

**TRANSFORMING  
LIVES IN THE  
DIGITAL WORLD**



# **Investor Presentation**

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**March 2017 – Hong Kong**

# Forward Looking Statements

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This presentation may contain “forward-looking statements” that are not historical in nature. These forward-looking statements, which include, without limitation, statements regarding PCCW'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 PCCW about the business, the industry and the markets in which PCCW operates. These statements are not guarantees of future performance and are subject to risks, uncertainties and other factors, some of which are beyond PCCW'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

# Solid Telecom Business

## Media & Solutions Businesses – Growth Focus

(US\$ million)



FY16 Revenue	4,921
FY16 EBITDA	1,567
Market Value <small>(as at March 20, 2017)</small>	4,850

### Core Businesses

(100%)



FY16 Revenue	372
FY16 EBITDA	53

(100%)



FY16 Revenue	75
FY16 EBITDA	(30)

(100%)



FY16 Revenue	21
FY16 EBITDA	(24)

(100%)



FY16 Revenue	490
FY16 EBITDA	98

Growth  
Businesses

(70.83%)



FY16 Revenue	22
FY16 EBITDA	(36)

(51.97%)



FY16 Revenue	4,339
FY16 EBITDA	1,626
FY16 AFF	600
Market Value <small>(as at March 20, 2017)</small>	10,173

Solid EBITDA  
& Cash Flow

Figures in brackets represent ownership by PCCW as at March 20, 2017.

