

HKT Here To Serve

2021 Interim Results

For the six months ended June 30, 2021

August 5, 2021 – Hong Kong

a **PCCW** Group member



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 Review

Susanna Hui
Group Managing Director



Growth Resumed amid Gradually Improving Operating Environment

Total Revenue

H1'21
2,006 + 7% YoY
(US\$ million)

(H1'20: - 3% YoY)

Total EBITDA

H1'21
733 + 3% YoY
(US\$ million)

(H1'20: - 3% YoY)

Adjusted Funds Flow

H1'21
298 + 2% YoY
(US\$ million)

(H1'20: Stable YoY)

Interim Distribution of 30.70 HK cents per Share Stapled Unit

New Digital Platforms Augment our Core Business

Core Telecom Business

- Mobile Services



- Consumer Broadband



- Enterprise Solutions



- Media Entertainment



- Global Interconnectivity



New Digital Business

- Loyalty & e-Commerce



- FinTech



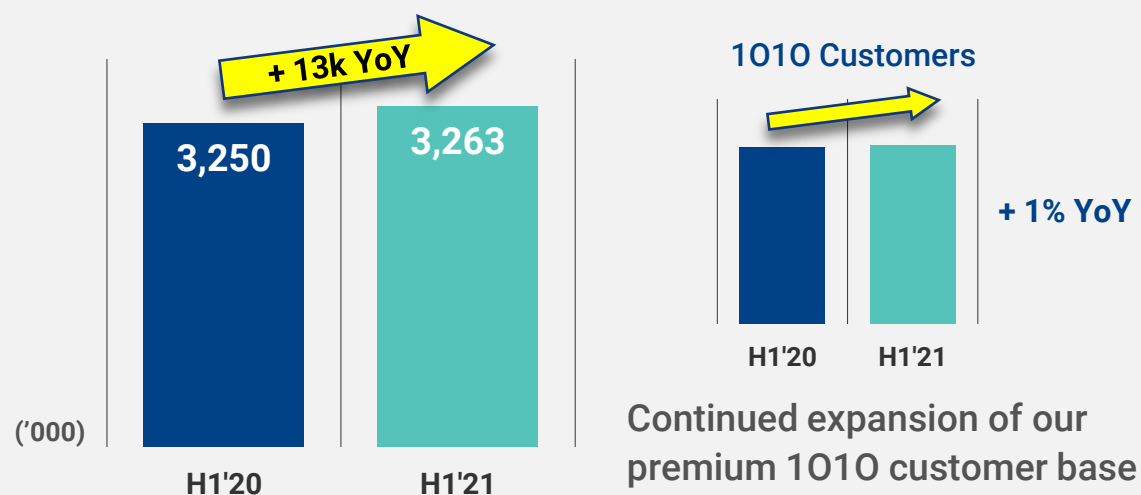
- HealthTech



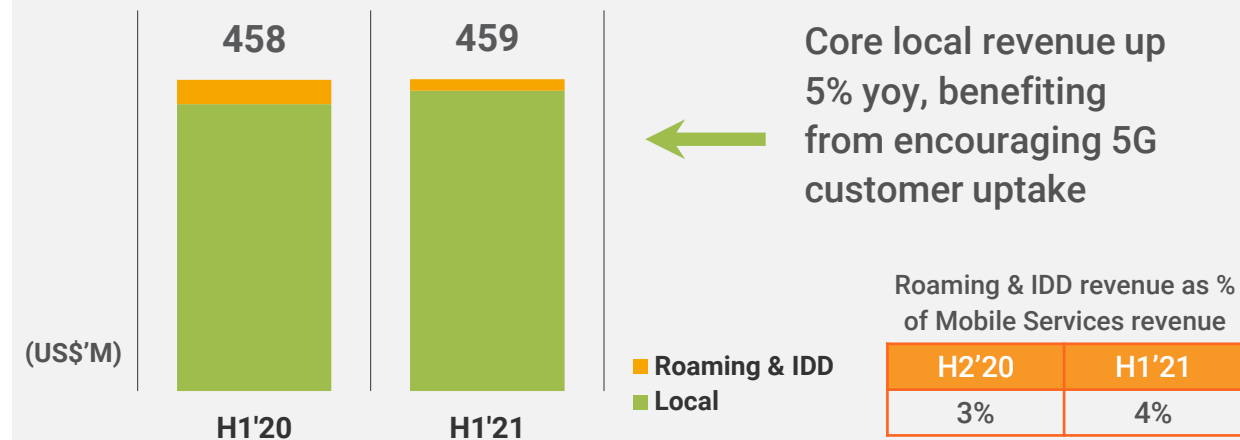
Enlarged Mobile Customer Base with Higher Local ARPU



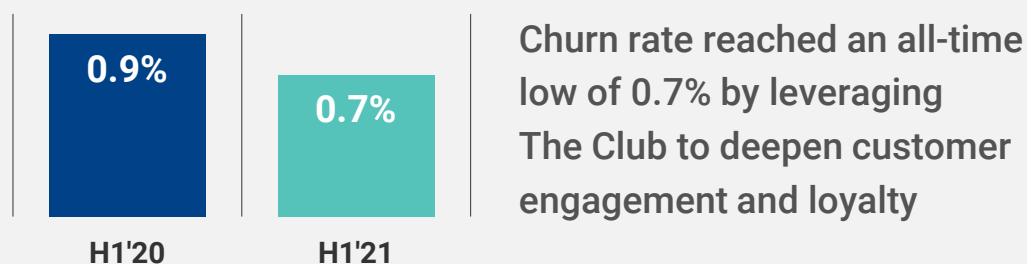
Post-paid Customer Base



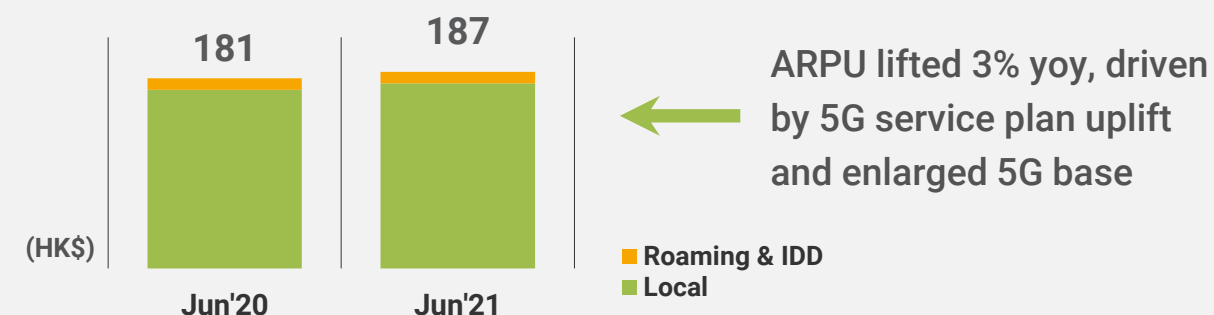
Mobile Services Revenue



Post-paid Churn Rate



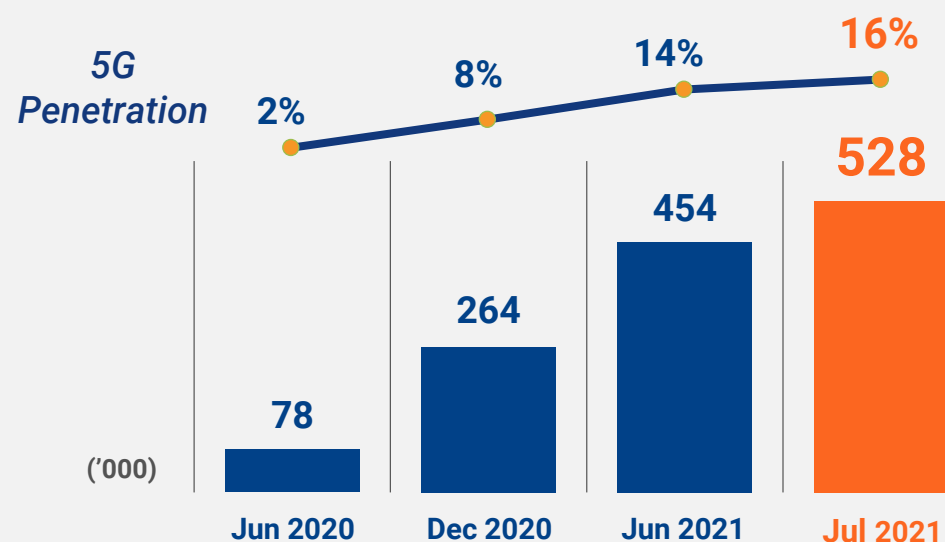
Post-paid Exit ARPU



Growing 5G Adoption



Encouraging 5G Customer Uptake



Dec 2021
Forecast

20%
Penetration

HK\$70
Plan Fee
Uplift

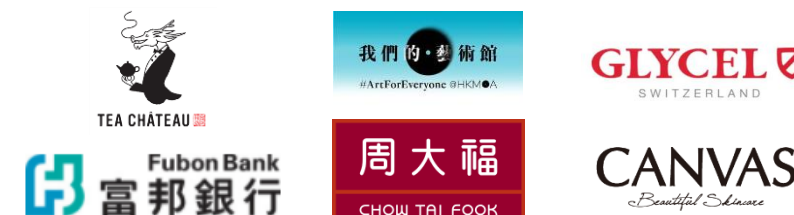


csL 5G Lens

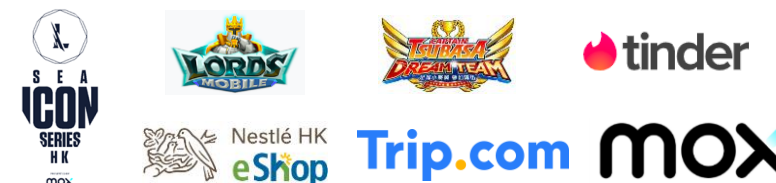
A location-based platform with AR gamification elements connecting consumers & merchants

