# 2024 Interim Results

For the six months ended 30 June 2024

25 July 2024 – 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.

# Business Overview

**Susanna Hui**
**Group Managing Director**

# Resilient Performance Despite Challenging Economic Conditions

## Total Revenue

**2,137** ↑ 2% YoY

**2,011** ↑ 3% YoY (excluding Mobile Product Sales)

(US$ million)

## Total EBITDA

**791**

(US$ million)

↑ 3% YoY

## Adjusted Funds Flow

**320**

(US$ million)

↑ 3% YoY

**Enterprise Revenue** ↑ 7% YoY

**Mobile Services Revenue** ↑ 5% YoY

**2024 Interim Distribution of 32.92 HK cents per Share Stapled Unit**

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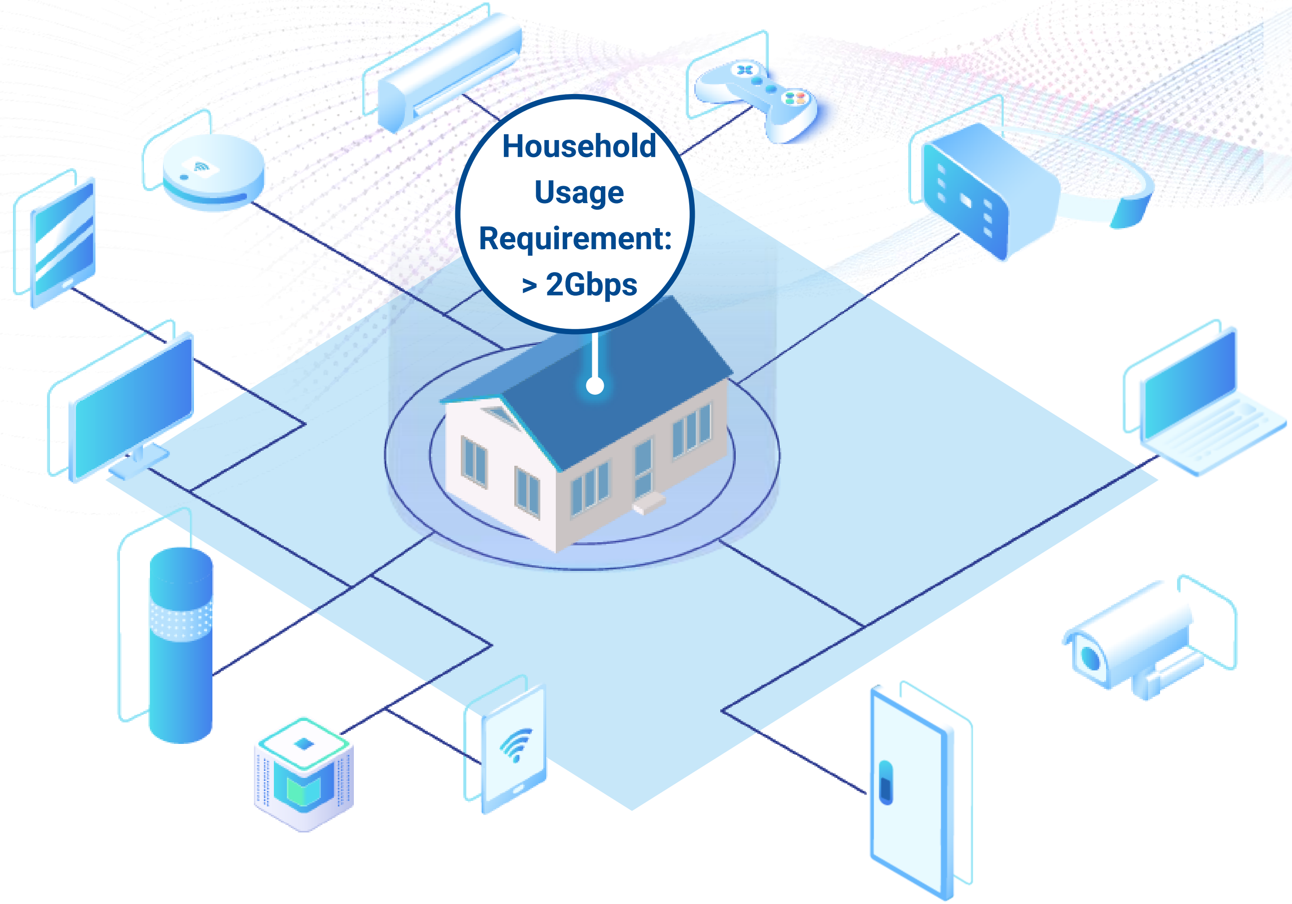
# Differential Integrated Network Connectivity Inside and Out of Home to Enable Tailored, Dynamic Experiences

## Inside Home

2.5G/5G/10G/50G PON FTTH + WTTH + Wi-Fi 7




## Outside Home

Territory-wide 5G Coverage

# Inside Home: Combining Seamless Network Connectivity with Diverse Home Solutions to Innovate Personal and Professional Experiences

## First in Hong Kong to Launch 2.5G/5G/10G/50G PON Services & Complete Home Coverage with Wi-Fi Upgrade

**1G / 2G Service**
**GPON**

Wi-Fi 6
Wi-Fi 6E
**Basic users**

**2.5G / 5G / 10G Service**
**XGSPON**

> 50,000 10G buildings
> 2.4M households

Wi-Fi 7
**Mainstream users**

**NEW 50G PON**

**First in Hong Kong**
Launched in March 2024

Wi-Fi 7
**Advanced users**

**Ultra-High Speed Fibre Based Technology**
Enables new application and activities


Cloud Applications


VR / AR / Cloud Gaming


Ultra-Fast Content Transfer

8K Video


Low Latency Services, Online Trading

**50G Ultra-low latency 1.6ms**

Latency Improves By

**27%** vs. 1G line

**12%** vs. 10G line

# Out of Home: Leveraging Seamless Network Connectivity to Co-lead High-Impact Application Advancement in Targeted Private and Public Sectors

## Targeted Mobile Network Upgrades for High Traffic Areas

- Added 68 new sites for indoor and outdoor coverage enhancement
- Completed the 5G network upgrade at HKIA with 3.5GHz to enhance user experience
- Adding 3.5GHz in MTR to provide extra capacity required for the rising traffic

## High-Impact, Replicable 5G Advanced (5G-A) Applications

- HKT is newly assigned with an additional 200MHz of mmWave spectrum to make a total of 600MHz
- HKT is rolling out mmWave technology onto 5G network, enabling network evolution to support 5G Advanced (5G-A) — the latest standard that delivers super high speed (up to 10x over 5G) and ultra-low latency
- HKT aims to have 5G Advanced coverage in high traffic areas of Golden Bowl by the end of 2024
- Together with the 5G standalone (SA) enabled network, HKT is well positioned to lead the market in 5G-A use case innovation and development through targeted partnerships

**Enhance indoor & outdoor coverage (+68 new sites)**


Central Habourfront Event Space


Kai Tak Sport Park


Immigration Headquarter Tseung Kwan O


**Completed the 5G network upgrade with 3.5GHz at HKIA**

## 5G Advanced Use Cases and Applications

**Support Hong Kong Mega Events**

Ensured uninterrupted service under extreme network loads


Hong Kong Sevens

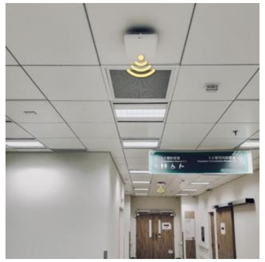

S2O Hong Kong Songkran Music Fest.


