



2018 Interim Results

For the six months ended June 30, 2018

August 6, 2018 – 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)	H1'17	H1'18	% change
Adjusted Funds Flow	273	283	4%

The Board has declared an Interim Distribution of 29.12 HK cents per Share Stapled Unit

Financial Review

Susanna Hui

Group Chief Financial Officer

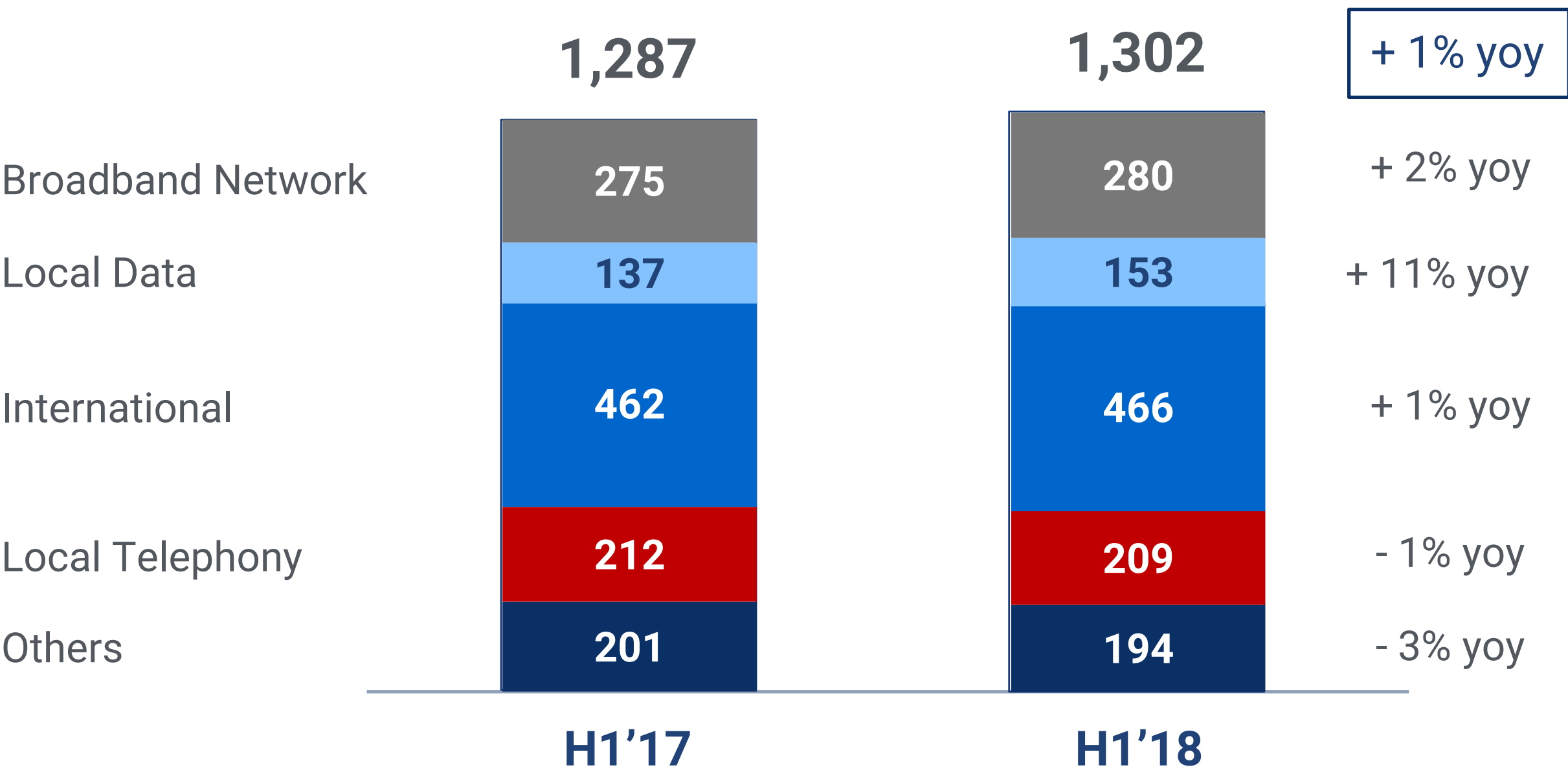
HKT Continues to Deliver Solid Financial Performance

(US\$ million)	H1'17	H1'18	% change
Adjusted Funds Flow	273	283	+ 4%
Revenue	1,950	2,182	+ 12%
Revenue (excl. Mobile Product Sales)	1,733	1,749	+ 1%
EBITDA	711	723	+ 2%
<i>EBITDA Margin (excl. Mobile Product Sales)</i>	<i>41%</i>	<i>42%</i>	
<i>Overall EBITDA Margin</i>	<i>36%</i>	<i>33%</i>	
Profit before Income Tax	296	295	
Profit Attributable to Holders of Share Stapled Units	274	239	

The results for the six months ended June 30, 2018 reflects the adoption of several new accounting standards and, for comparative purposes, the results for the six months ended June 30, 2017 and the year ended December 31, 2017 have been restated as if these new accounting standards have been in place during these periods.

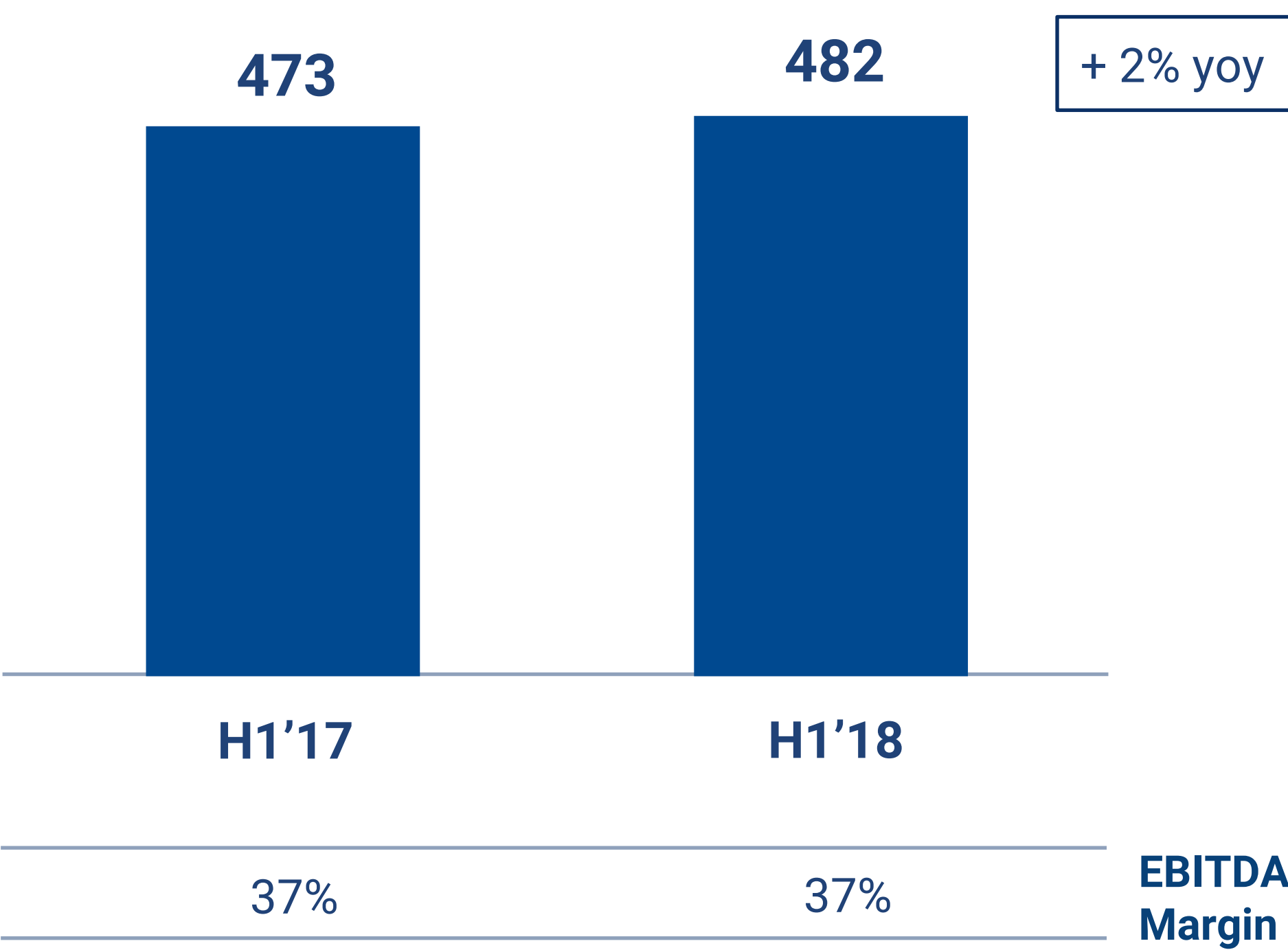
TSS Strengthens Market Leadership Position

TSS Revenue (US\$ million)



- **Broadband** – Continued growth driven by net customer additions and further subscriptions and upgrades on our FTTH service
- **Local Data** – Benefited from strong enterprise demand for cross-border connectivity solutions and network facility management solutions integrating connectivity, cloud-based storage and ancillary co-location services
- **International** – Driven by growing demand for connectivity services particularly in emerging markets and cross-selling of cloud-based services such as unified communications and managed security
- **Others** – Lower revenue due to the variation in the timing of completion of certain network and infrastructure projects

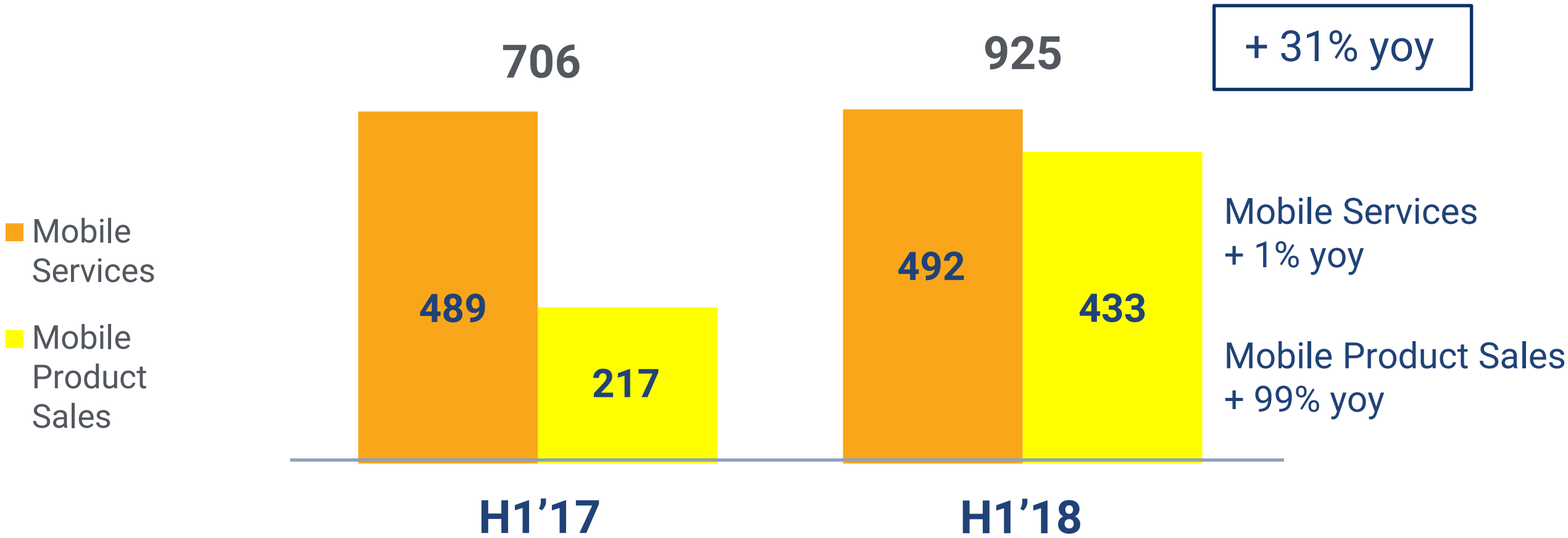
TSS EBITDA (US\$ million)