# A Growing Enterprise with Strong Foundations in Hong Kong

12mn+

consumers served  
**globally**

690

active enterprise  
customers in  
**Forbes Global 2000**

50

employee  
nationalities

40

countries with  
operations<sup>1</sup>

#1 

Hong Kong **Fixed Voice,  
Broadband & Mobile**

#1 

Hong Kong  
**Pay TV**

#1 

Hong Kong  
**IT Services**

#1 

**Leading Pan-  
Regional OTT Video  
Service Provider**

Note

1. Based on employees' physical presence

**HKT** Here <sub>To</sub> Serve

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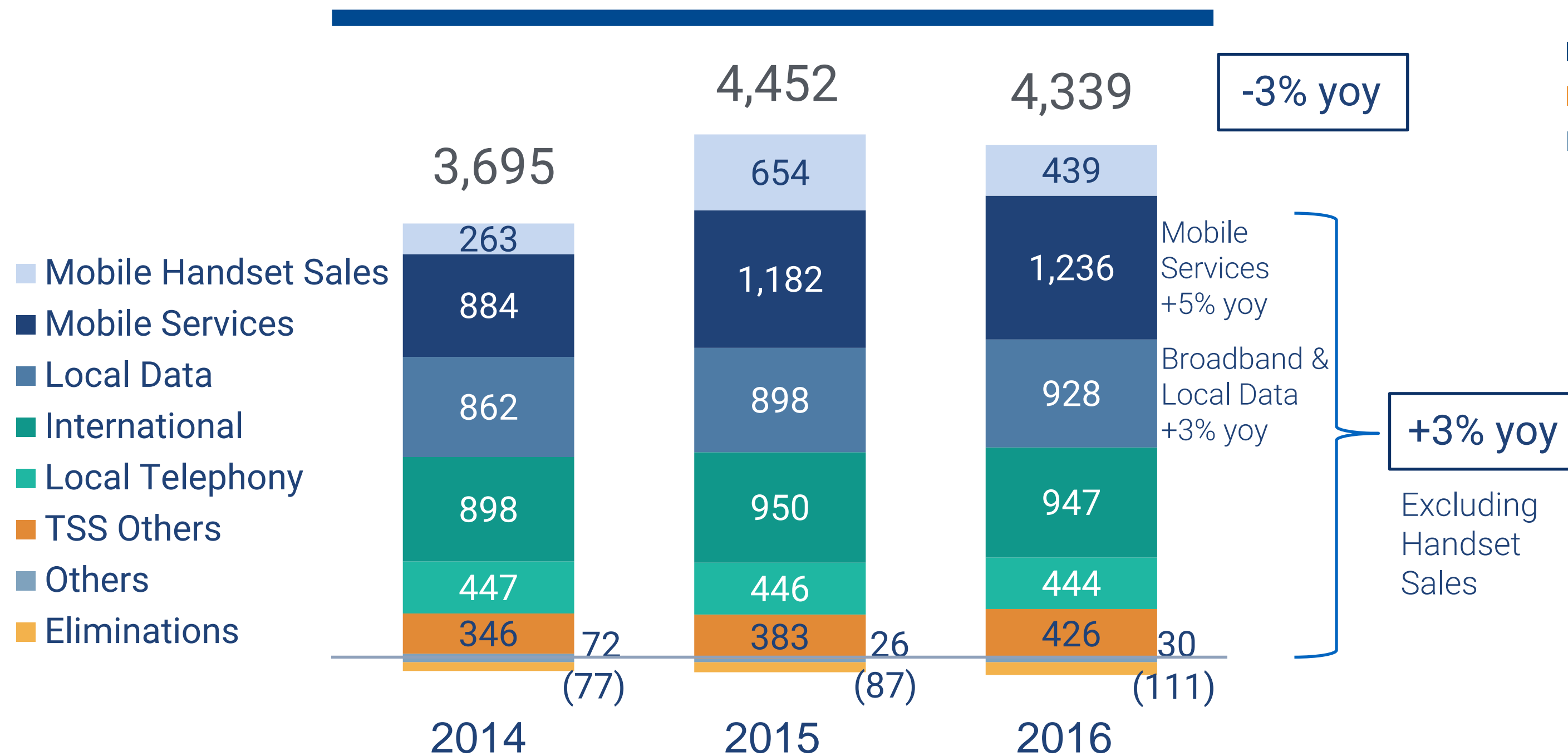
## Telecom Business



