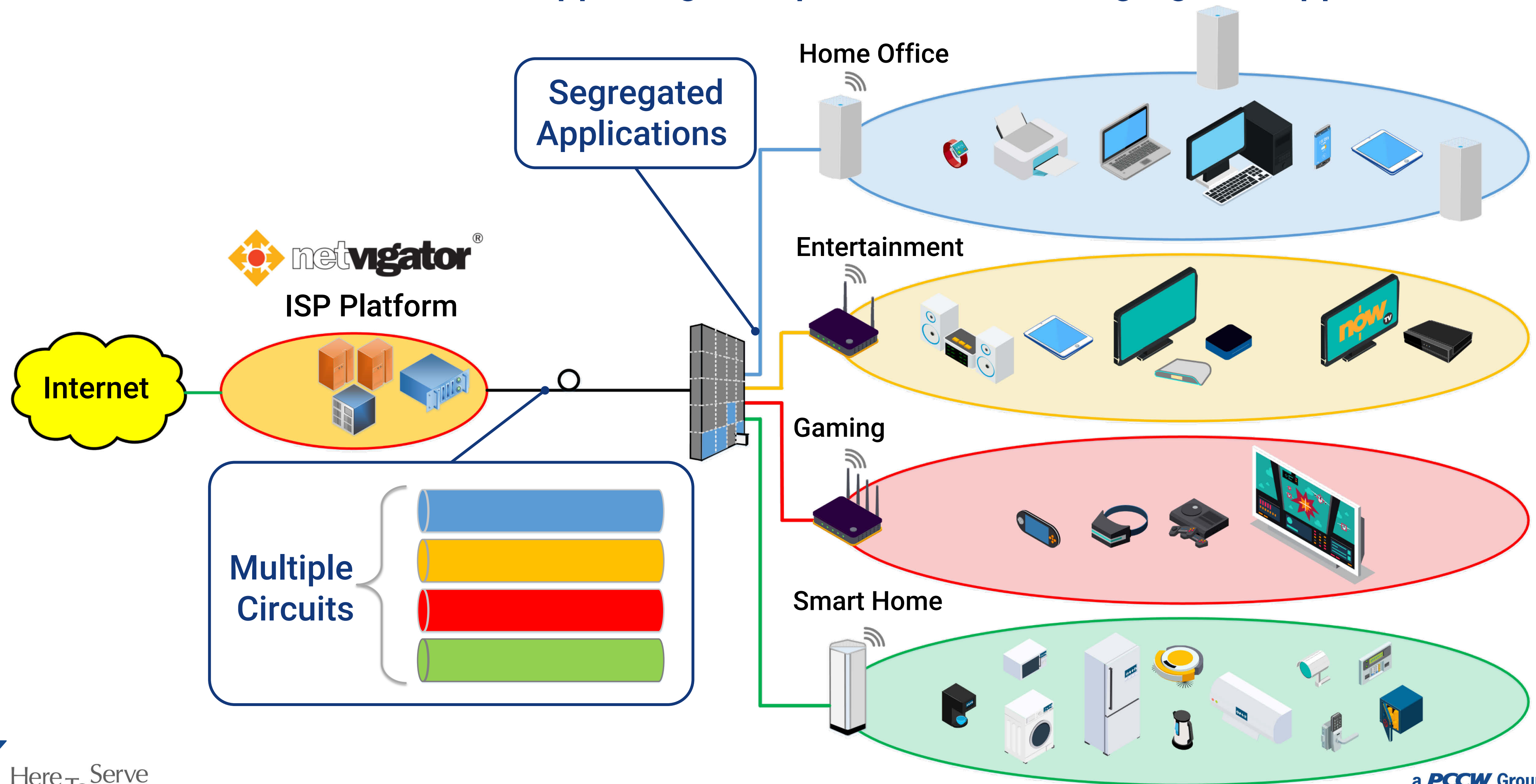
Traditional Broadband Service

Old Network Architecture – One Line, One Circuit with Multiple Applications Tangled Together



