



# 2022 Interim Results

For the six months ended 30 June 2022

*11 August 2022 – 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.

# Business Review

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



# Resilient Performance in the Midst of Challenging Operating Environment

## Total Revenue

H1'22

**2,071** + 3.3% YoY

**1,906** + 5.4% YoY  
(excluding Mobile  
Product Sales)

(US\$ million)

## Total EBITDA

H1'22

**748** + 2.1% YoY

(US\$ million)

## Adjusted Funds Flow

H1'22

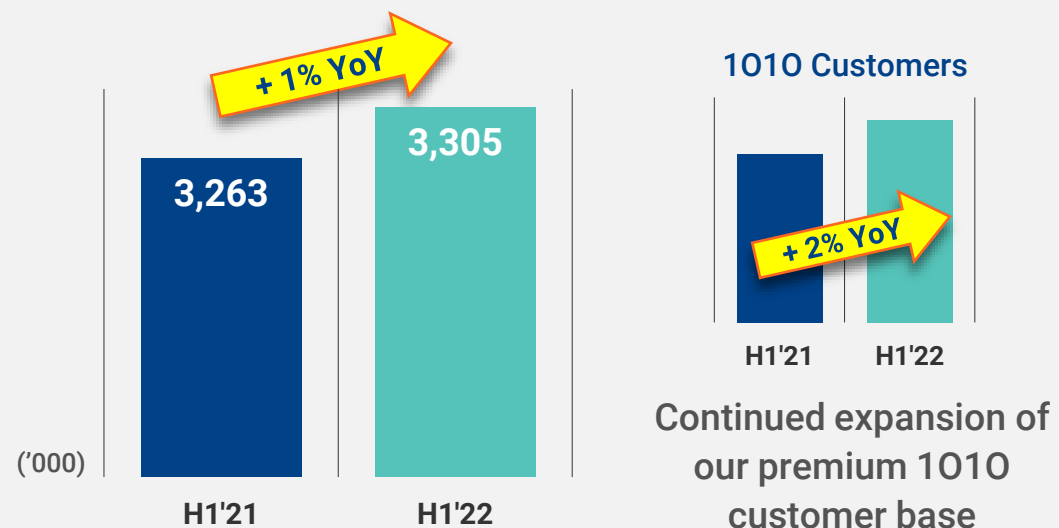
**305** + 2.2% YoY

(US\$ million)

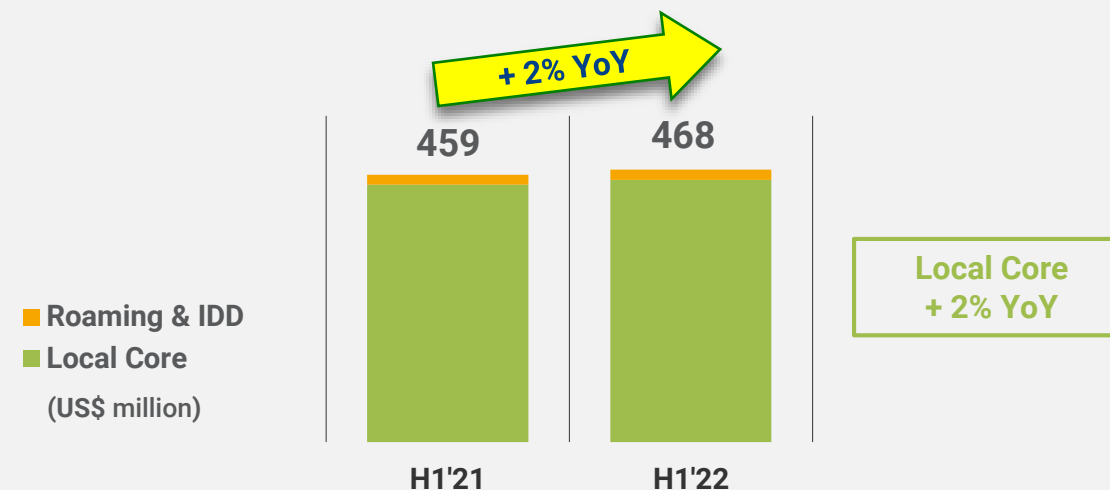
Interim Distribution of 31.36 HK cents per Share Stapled Unit

# High Quality Mobile Customer Base

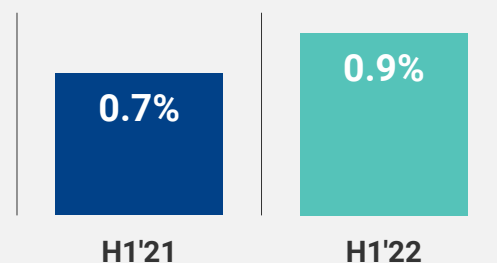
## Expanding Post-paid Customer Base



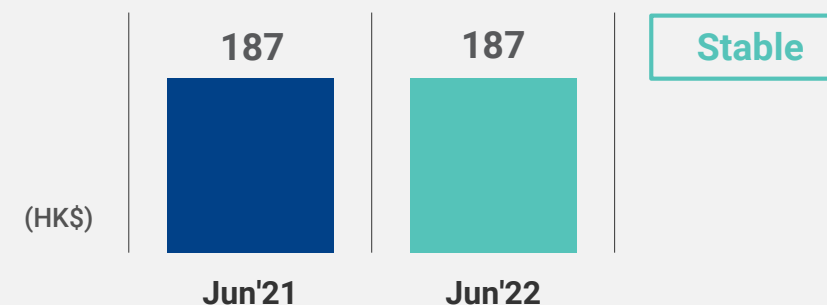
## Mobile Services Revenue Growth Driven by Higher 5G Adoption and Mobile Enterprise Solutions



## Post-paid Churn Rate Impacted by Soft Economy and Emigration

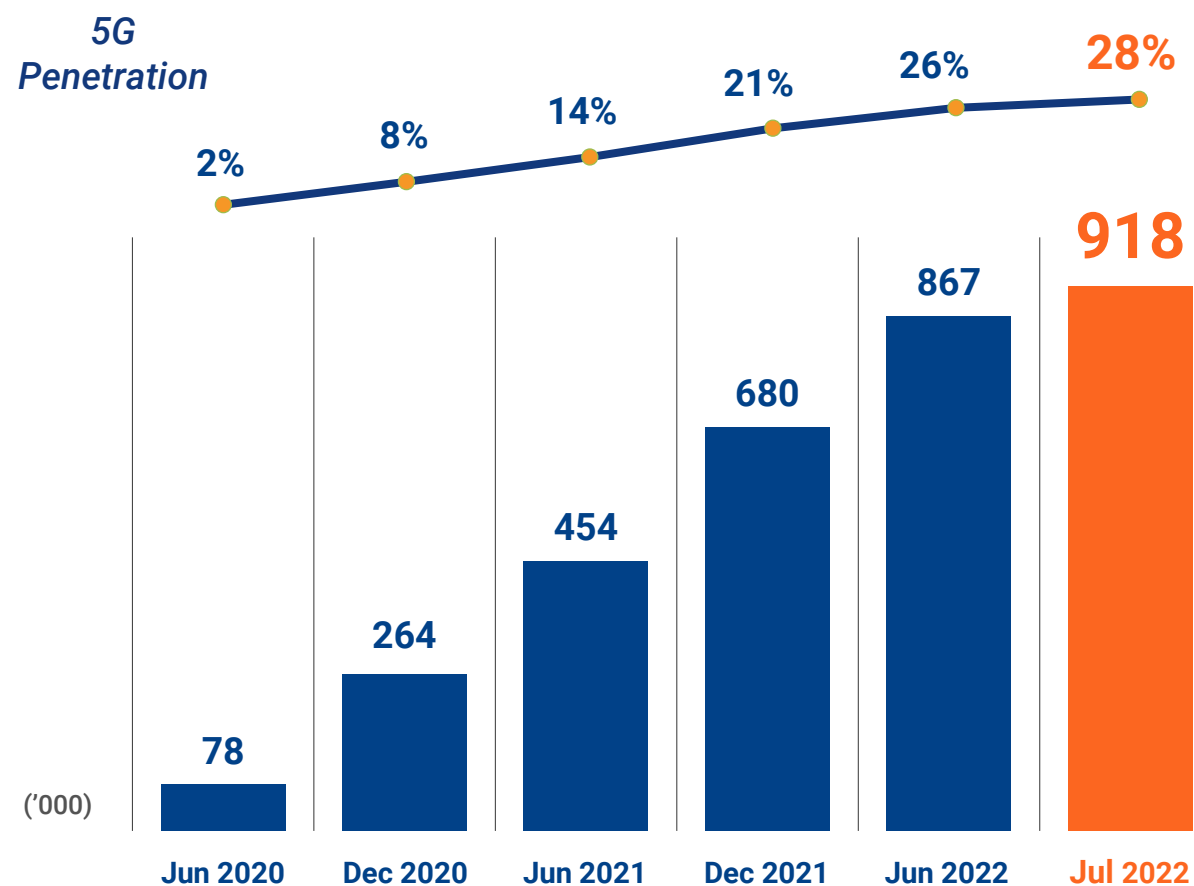


## Stable Post-paid Exit ARPU



# Growing 5G Adoption

Our 5G customer base almost doubled over the year and surpassed 910,000 in July 2022



Dec 2022  
Forecast  
**30%**  
Penetration

Most Comprehensive Range of 5G Devices and Tech Gadgets for Consumers' Selection including Exclusive Models\*



iPhone 13 Series



Samsung Galaxy S22 Ultra



Nothing Phone (1)



Black Shark 5 Series



ROG Phone 6



PlayStation 5



Nothing Ear (1)



Surface Go 3 LTE

and more...