Cheung Chau Bun Scrambling Contest

**Precise Location Positioning**

Accurate positioning enables precise push coupon shopping, asset tracking and medical equipment inventory

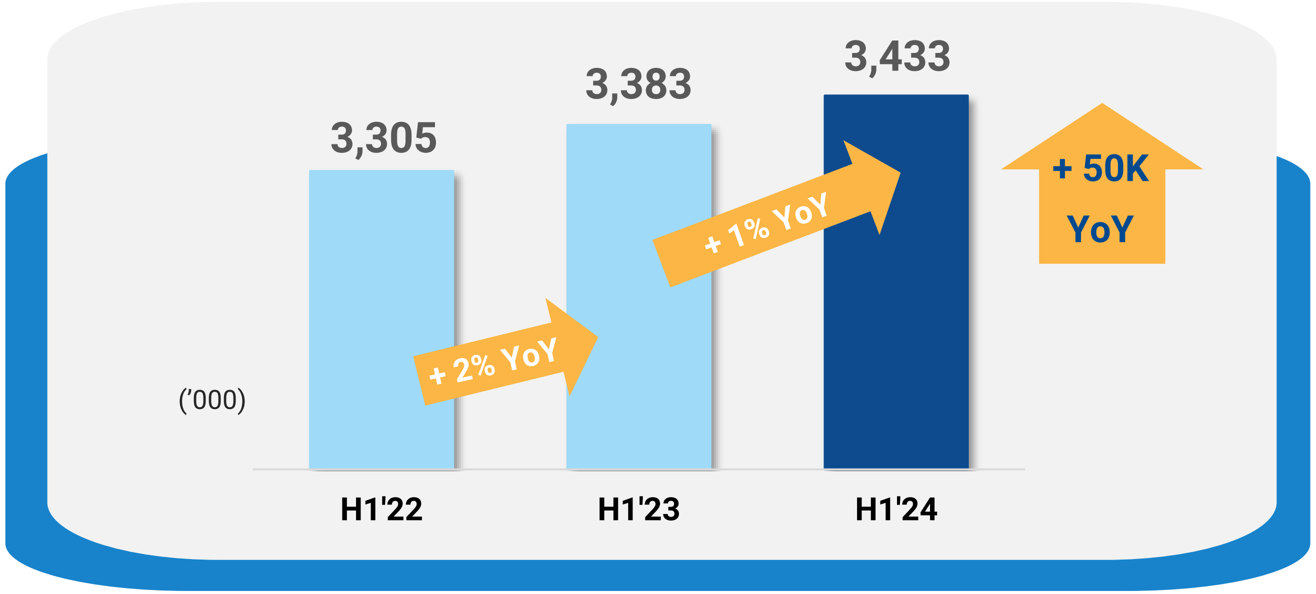

Shopping Malls


Hospitals

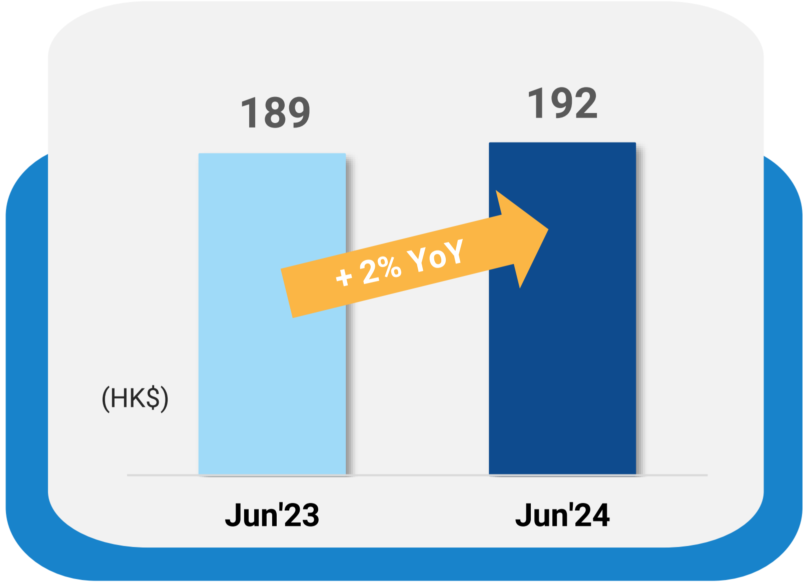

Government Buildings

# Continued Growth of High Value, Loyal Mobile Customer Base with Premium Network, Service and Quad-Play Offering

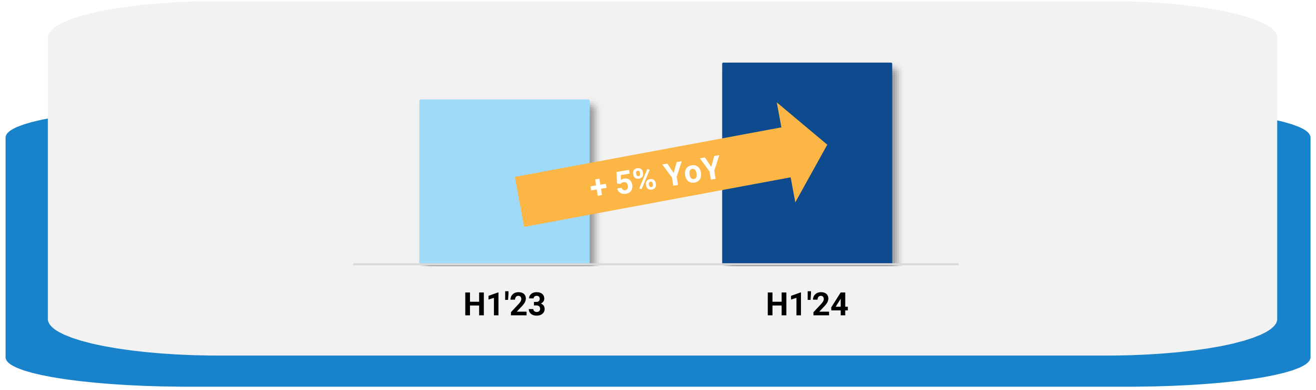
## Continued Growth in Post-paid Customer Base Despite Intense Competition



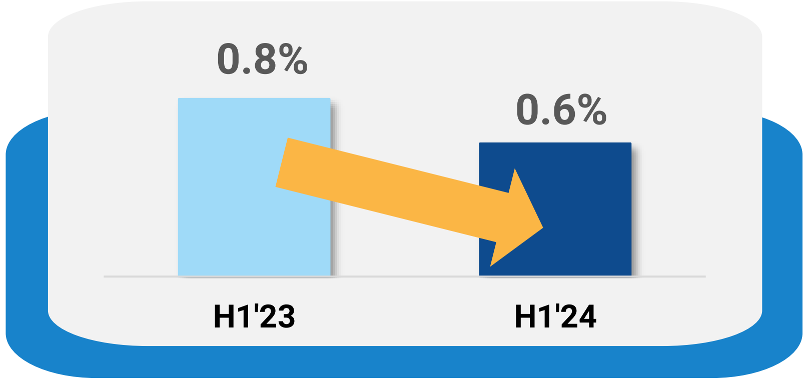

## Post-paid Exit ARPU Uplift From 5G and Roaming Recovery




## Continued Expansion of our Premium 1O1O Customer Base




## Improved Churn Rate for 1O1O Customers

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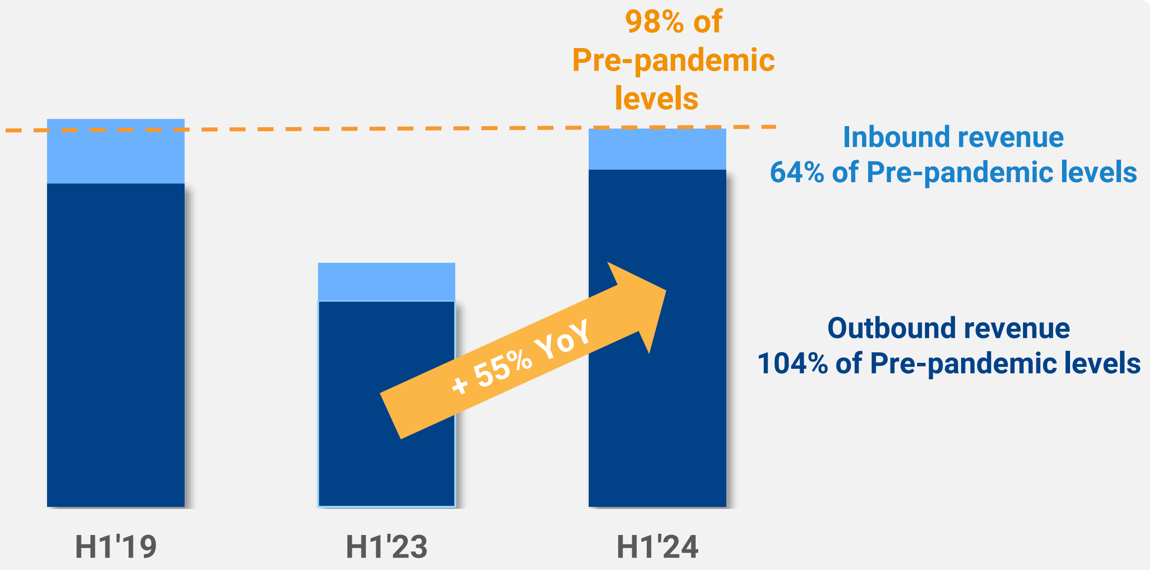
# Roaming Activity Returning to Normal and Emerging Potential in Value-add Travel Services via HKT Ecosystem