4 x 1000M Multi-Use Broadband Service

New Network Architecture Supporting Multiple Circuits and Segregated Applications



HKT Redefines Broadband Service Standard for Consumers

4x1000M Multi-Use Broadband Service



Benefit of the New Architecture

- Supports multiple applications with traffic segregation
- Dedicated circuit for each application while maintaining high speed and quality of service
- Enhanced security

HKT Offers Full Suite of Solutions for the Enterprise and SME Market



Well Established, Resilient Position in the Market

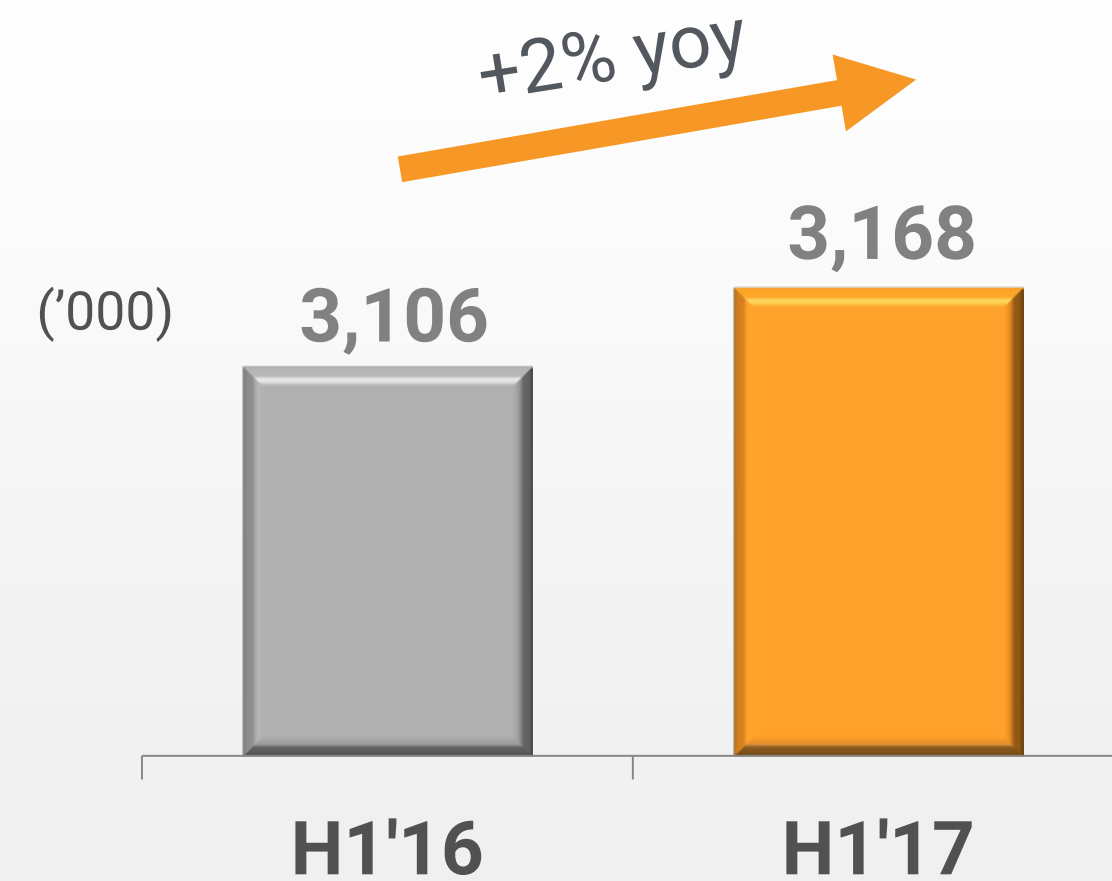
Consolidated Leadership Position in Mobile