- Steady performance despite fierce market competition
- EBITDA growth underpinned by diversified business portfolio and enhanced operating efficiency

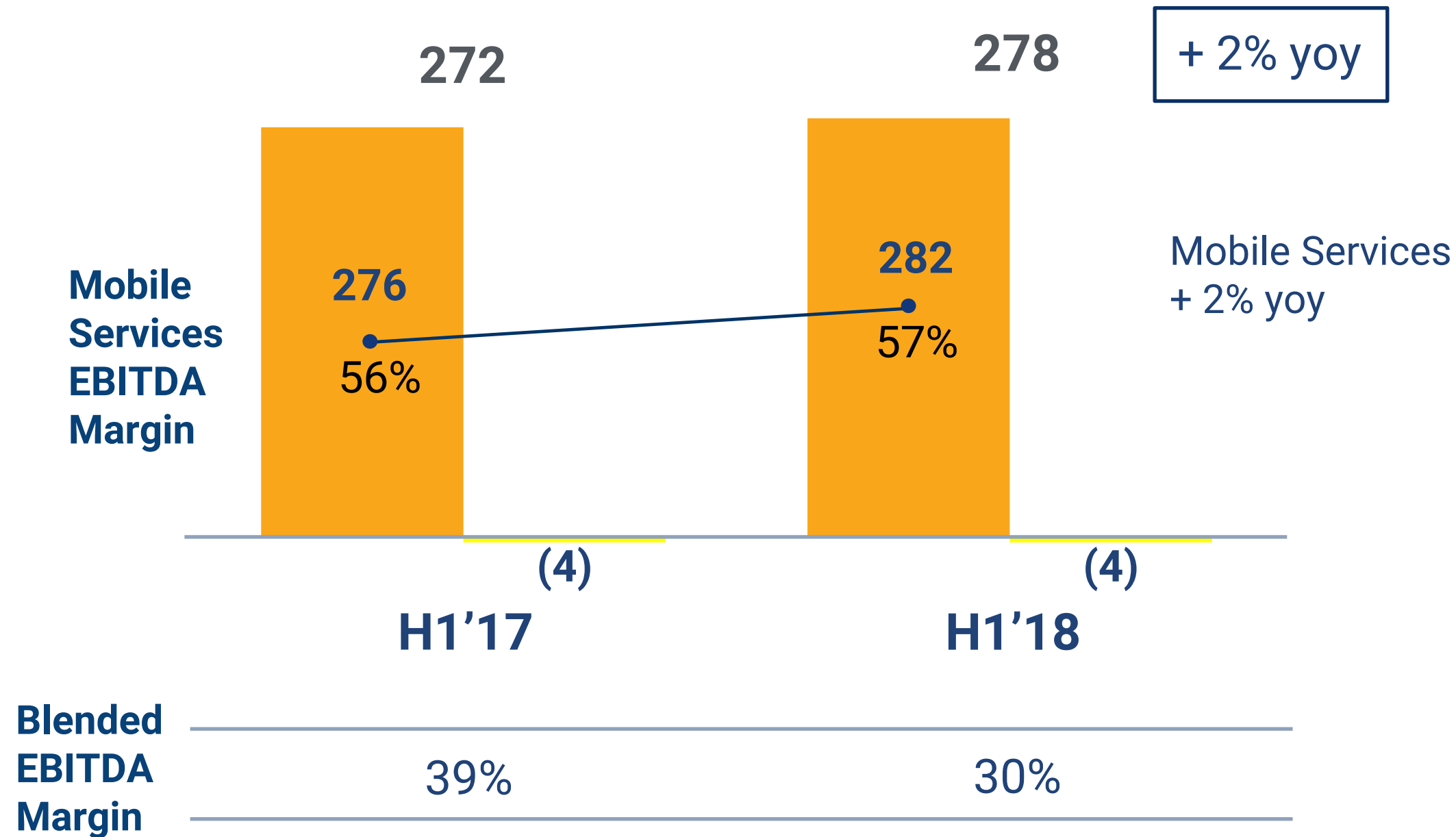
Mobile Continues to be Resilient

Mobile Revenue (US\$ million)



- Mobile Services revenue benefited from continued growth in post-paid customer base, upgrading to premium 1010 service, and higher revenue from mobile enterprise solutions; moderated by continued decline in IDD & roaming revenue
- Post-paid customers up 2% yoy to 3.242M, with post-paid exit ARPU of HK\$195
- Mobile Product Sales increased significantly driven by strong demand for certain handsets either as part of a plan or on stand-alone basis

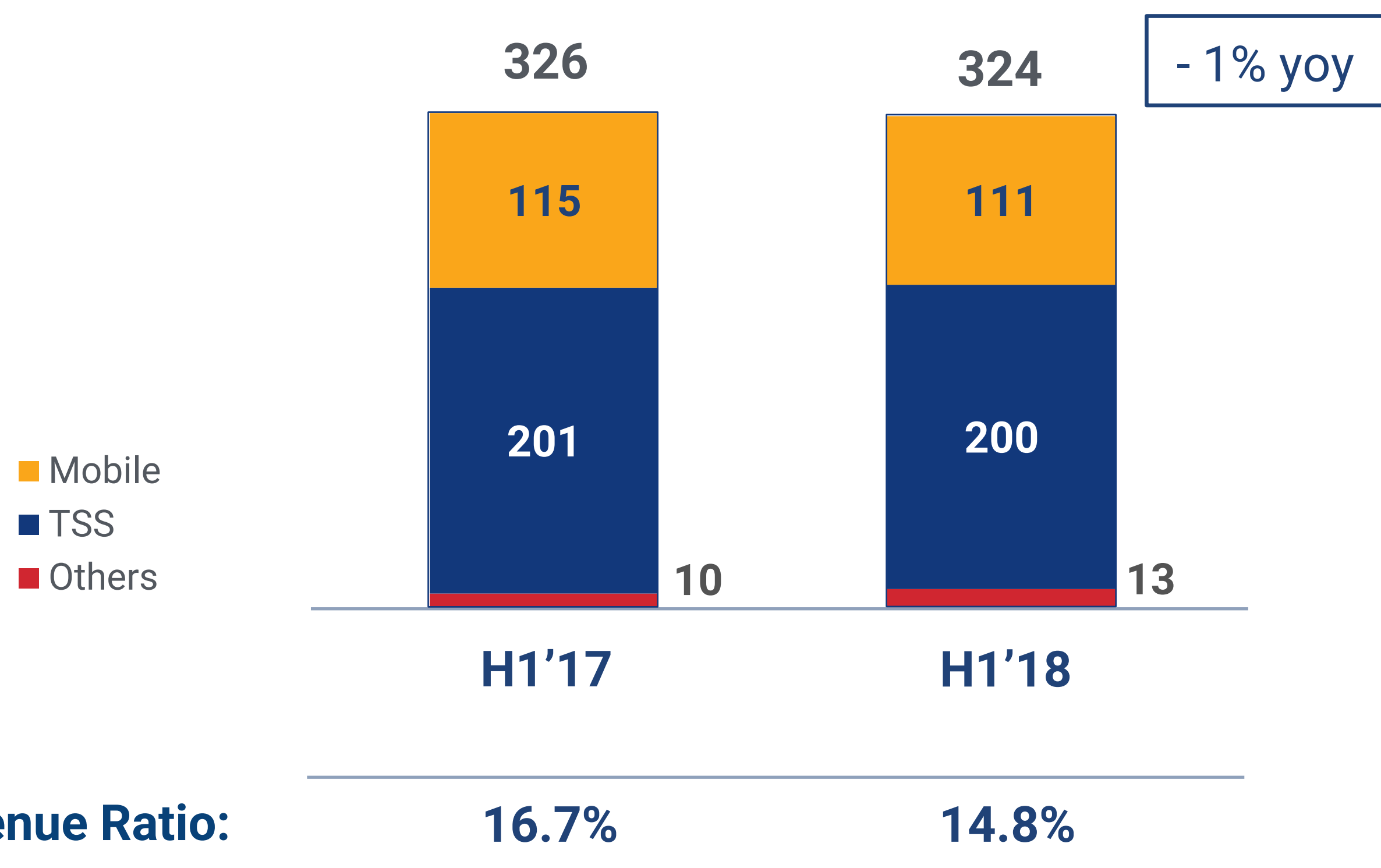
Mobile EBITDA (US\$ million)



- Total Mobile EBITDA up 2% in H1'18, while Mobile Services EBITDA also grew by 2%
- Mobile Services EBITDA margin further improved to 57% reflecting additional operational efficiencies

Operational Focus Leads to Further Cost Efficiencies

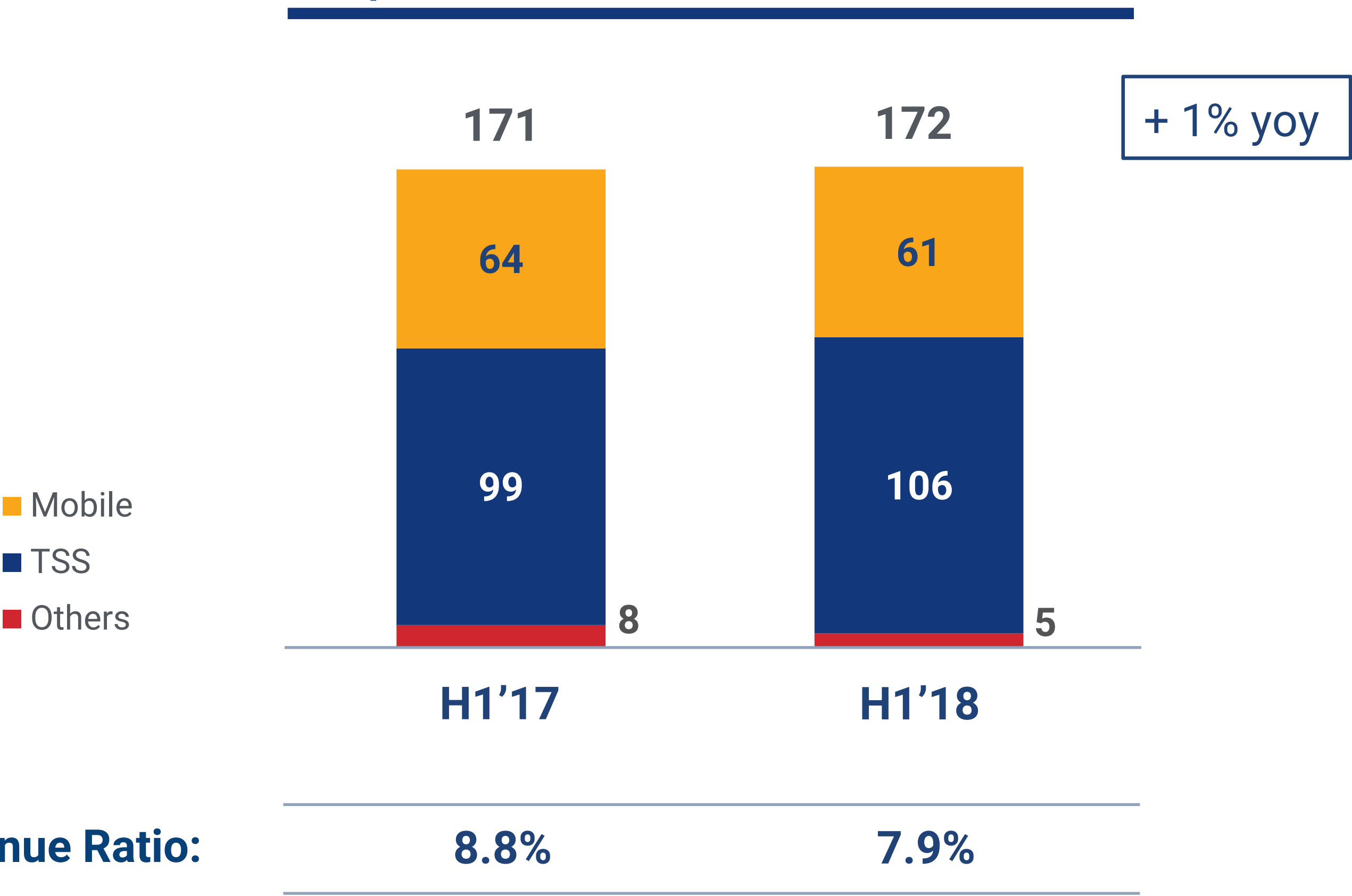
Operating Expenses (US\$ million)