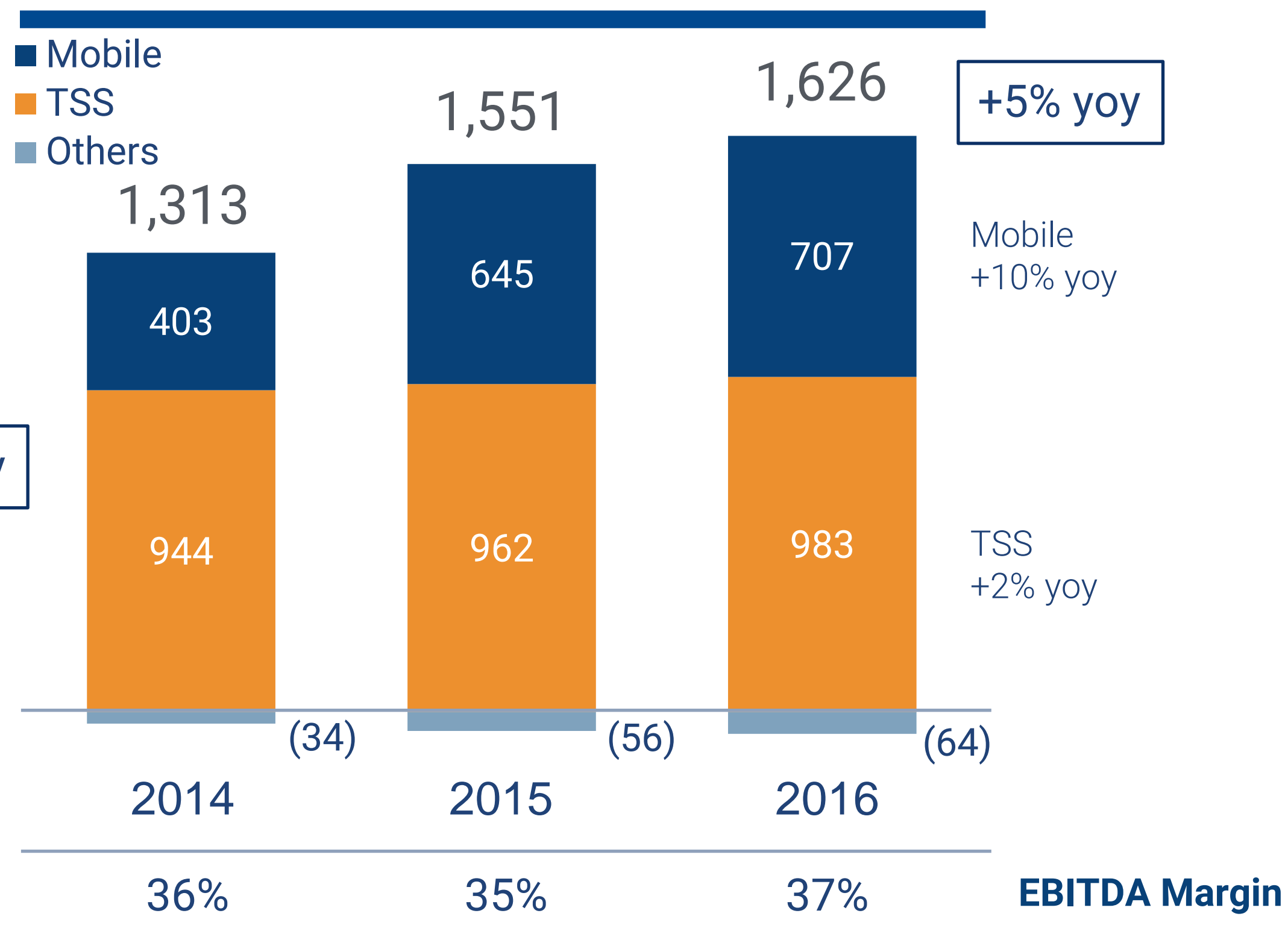
# Solid Results Underpinned by Broadband and Successful CSL Integration

Adjusted Funds Flow up 14% to US\$600 million  
 PCCW to receive a total distribution of approx. US\$379 million from HKT for FY16

## HKT Revenue (US\$ million)



## HKT EBITDA (US\$ million)



- Headline revenue declined by 3% due to absence of marquee handsets
- Underlying revenue improved by 3% driven by continued growth in local data revenue as customers take up and upgrade to FTTH services and 5% growth in Mobile services revenue