- Over 150k Registered Users
- 1.2 million accumulated coupons
- 390+ Merchant Partners

Online to offline



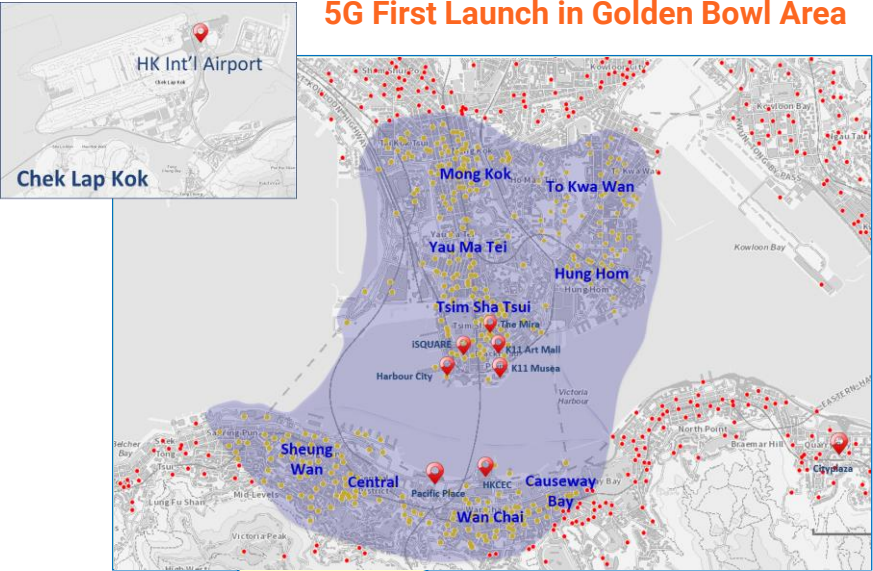
Online to online



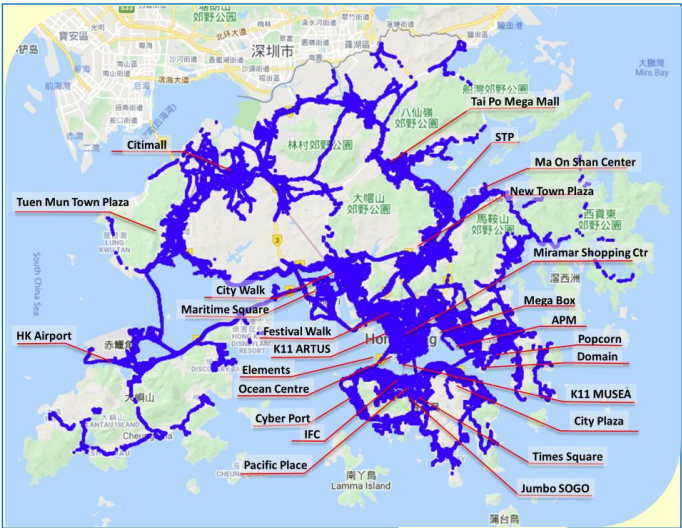
Building Best 5G Coverage in Hong Kong



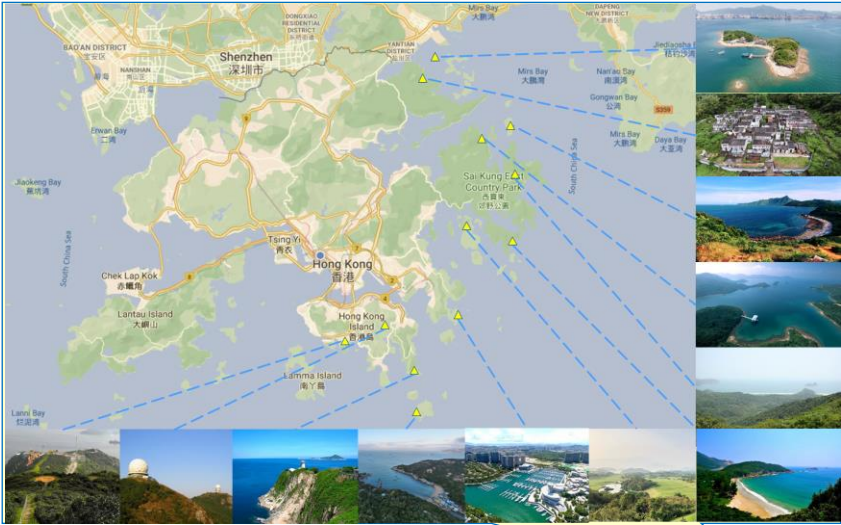
5G First Launch in Golden Bowl Area



Comprehensive Outdoor and Extensive Indoor 5G



5G coverage at popular hiking trails and remote scenic spots



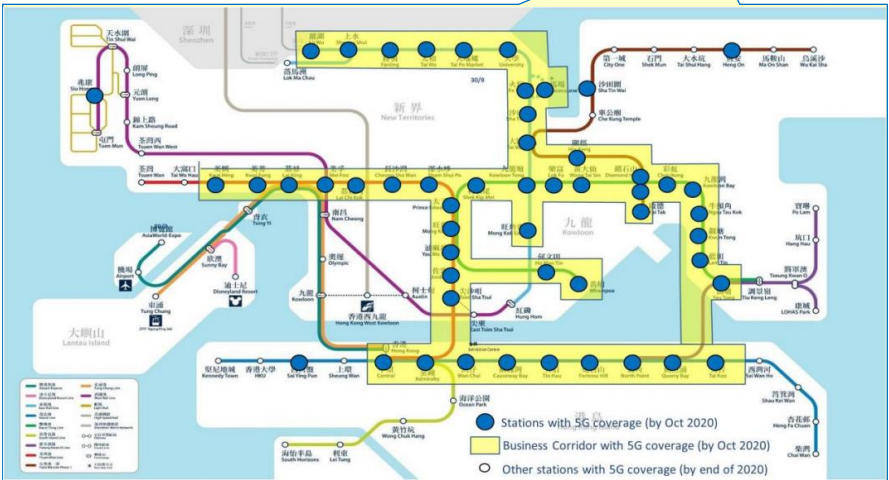
Apr 2020

Oct 2020

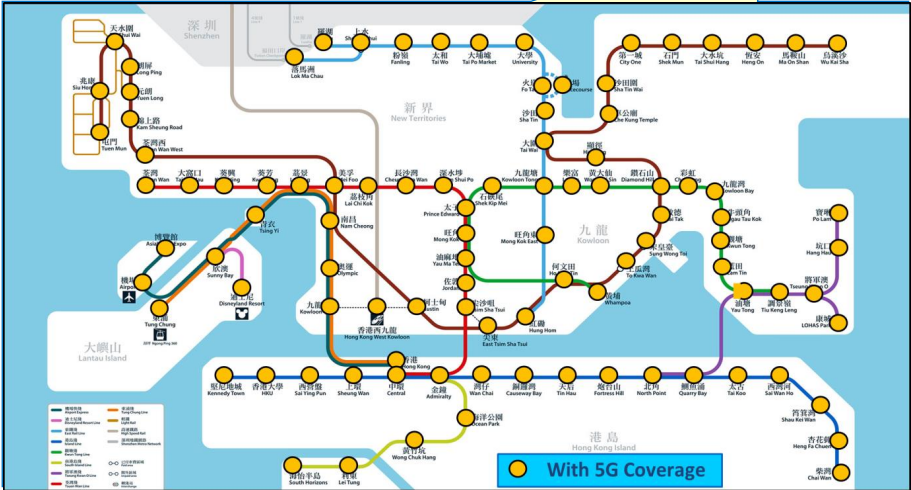
End 2020

Jun 2021

Jul 2021



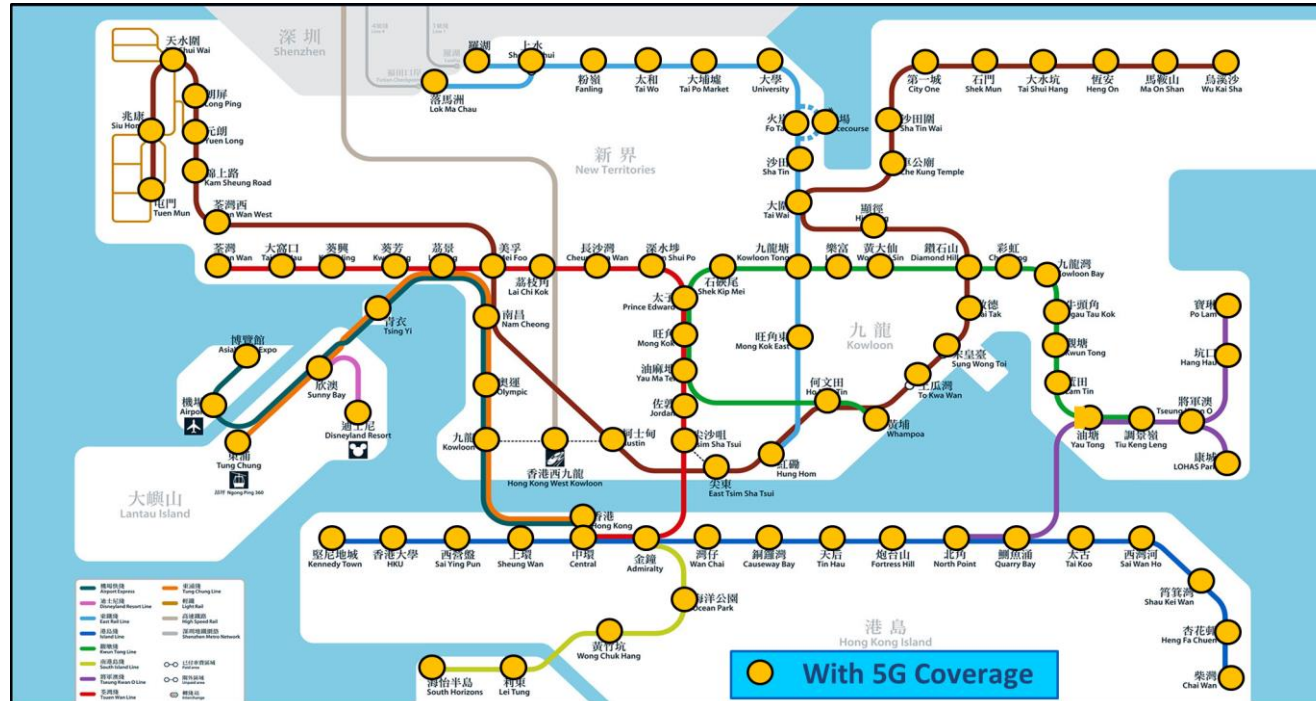
First to provide seamless 5G network coverage along 6 major MTR lines



Only operator providing seamless 5G network coverage along ALL MTR lines
a PCCW Group member

Strongest 5G Network in Hong Kong

Only network with dedicated 2100MHz Spectrum for 5G in MTR



Dedicated
Spectrum

VS.

5G

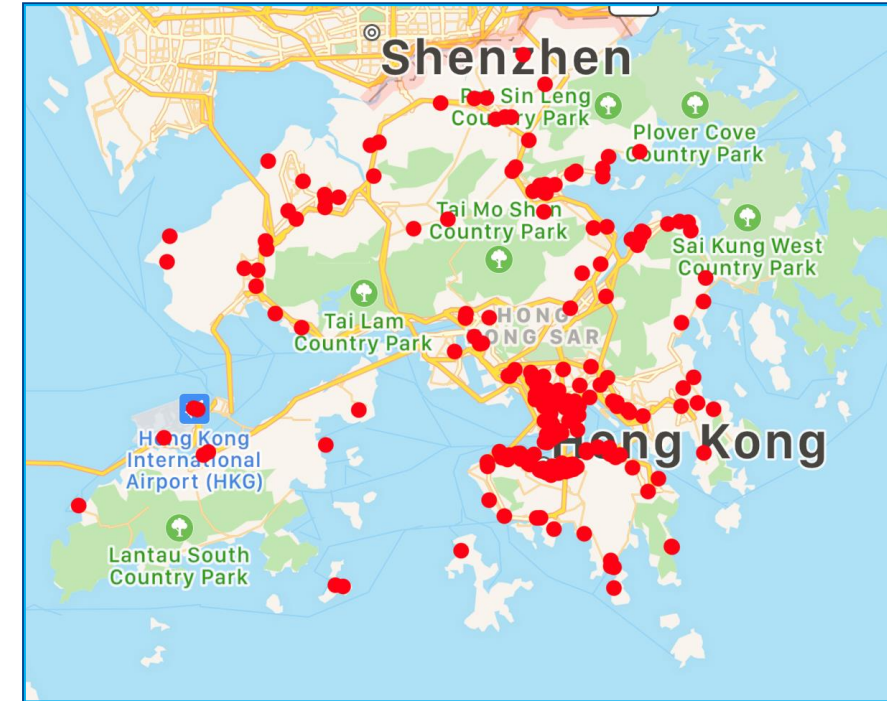
DSS
Sharing

4G

- Dedicated spectrum provides extra capacity, higher speed and more stable performance for 5G over DSS; and
- Preserving 4G users experience without the need to sacrifice for 5G



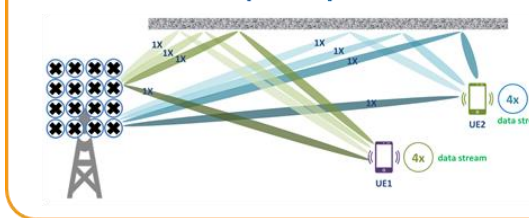
Superior network with most Massive-MIMO Deployment in town



- Over 300 locations*
- Widest coverage
- Enabling highest speed 5G network

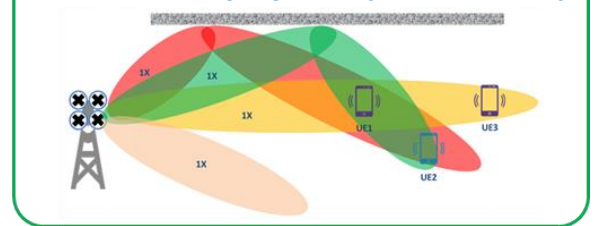
* Figure as of end of July 2021

Massive-MIMO (Multiple Quad Beams)



VS.

Traditional Deployment (1 Quad Beam)



- Massive-MIMO uses multiple quad-signal beams to support multiple users with 4x speed at the same time without sharing ➡ attaining higher user speed

Capturing 5G Opportunities in Enterprise and Public Sectors

Accelerating Digital Transformation with 5G

Supporting OFCA-funded 5G projects across industries

Smart Healthcare

- Remote consultation
- Internet of Medical Things (IoMT)
- Robotics for patient care
- Holomedicine



Smart Properties

- Smart apps & API
- Smart washrooms
- Energy savings
- IoT / robotics
- Artificial intelligence
- AR / VR

Smart Construction

- 5G surveillance
- Robotics
- Drones
- IoT
- Smart helmets