- Opex savings of 1% in H1'18, benefiting from the sustained improvements in operating efficiencies, particularly in the Mobile segment
- Slight increase in Others opex due to new business initiatives such as the Tap & Go mobile payment service and The Club program

Capex Efficiency Reflecting Network Scale and Modernization

Capex (US\$ million)



- Capex to revenue ratio improved to 7.9%, within 10% guidance
- Lower Mobile capex reflecting the efficiencies achieved following the CSL network integration
- Higher TSS capex to meet continued demand for our fiber broadband connectivity and upgrades to 5G-ready infrastructure, IoT related services, and customized solutions for enterprises, as well as in relation to smart city development in the public sector

Key Impact of New Accounting Standards

HKFRS 15
Revenue from
Contracts with
Customers

Area	Impact	Remarks
Total Revenue	↔	<ul style="list-style-type: none"> NO CHANGE over the contract period HIGHER/LOWER during the year when proportion of new bundle contracts is higher/lower, as product sale is being recognized upfront
Product Sale	↑	<ul style="list-style-type: none"> Product sales recognized separately upfront by reference to relative fair value in bundle contracts and corresponding recognition of receivables
Service Revenue	↓	<ul style="list-style-type: none"> A portion of contract revenue is allocated to product sales and corresponding impact on ARPU calculation
Cost of Sales	↑	<ul style="list-style-type: none"> Cost of products is fully charged to cost of sales
CAC	↓	<ul style="list-style-type: none"> Cost of products is fully charged to cost of sales rather than CAC
EBITDA	↓	<ul style="list-style-type: none"> Cost of products is charged to cost of sales
Profit Attributable to SSU Holders	↔	<ul style="list-style-type: none"> NO CHANGE over the contract period LOWER/HIGHER at Group Level during the year when proportion of new bundle contracts is higher/lower due to product subsidies recognized upfront
AFF / Cashflow	↔	<ul style="list-style-type: none"> NO CHANGE - Reflects the actual receipts from customers for each year

HKFRS 16
Leases

EBITDA	↑	<ul style="list-style-type: none"> Opex in the form of rental will be replaced by interest expense and depreciation
AFF / Cashflow	↔	<ul style="list-style-type: none"> NO CHANGE on AFF and Total Cash Flows

Adjusted Funds Flow (US\$ million)

	H1'17	H1'18	YoY Better/ (Worse)
EBITDA	711	723	+ 2%
Less cash outflows in respect of capital expenditures, customer acquisition costs and licence fees:			
Capital expenditures	(167)	(169)	
Customer acquisition costs and licence fees	(62)	(57)	
Fulfillment costs	(28)	(23)	
Right-of-use of leased assets	(101)	(109)	
Adjusted Funds Flow before tax paid, net finance costs paid and changes in working capital	353	365	+ 3%
Adjusted for:			
Tax payment	(18)	(22)	
Net finance costs paid	(54)	(56)	
Changes in working capital	(8)	(4)	
Adjusted Funds Flow for the period	273	283	+ 4%
Adjusted Funds Flow per Share Stapled Unit (HK cents)	28.12	29.12	
Interim Distribution per Share Stapled Unit (HK cents)	28.12	29.12	

Income Statement (US\$ million)

	H1'17	H1'18	YoY Better/ (Worse)
Revenue	1,950	2,182	+ 12%
Cost of sales	(913)	(1,135)	(24)%
Opex	(326)	(324)	+ 1%
EBITDA	711	723	+ 2%
Depreciation & amortization expenses	(344)	(346)	
Net finance costs	(72)	(81)	
Share of results of associates & JVs	1	(1)	
Profit before income tax	296	295	
Income tax	(21)	(54)	
Current	(43)	(37)	
Deferred	22	(17)	
<i>Effective tax rate</i>	7%	18%	
Profit for the period	275	241	
Attributable to:			
Holders of Share Stapled Units	274	239	
Non-controlling interests	1	2	

Solid Financial Position

Investment Grade Credit Ratings

BBB/Baa2
Investment
Grade Rating

(US\$ million)	As of Dec 2017	As of Jun 2018
Gross Debt ⁽¹⁾	5,043	5,088
Gross Debt to EBITDA ⁽²⁾	3.20x	3.21x
Cash Balance ⁽³⁾	470	347
Undrawn Facilities	731	735
Total	1,201	1,082

(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

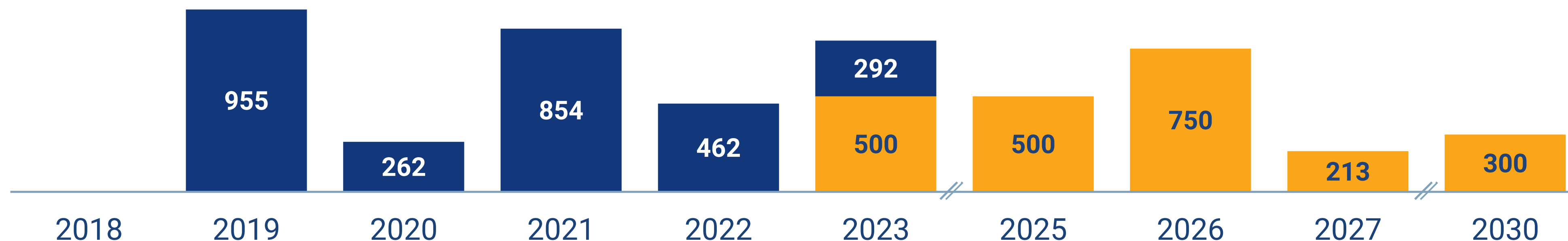
(3) Including short-term deposits

Debt Maturity Profile

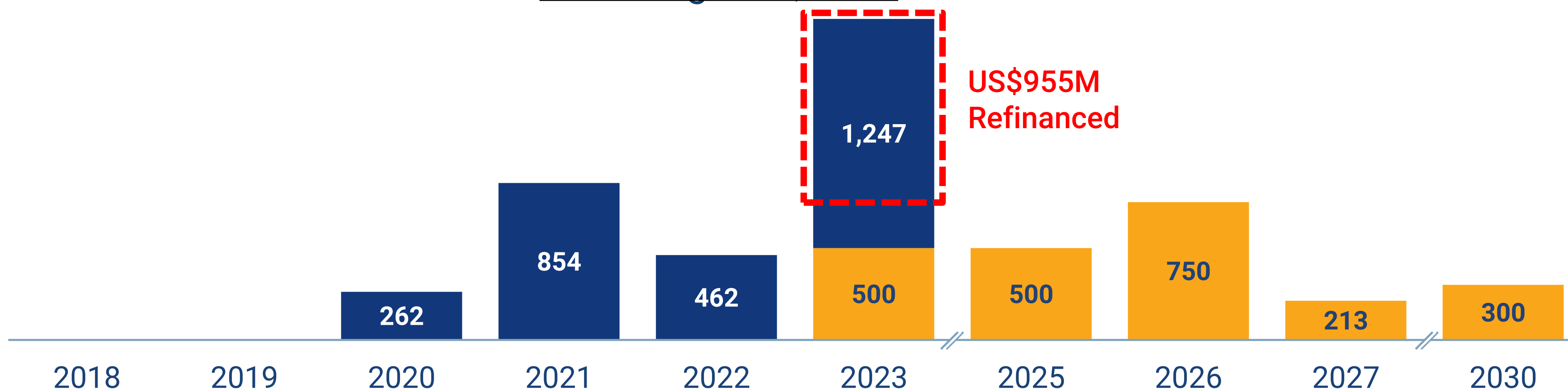
As of June 30, 2018

(US\$ million)

■ Bank Loans
■ Bonds



As of August 6, 2018



- Current mix of floating and fixed rated debt is approx. 50:50
- Effective interest rate was approx. 2.8% in H1 2018
- Average maturity was extended to 5.4 years following recent refinancing