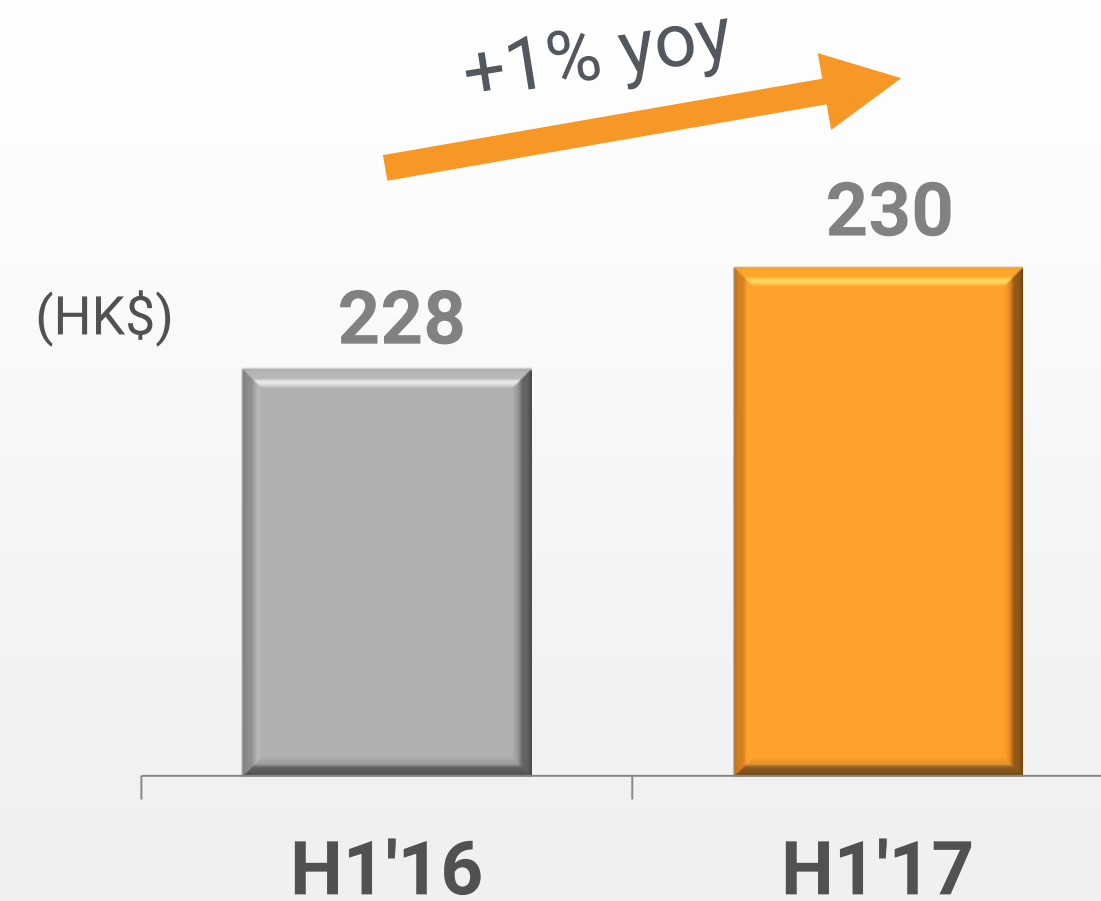
- Total customer base of 4.218M
 - Post-paid customer base of 3.168M
- Post-paid exit ARPU of HK\$230
- IDD and roaming represent 13% of total services revenue
- Mobile data represents 82% of total services revenue
- 82% of post-paid customers are smart device users
- Post-paid churn rate was 1.1%