Contract Wins

- 9 x 5G infrastructure hospitals
- 5 hospitals x remote consultations
- 8 hospitals x IoMT & IoT
- 3 hospitals x Holomedicine
- 2 hospitals x patrolling robots

Contract Wins

- **30+** 5G smart property projects, infrastructure + applications
 - shopping malls, offices, commercial buildings, industrial buildings, residential developments
 - Wong Chuk Hang, Wan Chai, Kai Tak, Tai Kok Tsui, Kwun Tong, Sham Shui Po

Contract Wins

- **8+** Managed 5G & Wi-Fi & 5G applications
 - Stanley, Cheung Sha Wan, Kwun Tong Tsui Ping River, Tai Po, Lantau, Kwu Tung North & Fanling North

Trusted Partner for Smart Enterprise Solutions

Continued Successes in Network Infrastructure and Digital Transformation Projects across Industry Verticals

Digital Transformation Solutions

Utility Sector

- Plan, design and build a new platform with multi-layer cybersecurity protection and end-to-end encryption for a utility company to support their new digital initiatives

Financial Services Sector

- Design and build a new network platform with cybersecurity protection and provide ongoing professional services for a financial services company to enable their new digital initiatives

Public Sector

- Deploy multiple robots and analytics for a government agency to automate repetitive tasks and improve operation efficiency

Customer Win-back Cases

Financial Markets Sector

- We gained an increased wallet share from a financial markets company to whom we are the key service provider, by providing a high-speed fiber solution for their data center interconnection
- Deliver a tailor-made monitoring solution integrated into their network management system as a value-added service

Insurance Sector

- Provide an international insurance company with a cloud-based communications solution that can support 20,000 users and cater to needs under the new normal

Retail Sector

- Provide a beauty services chain with quality broadband, Wi-Fi and data solutions with industry-based SLA (service level agreement) to effectively support their retail operations
- Leverage TV offerings to increase value to the retailer