\* Operator exclusive



# Leading 5G Network in Hong Kong

- Deployed territory-wide 5G coverage within 3 years after initial launch, covering 99% of Hong Kong
- Continue to expand and improve 5G network with additional spectrum and technology upgrades

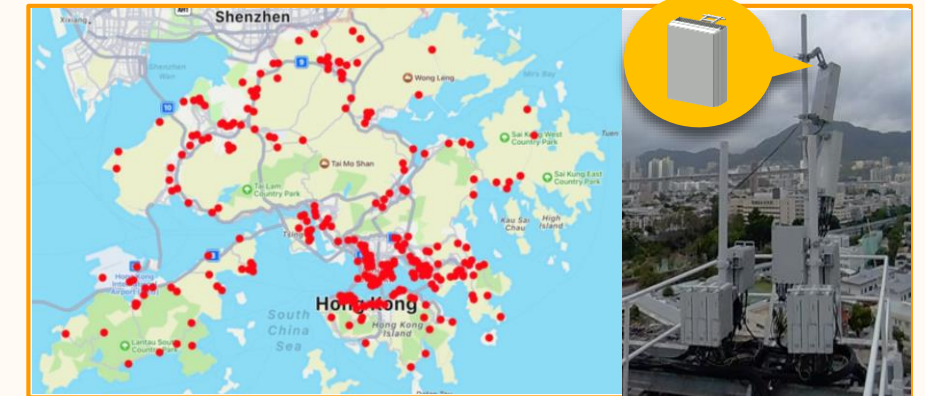
Initial Coverage in Golden Bowl Area



Comprehensive Outdoor & Indoor Coverage



Launch of 4x4MIMO 700MHz & Dual C-Band M-MIMO Network



2019

2020

2021

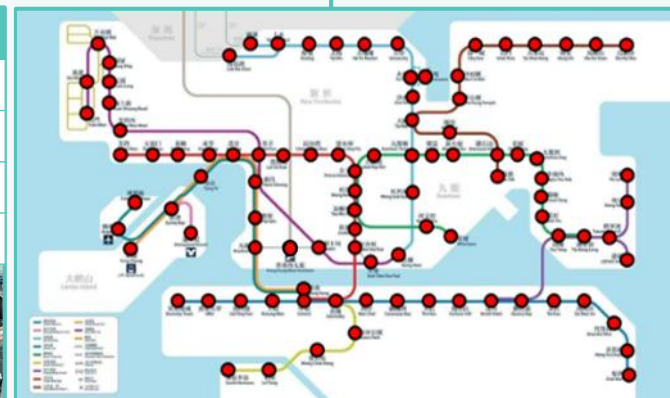
2022

2023

2024

Band	Date of Acquisition	Bandwidth
26/28GHz	27 March	400MHz
3.5GHz	14 October	50MHz
4.9GHz	23 October	40MHz
3.3GHz	6 November	30MHz

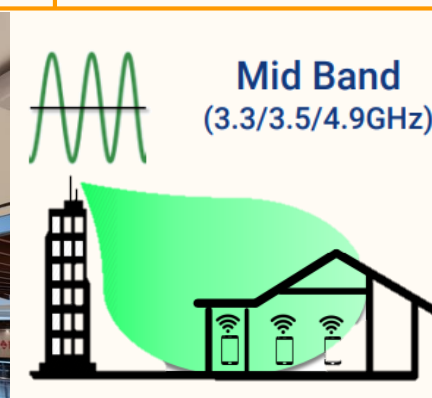
Spectrum Acquisition & Rollout Preparation



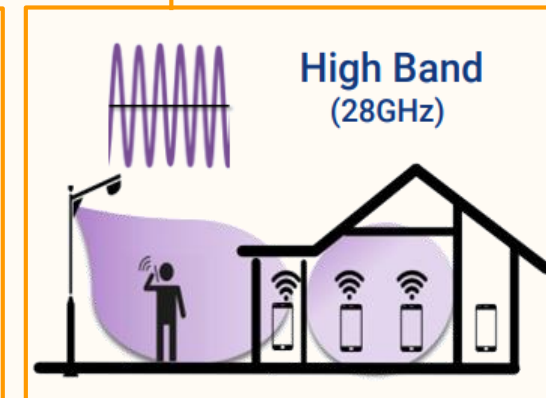
First to Add Seamless Coverage Along All MTR Lines with Dedicated Spectrum



Enhance Indoor 5G Performance via Lamp Sites



Complete C-band Rollout



Launch of 26/28GHz High Band mmWave

# Industry-Recognised Leading Performance Across New East Rail Line Cross-Harbour Extension



First Mobile Operator to Extend 5G Service to MTR East Rail Line Cross-Harbour Extension, and First to Provide Full 5G Coverage along ALL MTR Lines

### PCM

PCM 5G network speed test results showing various locations and speeds.

### ezone.hk

ezone.hk 5G network speed test results showing various locations and speeds.

### Mobile Magazine

Mobile Magazine 5G network speed test results showing various locations and speeds.

Download Speed (Mbps)	Hung Hom	Tunnel *	Exhibition Centre	Admiralty
HKT	540	362	640	481
MNO 1	193	125	235	329
MNO 2	99	81	147	186
MNO 3	117	69	116	106

\* Tunnel between Hung Hom and Exhibition Centre

Hung Hom

Exhibition Centre

Admiralty



# Unrivalled Network Integrating Fibre and Mobile

- **FTTH** network coverage, with **10G fibre capacity**, together with 5G WTTT technology, now already **reached 98%**
- Extend fibre coverage to villages and outlying islands, supporting both fibre broadband and 5G mobile backhaul

## Enable stable FTTH to Villages and Remote Areas

- ✓ Rollout 10G FTTH in remote areas, e.g. Tai O



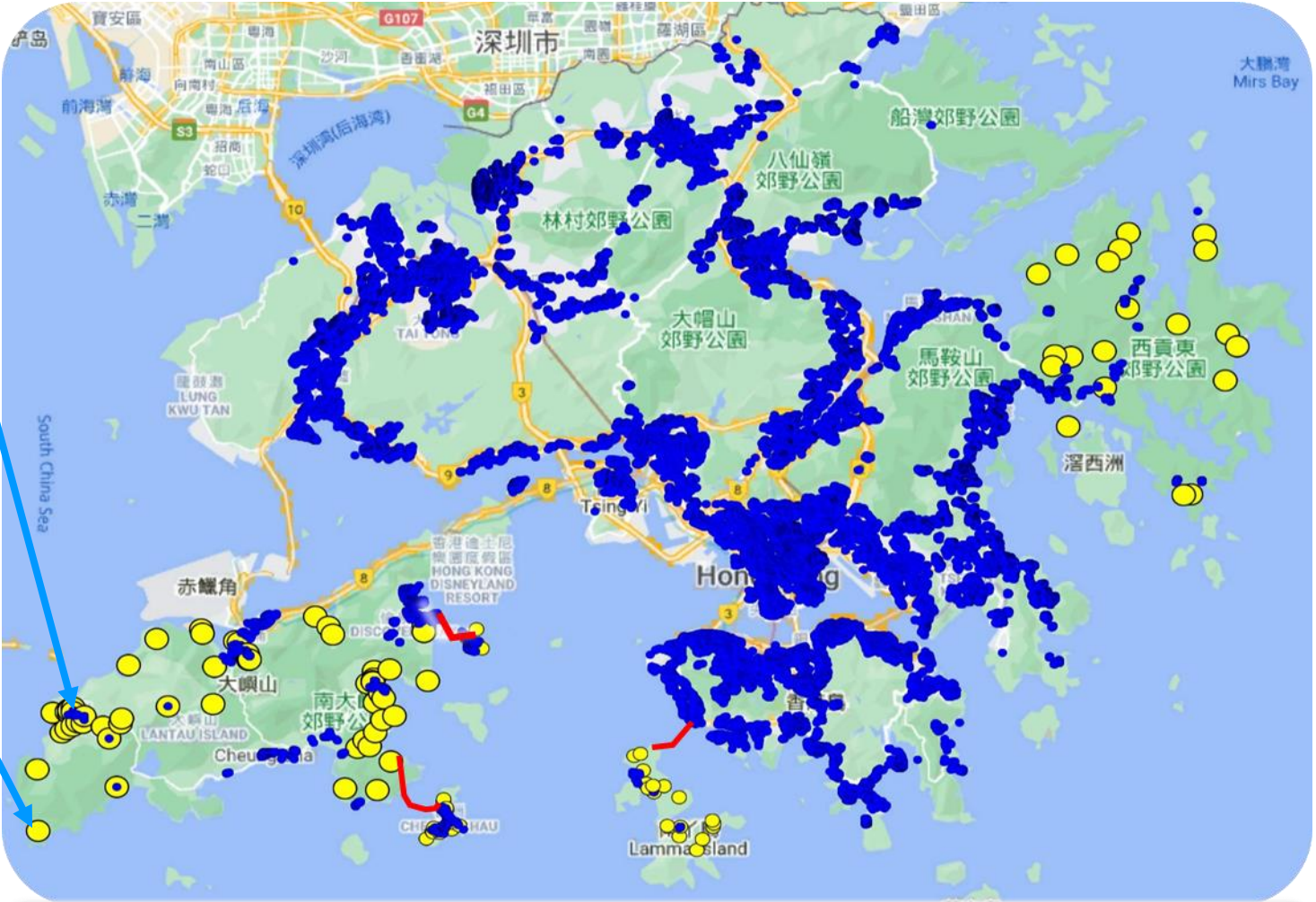
## Continue to Extend 5G Coverage to Remote Areas

- ✓ Leverage village FTTH for **bayside 5G coverage**
- ✓ **Enable 5G coverage in Lantau waterways\*** via bayside mobile stations



▲ Cell Site Location  
● Mobile Coverage

\* Expected completion date: Q3 2022



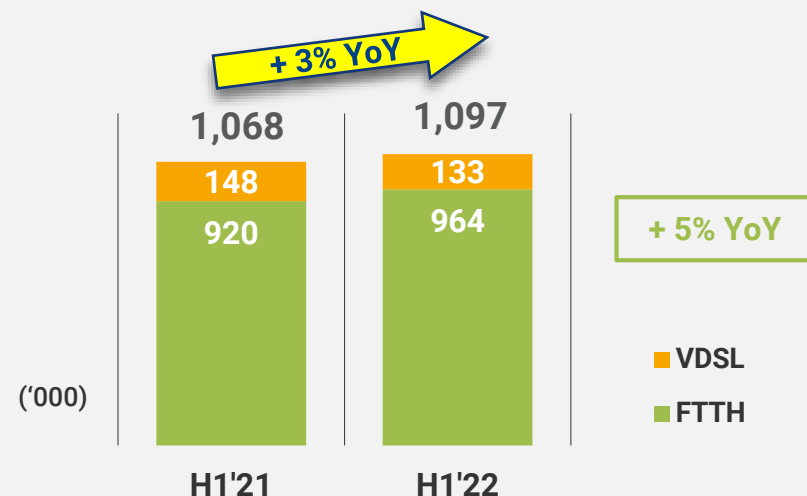
● FTTH & High Speed Broadband Coverage

● Fibre Coverage to Remote Areas (2022-2024)