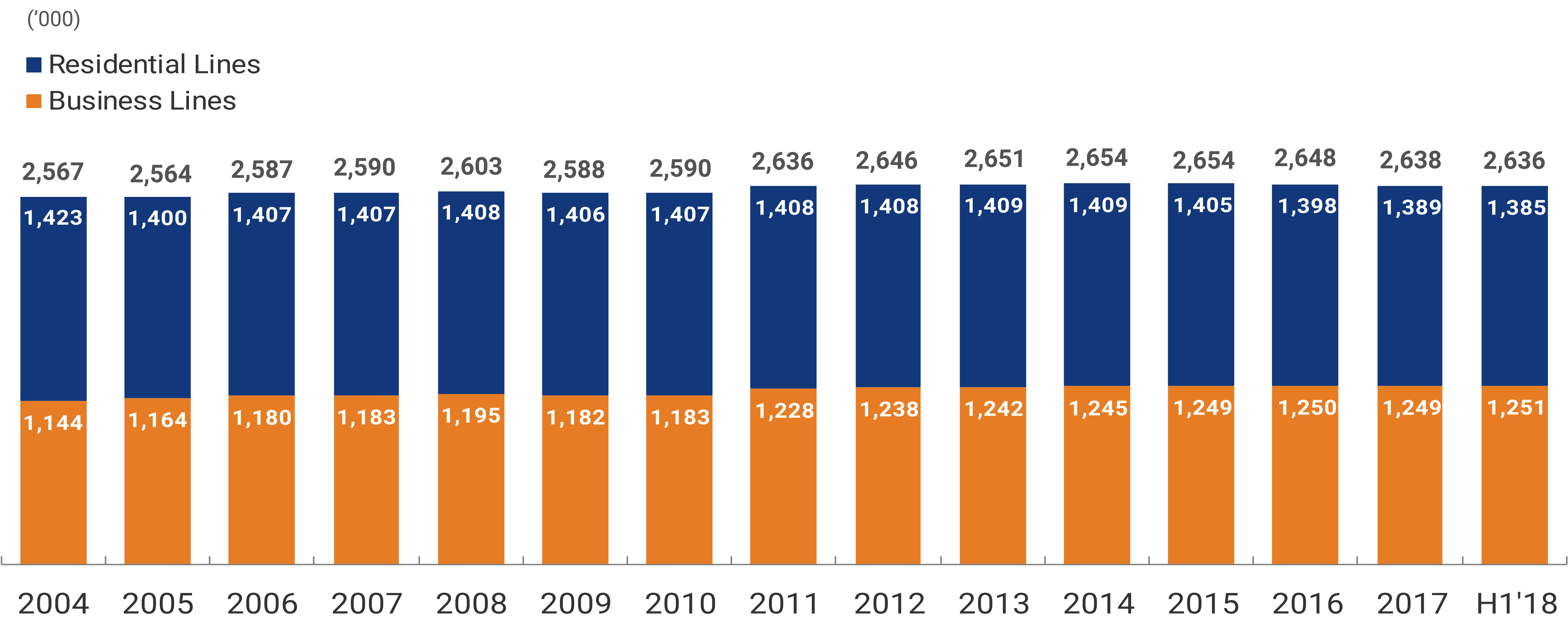
Business Review

Alex Arena

Group Managing Director

Stable Fixed-line Business

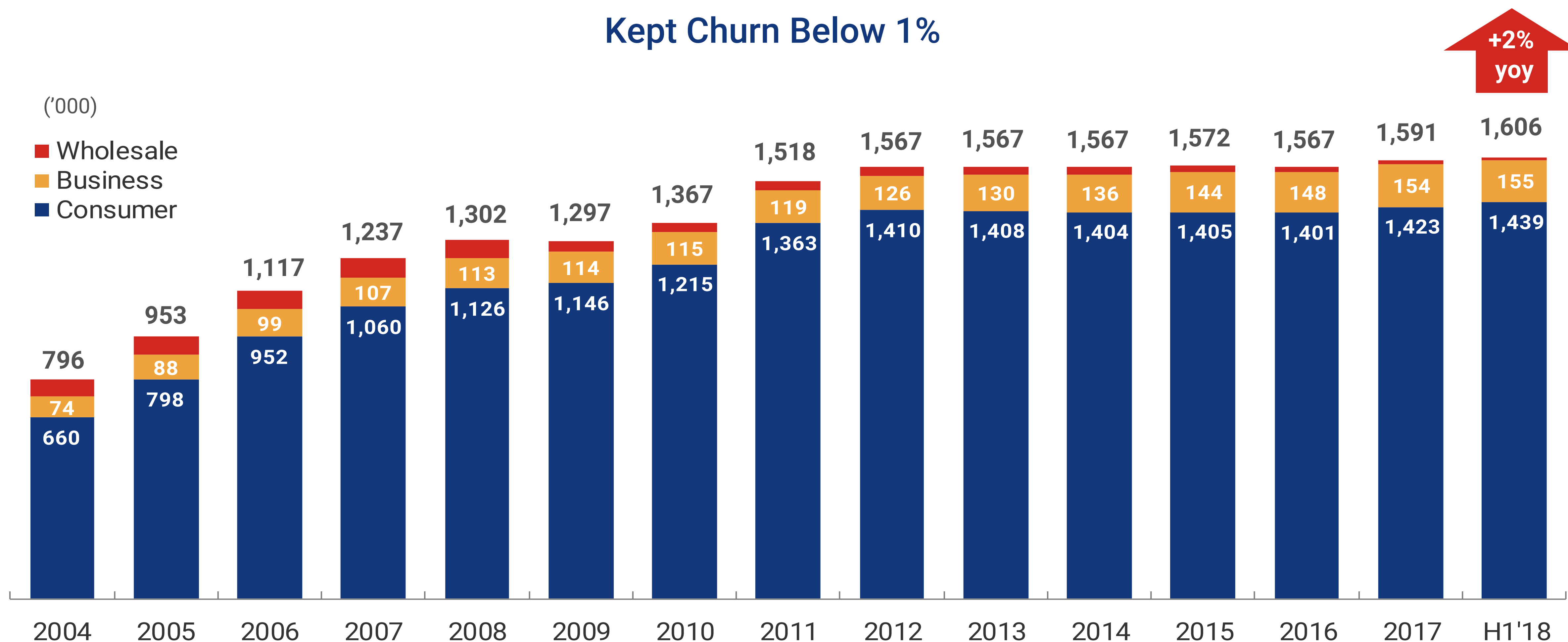
Solid Customer Base Maintained Since 2004



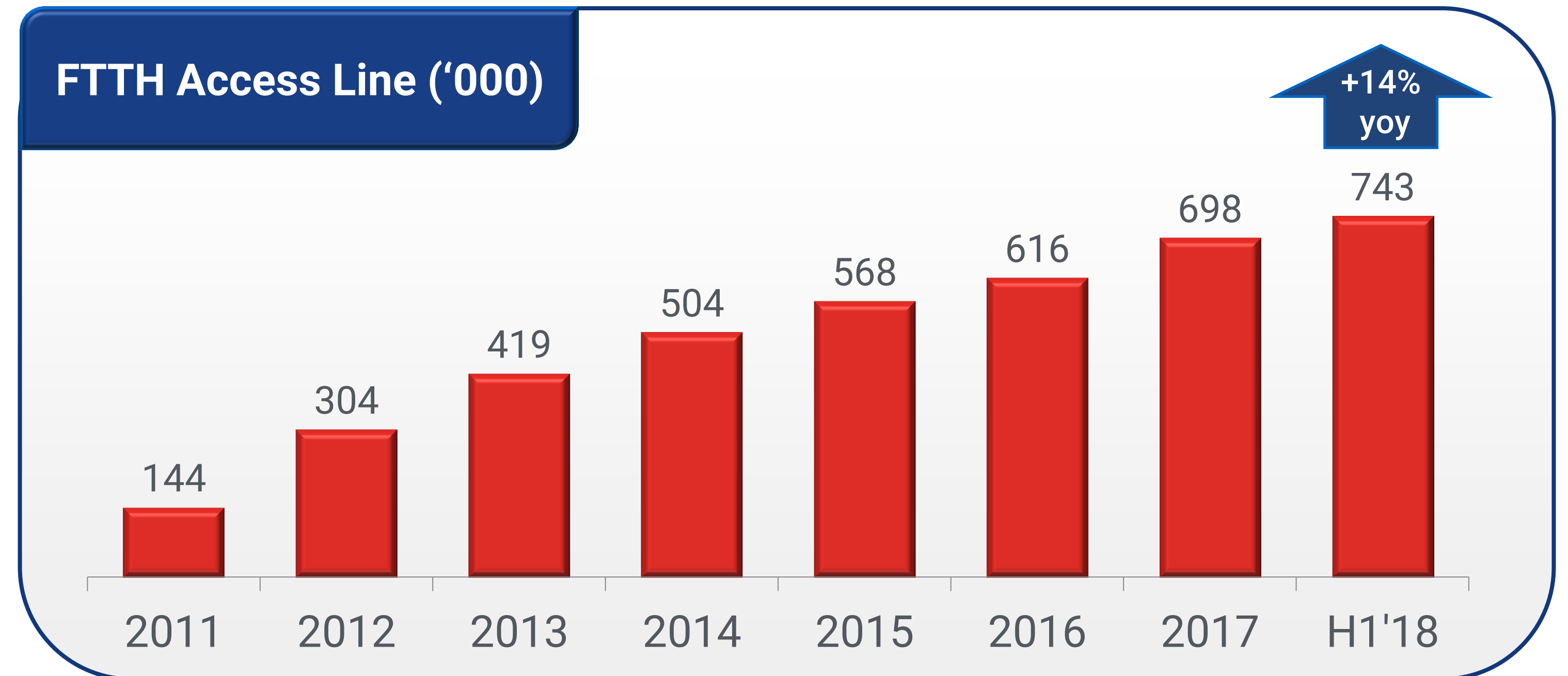
Strengthened Position in Broadband

Customer Base Grew Across Both Business and Consumer Segments

Kept Churn Below 1%

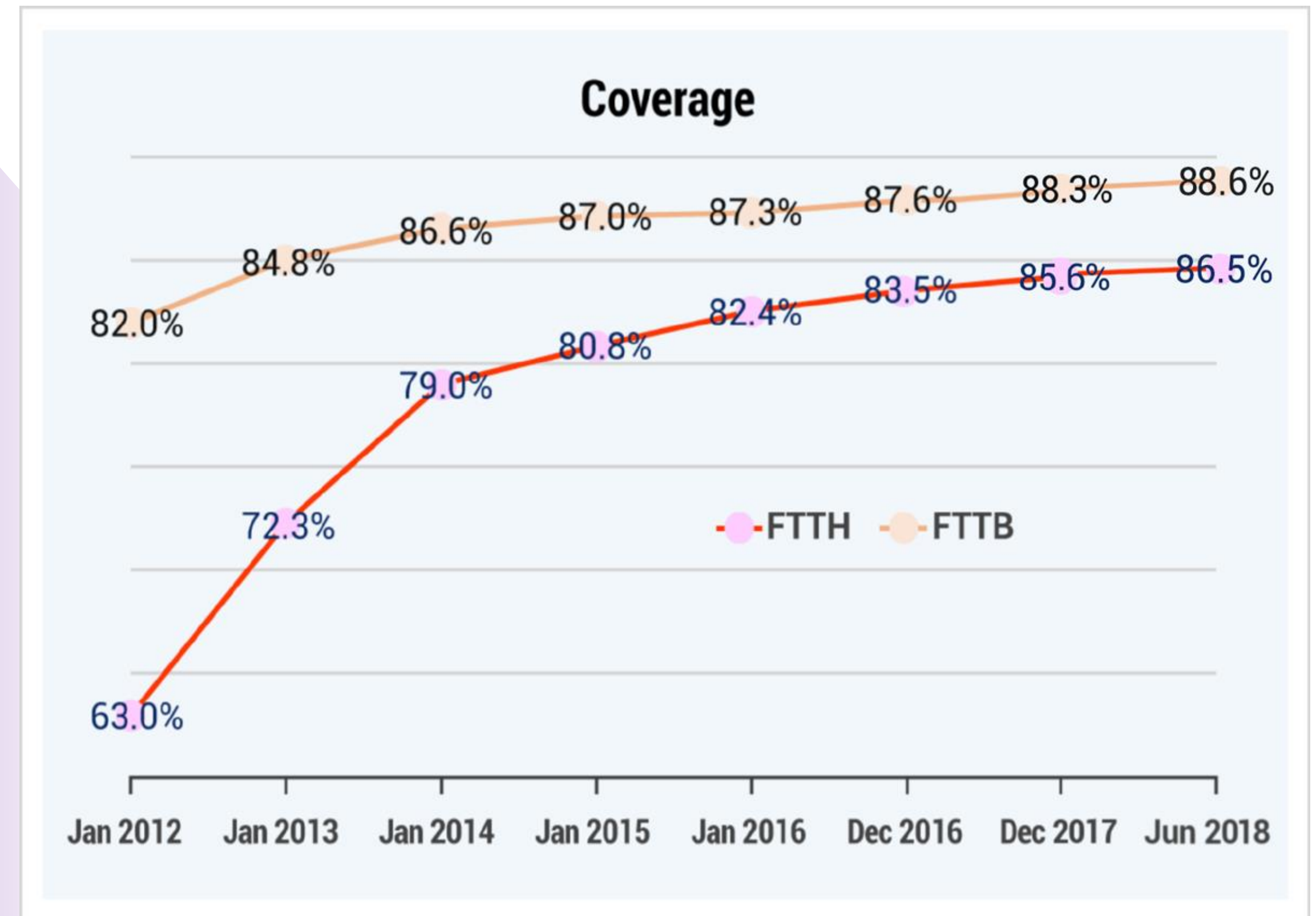
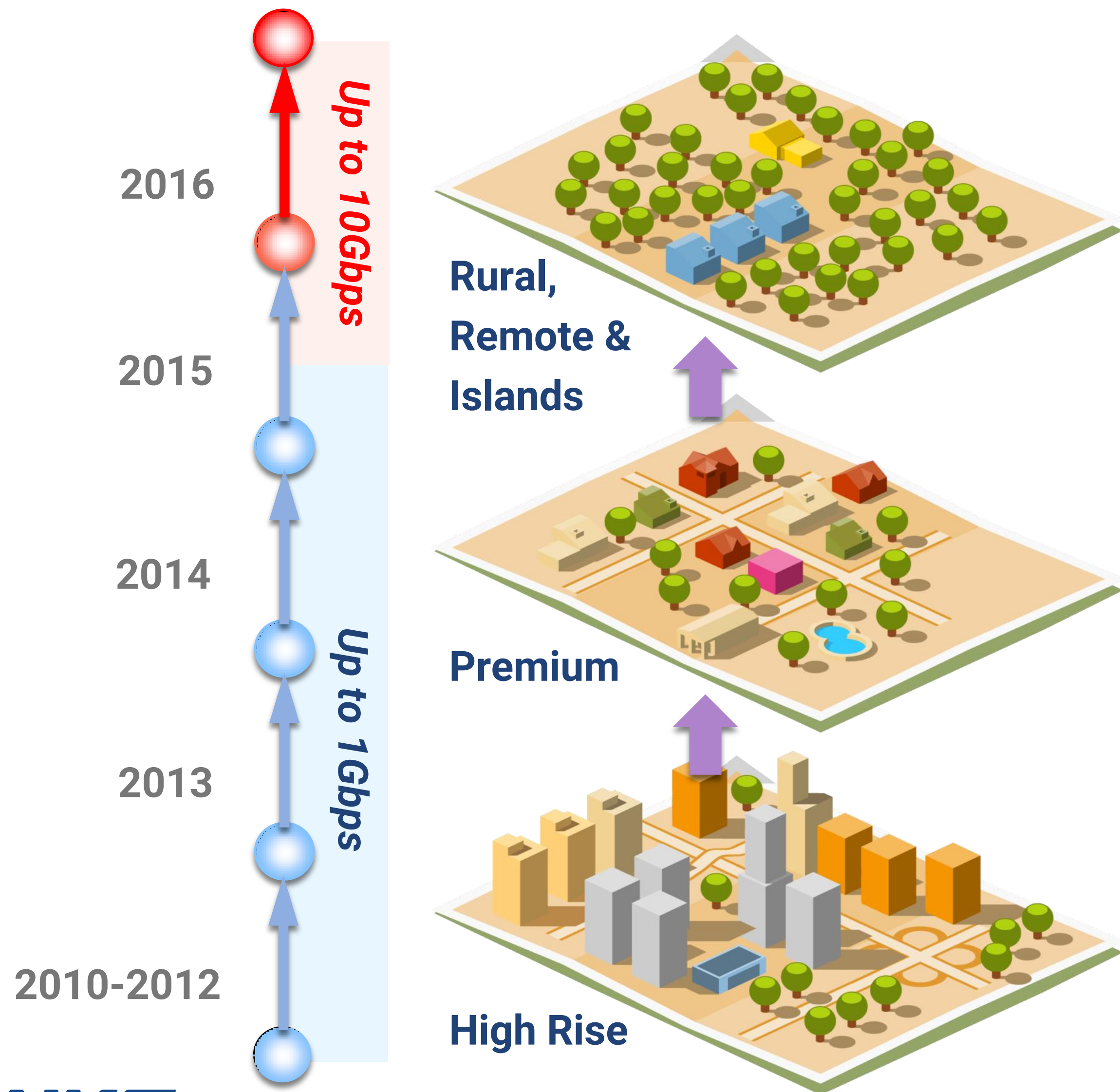