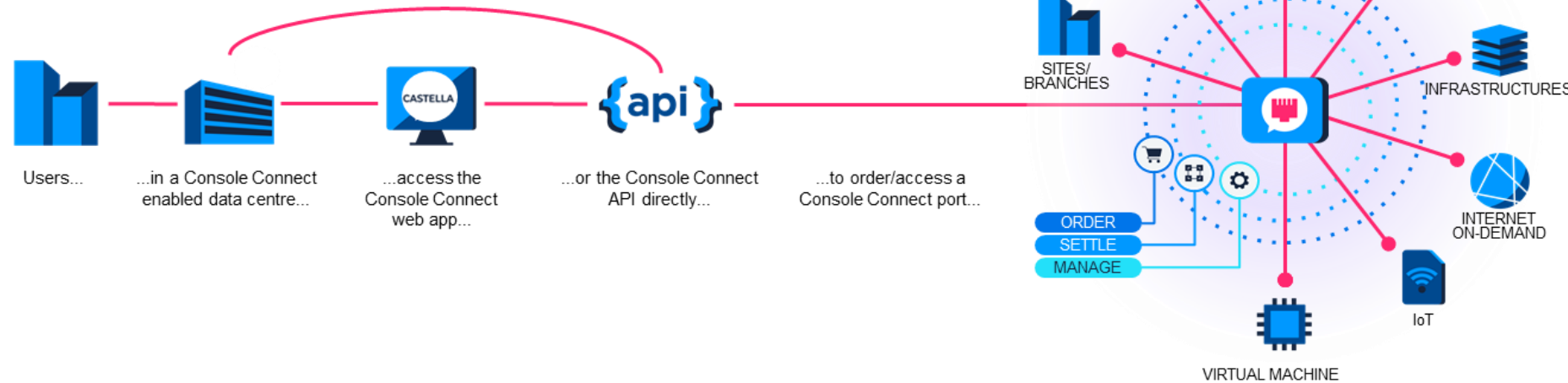
Transforming from Global Carrier to Tech-led Service Leader

Providing Software Defined Interconnectivity Platform

PCCW Global[®]



Console Connect is Software Defined Interconnection platform powered by a globally managed super network, making connectivity between data centres, clouds and applications simple, predictable and secure



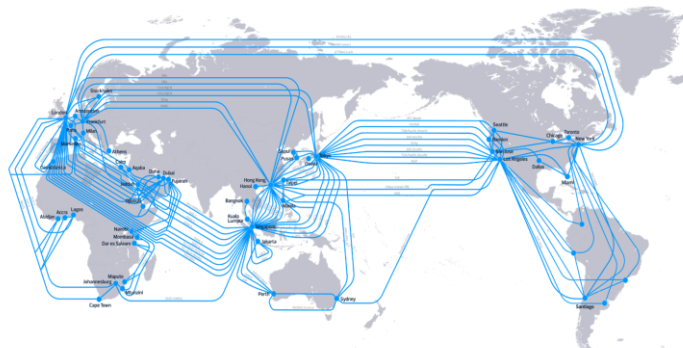
50+
Countries

450+
Data Centre PoPs

60+
Cloud Regions



Super Network - Optical Layer 1



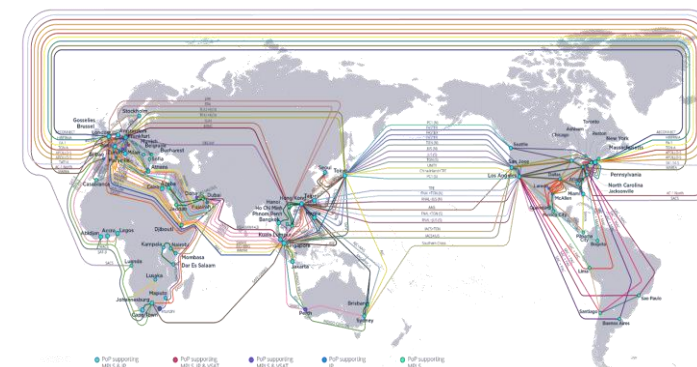
136
PoPs

>51 Tbps
Bandwidth Capacity

67
Diverse International
Cable Systems



Super Network - Data Layer 2 and 3



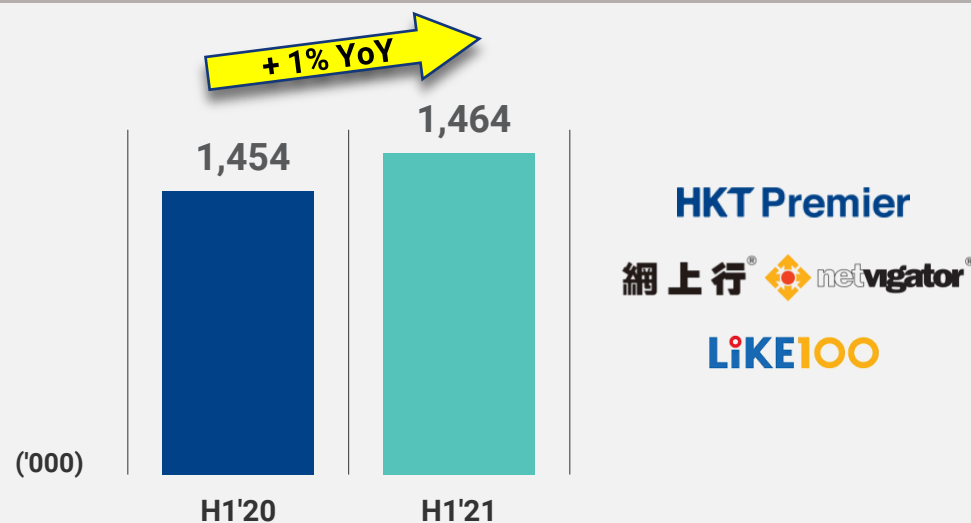
129
PoPs

>19 Tbps
Global Capacity

17%
of all Internet Routes

Work-from-home as New Normal Driving Demand for Network Reliability

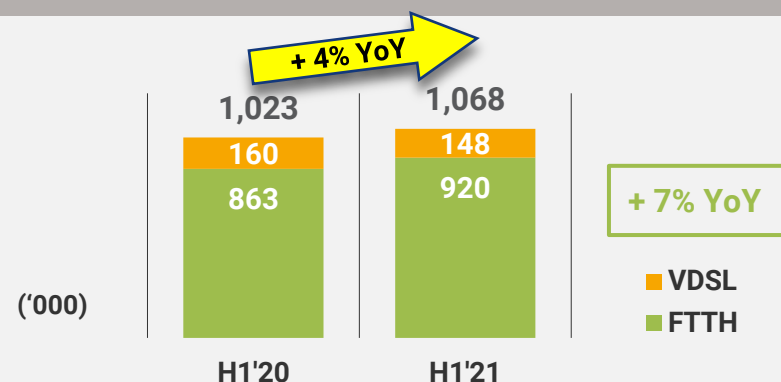
Encouraging Increase in Consumer Broadband Customers



B2C: Expanding Uptake of Home Wi-Fi Service



Continued Upgrades to FTTH Service



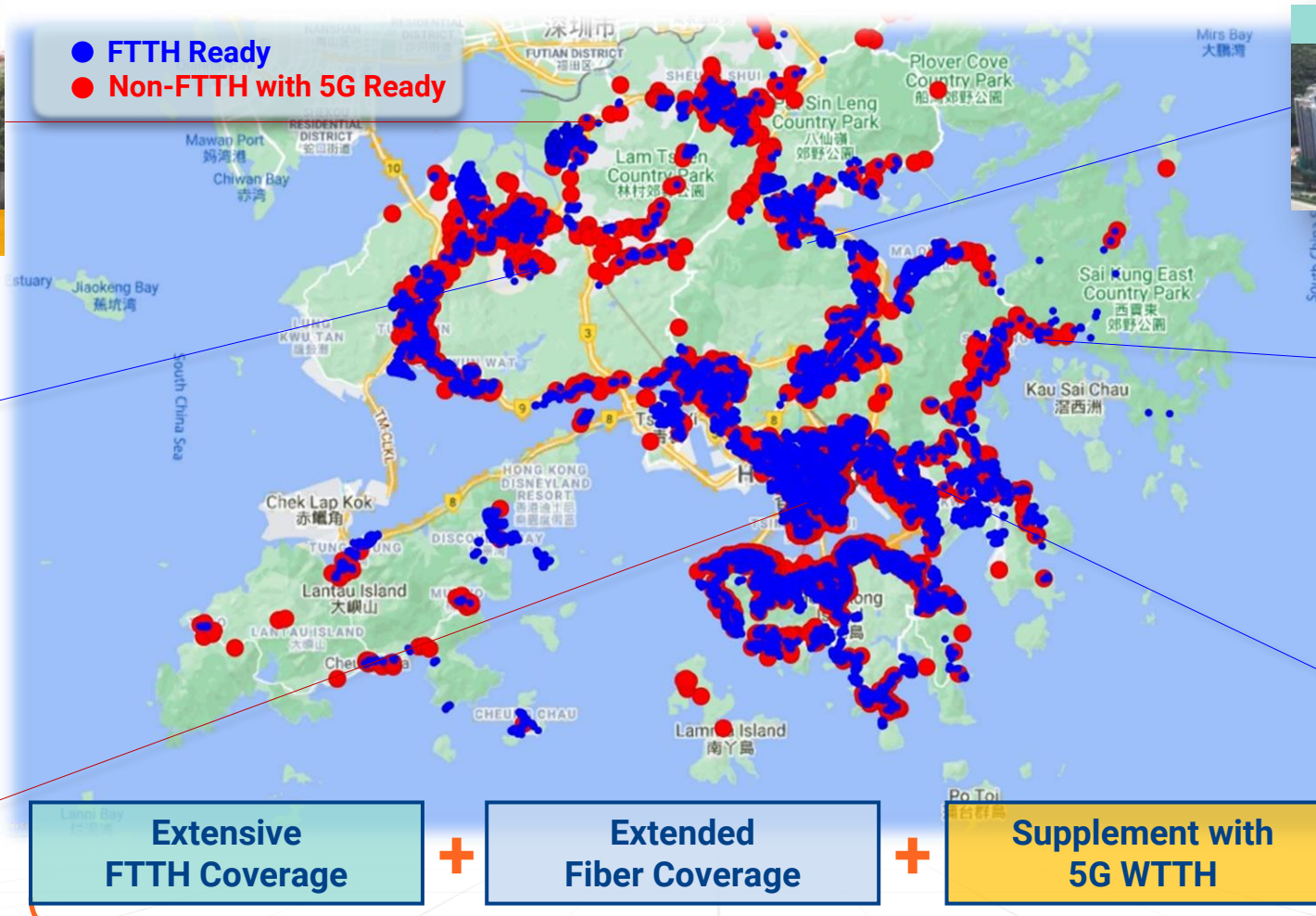
B2B: Developers Responding to Demand for Connected Homes