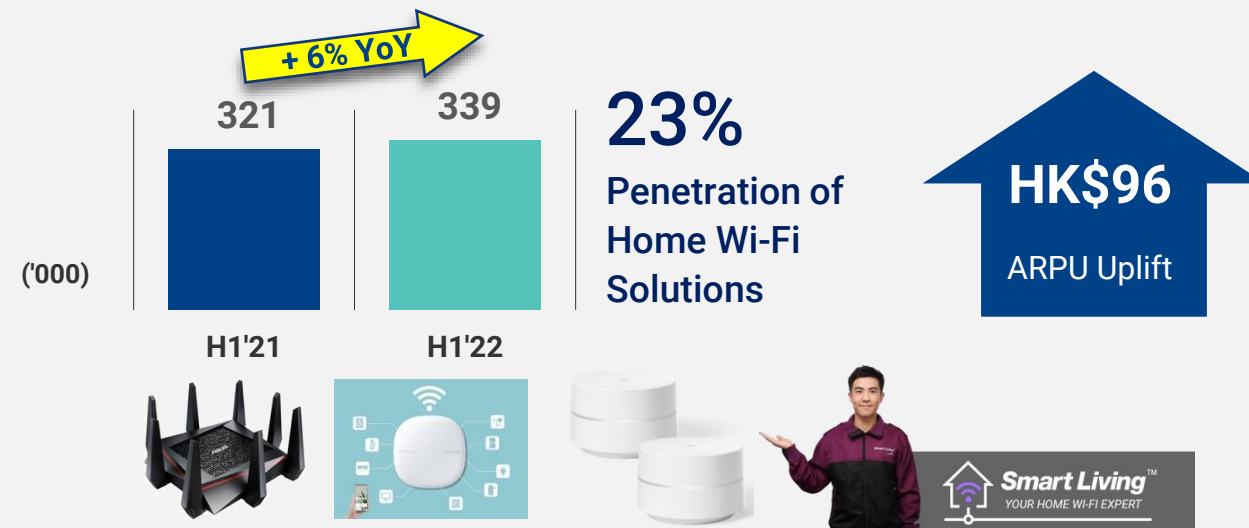
— Submarine Fibre Route to Outlying Islands

# HKT's Reliable and Comprehensive Fibre-Based Service

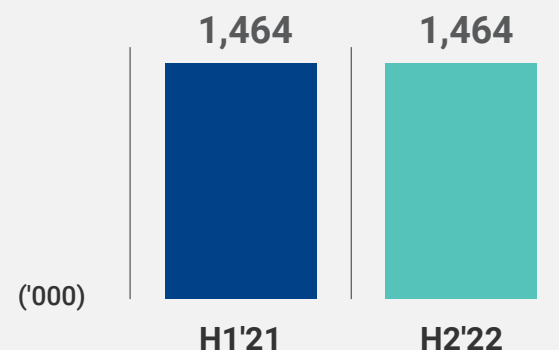
## Continued Upgrades to FTTH Service



## B2C: Expanding Uptake of Home Wi-Fi Service



## Stable Consumer Broadband Customers Despite Competition and Emigration



## B2B: Developer Differentiation Through Smart Living Homes

Smart Living™  
by HKT



- Pre-installing Smart Living home solutions in new residential properties
- Secured over 200 residential projects with 75 property developers, including key projects with Urban Renewal Authority, Chinachem, Wheelock and Hang Lung Properties





# New Products and Technology Upgrades to Enhance User Experience

## Stay Home Super Combo to Meet Customer Needs during 5<sup>th</sup> Wave

- Stay Home Super Combo, launched in March, to capture and cross sell HKT services to non-HKT customers
- Providing total solutions to support different household needs, and flexi-plans to cater individual requirements



Ultra-fast Fibre Broadband, Full Wi-Fi Coverage, Top-Notch Entertainment plus Smart Communications Service

## Interactive AI Robot

- Child-friendly AI Robot launched in July to offer interactive language learning, STEM, somatosensory activities and communication services
  - 24/7 real-time conversation
  - Language learning games and storytelling via role-play
  - Over 3,000 audiobooks from Eye3
  - STEM / Coding app learning
  - Interactive fitness exercise



## First-in-City Launch of 2500M Fibre Service

- Ultra-high speed fibre service launched in January, targeting tech-savvy and gamer segments
- Customers can enjoy ultra-smooth home Wi-Fi experience with "Wi-Fi 6" routers from HKT Home



# Most Comprehensive Content Offering for Viewers in HK



## Unparelled Line-up of Content

Continue to provide the most comprehensive line-up of content in town, fulfilling the needs of different customer segments

- **Home of Sports** – strongest sports proposition including Premier League, Champions League, F1, Moto GP, PGA Tour and Golf Majors, Tennis tournaments and Grand Slams, Badminton, Fencing and much more
- Kids and education content covering all ages from preschoolers to secondary students
- The most popular Asian and Western drama series, Hollywood blockbuster movies and unique documentaries



## FIFA World Cup Qatar 2022™

First-ever winter World Cup to be held during European soccer season

- Secured the broadcasting right to FIFA World Cup Qatar 2022™ in Nov-Dec 2022
- Total 64 matches – full coverage of all live matches on Now TV and Now E, and selected live matches on ViuTV
- Broadcasting times between 6pm to 3am (HK) are ideal for local soccer fans



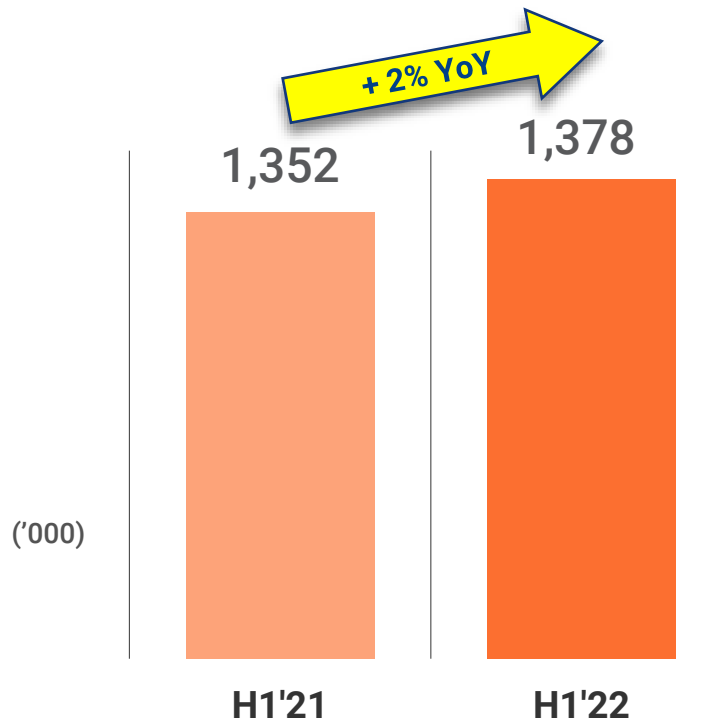


# Sustained Subscriber Base Despite Intense Competition



## Growing Now TV Customer Base

- Now TV customer base achieved a 2% growth, amid fierce market competition and emigration impact
- Benefited from the continuous enrichment of service offerings and strategic positioning of Now E to target millennials and digital natives

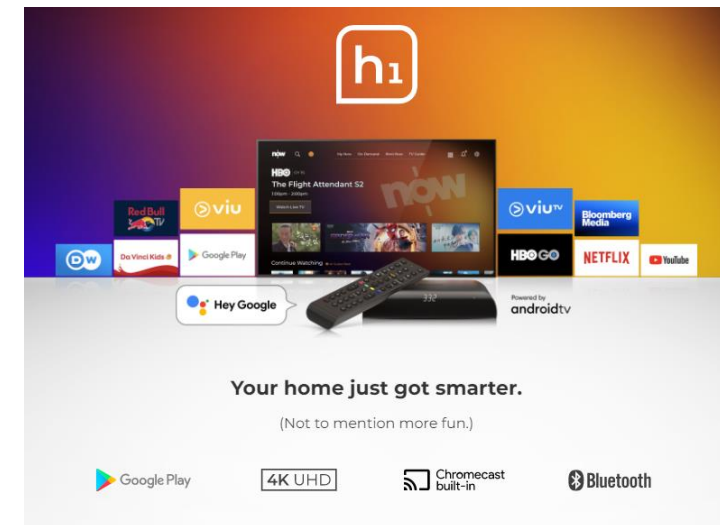


## Android TV Box

**All-in-one home entertainment and Smart Living hub with enhanced user experience**

Customers can enjoy Now TV content as well as apps from Google Play, while having total control of home devices at their fingertips

- Localised Cantonese Google assistant voice command
- 4K UHD capability
- Bluetooth connectivity



# Our Unique Integrated Fixed Mobile Solutions Empower Digital Transformation Across Industries

Multiple Connectivity with Integrated 5G Applications & All-Rounded Enterprise Managed Services



## Occupant Experience Uplift with Smart Buildings

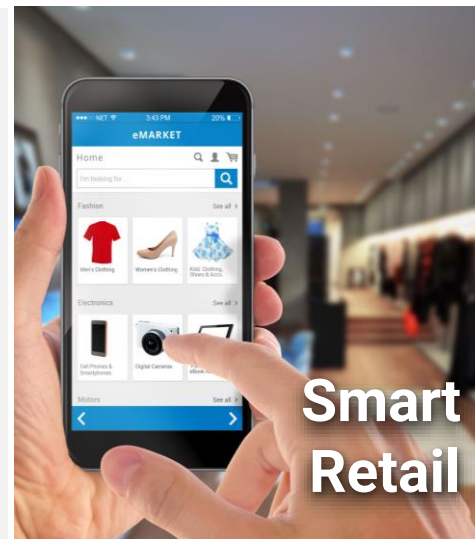
- Seamless 5G Experience
- 100% Fibre-Wired
- Smart App & Facilities