## Recovery in Roaming Revenue




- Witnessed a full recovery of outbound roaming revenue in H1’24 with the resurgence of travel activity and diverse roaming packages offering
- Total roaming revenue in H1’24 grew by 55% from H1’23, reaching 98% of pre-pandemic levels, and accounting for 11% of Mobile services revenue which is in line with pre-pandemic levels







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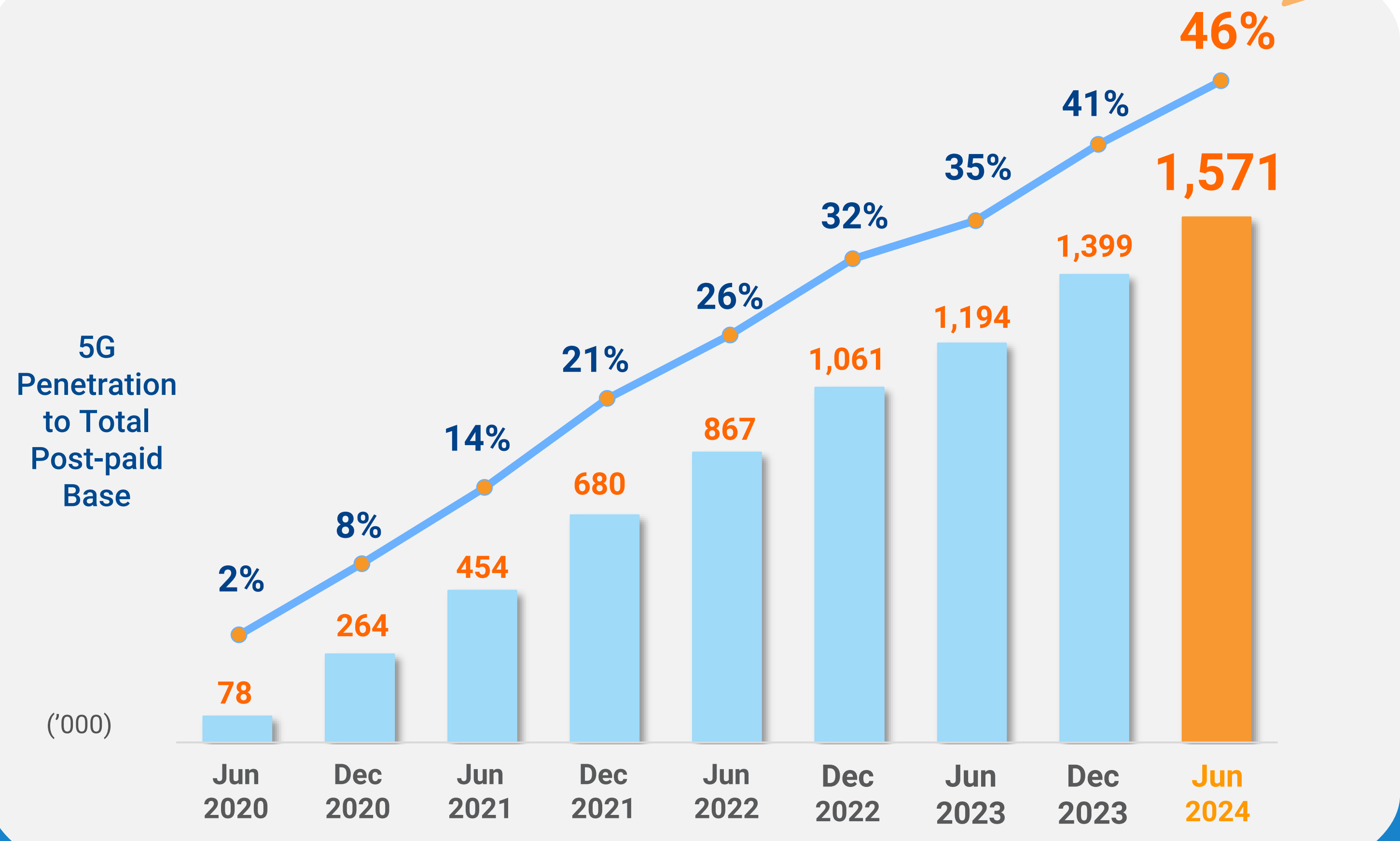
# Continued 5G Adoption and Value Uplift Enabled by Diverse and Integrated Offerings

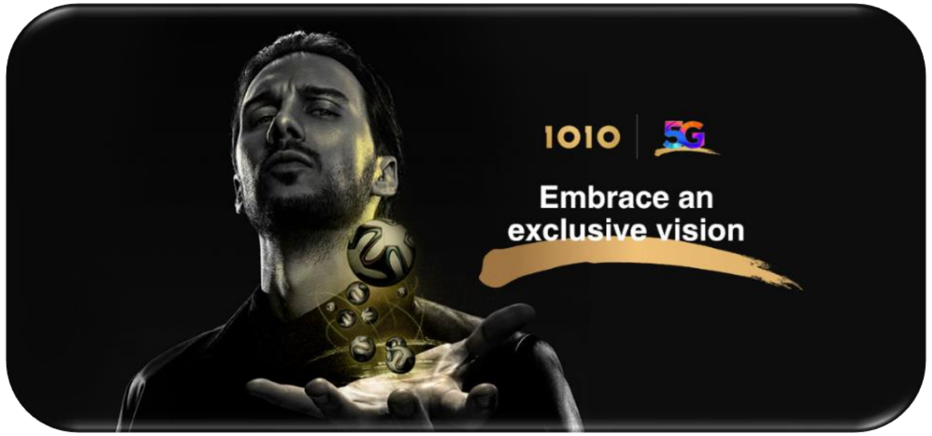
## 5G customers reached 1.571 million

representing 46% penetration of our post-paid base in June 2024

csl / 1010
5G Penetration
**>55%**

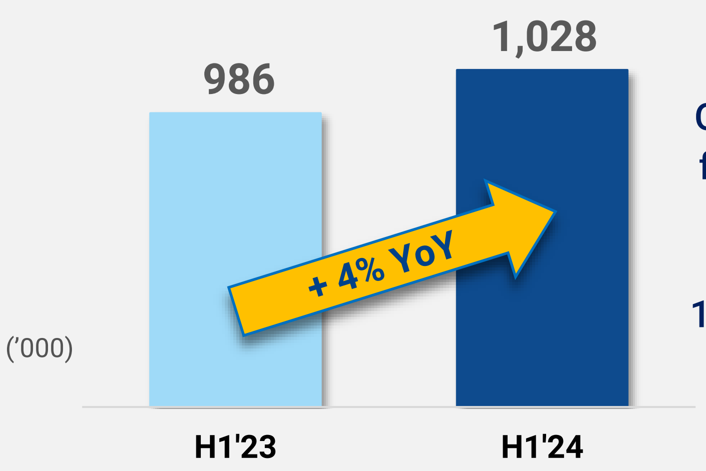



## 5G ARPU exceeds 4G ARPU by almost 40%

# Robust Demand for HKT Home Broadband Services Stimulated by Our Differential, Comprehensive Offerings

## Continued Upgrades to FTTH with 2.5G Service Notching the Fastest Growth

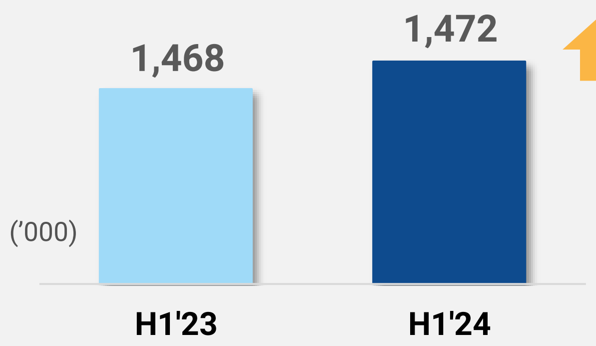



+ 42K YoY

Over 50% of net adds from existing mobile customers through initiatives including 1O1O Home premium service launched in Jan 2024