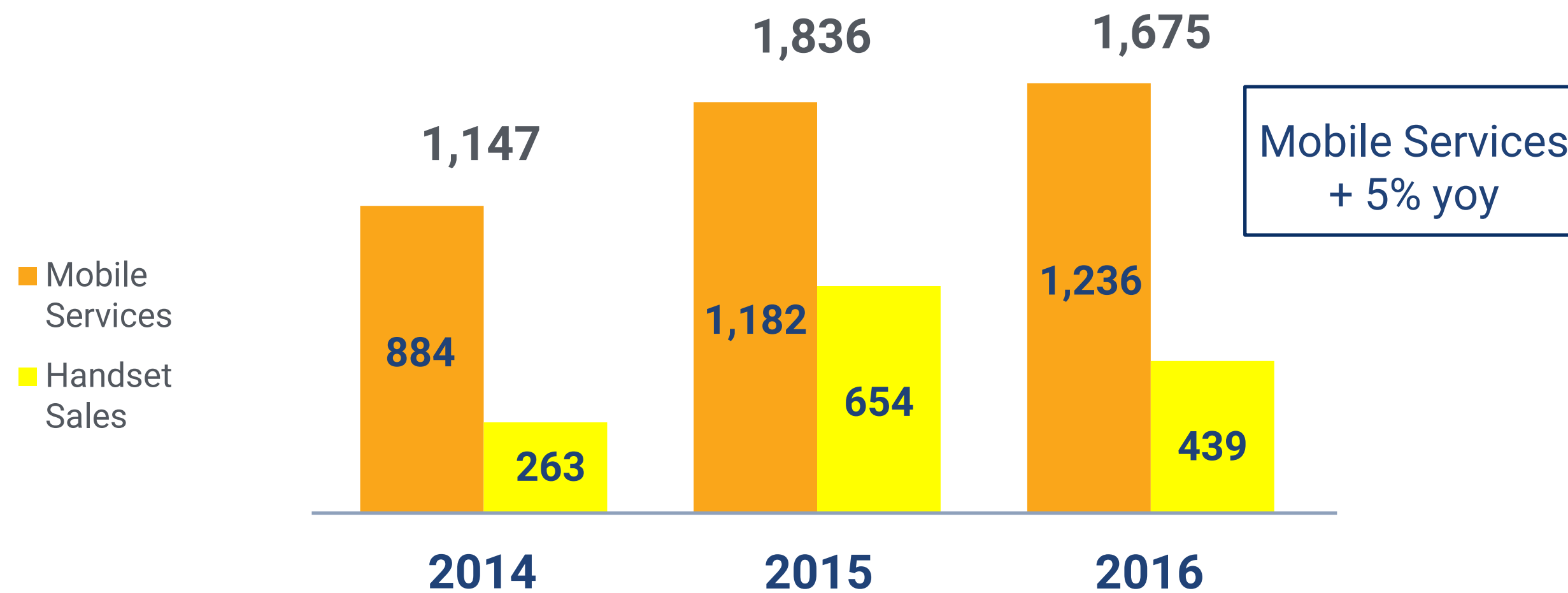
- EBITDA grew by 5% and the margin improved to 37% as a result of the successful execution of the CSL integration and accompanying cost synergies

# Adjusted Funds Flow (US\$ million)

	2014	2015	2016	YoY Better/ (Worse)
<b>EBITDA</b>	<b>1,313</b>	<b>1,551</b>	<b>1,626</b>	<b>+ 5%</b>
Less cash outflows in respect of:				
Customer acquisition costs and licence fees	(359)	(426)	(444)	
Capital expenditures	(322)	(389)	(363)	
<b>Adjusted Funds Flow before tax paid, net finance costs paid and changes in working capital</b>	<b>632</b>	<b>736</b>	<b>819</b>	<b>+ 11%</b>
Adjusted for:				
Tax payment	(51)	(47)	(71)	
Net finance costs paid	(102)	(116)	(100)	
Changes in working capital	(49)	(48)	(48)	
<b>Adjusted Funds Flow for the year</b>	<b>430</b>	<b>525</b>	<b>600</b>	<b>+ 14%</b>
Adjusted Funds Flow per Share Stapled Unit (HK cents)	44.30	54.06	61.85	
Interim Distribution (HK cents)	21.00	25.79	27.09	
<b>Final Distribution (HK cents)</b>	<b>23.30</b>	<b>28.27</b>	<b>34.76</b>	
<b>Total Distribution for the year (HK cents)</b>	<b>44.30</b>	<b>54.06</b>	<b>61.85</b>	