Continued Growth of FTTH Service



- Continued increase in customer subscription to our Fiber-To-The-Home (FTTH) service and customer upgrades to higher speed, higher price FTTH plans
- 743K genuine FTTH access lines as of June 2018, which represented a net increase of 91K or 14% vs. June 2017
- 904K high speed broadband (FTTH and VDSL) access lines as of June 2018

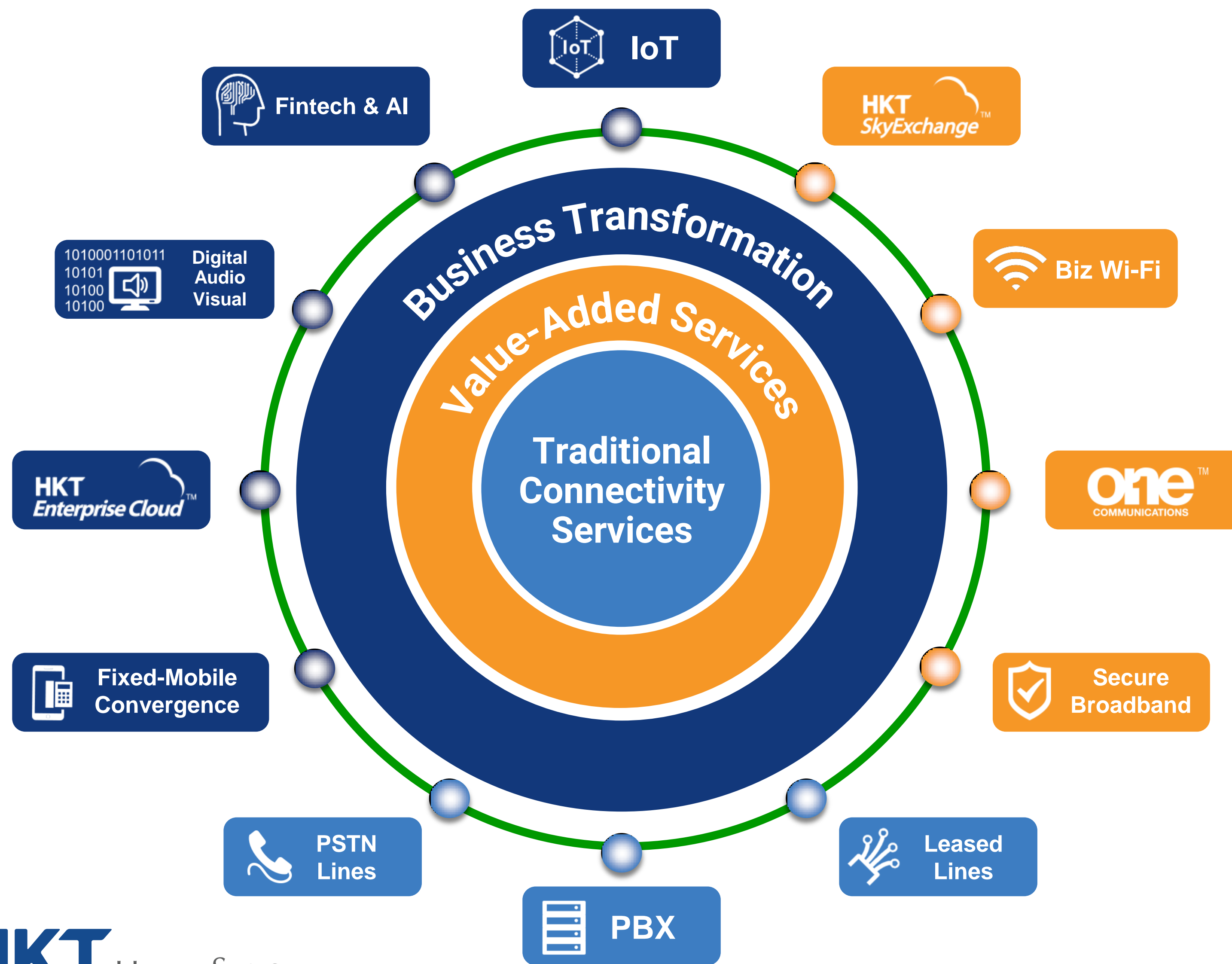
HKT's Path to Territory-Wide Fiber Broadband



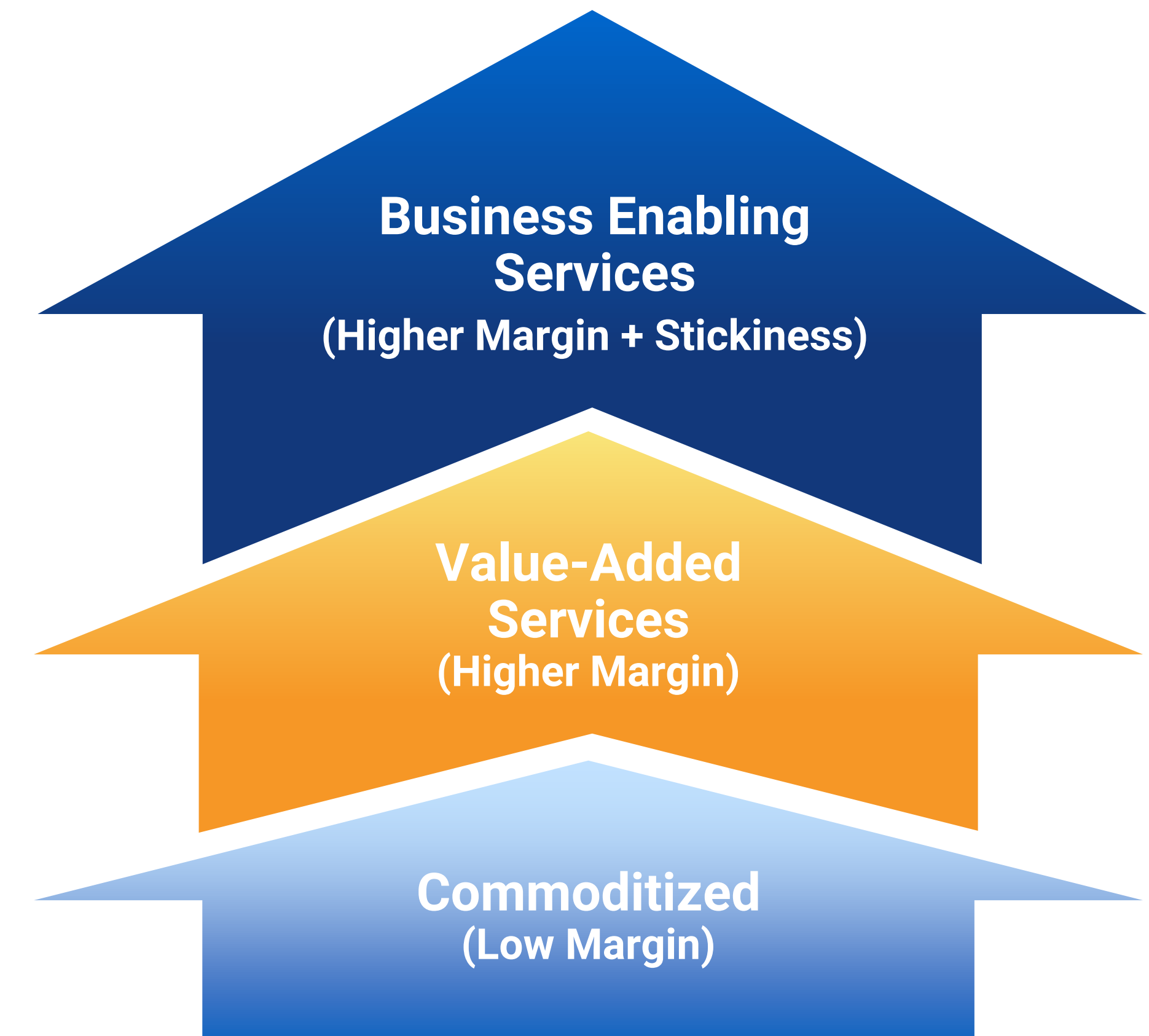
As of June 2018, FTTH Coverage has reached 86.5% and FTTB Coverage was at 88.6%

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

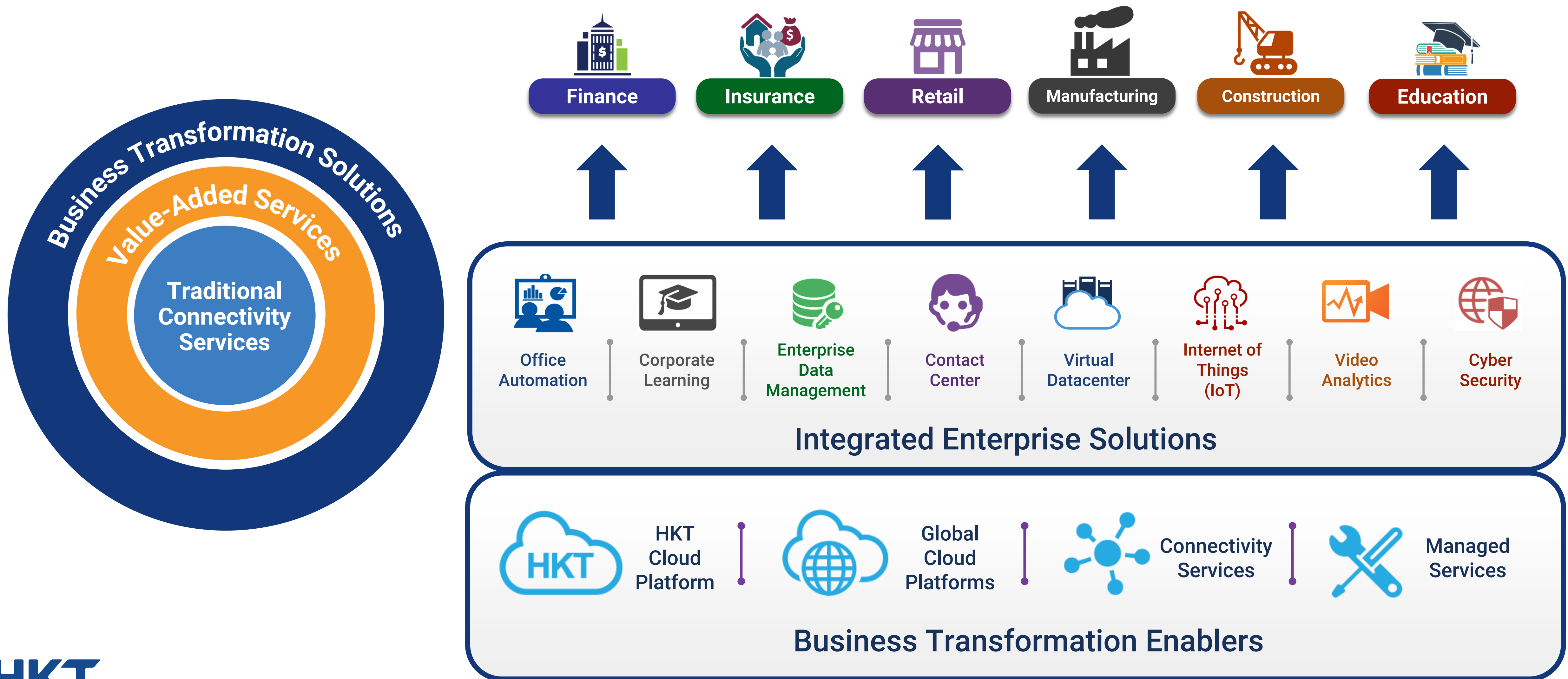
Our Strategy to Meet Modern Business Needs



HKT Aims to Provide a Full Suite of Solutions to Meet the Requirements of Enterprise & SME Customers to Assist their Business Transformation



HKT Enterprise Solutions Empower Business Transformation in Different Industries



1st in HK

Cloud based Video Surveillance as a Service
to enhance customer's operational efficiency

Innovative ways to help customers with
Digital Transformation by using Video Analytics
& Video A.I.