- Preinstalling Smart Living solutions in new residential properties
- Secured over 160 residential projects with 69 property developers



Unrivaled Fiber Connectivity

- Core FTTH network coverage already reached 90% in Hong Kong
 - Further extend fiber coverage to villages and remote areas over 2021-24, starting from Sai Kung and then to other areas including Lamma Island & Lantau Island
- Utilizing 5G WTTT technology, high speed network coverage over 97%



* FTTH coverage means HKT can provide FTTH service to customers within 4 days.
Figures as of end of July 2021

Successful EURO 2020 Broadcast with Encouraging Results



Engagement and Viewership

- Total Viewership* on IPTV and OTT platforms exceeded EURO 2016

+72%

- Expanded audience base to non-football viewers via entertainment programs leveraging the popularity of artistes from ViuTV
- Unique “Watch Party” feature on Now Player app to facilitate virtual football parties among viewers

** Including all matchups and fringe programs*



Partnership and Advertising

- The football tournament and fringe programs created innovative advertising solutions
- Advertising business rebounded in H1'21, particularly driven by financial and real estate sectors
- Total advertising revenue in H1'21 showed a significant growth

+48% YoY



Continued to Innovate and Offer the Widest Choice of Entertainment



Content Development and Technology Advancement

New Content

- Premium proposition with new and relevant content targeting various local segments, differentiating us from D2C products on the market



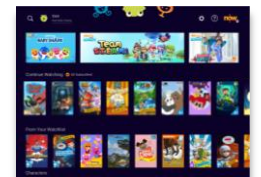
Home of Sports

- UEFA Champions League and Europa League to 2023/24*
- Extensive coverage of Tokyo Olympics 2020 with professional commentary available on multiple platforms
- Strongest sports content portfolio including Premier League, La Liga, Ligue 1, ATP & WTA Tour, PGA Tour, snooker, badminton, and much more



Enhanced User Interface

- Personalized Now TV home screen with multiple user profiles
- A new Android TV Box to be launched in Q4'21



Rising OTT Popularity Attributed to Unique Proposition and Quadplay Synergy

- Offering flexible subscription models and convenient OTT streaming, Now E is popular among millennials and digital natives
- Growth of Now E driven by its synergy with fixed line, broadband and mobile communication



The Club – Convergence of Loyalty and e-Commerce



- Club Shopping provides digital platform that connects members and merchants with points earned driving increased loyalty and spending
- Provides digital platform for existing products such as handsets and electronic goods as well as unique offerings from merchants
- Gross Merchandise Value in H1'21 more than doubled from a year ago



Expanding into New Digital Service



- **Club Insurance – a direct-to-consumer (D2C) online insurance platform** launched in June 2021 in partnership with leading insurance provider FWD, offering a range of insurance solutions and protection products
- A new **Club Wellbeing app** also launched to our Club members for leading a more active lifestyle, turning daily activities into Clubpoint rewards



Supporting Government Consumption Voucher Scheme to Foster Digital Payment

Merchants

Comprehensive e-Payment Solutions for Every Business Need



HKT's one-stop solution leveraging our established relationship with retailers

Single-Sign-up for Merchant Essentials



And more...

- New Smart POS order increased **7 times** since CVS announcement in April 2021
- **3,200** and **1,200** subscriptions to our Smart POS and FPS QR solutions respectively as of July 2021
- Transactions in 1H'21 vs 1H'20: **+140%**



Consumers

Steady Growth with a focus on Online Shopping



Transaction number continued to **grow**

- **3.5M** accounts as of July 2021
- Number of accounts and transaction volume **outperformed market** with YoY increases of **11%** and **44%** respectively (Q4 2020 vs Q4 2019)

CVS program attracted new users from mass segment, broadening customer base in addition to **young, mobile-savvy online shoppers**

Enriched **HKT Flexi** with instant **Buy-Now-Pay-Later** features

Virtual Bank Joint Venture Broadens the Service Offerings of HKT



mox

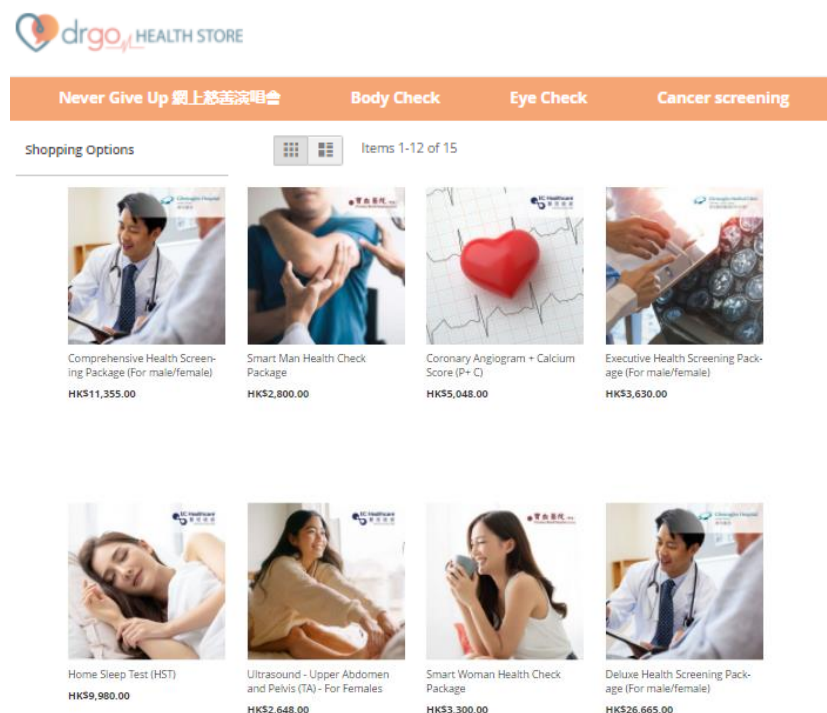
HKT Pioneers Telemedicine in HK with DrGo

DrGo – the most comprehensive end-to-end telemedicine service in Hong Kong



Key Development in H1'21

- Registered Users: **218K** as of July 2021
- Service portfolio extension:
 - Mental health teleconsultations by Quality HealthCare Medical Services (QHMS) and Hong Kong Medical Consultants
 - Hybrid hypertension care program by Gleneagles Hospital
 - Cardiac Health Tripartite program (DrGo x GHK x Bayer) launched for premier base
- Partnership to drive consultations
 - Insurance Telemedicine partners: FWD MAX, AIA and Blue Cross
 - Pharmaceutical companies: (1) MSD for HPV and herpes zoster vaccination services; and (2) Viatris for erectile dysfunction (ED) program
- DrGo eCommerce platform launched in June 2021 with focus on medical services



Corporate Social Responsibility



COVID-19 vaccination arrangements for employees - Paid leave to employees to facilitate injection



Fiber rollout to rural villages - 12 Sai Kung villages completed so far with many more to come



DrGo free services - DrGo and Quality HealthCare to jointly provide chronic disease caregivers with 100 free remote mental health counselling sessions

Olympics broadcast - Support HK athletes by providing extensive coverage of them in action at the Games



HKT undertakes a range of ongoing and special initiatives to support the community and promote a sustainable future. Herewith highlights of new activities in H1

Renewable energy - Completion of solar panel installation at Tin Shui Wai Exchange



Jockey Club Caring Communities for Dementia Campaign - Our retail shops help keep track of the whereabouts of dementia sufferers



Be with U program - Bringing special offers across HKT's businesses, career talks, internship opportunities and roadshows to tertiary students

Promoting diversity in tech - Providing scholarship to at least one female applicant majoring in STEM/ICT from each of the beneficiary universities



Highlights

- 1 Stability and Resilience** – HKT's business breadth and scale ensure resilience and operational continuity. Management remains constantly alert to rapidly changing market dynamics and agile in responding to evolving customer needs