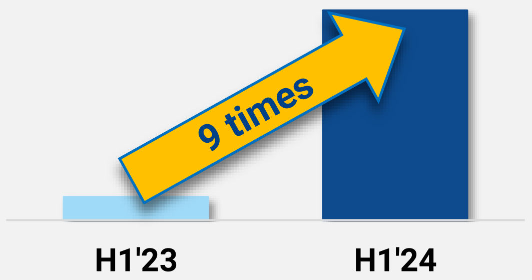

## Further Consumer Broadband Net Adds




+ 4K YoY

Stable Churn Despite Competition

## Accelerating Uptake of 2.5G Service




**HK$80**
**ARPU uplift**

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# Successful Broadcast and Monetisation of UEFA EURO 2024™ across All Platforms

- Comprehensive live coverage of all 51 matches together with highlights and magazine programmes
- Featured popular artists from MakerVille to drive casual football followers for subscription and awareness

## Direct-to-Consumer

Leverage business opportunities across multiple HKT platforms by way of event pass subscription

## Commercial

Over 350 outlets (52% increase vs. last EURO) subscribed to our commercial packages

F&B: +160%

Hotel: +8%

## Advertising


- Sponsorships
- Innovative advertising solution with games
- Prizes offered via CSL AR Lens App


Lucky 688 Football Chatroom

# Refreshed Now Video Streaming Service – "Out of the Box" Solution

## Now Video Streaming Service Offers Seamless Viewing Experience

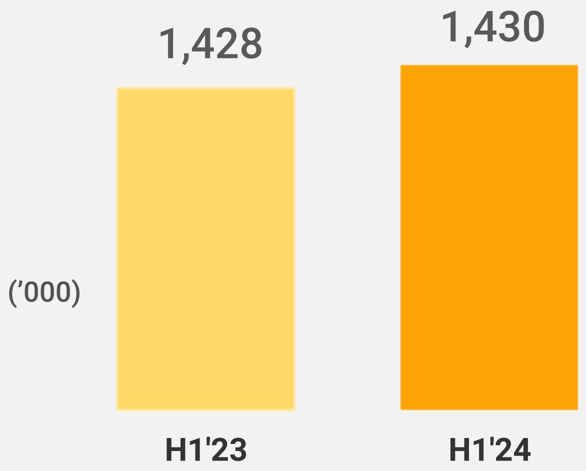
- Convenience
- Flexibility of installation
- Personalisation of Now TV content
- Multi-device access
- Interactive features


## Delivering a Diverse and Comprehensive Content Portfolio

- Strongest sports contents
- Latest Chinese, Asian, and Hollywood blockbuster movies
- High-quality drama series
- Award-winning variety entertainment
- Fun and educational kids programmes


## Enlarged Customer Base

- Now OTT customer base up by 13% yoy
- Reflecting early success of the cross-selling of Now video streaming service to our mobile base



# Enterprise Business – Healthy Pipeline Despite Market Headwinds

HKT Enterprise Solutions

## Market Headwinds

- SMEs are facing greater operating pressure
- Retailers and F&B businesses are greatly impacted by the wave of northbound travelling and spending patterns
- Some MNCs have downsized their offices or relocated headquarters / offices to other locations

## New Project Wins

Total contract value of new project wins in H1'24 > HK$2.5 billion (+27% YoY)

### Industry-specific Solutions across Diverse Sectors





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# Elevated Empowerment of Healthcare Sector with Smart Technologies on top of 5G and ICT Infrastructure

HKT Enterprise Solutions

## 5G Hospitals


**5G Integrated Telecommunications System**
for 2 additional large-scale public hospitals:

- Patient experience and operation management optimisation via fully secure and expandable 5G private network for critical healthcare applications

## ICT Infrastructure

**ICT infrastructure contracts**
for public hospitals:

- Healthcare operation digitalisation and sustainable efficiency uplift  via reliable and expandable ICT infrastructure

## Smart Healthcare Applications

**Autonomous Mobile Robot System (AMRS)**

- The first clinical robot delivery system integrating elevators & doors with an AI-powered scheduler

**Real-time Location System (RTLS)**

- The first real-time location system for hospital-wide asset tracking and geo-fencing
- Operations agility and efficiency improvement enabled by valuable medical assets tracking coupled with smart solution management

# Digital Transformation across Diverse Industries and Focused Development of High Value, Industry-specific Solutions

HKT Enterprise Solutions

**Mega size systems integration projects support Smart City development and industry transformation**

## Utility

***Digital Twin System for Operations Monitoring***

- Monitoring effectiveness and worksite safety enhancement via Intelligent Operation Centre (IOC) with centralised, digitalised, 24/7 visualisation of critical assets

***Power Substation Network Upgrade***

- Greater performance and system reliability via term contract providing ICT infrastructure systems

## Hospitality

***Communication Systems Upgrade***

***Experience uplift for guests in 4/5-star hotels***

- **Full-scale Wi-Fi upgrade to high-speed Wi-Fi 7 solution**
  - 6 Hotels and 1 Clubhouse
  - Next generation Wi-Fi to improve guest experience – faster, low latency wireless connectivity supporting more concurrent users
- **Next generation voice service quality for hotel guests and staff via unified communication system upgrade**


## 30+ MNCs & Local Enterprises

***AI-powered Workplace Solutions***

***Expedite AI Adoption in offices to increase operational efficiency and competitiveness***

- **Consultancy services, design & build, experience programme and on-going value optimisation of Integrated AI solutions:**
  - Unified Communications
  - Wi-Fi 6 & Wi-Fi 7
  - 10G Broadband
  - Microsoft 365 Copilot
  - Cybersecurity
  - Cloud

# Integrated, Focused Solutions in Support of Emerging GBA and Overseas Expansion

HKT Enterprise Solutions

**Mainland China Business Achieved a Remarkable growth of 51% YoY**

## HK Enterprise Expanding into GBA

### System Integration Solution for a Sports and Gaming Venue in GBA

- Uplift the venue to international standards, aiming to provide world-class facilities by 2026
- Network infrastructure system to support critical facilities of the venue
- Cross-border connectivity infrastructure

## Macau Gaming Industry

### Technology Refreshment Projects in Macau

- 10+ venues revamp gaming and non-gaming facilities to attract guests following rebound of Macau tourism
- Wi-Fi, network system and cybersecurity solutions

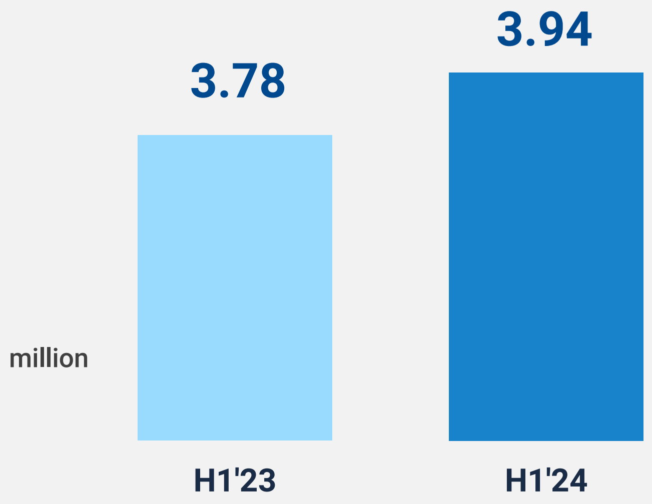
## Focused Industry Solutions for Regional Expansion


### Partnering with HK and Global Enterprises to Expand in Mainland and Chinese Enterprises to Expand Regionally

- Partnering with Chinese enterprises across industries, such as EV and Healthcare, in support of their ASEAN expansion (e.g. Singapore, Thailand, Vietnam, Indonesia and India)
- Elevating Connectivity and ICT solutions to leading smart technology applications; a well-received use case being the world's first transcontinental telesurgery via low-latency connectivity from Beijing to Europe for a GBA surgical robot manufacturer