## Extended to All Types of Property

- |                 |                    |                            |
|-----------------|--------------------|----------------------------|
| • Commercial    | • Industrial       | • University               |
| • Residential   | • Logistics Centre | • Government & Utility     |
| • Shopping Mall | • Museum           | • Exhibition & Event Venue |

## Digital & Intelligent Retail Operations

- Fibre with 5G Back-up for SD-WAN, 5G-Connected Pop-up Stores
- Cloud-Based Retail Application Access, Video Analytics, Digital Payment
- Enterprise Managed Services – One-stop Storefront Systems Monitoring, Multi-vendor and Solution Inventory Management

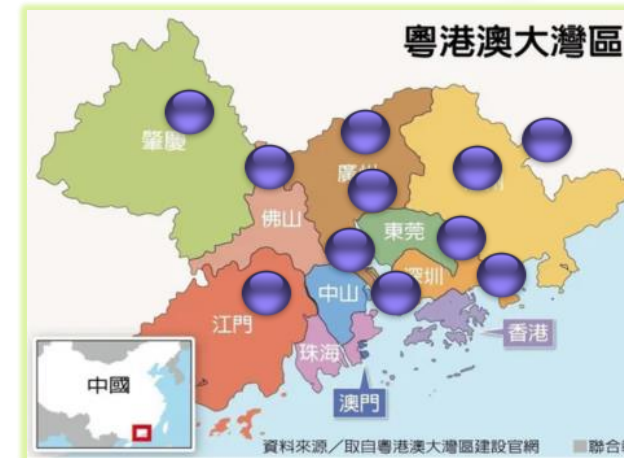
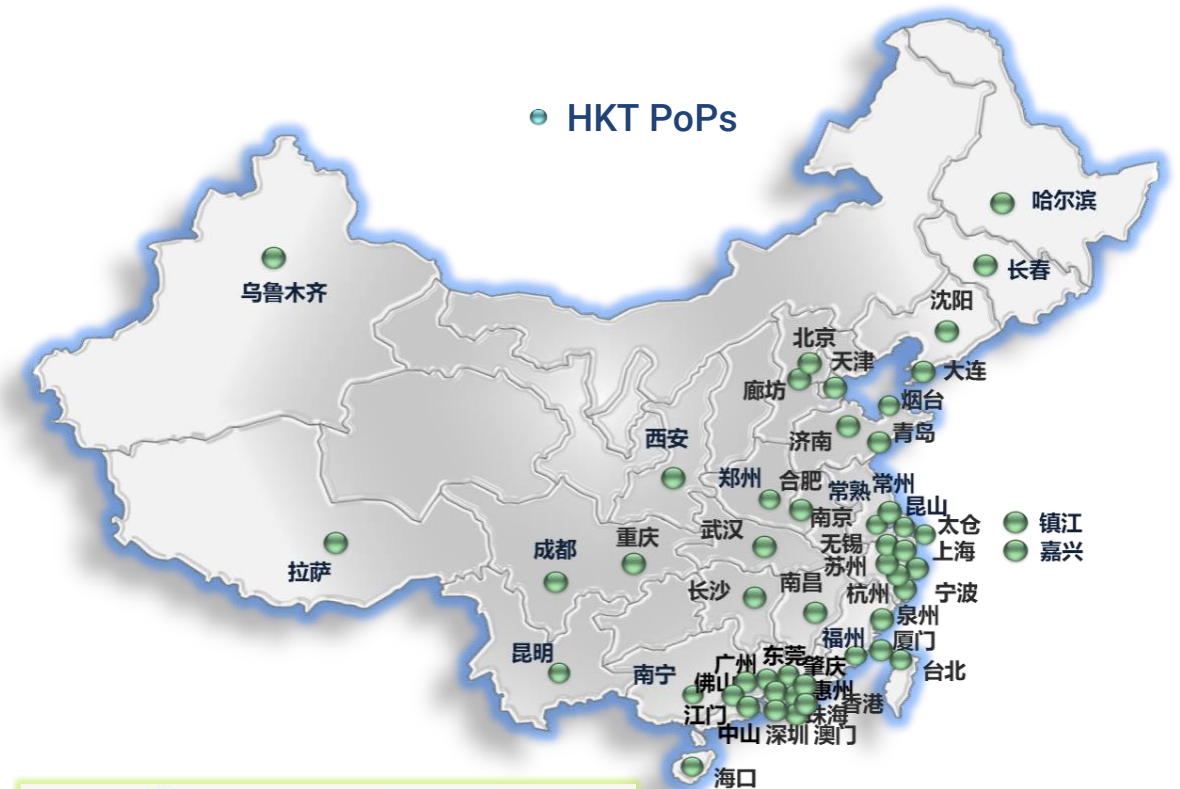


## Multiple Connectivity (5G/Fibre/LORA/NB-IoT) Support Dynamic Site Requirement

- Supports BIM & DWSS (Digital Works Supervision System) for Digitalisation
- Smart Applications and Devices – 5G Surveillance, Smart Helmets, IoT Sensors
- Enterprise Managed Services – Remote Monitoring, Automated Alerts & On-site Support

# HKT Enterprise Solutions Expanding Presence in Mainland China

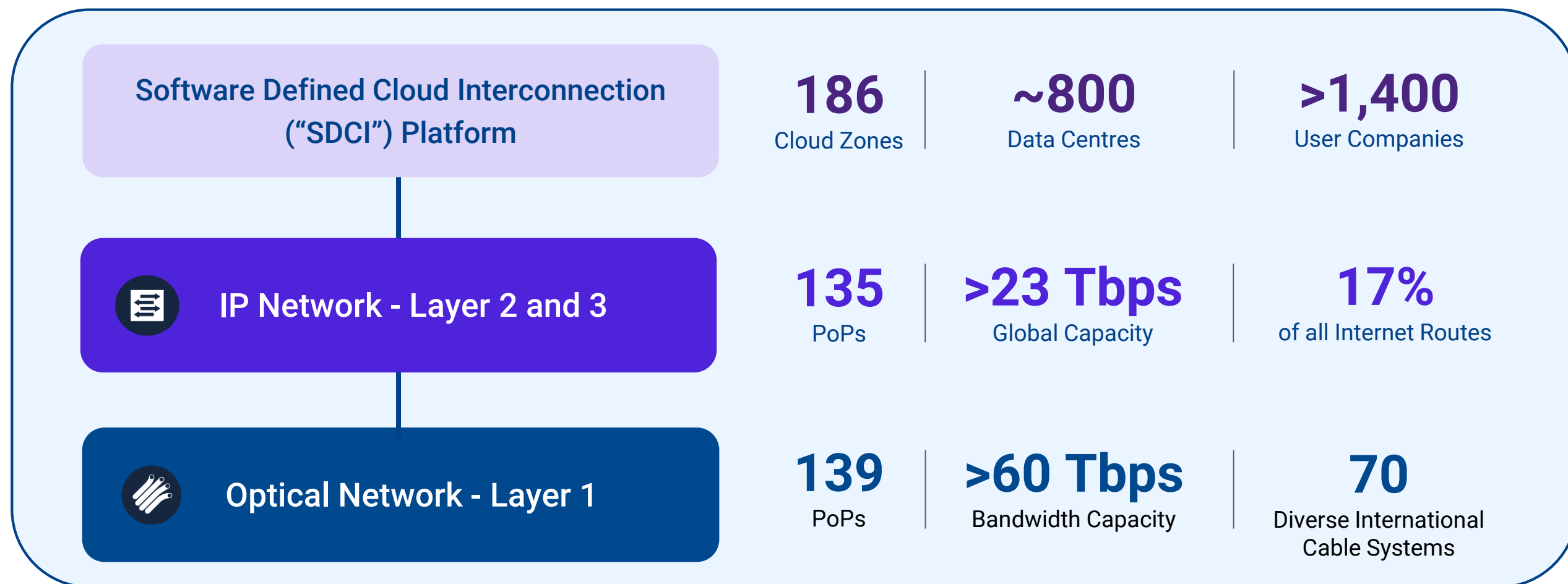
- HKT has established 65+ PoPs in more than 45 mainland China cities that enable us to offer high-quality, reliable connectivity solutions including MPLS, Premium Internet, SD-WAN and Enterprise Managed Services
- First Hong Kong-based service provider to receive SD-WAN + Cloud Network Convergence Award from MIIT's scientific research institute at SD-Wan Excellence Award 2021
- Empowering enterprises across various sectors to successfully accelerate their digital transformation with comprehensive connectivity solutions
- Established strategic partnerships with China Unicom, China Mobile and China Telecom for business collaboration
- Targeting revenue to reach HK\$1 billion within next 3 years