- 2 Growth Potential** – Customer 5G upgrades and the digitalization needs of our enterprise customers are powerful catalysts for growth in the near term



- 3 Value Creation** – Unleashing the potential within our digital businesses including our loyalty program, e-Commerce, Fintech and HealthTech to create value for shareholders in the medium term



Financial Review

Evan Wong
Chief Financial Officer

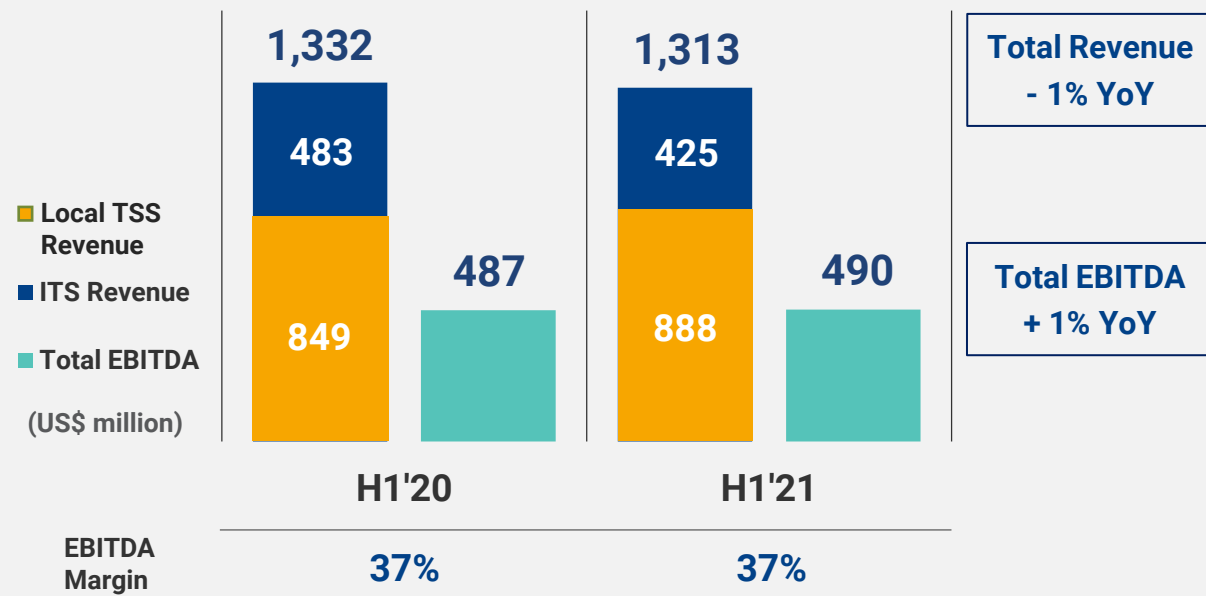


HKT Delivered Solid Financial Performance Underpinned by Local Telecom and 5G Services

(US\$ million)	H1'20	H1'21	% Change
Adjusted Funds Flow	292	298	2%
Revenue	1,872	2,006	7%
Revenue (excluding Mobile Product Sales)	1,748	1,810	3%
EBITDA	711	733	3%
<i>Overall EBITDA Margin</i>	<i>38%</i>	<i>37%</i>	
<i>EBITDA Margin</i> (excluding Mobile Product Sales)	<i>41%</i>	<i>40%</i>	
Profit			
Attributable to Holders of Share Stapled Units	243	244	—

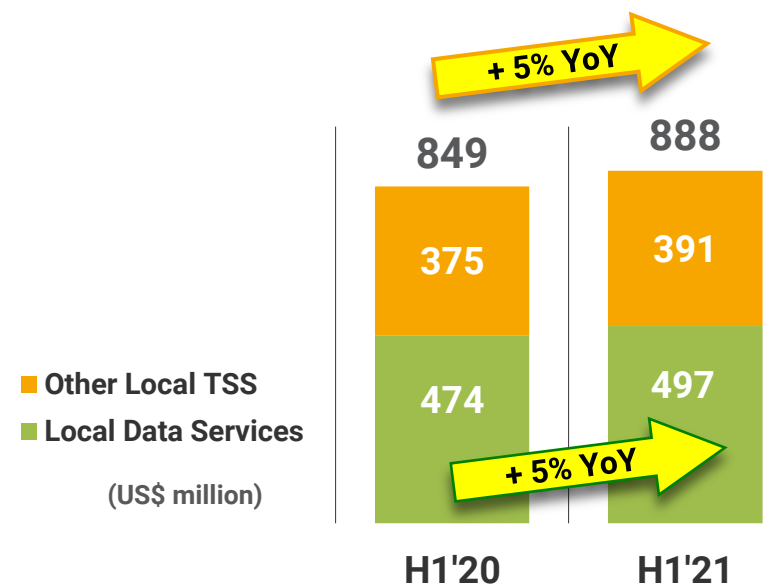
TSS Continued to Demonstrate Business Resilience and Diversity

TSS Business



- Local TSS revenue continued solid growth momentum in both consumer and enterprise segments
- International telecommunications services was impacted by the reduction in international voice wholesale business; and therefore total TSS revenue edged down 1%
- Total EBITDA up 1% with margin steady at 37%, underpinned by continuous focus on operating efficiency enhancement

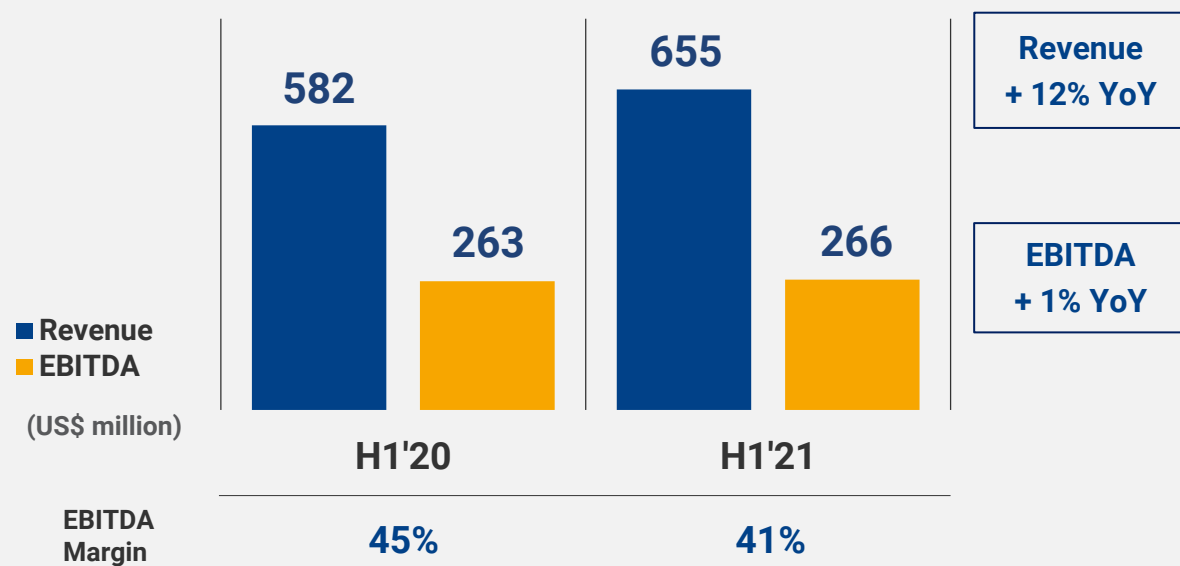
Local TSS Revenue



- Local data services registered a 5% growth in revenue in H1'21
- Superior quality and reliability of our fiber network continued to drive strong consumer demand for our home broadband services and Home Wi-Fi solutions
- Business and enterprise customers intensified digital transformation efforts in response to the pandemic and changing behavior and requirement of their end customers

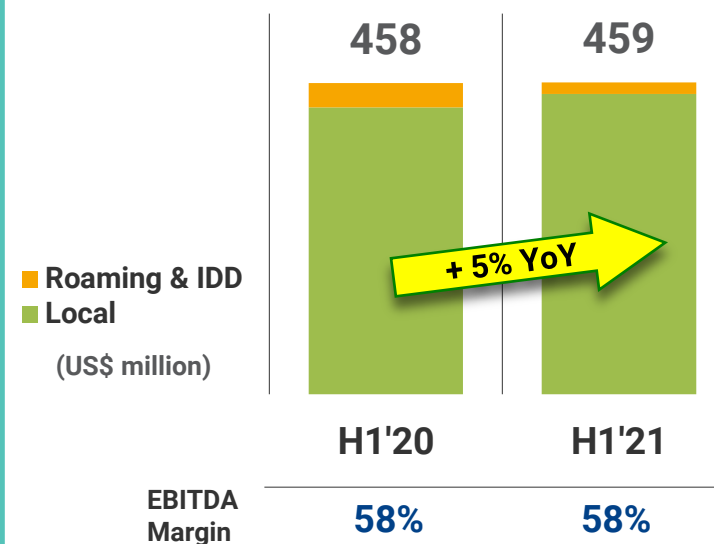
Mobile Cashing in on 5G

Mobile Business



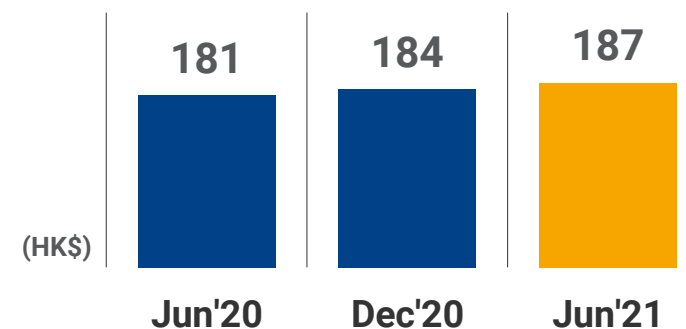
- Mobile business registered 12% growth in revenue driven by 5G upgrades reflected in both local Mobile services revenue and Mobile product sales; offset by weaker roaming revenue due to ongoing global travel restrictions
- Mobile services EBITDA margin remained steady at 58%