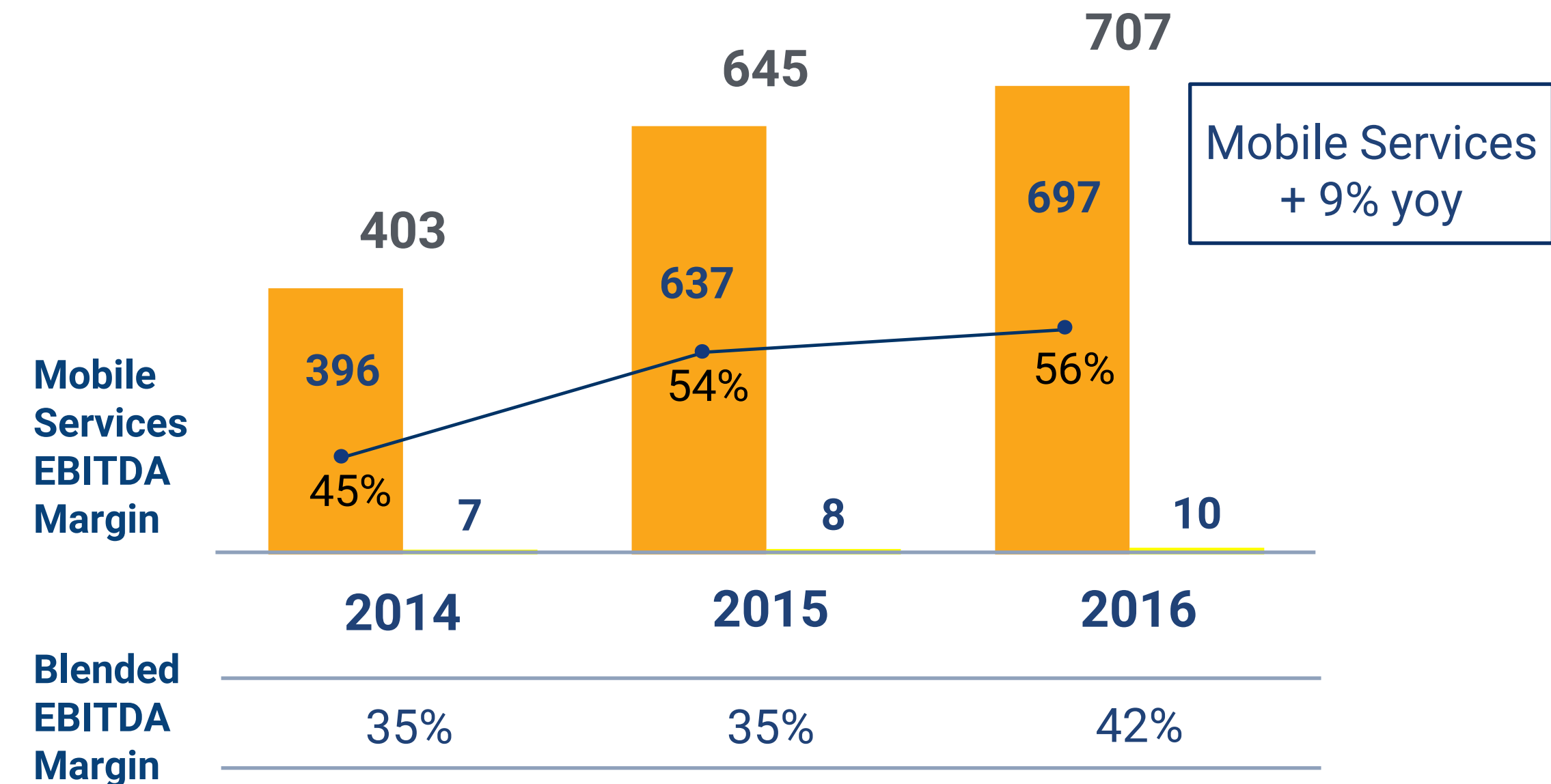
# Mobile Benefited from Synergy Achievements

**Mobile Revenue** (US\$ million)



- Leadership position with total customer base of 4.512M, of which 3.130M were post-paid customers
- Post-paid exit ARPU increased to HK\$233, driven by higher data usage and premium 1010 service, partially offset by more SIM only plans and decline in IDD & roaming revenue
- Mobile Services revenue growth also driven by mobile enterprise solutions in the corporate and wholesale segment
- Handset sales dropped by 33% due to the absence of marquee handsets throughout the year

**Mobile EBITDA** (US\$ million)



- Mobile Services EBITDA grew by 9% in 2016
- Mobile Services EBITDA margin improved to 56% reflecting cost savings from the successful CSL network integration completed in the 3<sup>rd</sup> quarter of 2016