# Serving Customers with a Global, Hyperscale Network Supported by Automated On-Demand Platform

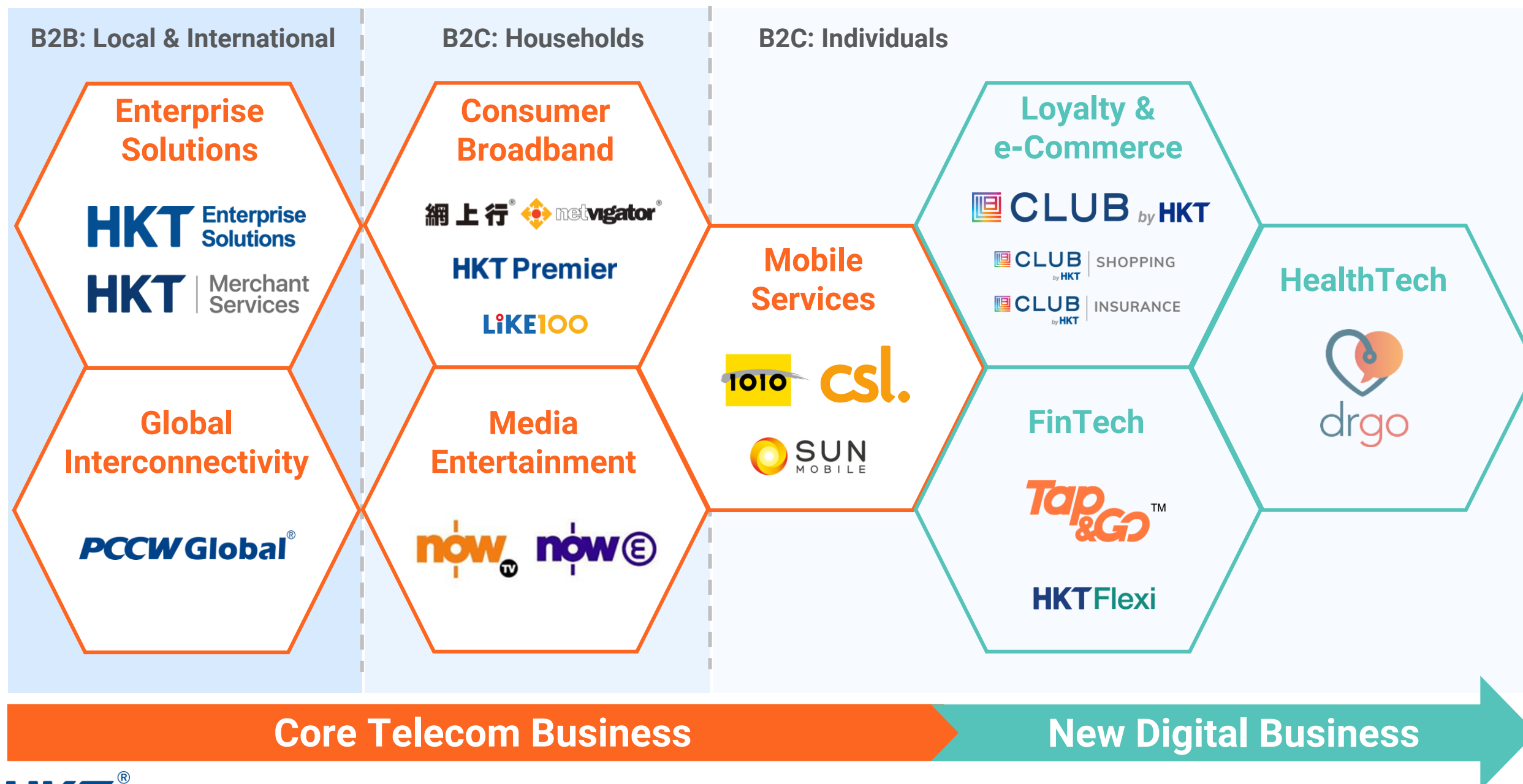
**PCCW Global**<sup>®</sup>

PCCW Global continues to expand its network reach, with its Tier-1 IP network operating on a free peering basis, complemented by its expanding SDCI platform, Console Connect, which provides interconnectivity across the cloud infrastructure





# HKT's Digital Ecosystem is Well-Positioned to Capture New Opportunities



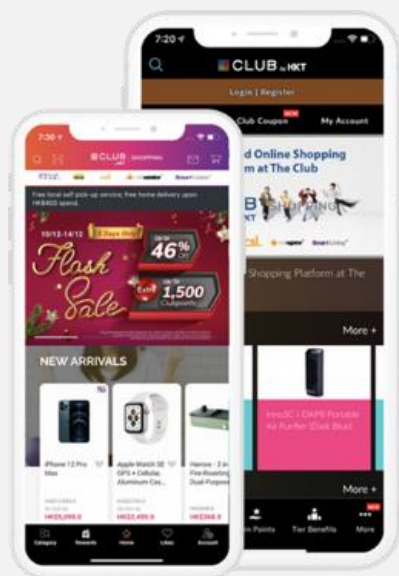
# The Club – Convergence of Loyalty and e-Commerce



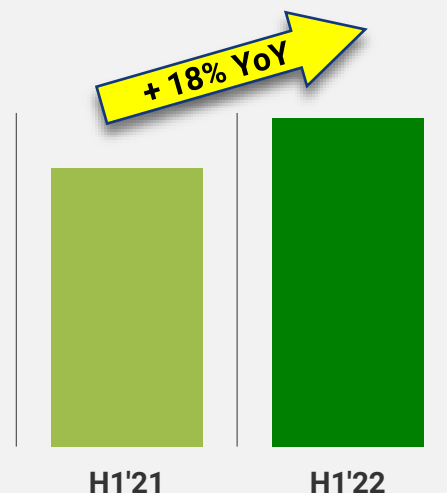
**3.63 million**  
Members



Gross Merchandise Value (GMV)



(HK\$ million)



- Leveraging its loyalty programme, The Club has collaborated with Citi to launch the all-new Citi The Club Credit Card in May 2022
- A digital-first credit card programme providing customers with flexible rewards and a variety of compelling redemption options including payment credit for all HKT services
- Conversion of Citi reward points to increase liquidity of our Clubpoints as a currency

# New Round of Consumption Voucher Scheme Bodes Well for Local Consumer Sentiment

Steady Growth in Transaction Volume for both B2B & B2C

## Merchants

**HKT** | Merchant Services

Comprehensive e-payment solution targeting local SMEs



- Continued to support Government's Consumption Voucher Scheme and SMEs to revive local economy with special transaction rate, fee waiver and spending rebate
- 7,200 subscriptions to our merchant payment solutions as of Jun 2022, representing an increase of 156% YoY
- Merchant transaction amount increased by 185% YoY

## Consumers



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



- Loyal Gen Z customer base provides significant opportunities for future growth
- Leveraging extensive Mastercard, UnionPay and FPS networks, enabling swift payment both online and at retail outlets around the world
- Accounts expanded to 3.5M as at Jun 2022
- Customer spending increased substantially by 253% YoY

Virtual Bank Joint Venture Broadens the Service Offerings of HKT

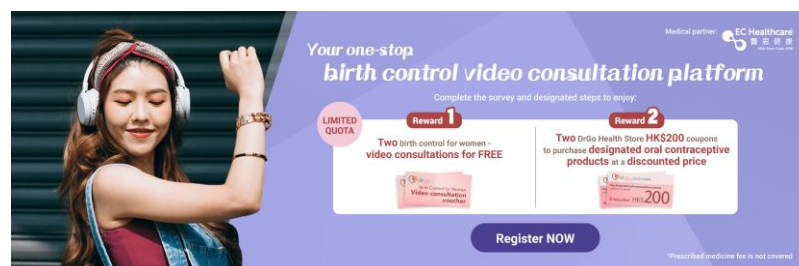
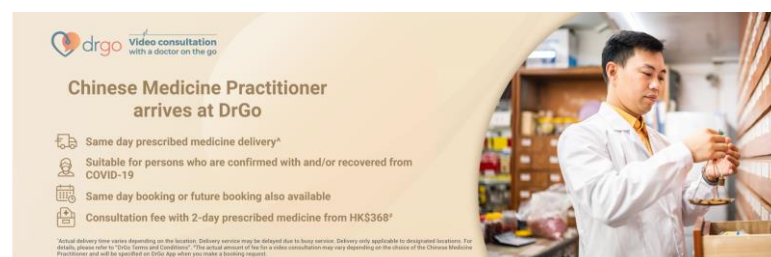


**mox**

# Leading and Innovative MedTech Platform in Hong Kong



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



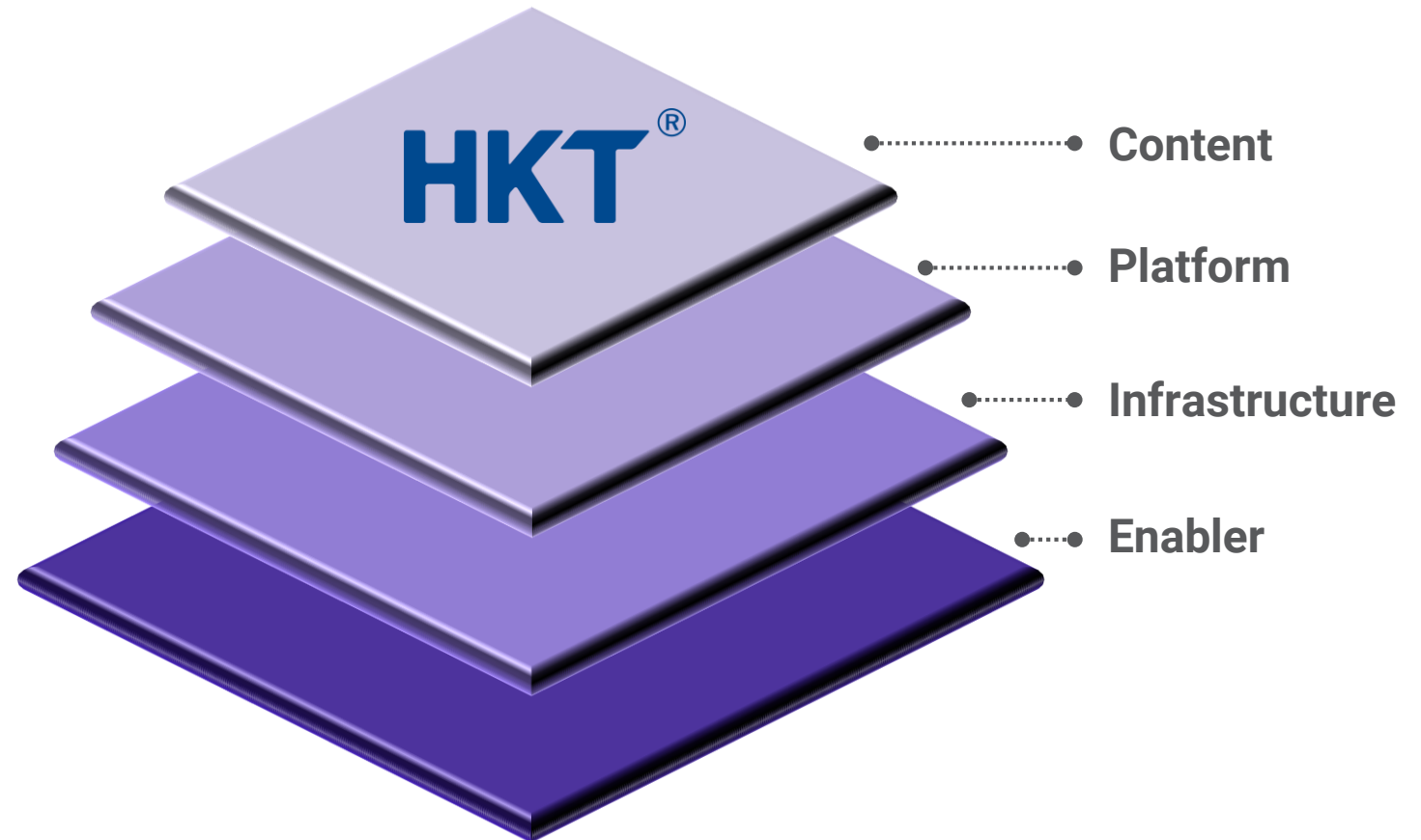
- **332K registered users** as at Jun 2022, an increase of 85% YoY
- **110+ doctors/healthcare professionals** on DrGo platform to provide medical and healthcare telemedicine services
  - Service portfolio extended to paediatrics, Traditional Chinese Medicine and mental health
  - Completed over 10K consultations since launch with 20-fold YoY growth\* amidst 5<sup>th</sup> COVID wave
- **Partnership to drive consultations:**
  - 15 medical consultation service partners available
  - 10 sponsored partnership campaigns with major pharmaceutical and insurance companies
- **DrGo Health Store** provides a comprehensive range of reliable and professional healthcare services/products spanning 25 categories ranging from vaccination, health check, supplements to remote health monitoring devices
- **Recognised as a leading MedTech platform** with international awards in 2022
  - Asia Smart App Awards 2022 – Silver Award in Public Sector & Social Innovation
  - The Global Economics Awards 2022 – Best Telemedicine Mobile App