Mobile Services Revenue



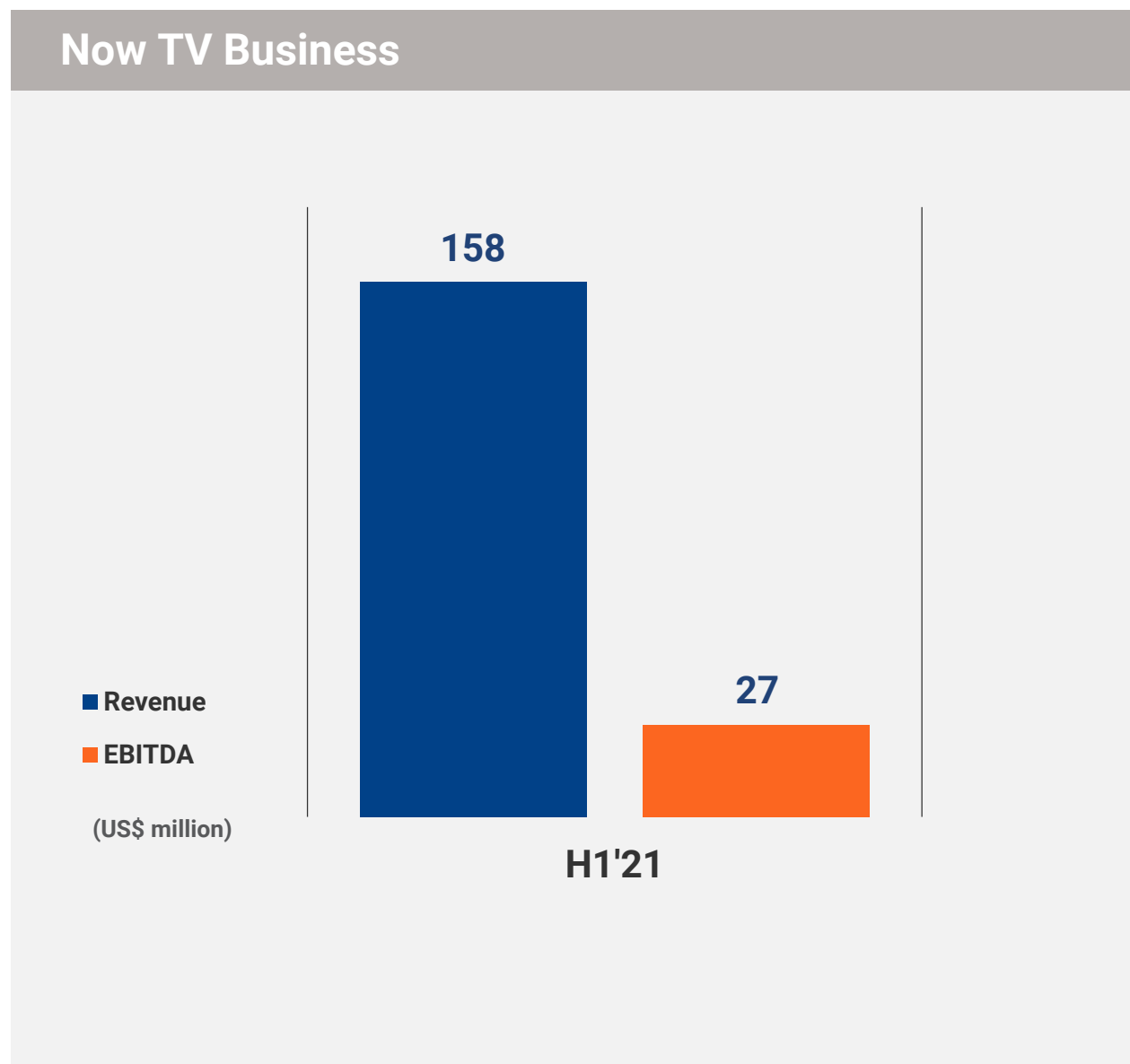
- Core local revenue up 5% yoy benefiting from encouraging 5G customer uptake
- Our 5G customer base reached 454,000 as at end of June 2021, representing 14% of post-paid base

Post-paid Exit ARPU



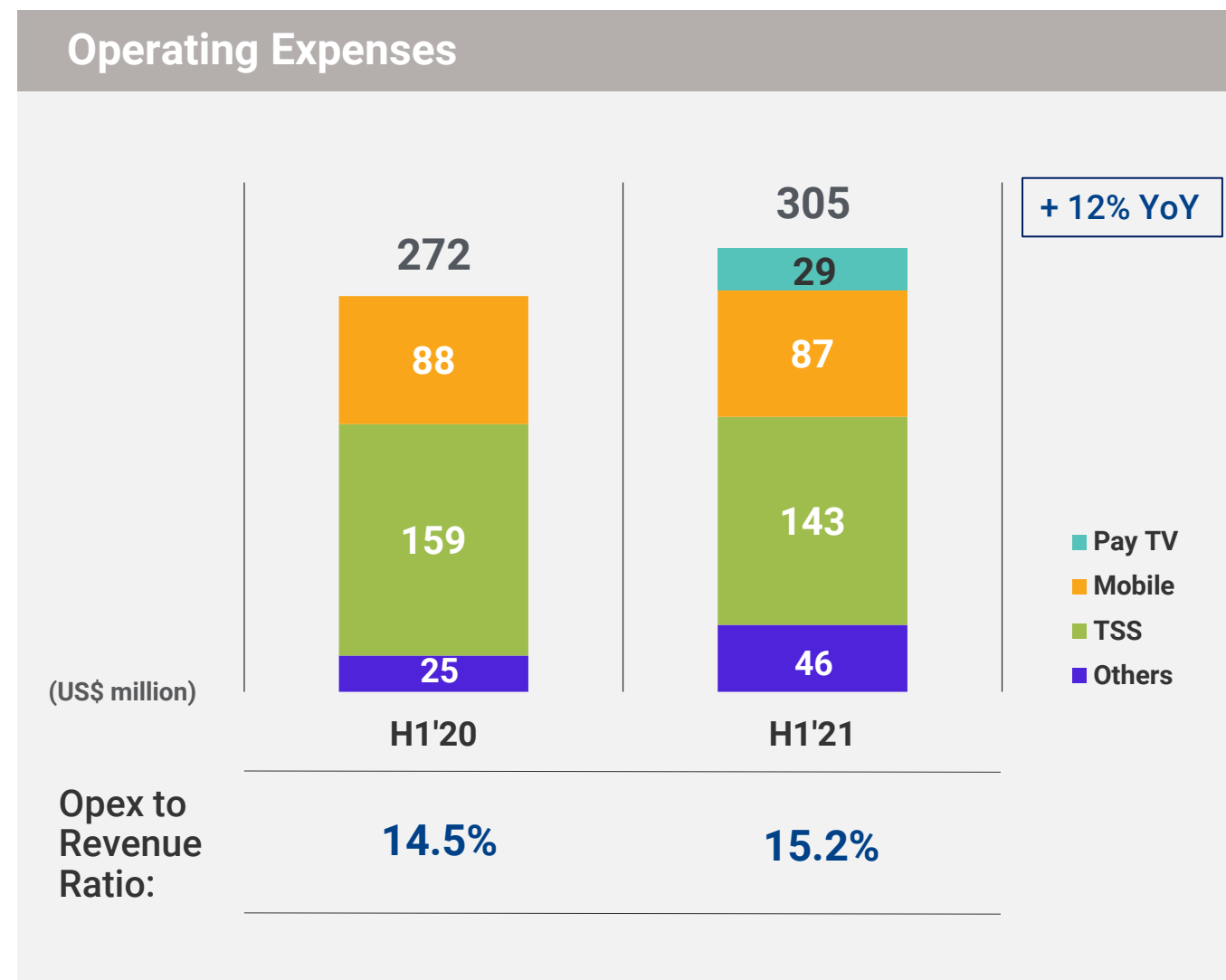
- Post-paid exit ARPU trending up, driven by 5G service plan uplift