Intelligent business insights brought to
customers like Retail Analytics, CRM integration
and Advertising effectiveness

Open architecture enables simple integration
with customer's existing infrastructure



Use Cases

Retail

Enhance customer engagement with retail analytics (including VIP greeting, heat map and targeted promotions)

Property Management

Modern approach to property management (including facial recognition, intelligent detection of intrusion and suspicious objects)

Education

Enhance student safety by confirming the identity of parents with identity mapping

Construction

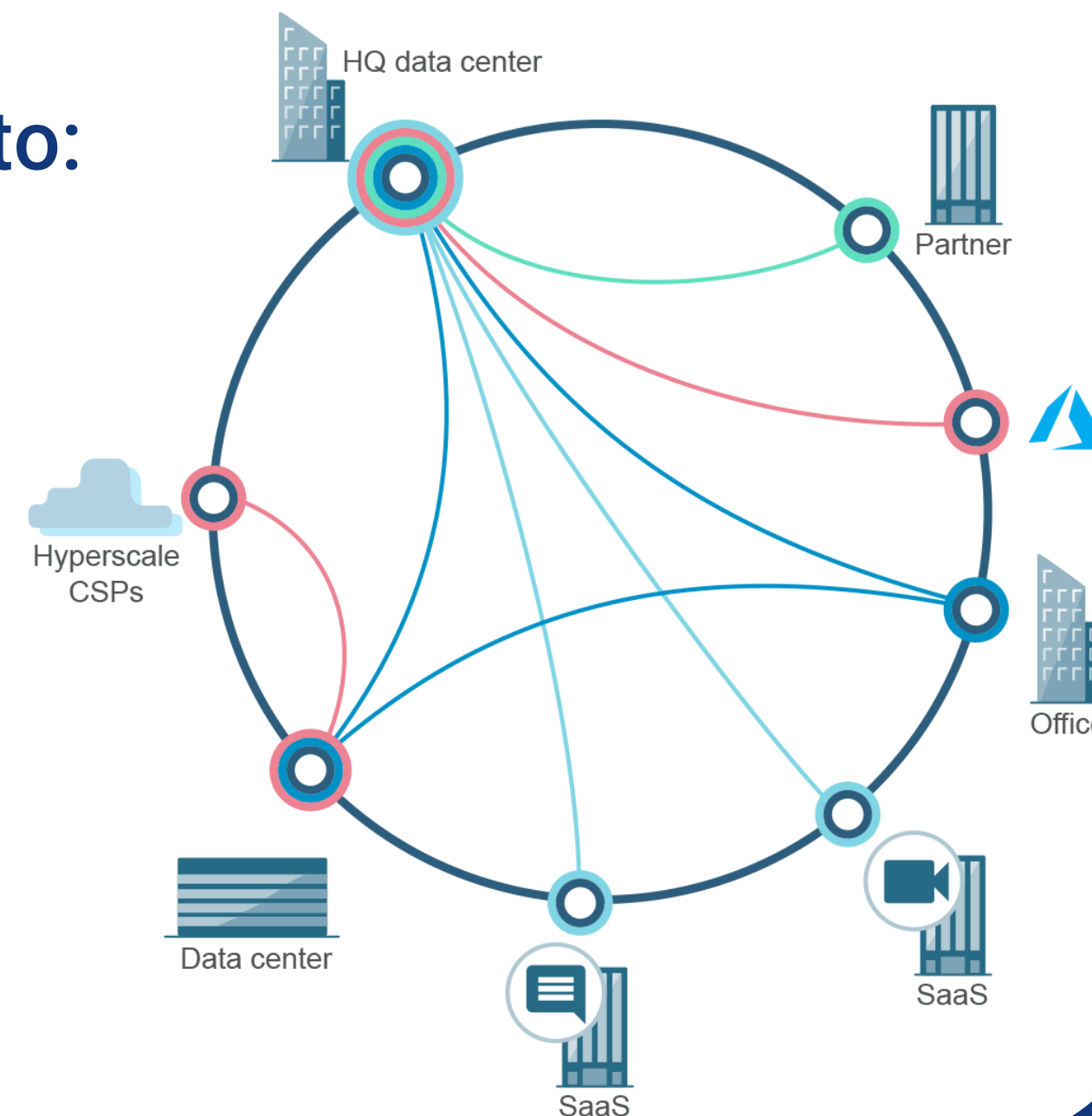
Active monitoring of construction site with A.I.-enabled video engine

International Telecoms – Unleashing our Console Connect Service

Console Connect – International SDN Network Interconnect Platform



- Global Software Defined Network (SDN)
- Automated layer 2 network provisioning with point and click interface
- Direct interconnect capability to:
 1. Data centers globally
 2. Hyper-scale and smaller cloud service providers
 3. Enterprise partners within the Console Community
 4. Business-critical SaaS applications



Benefits of Console Connect:

1. Ease of use and flexibility
2. Site-to-site and site-to-cloud already deployed
3. Automated business-to-business connectivity
4. Global access & global reach
5. Enhanced visibility & monitoring
6. Improved cost efficiencies
7. Time and resource savings

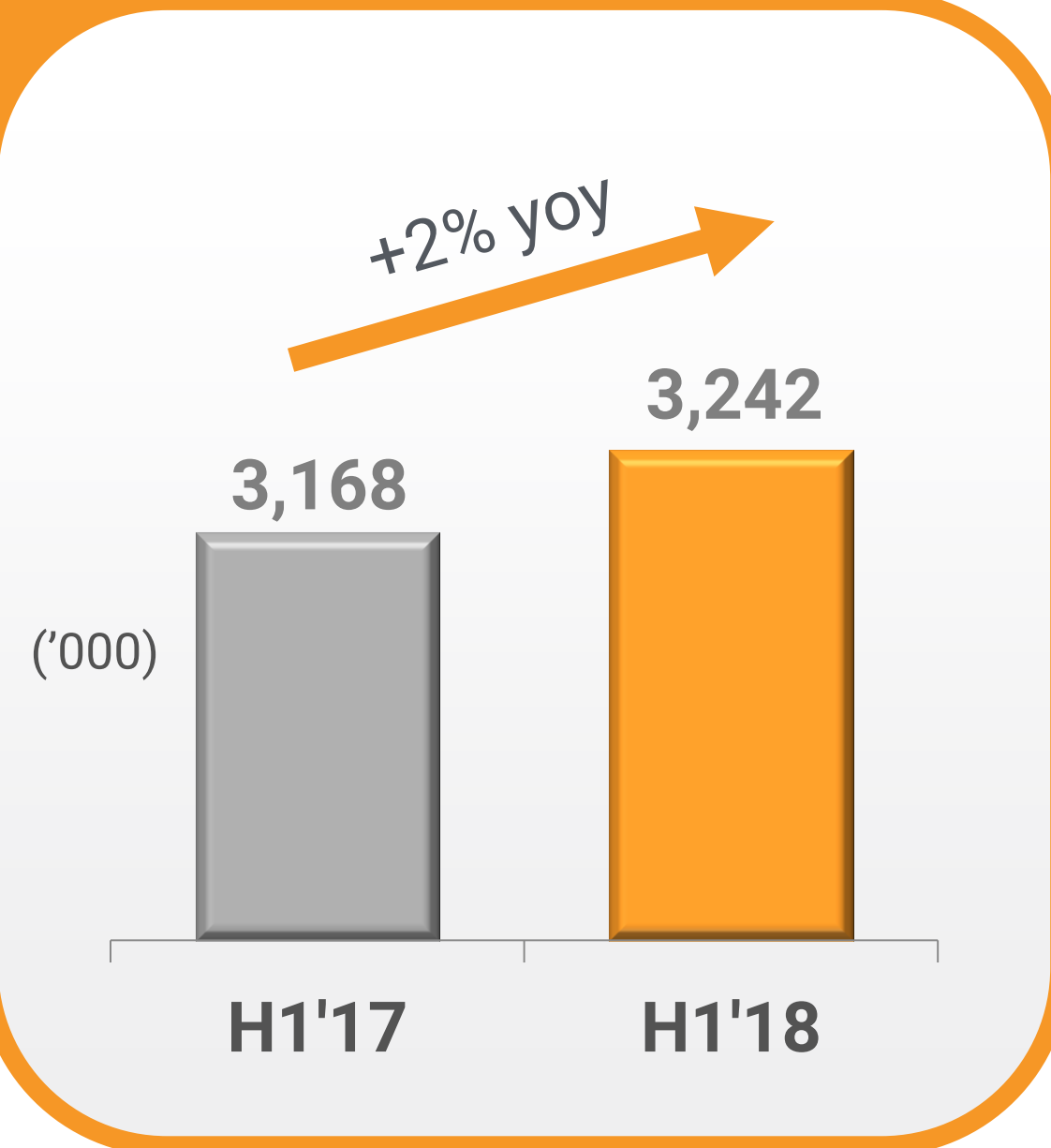
Consolidated Leadership Position in Mobile