\* Remarks: YoY growth in the first half of 2022



# First CMT Player in Hong Kong to Enter the Metaverse Opening a New Frontier in the Digital World

Possessing all four layers of the metaverse – Content, Platform, Infrastructure and Enabler, HKT, together with PCCW, has a unique advantage to leverage the benefits of Web3



# Support the Community and a Sustainable Future

## Fighting COVID-19 Together

- Provided telecom support to eight new community isolation facilities, 1,280 quarantine units and 3,000 Government COVID hotlines
- Offered 10,000 prepaid SIMs/mobile data to healthcare workers, students, low-income families and the elderly; and a series of complimentary telecom services to SMEs
- 100,000 free online consultation sessions from DrGo
- 100,000 RAT kits and food bags donated to 20 NGOs



## Community Care via Volunteering

- Assisted NGOs to approve the application for the Government's Temporary Unemployment Relief Scheme for 600 beneficiaries who lost their jobs due to the 5<sup>th</sup> COVID wave
- Over 120 volunteers participated in community services for elderly residences at Wong Tai Sin Estate and people who live in subvented units in Yau Tsim Mong district



## A Sustainable Future

- The Group has bank commitments of over US\$2 billion in sustainability-linked loan facilities
- Electricity consumption reduced by 10% in H1 2022, in line with the Group's environmental target
- Promoted sustainability and created shared value by introducing upcycled mobile products





# Highlights

- 1 Strengthen Platform** – continue to enhance synergy across our quad-play platform by leveraging HKT customer base and leading network infrastructure with PCCW group assets



- 2 Digital Transformation** – assist enterprises and public bodies in navigating the digital transformation journey by harnessing our integrated fixed-mobile network and latest technologies



- 3 Digital Ecosystem** – continue to grow our digital ecosystem integrating loyalty programme and a host of online services to meet customers' health, financial service and other needs, further extended with our presence in the Metaverse



- 4 Resilient Core** – with its strong and diversified set of core businesses, HKT is well positioned as operating conditions continue to stabilise



# Financial Review

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

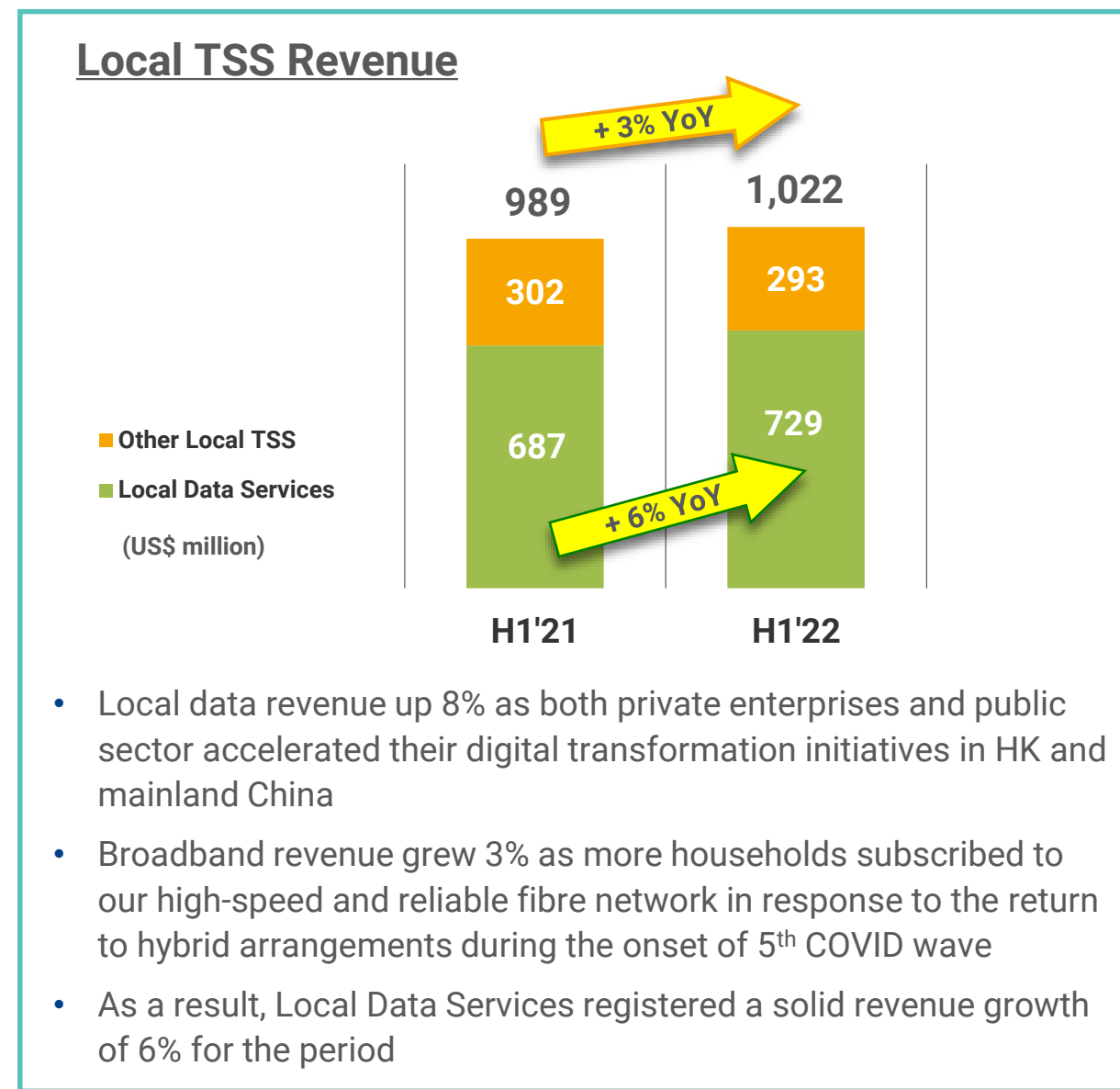
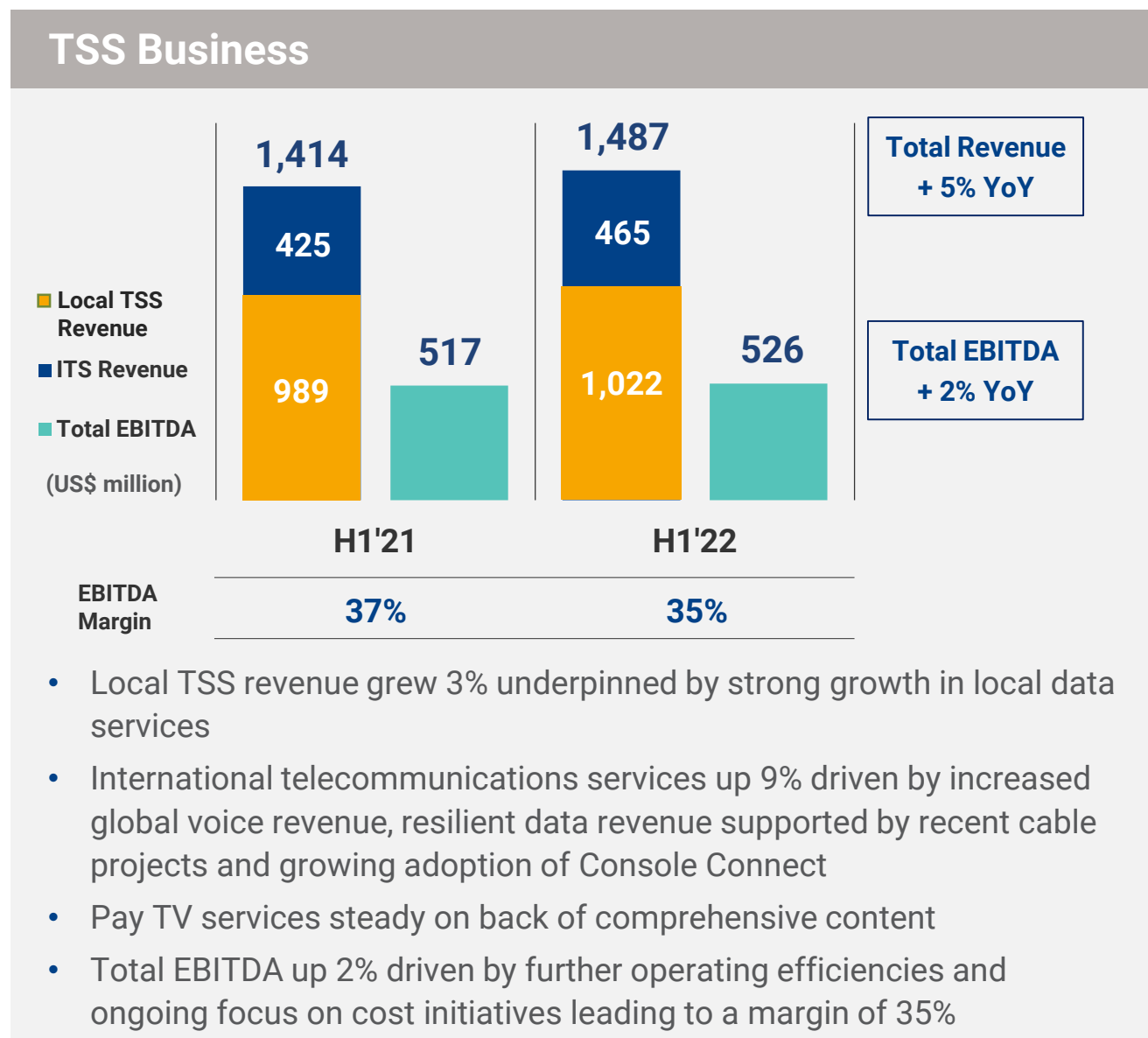