# Consolidated Leadership Position in Mobile

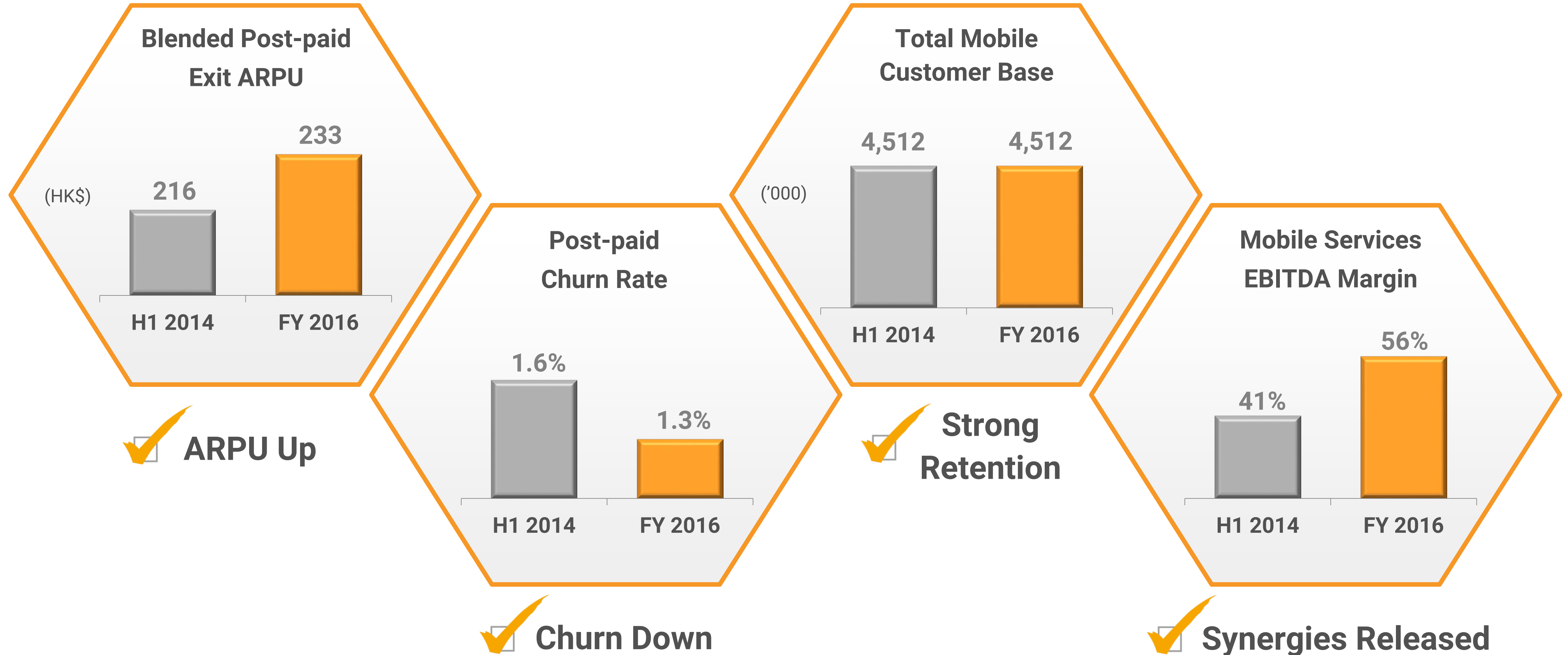


- Total customer base of 4.512M
  - Post-paid customer base of 3.130M
- Post-paid exit ARPU of HK\$233
- IDD and roaming represent 14% of total services revenue
- Mobile data represents 78% of total services revenue
- 81% of post-paid customers are smart device users
- Post-paid churn rate was 1.3%

\* Figures stated as at December 31, 2016 or for the year ended December 31, 2016