# Enriching The Club Digital Ecosystem

## The Club Membership




55% of The Club membership base is non-HKT customers

Providing a new source of potential customers


## New Collaborations

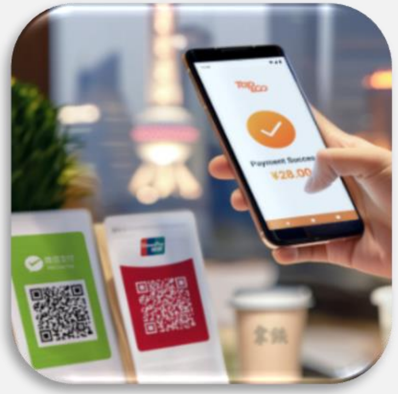
- Establishment of rewards alliance with regional telcos in Singapore, Thailand, Indonesia, the Philippines, Australia and Taiwan to stimulate greater tourist spending
- Expansion of The Club Loyalty & eCommerce into mainland China and Macau residents
- Club Biz launch to support domestic SMEs and entrepreneurs

# Empowering Merchant and Retail Customers

HKT Financial Services

## Consumers

### Growing transactions with a solid base of young & tech-savvy users



- Accounts expanded to 3.8 million as of June 2024
- Merchant network expands from domestic to 200M+ merchants in mainland China via both UnionPay and WeChat Pay QR
- H1'24 transaction value up 6%* YoY
- 55% of all transactions are online spending, reflecting Tap & Go as preferred choice for online payment

## Merchants

### Comprehensive e-payment solution continues to generate value for local SMEs

- Launched POS App Solution in July to enable SMEs to convert devices into payment terminals that can accept a wide range of payment methods
- Support e-CNY payment for Hong Kong merchants in H2
- 7,000+ subscriptions to our merchant payment solutions as of June 2024

** Non-CVS related Tap & Go spending*

# Leading and Innovative HealthTech Platform

## Increasing Engagement as Telemedicine Gains Acceptance

- **395K** Registered Users + 6% YoY
- **200+** Doctors and healthcare professionals
- **+ 12%** YoY Growth in completed video consultations
- **23** Medical consultation service partners

**Widened Medical Network covering both Western and Chinese**

Satisfy local and Mainlander needs for wellness and medical services

**DrGo Health Store + Club Shopping App Integration**

To synergise the wellness and healthcare journey

**Tapping into GBA Opportunities**

Strategic partnership with The GBA Healthcare Group to offer medical services to Greater China residents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# Contributing to a Sustainable Future

## Reward Yourself, Recharge the City


- Joined ViuTV, shopping malls as well as retail, F&B and entertainment businesses to encourage the public to spend, support local merchants and contribute to Hong Kong’s economy

## Climate Change Resilience

- Committed over US$3 billion in sustainability-linked loans
- Continual progress in reducing electricity and water consumption as well as general waste at a year-on-year rate of 2-3%

## Protecting Customers from Telephone Scams


- Blocked countless suspicious local and overseas calls in the first half of 2024 through our mobile network's "Call Filtering Service"
- Furthered customer protection and corporate social responsibility by enhancing customer awareness on fraud

## Recognition


- Shortlisted for The S&P Global Sustainability Yearbook (China Edition) for the second consecutive year
- Received MSCI “AA” ESG rating since 2021

## Community Engagement

- Continued to support the Government's Strive & Rise Programme
- Hosted visits to the HKT Integrated Service & Operation Centre and the studios of Now TV and ViuTV, to enhance the public's understanding of telecommunications and media industries
- Totalled over 1,100 staff volunteering hours in the first half of 2024

# H1’24 Highlights

## 1 Premium Customer Experience

The only service provider that can offer seamless, reliable, high-speed service inside and out of the home to consumers

## 2 Future-Proof, Integrated Network

1st to offer 50G PON service in Hong Kong and evolving mobile network to 5G Advanced to support next generation of higher bandwidth, high-value applications

## 3 Enriched Digital Ecosystem

Continually expanding the digital services for consumers and merchant partners to monetise our ecosystem assets

## 4 Smart, Integrated Enterprise Solutions

Integrating the latest technologies such as 5G, robotics, cloud and AI to improve the customer experience and increase operational efficiency for our enterprise customers

## 5 Targeted Solutions for Expansion into GBA and Overseas

With HK and global enterprises expanding their operations across mainland China and Chinese enterprises branching into regional markets we are supporting them with our digital ICT (DICT) solutions that integrate connectivity, managed services and latest technologies

# Financial Review

**Patrick Poon**
**Chief Financial Officer**

# Resilient Financial Performance

| (US$ million) | H1'23 | H1'24 | % Change |
|---|---|---|---|
| **Adjusted Funds Flow** | **311** | **320** | ***+ 3%*** |
| **Revenue** | **2,103** | **2,137** | ***+ 2%*** |
| **Revenue (excluding Mobile Product Sales)** | **1,955** | **2,011** | ***+ 3%*** |
| **EBITDA** | **770** | **791** | ***+ 3%*** |
| EBITDA Margin (excluding Mobile Product Sales) | *39%* | *39%* | |
| Overall EBITDA Margin | *37%* | *37%* | |
| **Profit** Attributable to Holders of Share Stapled Units | **250** | **255** | ***+ 2%*** |

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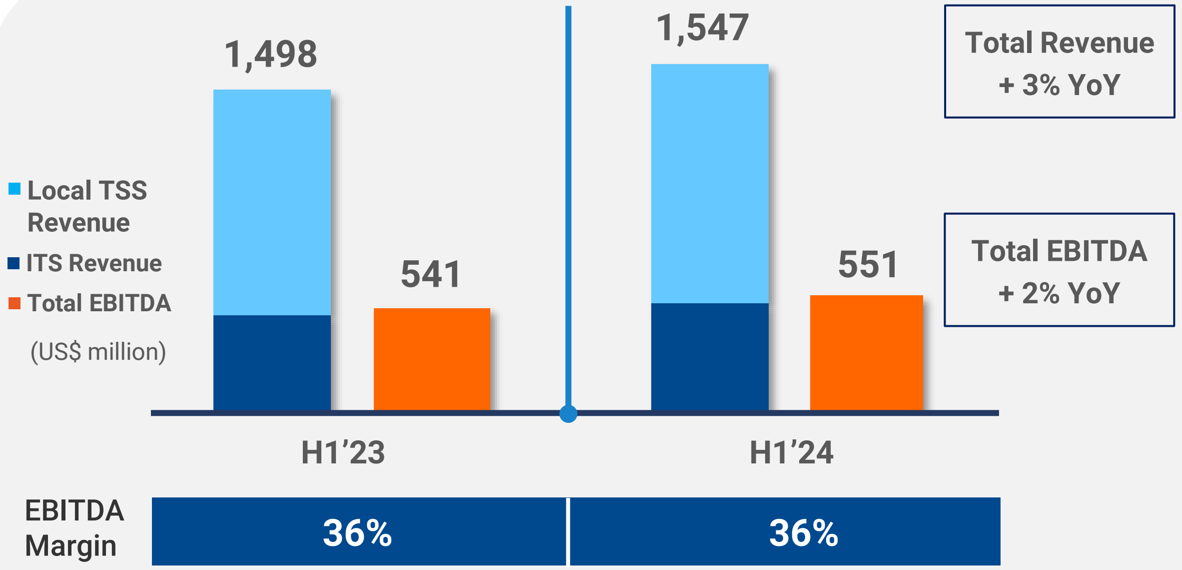
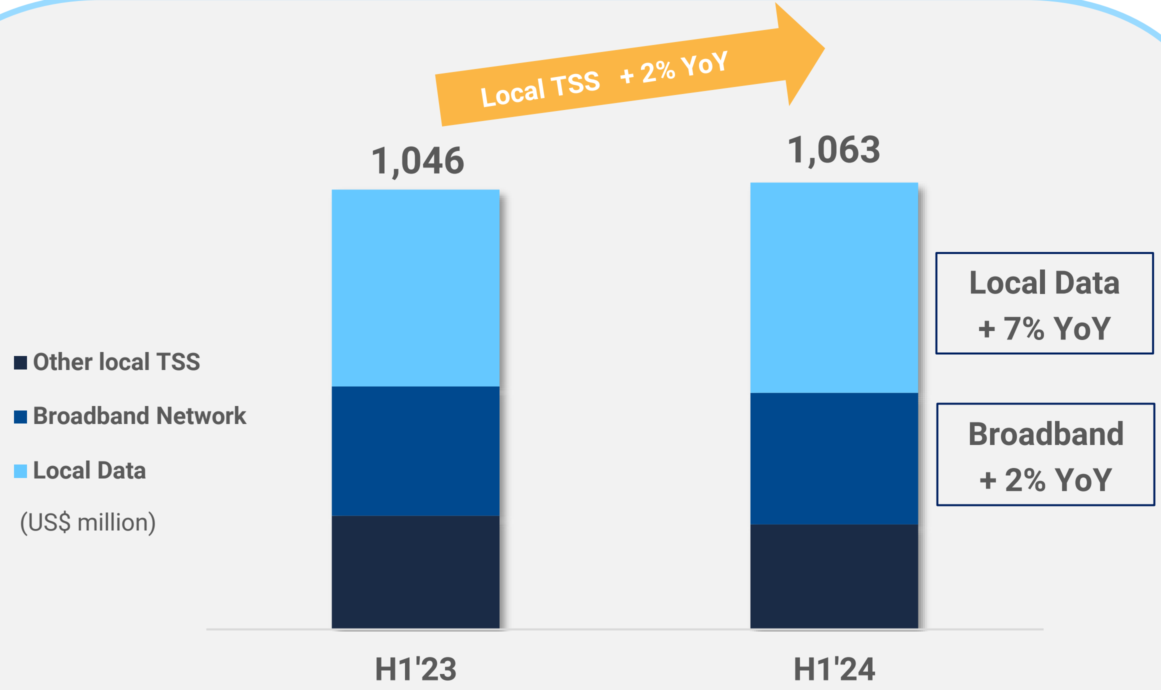
# TSS Continued to Demonstrate Business Strength and Resilience