# Resilient Financial Performance Supported by TSS and 5G

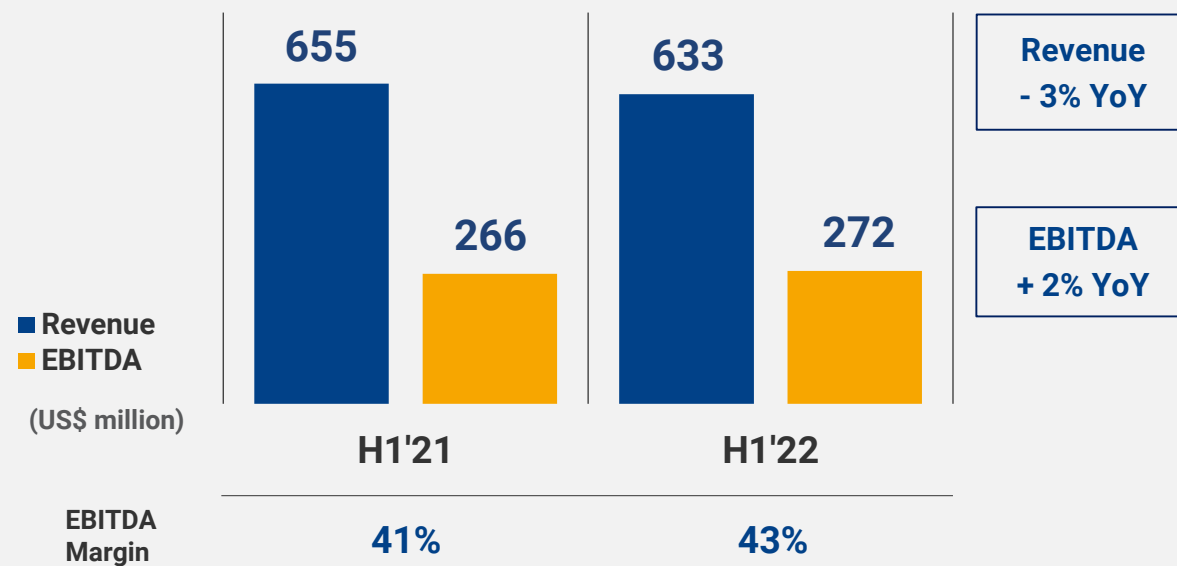
(US\$ million)	H1'21	H1'22	% Change
<b>Adjusted Funds Flow</b>	<b>298</b>	<b>305</b>	<b>+ 2.2%</b>
<b>Revenue</b>	<b>2,006</b>	<b>2,071</b>	<b>+ 3.3%</b>
<b>Revenue</b> (excluding Mobile Product Sales)	<b>1,810</b>	<b>1,906</b>	<b>+ 5.4%</b>
<b>EBITDA</b>	<b>733</b>	<b>748</b>	<b>+ 2.1%</b>
<i>EBITDA Margin</i> (excluding Mobile Product Sales)	40%	39%	
<i>Overall EBITDA Margin</i>	37%	36%	
<b>Profit</b>			
Attributable to Holders of Share Stapled Units	<b>244</b>	<b>245</b>	<b>+ 0.5%</b>

# TSS Continued to Demonstrate Business Strength and Growth



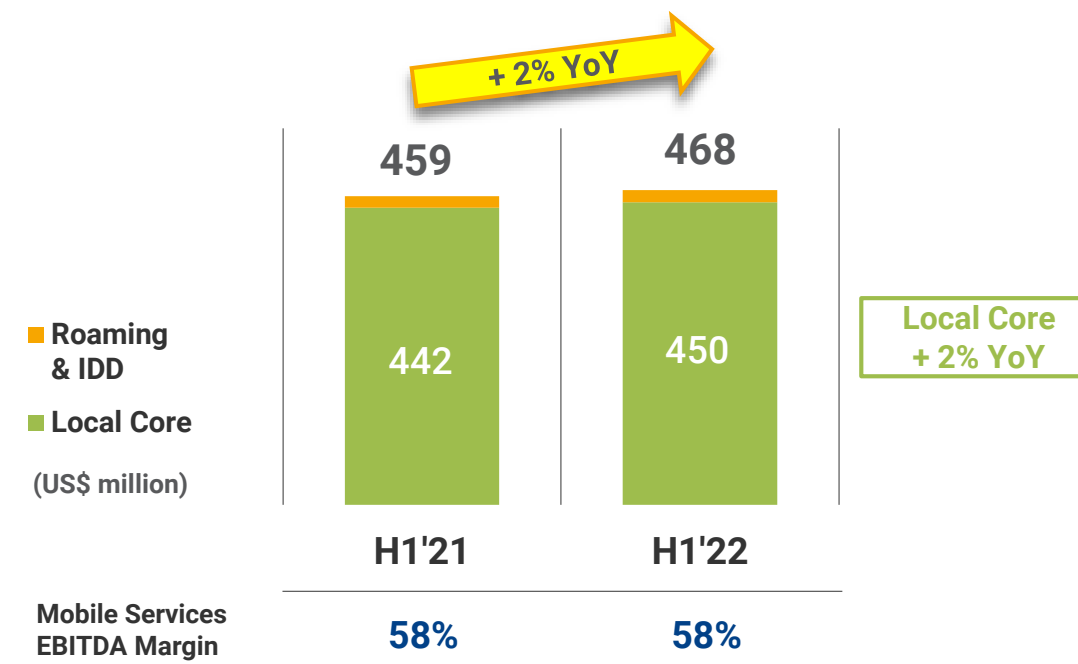
# Mobile Delivering Market-leading 5G Service

## Mobile Business



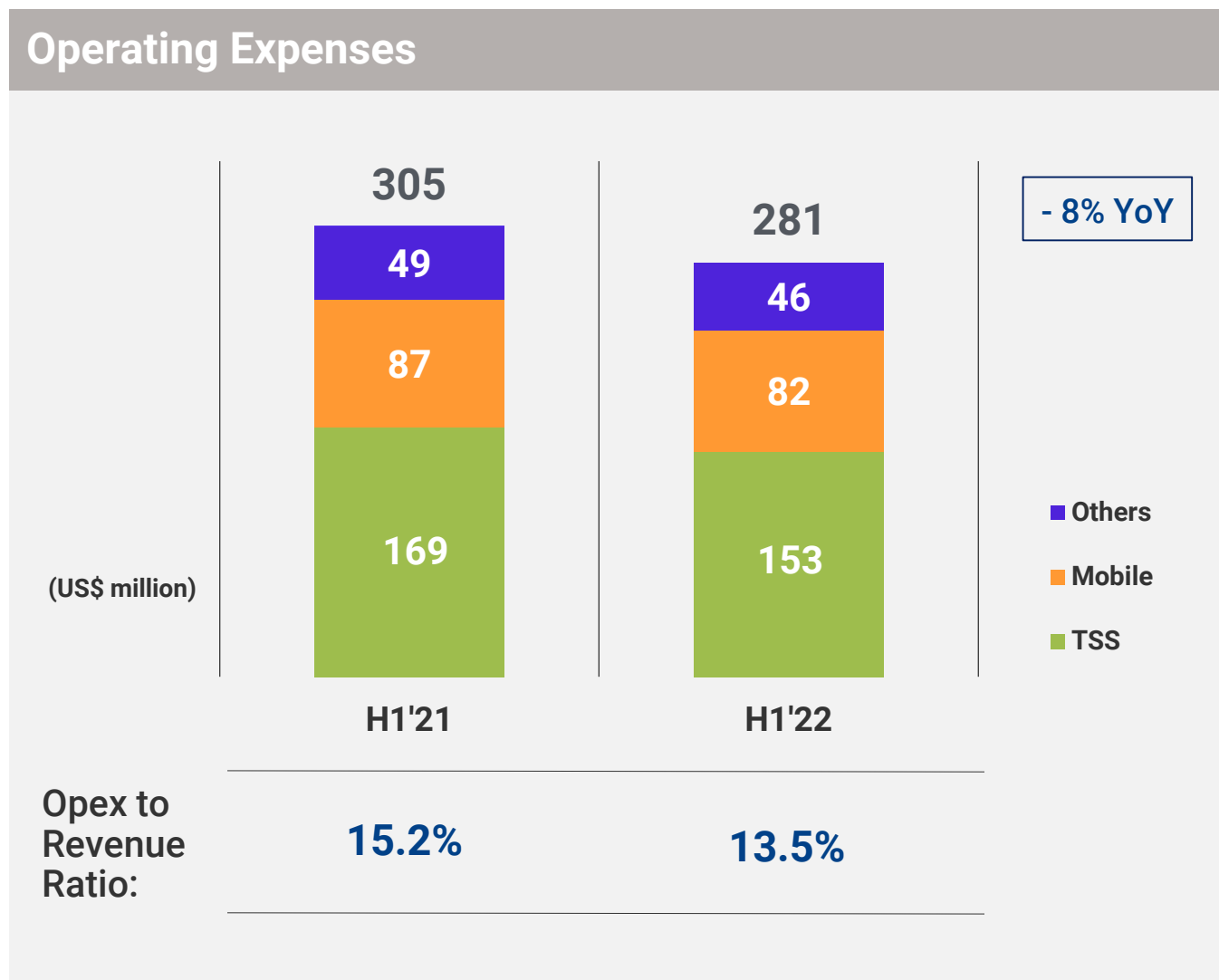
- Mobile business recorded a 2% growth in services revenue to US\$468 million
- Post-paid customer base further expanded to 3.305 million, with expansion of premium 1010 customers
- 5G customer base reached 867,000 as at end of Jun 2022, representing 26% of post-paid base
- Lower Mobile product sales affected by supply chain disruptions and the impact of elevated sales in H1'21