Mobile Sustains Resilient Growth

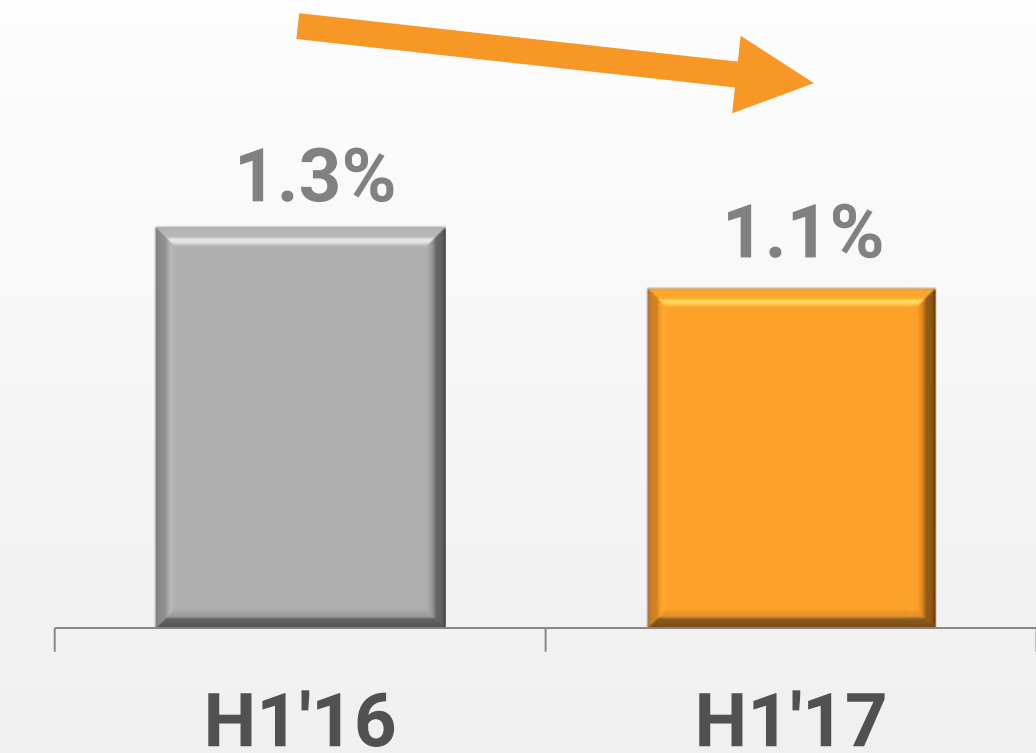
Post-paid Customers



Post-paid Exit ARPU

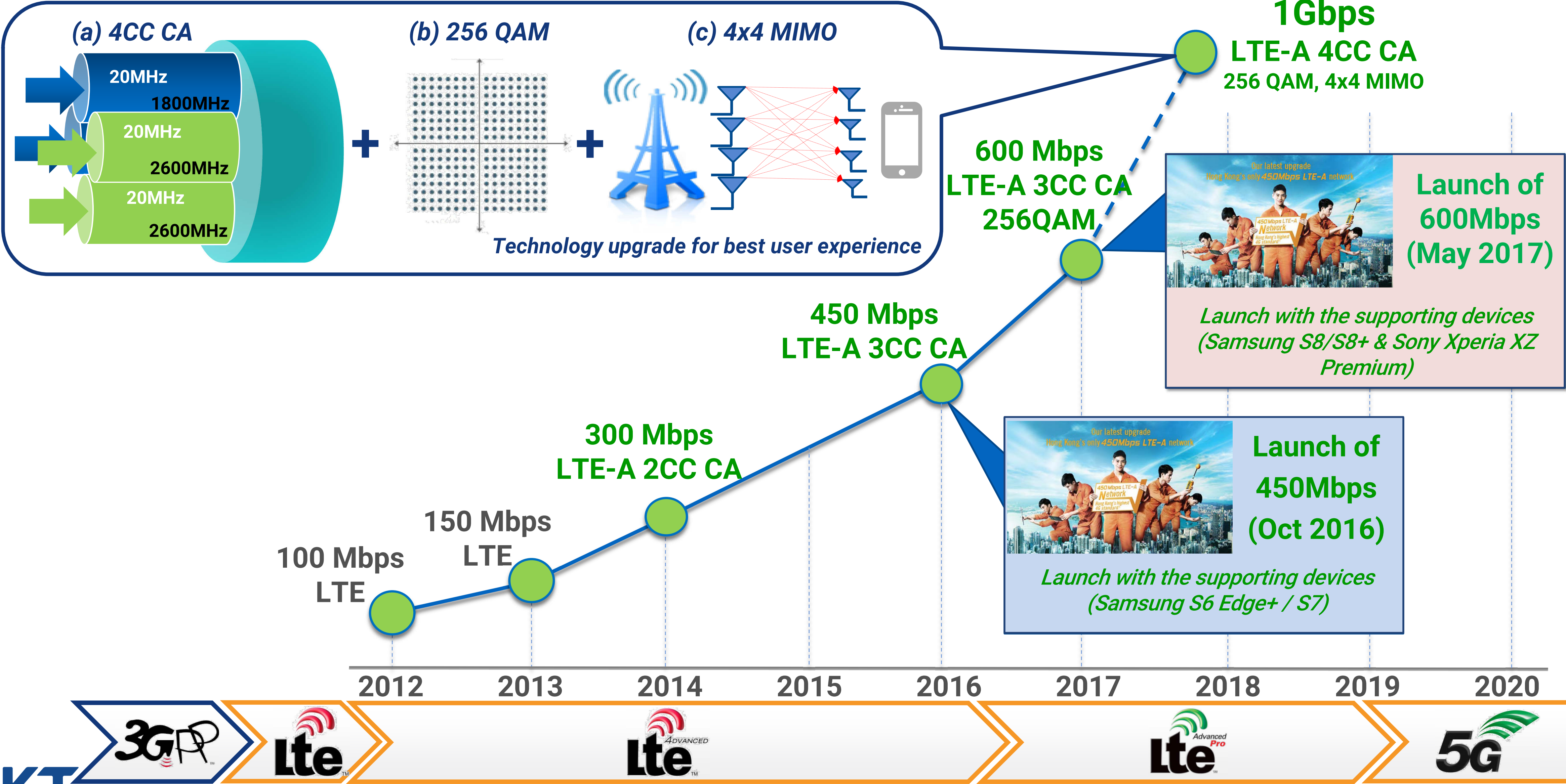


Post-paid Churn Rate