## TSS Business




- Local TSS revenue grew by 2% underpinned by strong growth in enterprise revenue
- Pay TV steady benefiting from exclusive EURO broadcast
- International telecom services grew by 7% driven by increased global voice revenue, resilient data revenue and growing demand for our software defined cloud connectivity services
- Total EBITDA up 2% fuelled by further operating efficiencies leading to a margin of 36%

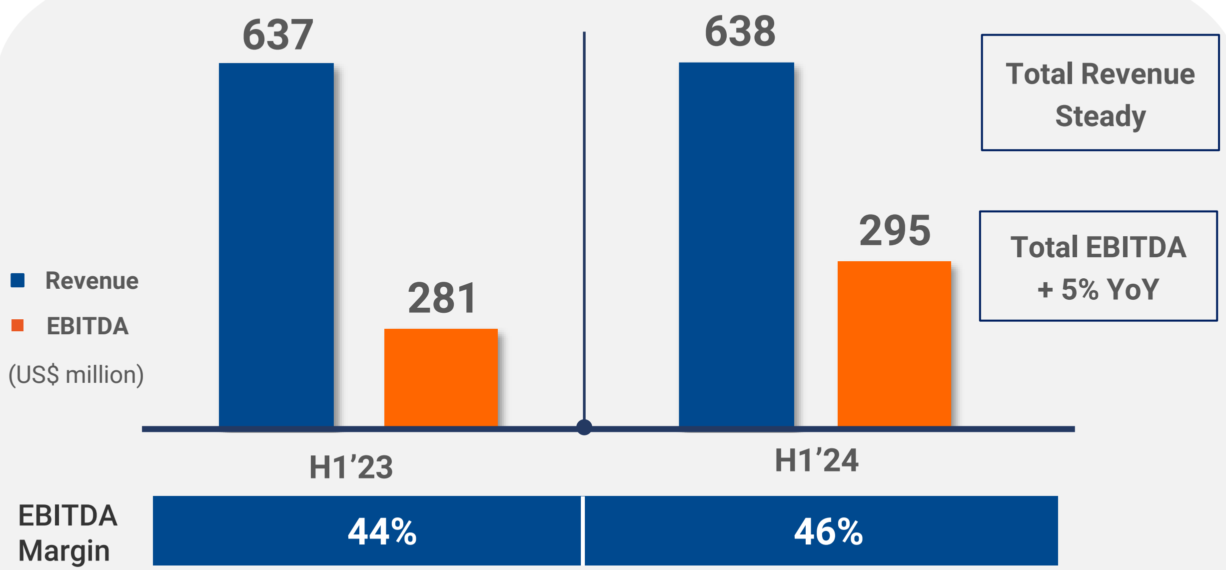
## Local TSS Revenue




- Local data revenue achieved impressive growth of 7% reflecting the continued demand for our DICT and converged solutions that include smart city and digital transformation solutions incorporating 5G, GenAI, IoT and cyber security applications across diverse industries
- Broadband revenue grew by 2% driven by increasing demand for our high-speed connectivity, with 2.5G services notching the fastest growth
- Local Data Services registered a solid revenue growth of 5%

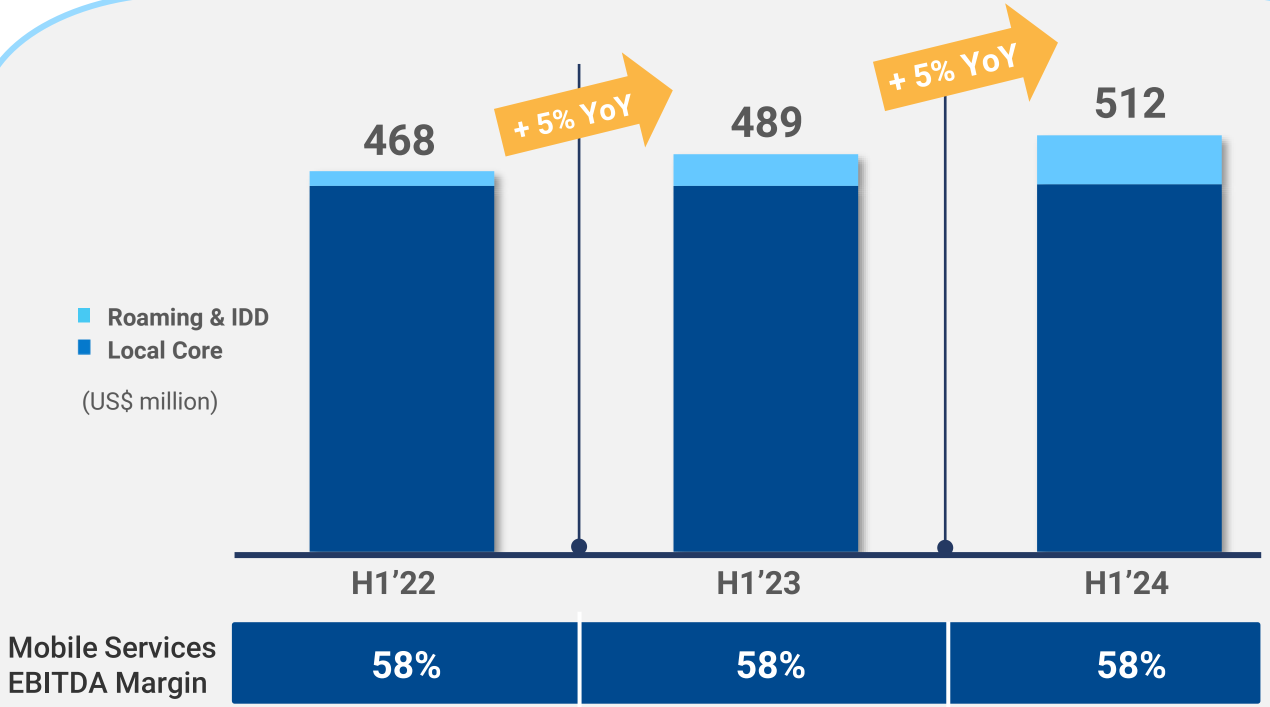
# Mobile Benefiting from Full Recovery of Outbound Roaming and Deeper 5G Adoption

## Mobile Business




- Mobile business recorded accelerated growth of 5% in services revenue to US$512 million
- Post-paid customer base further expanded to 3.433 million, a net gain of 50,000 year-on-year
- 5G customer base reached 1.571 million as at end of June 2024, representing 46% of post-paid base
- Mobile product sales softer in H1 as consumer delayed handset upgrades due to weak consumer sentiment but new AI featured handsets in H2 might add excitement