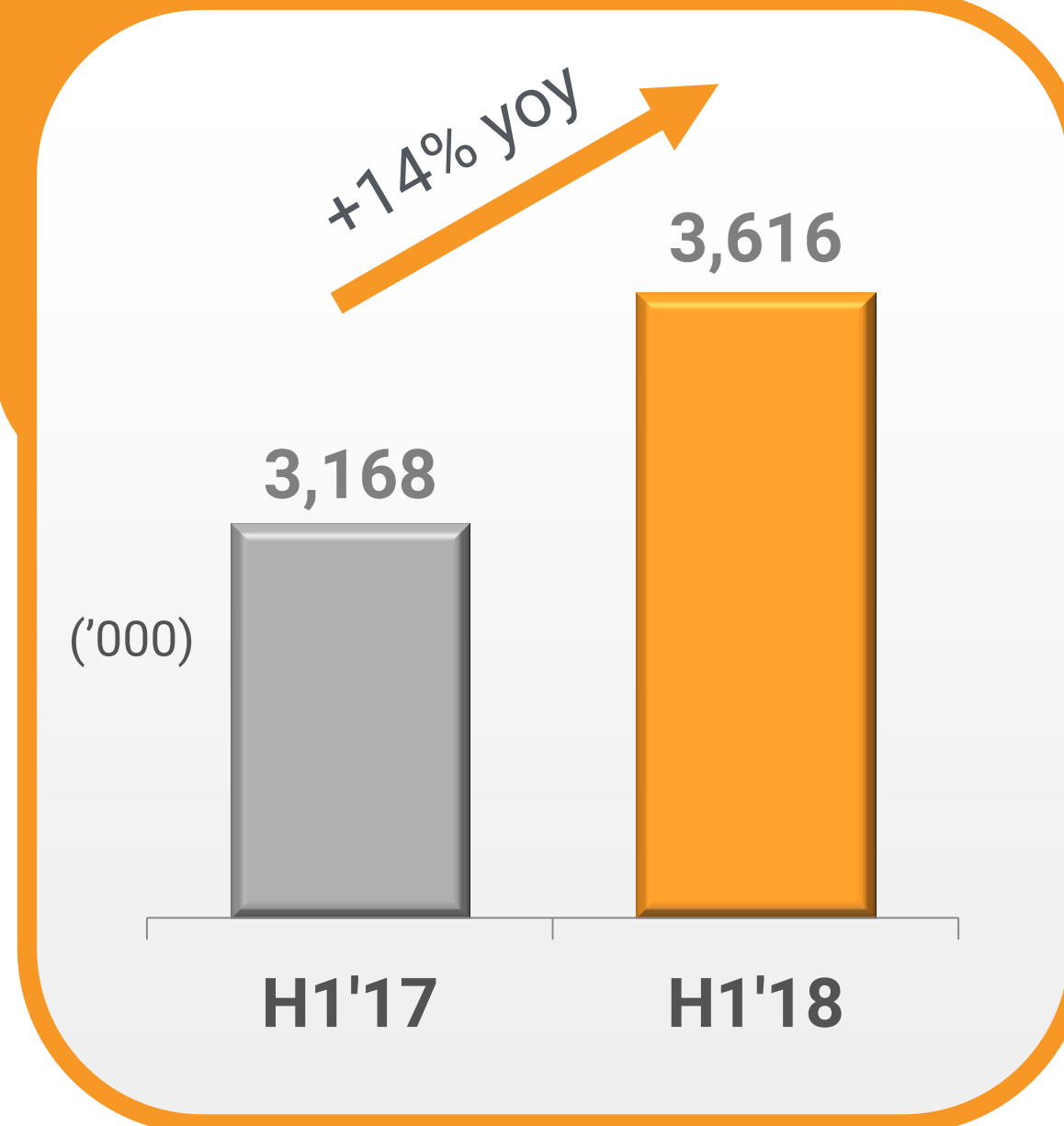
- Total customer base (excl. Club SIM) of 4.232M
 - Post-paid customer base of 3.242M
- Total customer base (incl. Club SIM) of 4.670M
 - Post-paid customer base of 3.616M
- Mobile Services revenue up 1% to US\$492M
- IDD and roaming represent 14% of Mobile Services revenue
- 84% of post-paid customers are smart device users
- Post-paid churn rate was 1.1%

Mobile Network Leadership Driving Momentum

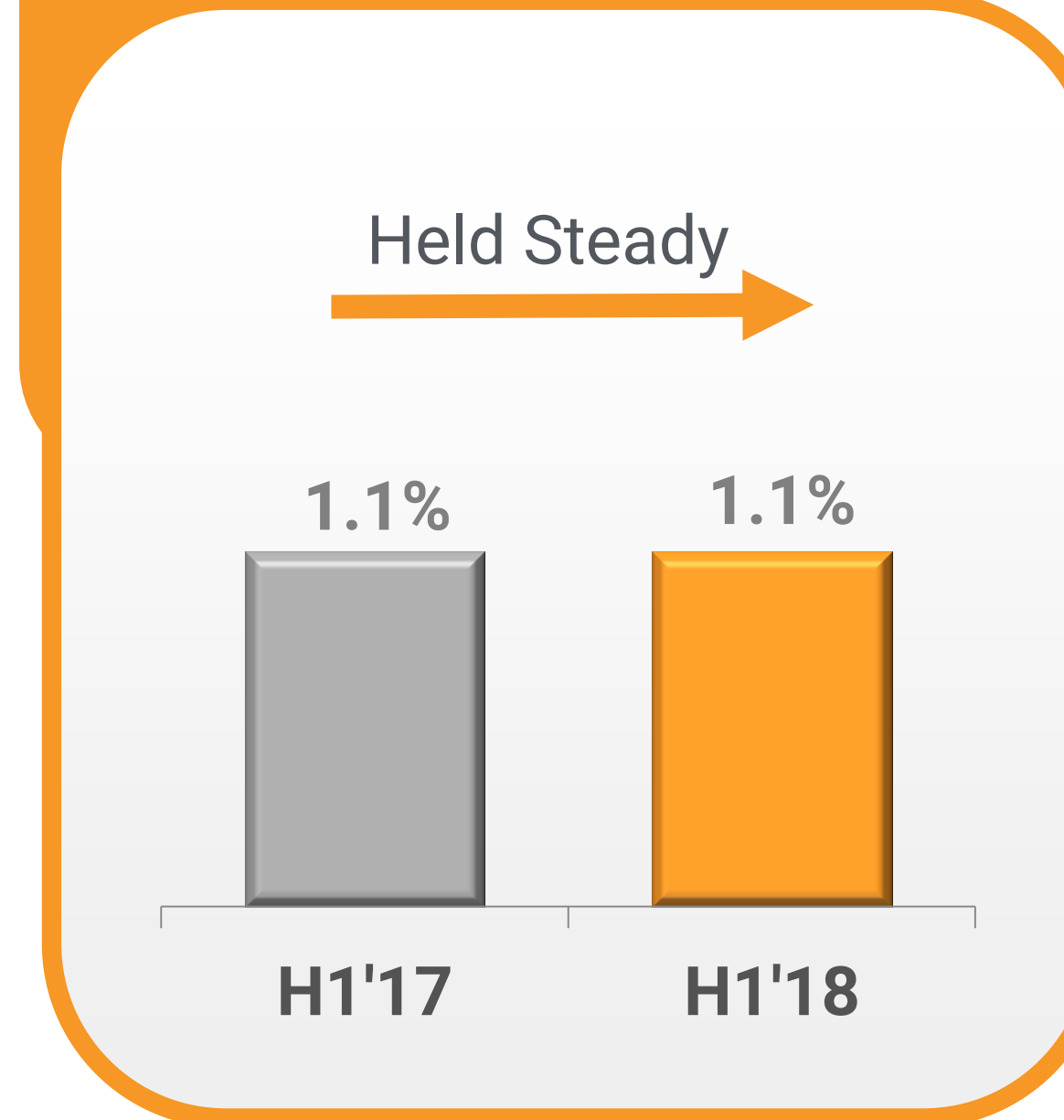
Post-paid Customers
(excl. Club SIM)



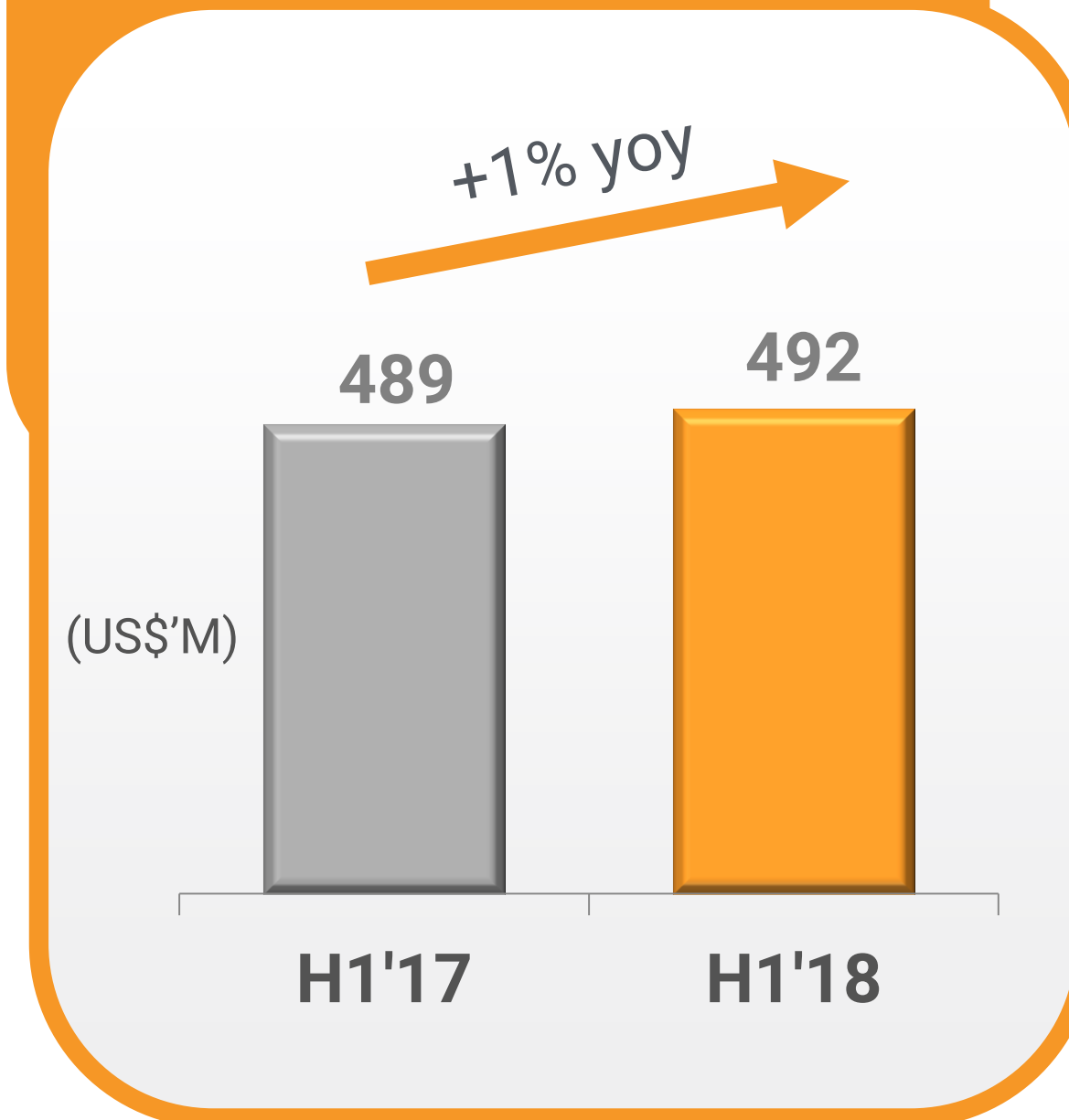
Post-paid Customers
(incl. Club SIM)



Post-paid Churn Rate
(excl. Club SIM)