## Mobile Services Revenue



- Local core revenue grew 2% benefiting from higher 5G adoption and mobile enterprise solutions
- Post-paid exit ARPU remained steady at HK\$187
- Mobile services EBITDA also rose 2% to US\$270 million

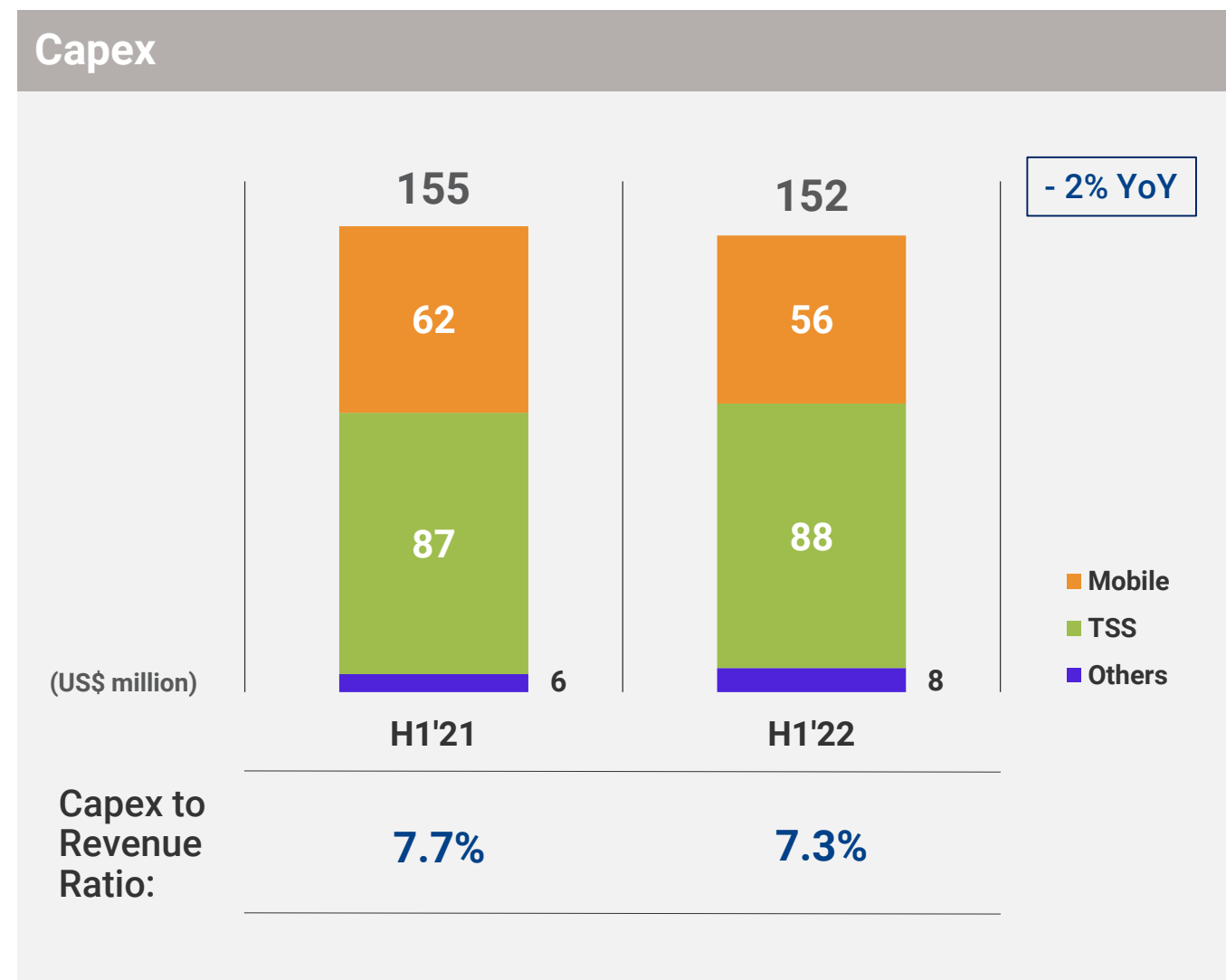
# Continued Focus to Drive Operating Efficiency



- Opex savings of 8% in H1'22, with opex to revenue ratio further improving to 13.5%
- Efficiency gains from mobile network operations including cell site reconfiguration
- Continued focus on improving efficiencies across each of the business lines on the back of accelerated digitalization as well as optimizing O2O sales channels and retail footprint



# Disciplined Capital Investments for Future Growth



- Disciplined capital investments with capex to revenue ratio improved to 7.3%, well within stated guidance of below 10%
- Lower Mobile capex reflecting the completion of our territory-wide 5G coverage rollout
- TSS capex remained steady with focus on meeting continued demand for our FTTH services and customised solutions for enterprises

# Adjusted Funds Flow

(US\$ million)	H1'21	H1'22	YoY Better/ (Worse)
<b>EBITDA</b>	<b>733</b>	<b>748</b>	<b>2%</b>
Less cash outflows in respect of capital expenditures, customer acquisition costs and licence fees:			
Capital expenditures	(150)	(146)	
Customer acquisition costs and licence fees	(69)	(76)	
Fulfilment costs	(29)	(40)	
Right-of-use assets	(104)	(88)	
<b>Adjusted Funds Flow before tax paid, net finance costs paid and changes in working capital</b>	<b>381</b>	<b>398</b>	<b>4%</b>
Adjusted for:			
Net finance costs paid	(36)	(45)	
Tax payment	(23)	(10)	
Changes in working capital	(24)	(38)	
<b>Adjusted Funds Flow for the period</b>	<b>298</b>	<b>305</b>	<b>2%</b>
Adjusted Funds Flow per Share Stapled Unit (HK cents)	30.70	<b>31.36</b>	
<b>Interim Distribution per Share Stapled Unit (HK cents)</b>	<b>30.70</b>	<b>31.36</b>	<b>2%</b>

# Income Statement

(US\$ million)	H1'21	H1'22	YoY Better/(Worse)
<b>Revenue</b>	<b>2,006</b>	<b>2,071</b>	<b>3%</b>
Revenue (excluding Mobile Product Sales)	1,810	1,906	5%
<b>Cost of sales</b>	<b>(968)</b>	<b>(1,042)</b>	<b>(8)%</b>
<b>Opex</b>	<b>(305)</b>	<b>(281)</b>	<b>8%</b>
<b>EBITDA</b>	<b>733</b>	<b>748</b>	<b>2%</b>
Depreciation & amortisation expenses	(353)	(362)	
Net finance costs	(72)	(80)	(12)%
Share of results of associates & JVs	(8)	(5)	
<b>Profit before income tax</b>	<b>300</b>	<b>301</b>	<b>—</b>
Income tax	(55)	(56)	
<i>Effective tax rate</i>	18.5%	18.5%	
<b>Profit for the period</b>	<b>245</b>	<b>245</b>	
Attributable to:			
<b>Holders of Share Stapled Units</b>	<b>244</b>	<b>245</b>	<b>1%</b>
<b>Non-controlling interests</b>	<b>1</b>	<b>—</b>	

# Solid Financial Position

## Investment Grade Credit Ratings

(US\$ million)	As of Dec 2021	As of Jun 2022	BBB/Baa2 Investment Grade Rating
Gross Debt <sup>(1)</sup>	5,626	5,685	
Gross Debt to EBITDA <sup>(2)</sup>	3.45x	3.45x	
Cash Balance <sup>(3)</sup>	370	261	
Undrawn Facilities	1,266	1,579 <sup>(4)</sup>	
Total	1,636	1,840	

(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

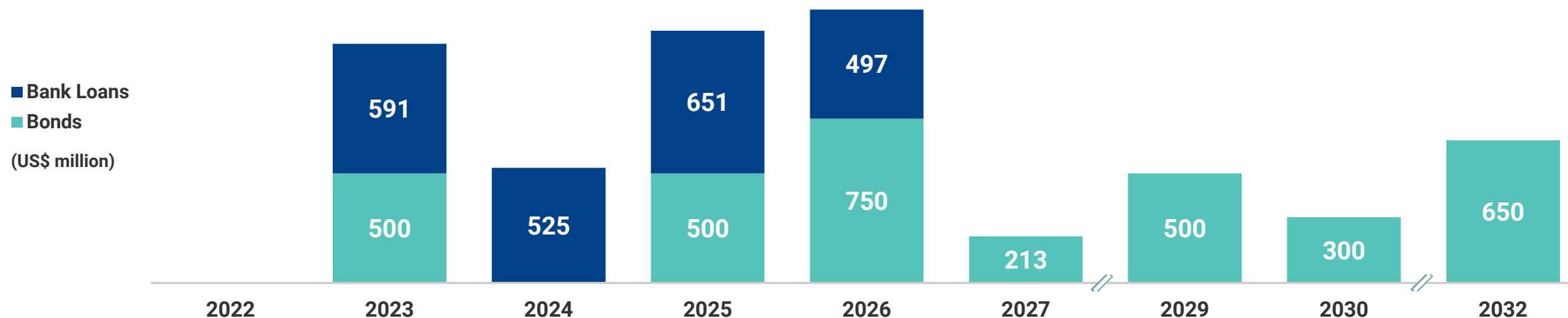
(3) Including short-term deposits

(4) Latest as of 2022 interim results announcement date



# Debt Maturity Profile

As of 30 June 2022



- Locked in low cost, long-term funding by raising US\$650 million 10-year bonds at a coupon rate of 3% during a favourable market window in January
- Current mix of fixed and floating rate debt approx. 60:40
- Effective interest rate approx. 2.6% in H1 2022
- Average maturity was approx. 4 years

# Highlights

- 1 Strengthen Platform** – continue to enhance synergy across our quad-play platform by leveraging HKT customer base and leading network infrastructure with PCCW group assets



- 2 Digital Transformation** – assist enterprises and public bodies in navigating the digital transformation journey by harnessing our integrated fixed-mobile network and latest technologies



- 3 Digital Ecosystem** – continue to grow our digital ecosystem integrating loyalty programme and a host of online services to meet customers' health, financial service and other needs, further extended with our presence in the Metaverse



- 4 Resilient Core** – with its strong and diversified set of core businesses, HKT is well positioned as operating conditions continue to stabilise