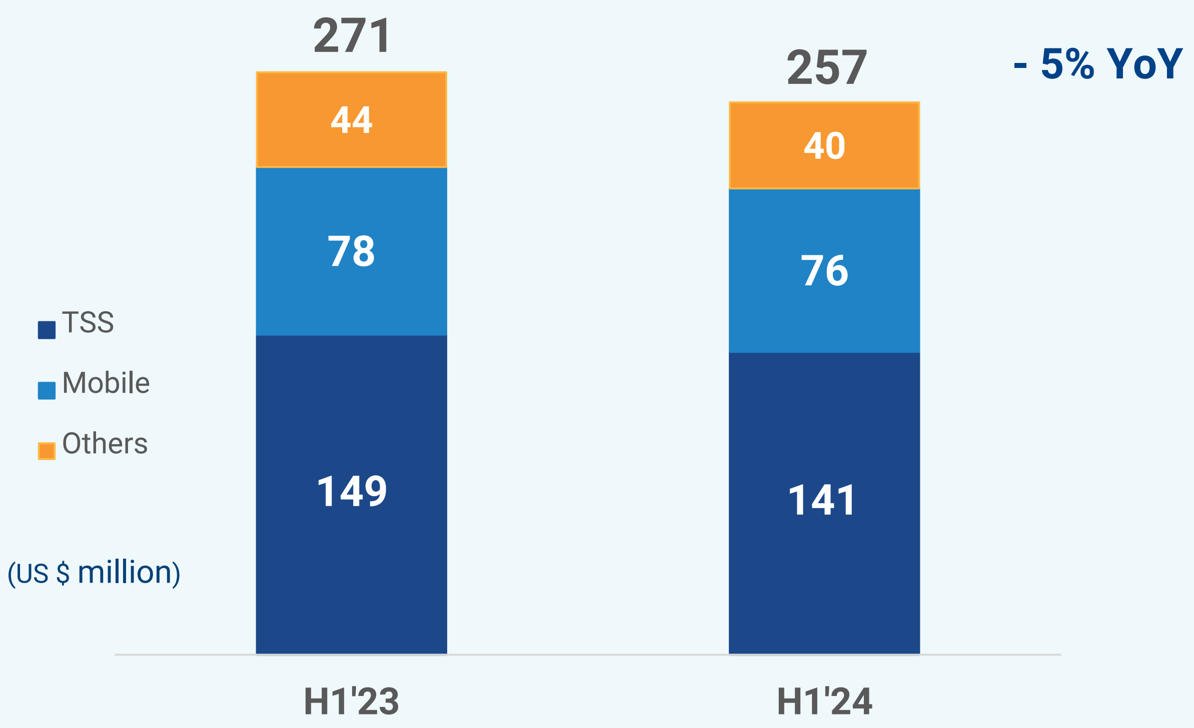
## Mobile Services Revenue




- Mobile services revenue grew 5% in H1'24, underpinned by higher contribution from roaming revenue, further momentum in 5G adoption and net additions to our post-paid base
- Roaming revenue soared by 55% year-on-year with full recovery of outbound roaming revenue
- Post-paid exit ARPU up by 2% to HK$192
- Mobile services EBITDA rose 5% to US$295 million with margin of 58%

# Continued Focus on Driving Operating Efficiencies

## OPERATING EXPENSES




**Opex to Revenue Ratio:**

| | |
|---|---|
| 12.9% | 12.1% |

- Opex savings of 5% in H1’24, with opex to revenue ratio further improving to 12.1%
- Continued focus on operating efficiency and cost optimisation initiatives across all business segments
- Initiatives include the enhancement of business processes via the adoption of GenAI, consolidation of business operations and rationalisation of IT platforms

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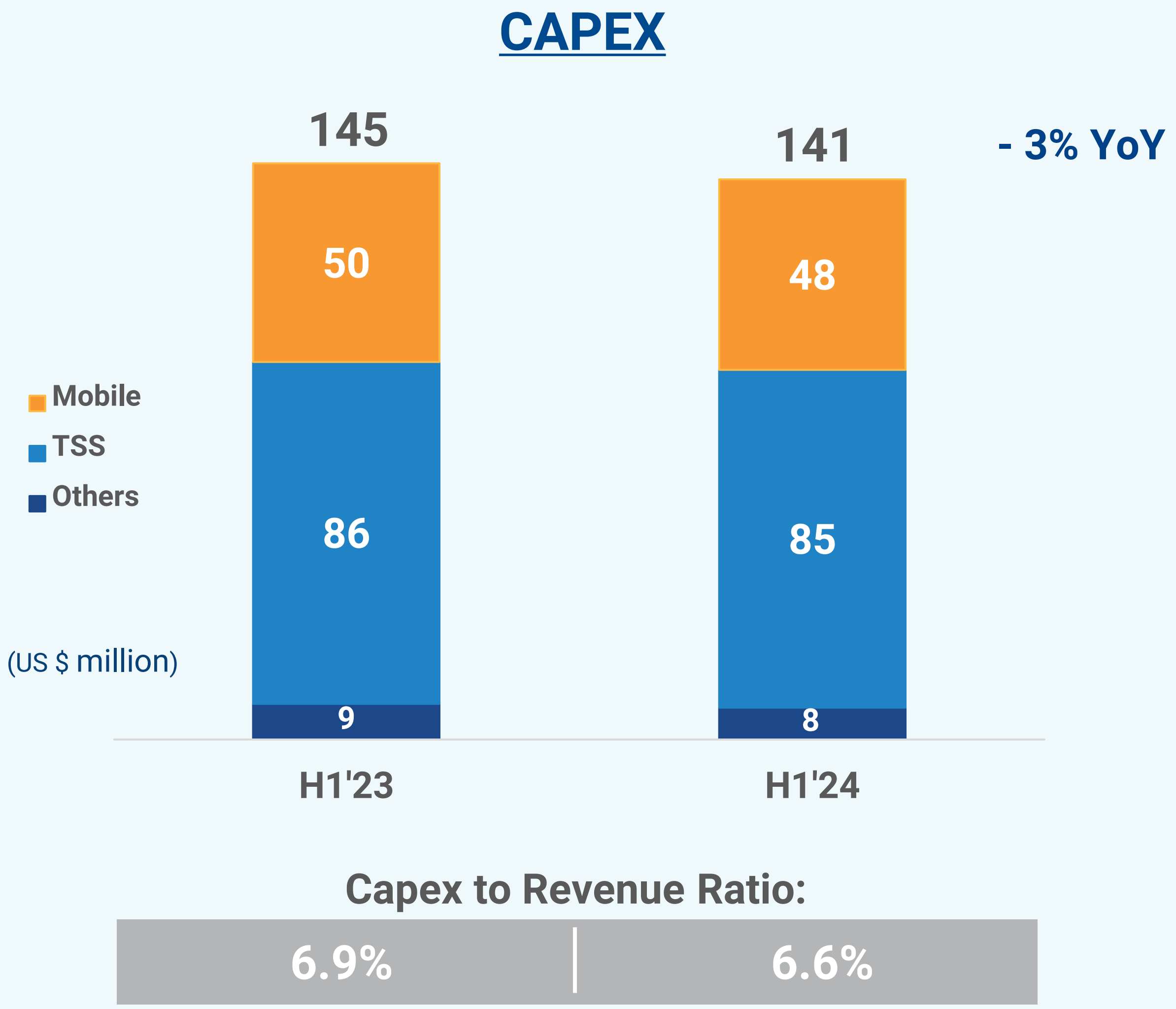
# Disciplined Capital Investments to Support Business Growth




- Disciplined capital investments with capex to revenue ratio improving to 6.6%, well within stated guidance
- Lower Mobile capex reflecting the efficiency gains from capacity upgrades and network maintenance following the completion of our territory-wide 5G coverage
- TSS capex dropped slightly, with investments largely to support growing demand for our unique integrated fixed-mobile solutions for enterprises

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# Adjusted Funds Flow

| (US$ million) | H1'23 | H1'24 | YoY Better/(Worse) |
|---|---|---|---|
| **EBITDA** | **770** | **791** | **3%** |
| Less cash outflows in respect of capital expenditures, customer acquisition costs and licence fees: | | | |
| Capital expenditures | (138) | (133) | |
| Customer acquisition costs and licence fees | (102) | (92) | |
| Fulfilment costs | (35) | (37) | |
| Right-of-use (ROU) assets | (87) | (94) | |
| **Adjusted Funds Flow before tax paid, net finance costs paid and changes in working capital** | **408** | **435** | **7%** |
| Adjusted for: | | | |
| Net finance costs paid | (89) | (114) | |
| Tax payment | (32) | (23) | |
| Changes in working capital | 24 | 22 | |
| **Adjusted Funds Flow for the period** | **311** | **320** | **3%** |
| Adjusted Funds Flow per Share Stapled Unit (HK cents) | 32.05 | 32.92 | |
| **Interim Distribution per Share Stapled Unit (HK cents)** | **32.05** | **32.92** | 3% |