Pay TV Benefiting from Operational Synergies



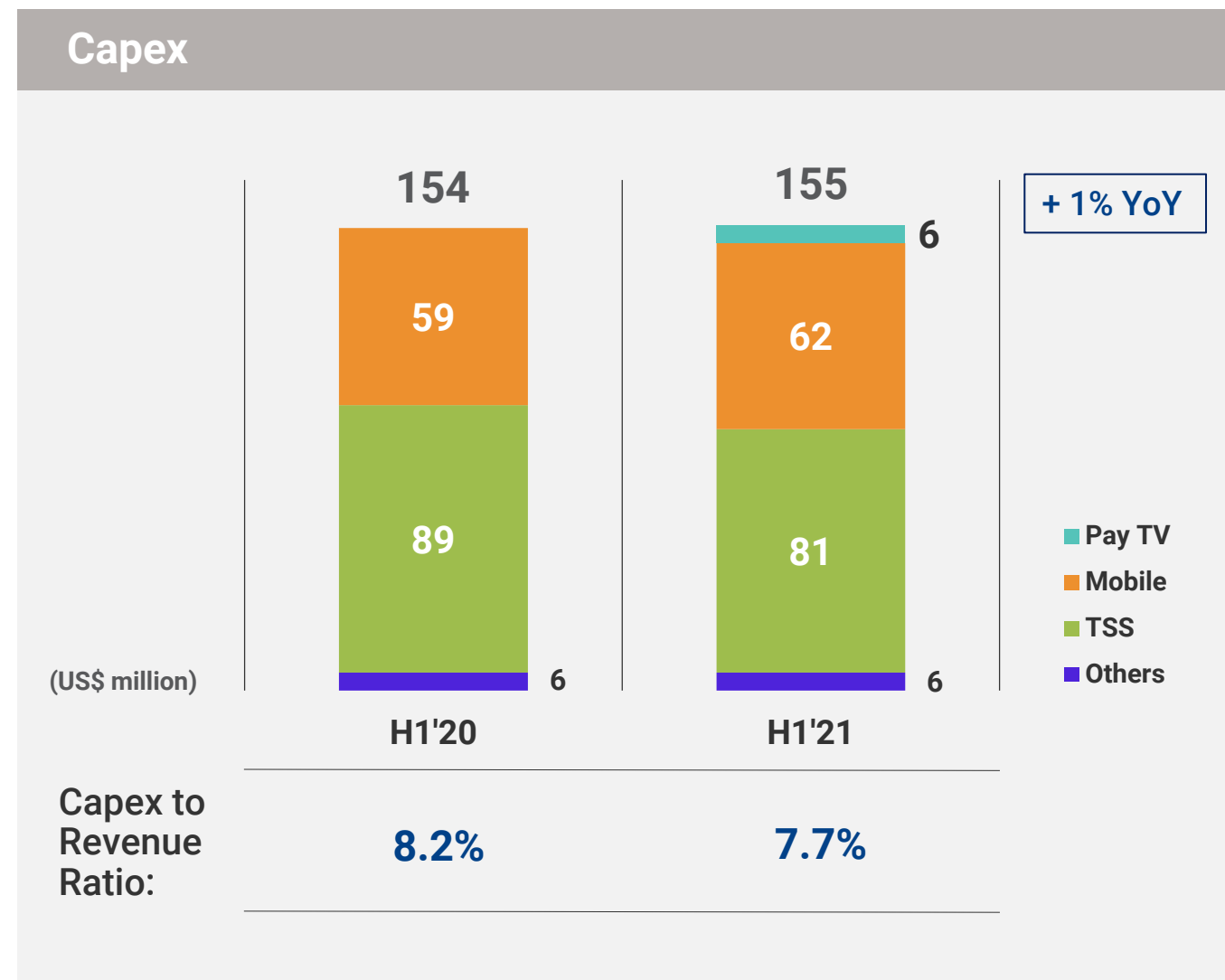
- Now TV recorded a revenue of US\$158 million, reflecting success of our exclusive broadcast of UEFA EURO 2020™ in boosting subscription service and revenue generated from event-specific passes
- Advertising revenue surged 48% yoy, benefiting from advertising opportunities arising from the football tournament and associated programs as well as the revitalized economic activities
- Now E streaming service continued to tap into the digital native and mobile-savvy market; and our total installed customer base reached 1.352 million as at Jun 30, 2021
- EBITDA for the period was US\$27 million, aided by continued efforts to rationalize content costs and leverage quadplay synergies

Optimizing Opex with Improving Business Efficiency



- Continuous opex savings in both TSS and Mobile businesses through digitalization as well as optimizing offline-to-online sales channels and retail footprint
- Opex invested to nurture digital businesses including The Club, Tap & Go and DrGo for value creation
- Opex increased by 12% in H1'21, largely due to consolidation of Now TV business which was acquired in September 2020

Disciplined Capital Investments for Future Growth



- Disciplined capital investments with capex to revenue ratio of 7.7%, within stated guidance
- Lower TSS capex in line with the capex cycle of our extensive local fiber network and international cable systems
- Mobile capex on track to expand and enrich our 5G network for further monetization

Adjusted Funds Flow

(US\$ million)	H1'20	H1'21	YoY Better/ (Worse)
EBITDA	711	733	3%
Less cash outflows in respect of capital expenditures, customer acquisition costs and licence fees:			
Capital expenditures	(150)	(150)	
Customer acquisition costs and licence fees	(53)	(69)	
Fulfillment costs	(37)	(29)	
Right-of-use assets	(98)	(104)	
Adjusted Funds Flow before tax paid, net finance costs paid and changes in working capital	373	381	2%
Adjusted for:			
Net finance costs paid	(48)	(36)	
Tax payment	(19)	(23)	
Changes in working capital	(14)	(24)	
Adjusted Funds Flow for the period	292	298	2%
Adjusted Funds Flow per Share Stapled Unit (HK cents)	30.10	30.70	
Interim Distribution per Share Stapled Unit (HK cents)	30.10	30.70	2%

Income Statement

(US\$ million)	H1'20	H1'21	YoY Better/(Worse)
Revenue	1,872	2,006	7%
Revenue (excluding Mobile Product Sales)	1,748	1,810	3%
Cost of sales	(889)	(968)	(9)%
Opex	(272)	(305)	(12)%
EBITDA	711	733	3%
Depreciation & amortization expenses	(319)	(353)	
Net other losses	(7)	—	
Net finance costs	(84)	(72)	
Share of results of associates & JVs	(4)	(8)	
Profit before income tax	297	300	1%
Income tax	(53)	(55)	
<i>Effective tax rate</i>	18%	19%	
Profit for the period	244	245	—
Attributable to:			
Holders of Share Stapled Units	243	244	—
Non-controlling interests	1	1	

Solid Financial Position

Investment Grade Credit Ratings

(US\$ million)	As of Dec 2020	As of Jun 2021	BBB/Baa2 Investment Grade Rating
Gross Debt ⁽¹⁾	5,448	5,555	
Gross Debt to EBITDA ⁽²⁾	3.39x	3.41x	
Cash Balance ⁽³⁾	337	276	
Undrawn Facilities	1,163	1,014	
Total	1,500	1,290	

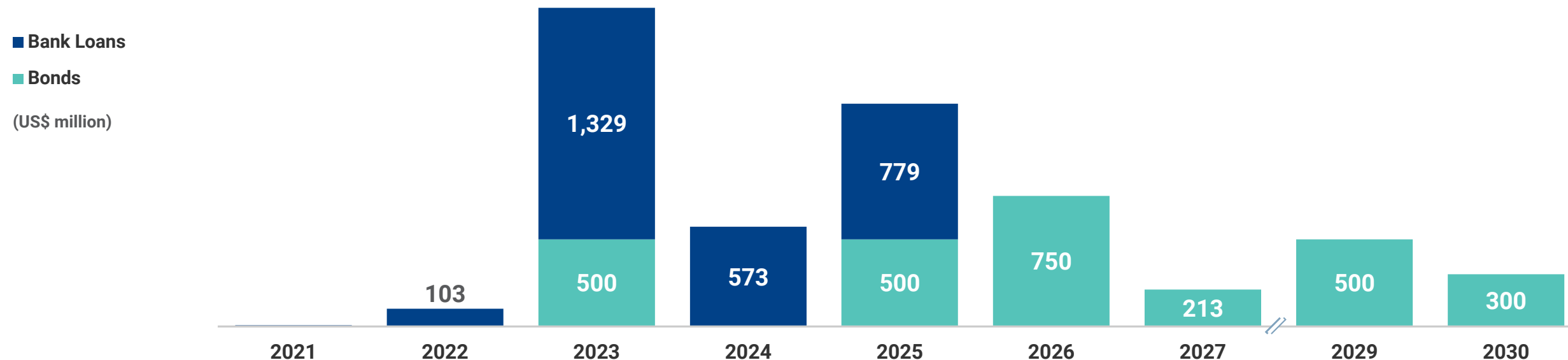
(1) Gross debt refers to the principal amount of short-term and long-term borrowings

(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, 2021



- Current mix of floating and fixed rate debt is approx. 45:55
- Effective interest rate was approx. 2.5% in H1 2021
- Average maturity was approx. 4 years

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