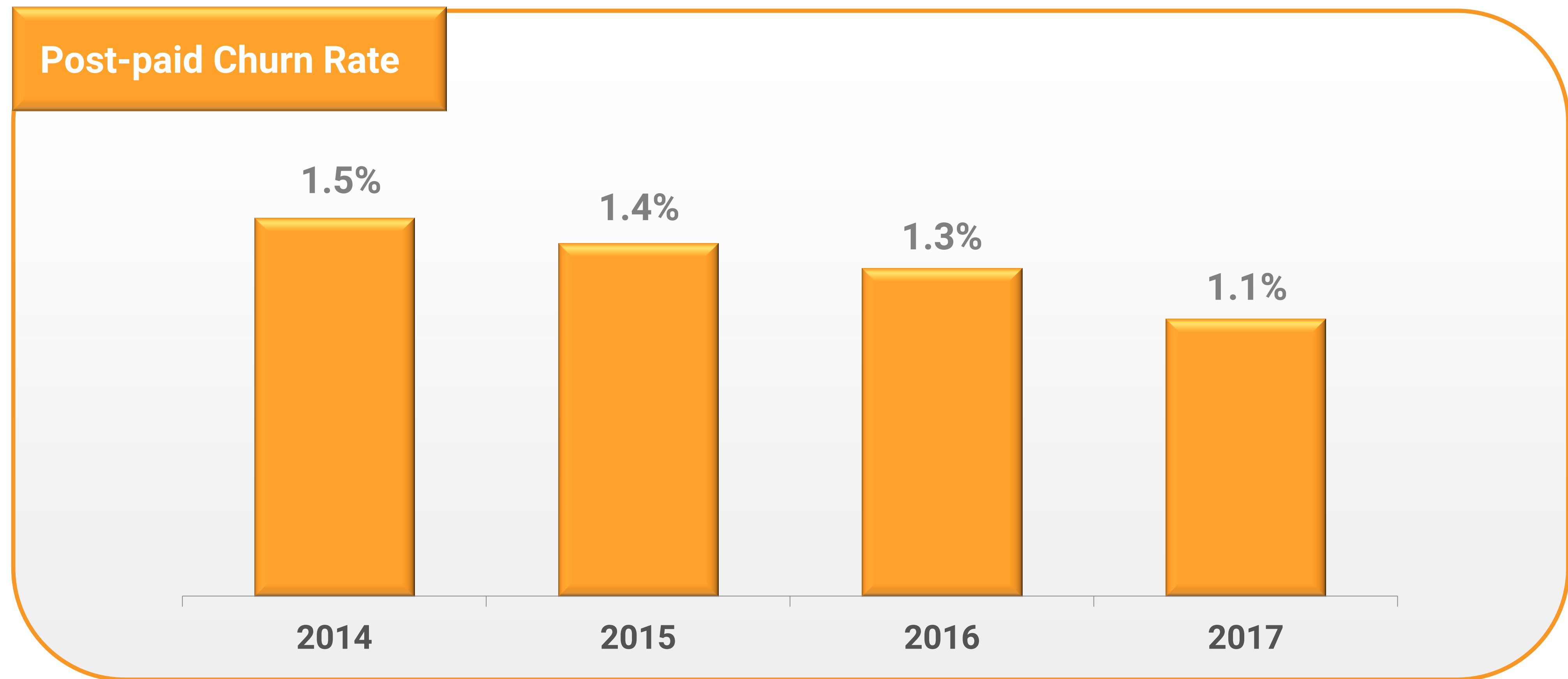


Mobile Services Revenue



Sustained Improvement in Post-paid Customer Base and Service Revenue

Measured Improvement in Churn Rate



Target to Further Improve the Churn Rate to 1% or Below for the Full-year 2018

CLUB SIM Tailored to Digital Natives

CLUB SIM



- To address the DIY digital savvy market
- Contract-free and self-define online
- Initial service packs
 1. Game pack
 2. Entertainment pack
 3. Music pack
 4. Sports pack
 5. Travel pack
 6. Magazine pack
 7. Data pack
 8. Communication pack

438,000
Club SIM Customers
as of June 2018

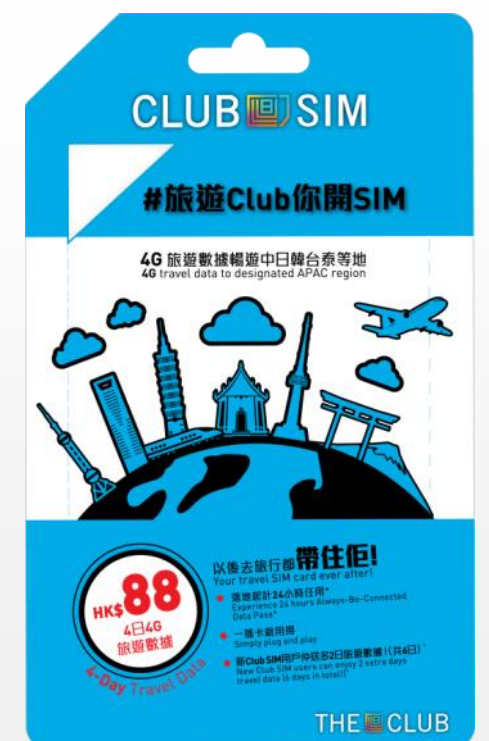
WeChat Go Club SIM

- Launched in May 2018
- Targeting travelers from mainland China
- Enjoy free Hong Kong mobile data while using WeChat to keep in touch with their friends and relatives



Travel Club SIM

- Launched in May 2018
- Targeting outbound travelers
- Designated for 13 popular Asia Pacific destinations



- Travel is one of the top redemption items in The Club program
- HKT is now IATA accredited and licensed as a travel agent in Hong Kong
- Club Travel provides club members with direct access to a huge range of travel options at competitive prices, and will enhance the end-to-end travel booking experience for club members



Airlines



Hotels



Travel packages

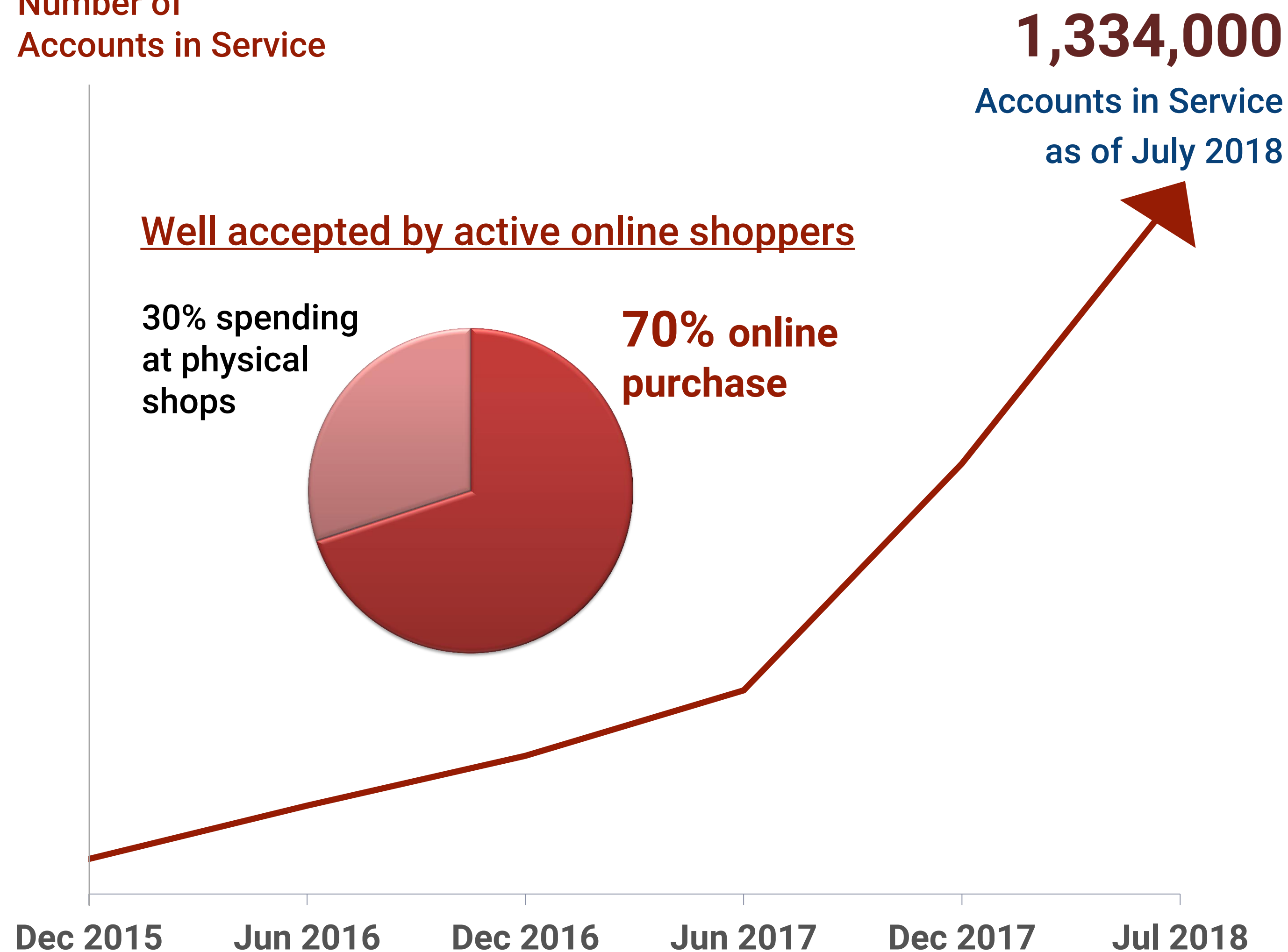
and more...



Exponential Growth of Customer Penetration



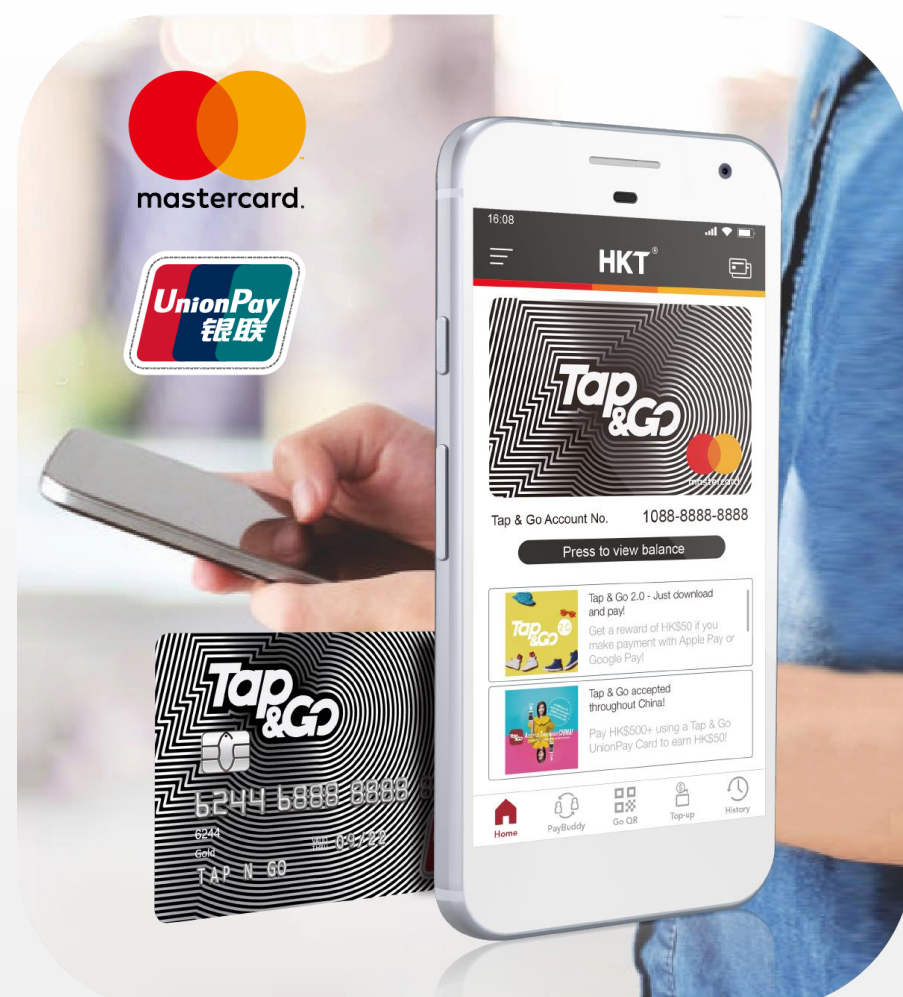
Number of
Accounts in Service



Faster Payment System and QR Code Standard Will Foster Mobile Payment Usage

- The new Faster Payment System and HK QR Code to be launched by the Hong Kong Monetary Authority will foster penetration of mobile payment

For Consumers



- Convenience of HKD/RMB instant conversion
- Wide merchant acceptance on MasterCard and UnionPay
- Easy to use with Apple Pay, Google Pay and QR Code



Instant Top-up



Instant P2P



Pay Bill

For Merchants



- Total solution to include mobile POS and O2O applications to enhance retail operation efficiency



Sales Dashboard






Transaction



Loyalty

Paving the Way for us to Apply for a Virtual Bank Licence

Highlights

- ✓ HKT delivered another solid financial performance reflecting the resilience of our Broadband and Mobile businesses in the highly competitive market in Hong Kong
- ✓ We are now price competitive in every segment, and we have the capacity to sustain performance at current price levels or lower
- ✓ Progressively building new businesses such as THE  CLUB[®] program,  and  mobile payment service to further diversify and grow the company
- ✓ Continue to meet the increasing customer demand for high-speed and reliable connectivity on both advanced mobile and fixed, fiber networks as we continue to research, trial and deploy future technologies such as 5G

Building for Tomorrow, Today