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# Income Statement

| (US$ million) | H1'23 | H1'24 | YoY Better/(Worse) |
|---|---|---|---|
| **Revenue** | **2,103** | **2,137** | **2%** |
| **Revenue (excluding Mobile Product Sales)** | **1,955** | **2,011** | **3%** |
| **Cost of sales** | **(1,062)** | **(1,089)** | **(3)%** |
| **Opex** | **(271)** | **(257)** | **5%** |
| **EBITDA** | **770** | **791** | **3%** |
| Depreciation & amortisation expenses | (346) | (344) | |
| Gain on disposal of PPE, net | – | 1 | |
| Net other gains | 1 | 2 | |
| Net finance costs | (118) | (140) | (18)% |
| Share of results of associates & JVs | (8) | (11) | |
| **Profit before income tax** | **299** | **299** | |
| Income tax | (49) | (44) | |
| Effective tax rate | 16.2% | *14.7%* | |
| **Profit for the period** | **250** | **255** | **2%** |
| Attributable to: | | | |
| **Holders of Share Stapled Units** | **250** | **255** | **2%** |
| **Non-controlling interests** | – | – | |

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# Solid Financial Position
# Investment Grade Credit Ratings

| (US$ million) | As of Dec 2023 | As of Jun 2024 | As of Jun 2024 Proforma [4] |
|---|---|---|---|
| **Gross Debt [1]** | **5,744** | **5,942** | **5,072** |
| **Gross Debt to EBITDA [2]** | **3.34x** | **3.42x** | **2.92x** |
| | | | |
| **Cash Balance [3]** | **219** | **214** | **214** |
| **Undrawn Facilities** | **1,632** | **1,537** | **1,907** |
| **Total** | **1,851** | **1,751** | **2,121** |

**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
(3) Including short-term deposits
(4) Assuming debt repayment of US$870 million with the proceeds from the sale of an interest in the passive network business

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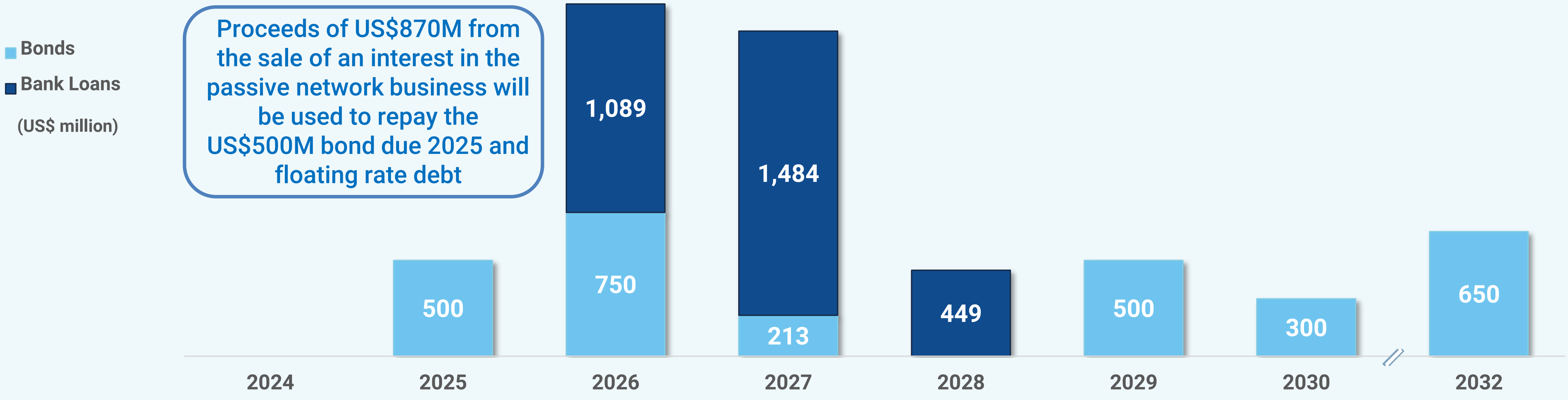
# Debt Maturity Profile
## Impact of Elevated Interest Rates Cushioned by Healthy Mix of Fixed & Floating Rate Debt

### As of 30 June 2024




- Current mix of fixed and floating rate debt approx. 55:45
- Effective interest rate approx. 4.26% in H1 2024
- Average maturity was approx. 3.4 years

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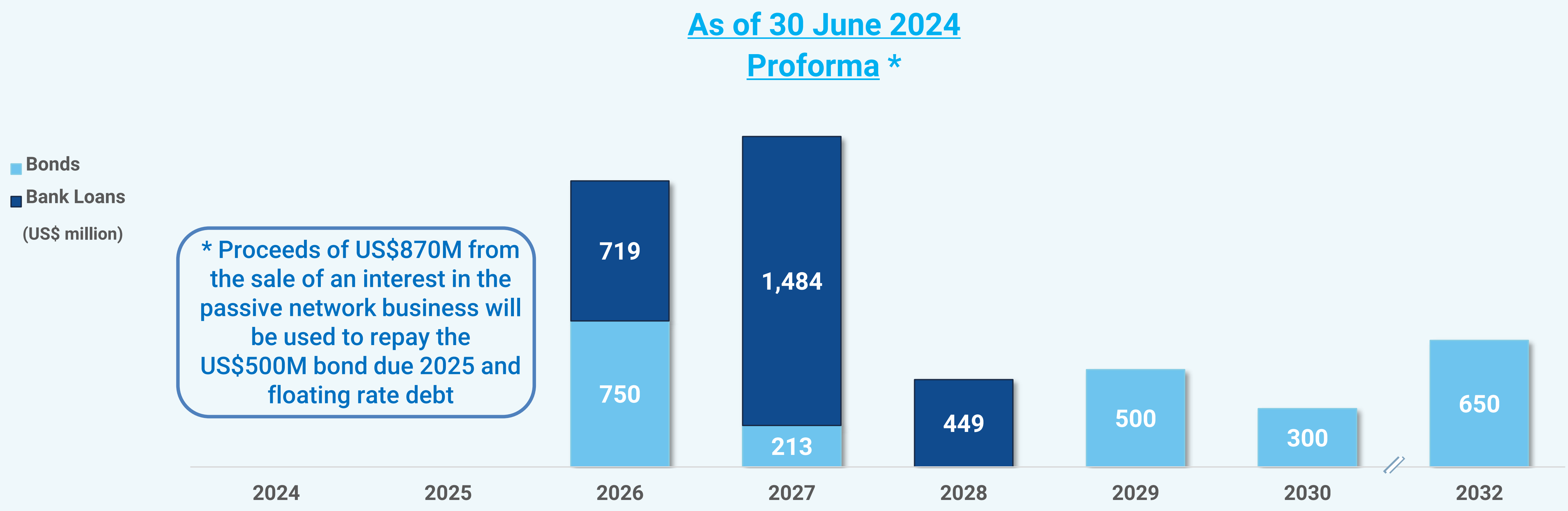
## Impact of Elevated Interest Rates Cushioned by Healthy Mix of Fixed & Floating Rate Debt




* Proceeds of US$870M from the sale of an interest in the passive network business will be used to repay the US$500M bond due 2025 and floating rate debt

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# H1'24 Highlights

## 1 Premium Customer Experience

The only service provider that can offer seamless, reliable, high-speed service inside and out of the home to consumers

## 2 Future-Proof, Integrated Network

1st to offer 50G PON service in Hong Kong and evolving mobile network to 5G Advanced to support next generation of higher bandwidth, high-value applications

## 3 Enriched Digital Ecosystem

Continually expanding the digital services for consumers and merchant partners to monetise our ecosystem assets

## 4 Smart, Integrated Enterprise Solutions

Integrating the latest technologies such as 5G, robotics, cloud and AI to improve the customer experience and increase operational efficiency for our enterprise customers

## 5 Targeted Solutions for Expansion into GBA and Overseas

With HK and global enterprises expanding their operations across mainland China and Chinese enterprises branching into regional markets we are supporting them with our digital ICT (DICT) solutions that integrate connectivity, managed services and latest technologies

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