Sustained Improvements in Post-paid Customer Base, ARPU and Churn Rate

Extending HKT's Mobile Network Leadership



HKT is Building a 5G Ready Infrastructure

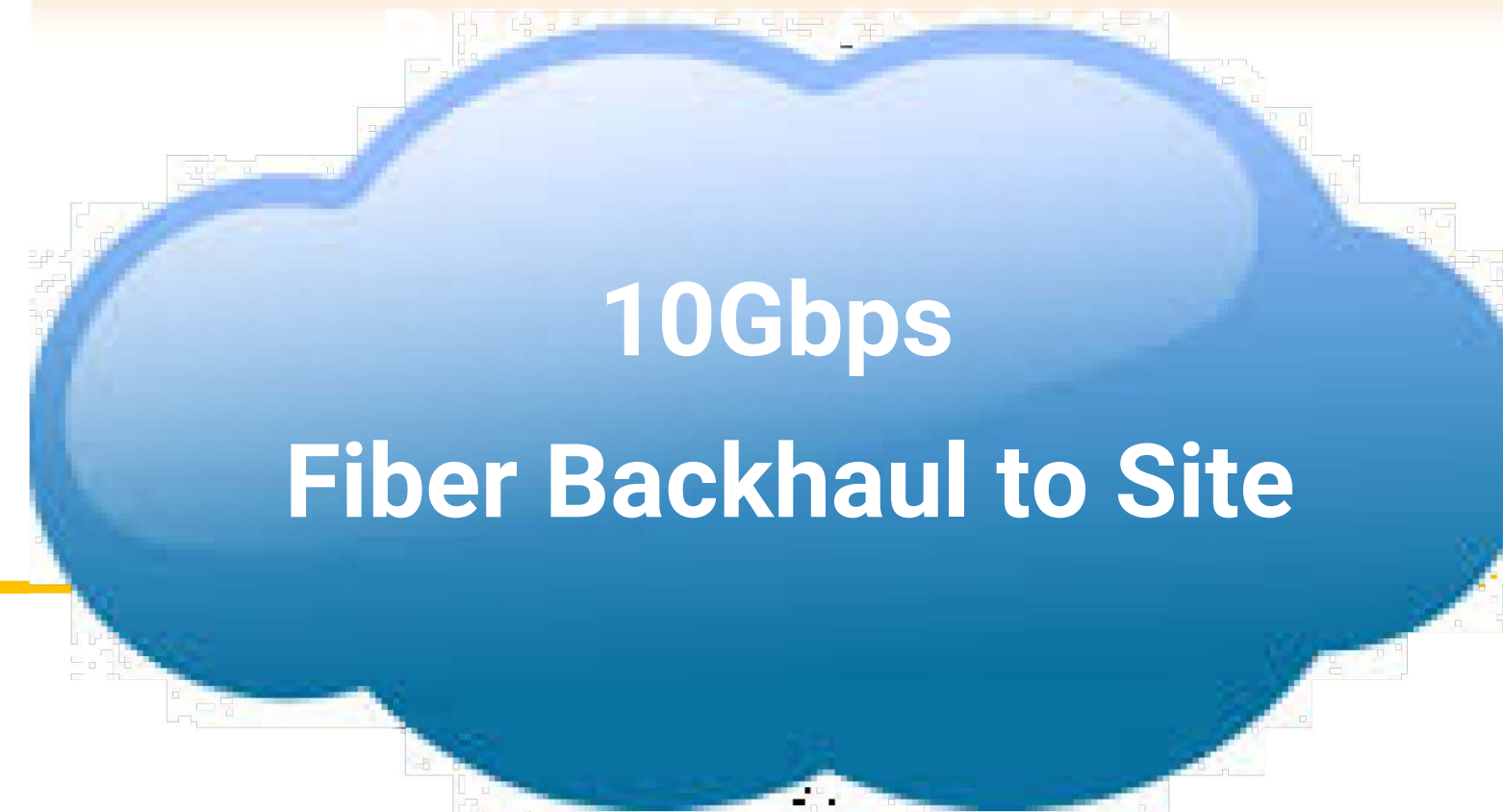
One Sector, One AAU



Direct Fiber to Site
(No copper cable)

- Deploy AAU (Active Antenna Unit) for 4x4 MIMO to support 1Gbps
- Simple to upgrade to future 5G AAU

Massive Rollout of 10Gbps
Backhaul to Sites



10Gbps

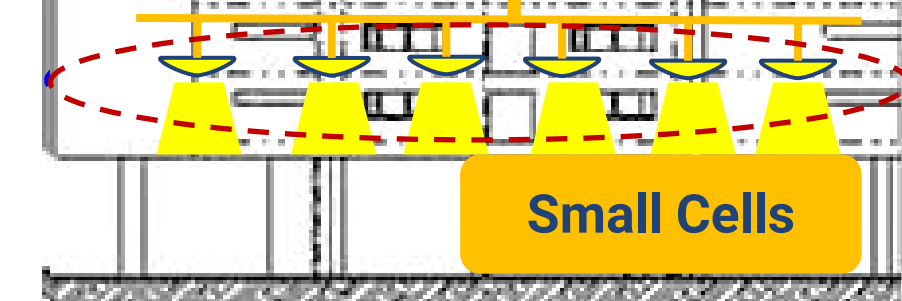
Fiber Backhaul to Site

Mobile Core Network



@ HKT Exchange Buildings

Fiber Cable

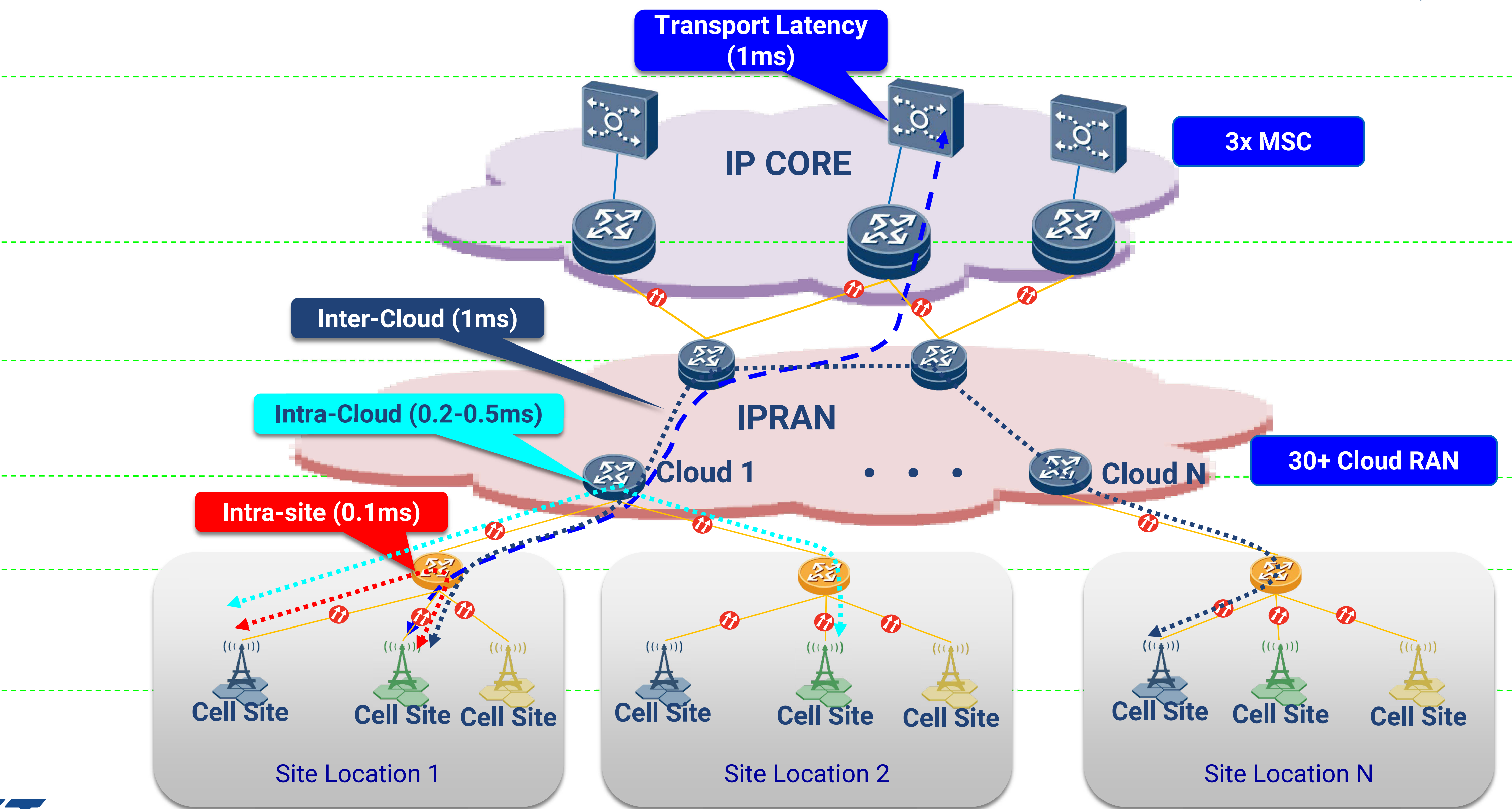


Small Cells

New Indoor System

- Deploy Small Cells connected with Fiber
- Each Small Cell provides dedicated capacity to support peak throughput
- Simple to upgrade to future 5G

5G Backbone Infrastructure: Direct Fiber Design for Low-Latency (1ms)



Highlights



Solid performance demonstrating the resilience of our operations, quality of our networks and strength of our brands amid fierce market competition and a slowly recovering economic environment



Enhancements of our core businesses of broadband and mobile, as well as our new initiatives such as **Tap&Go**[®] and **Smart**  **Charge**[™] to fuel medium to longer term growth



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

Building for Tomorrow, Today