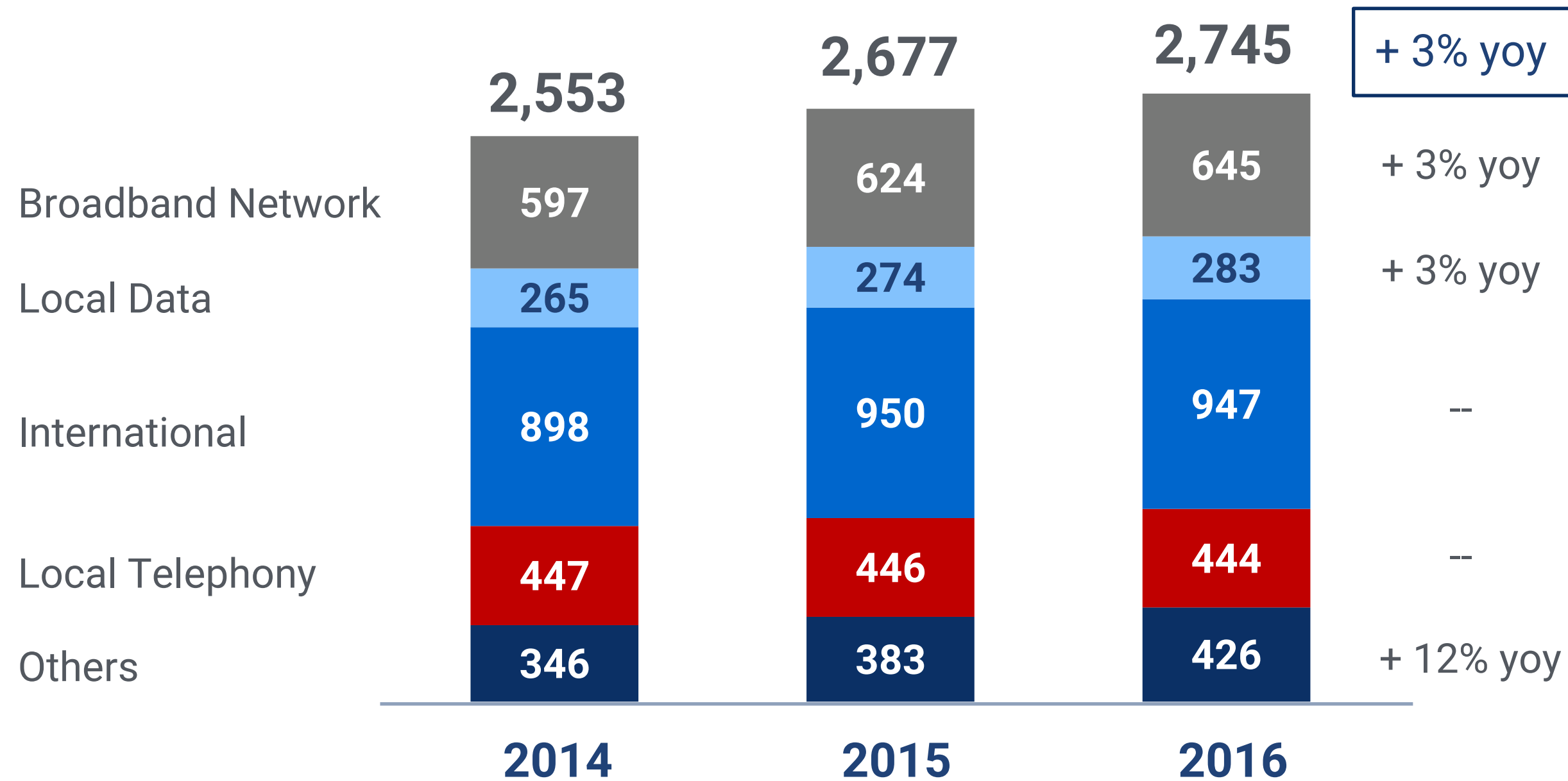
# Key Achievements Since CSL Acquisition

Sustained Improvements in Mobile ARPU, Churn Rate, Customer Base and Operating Margins

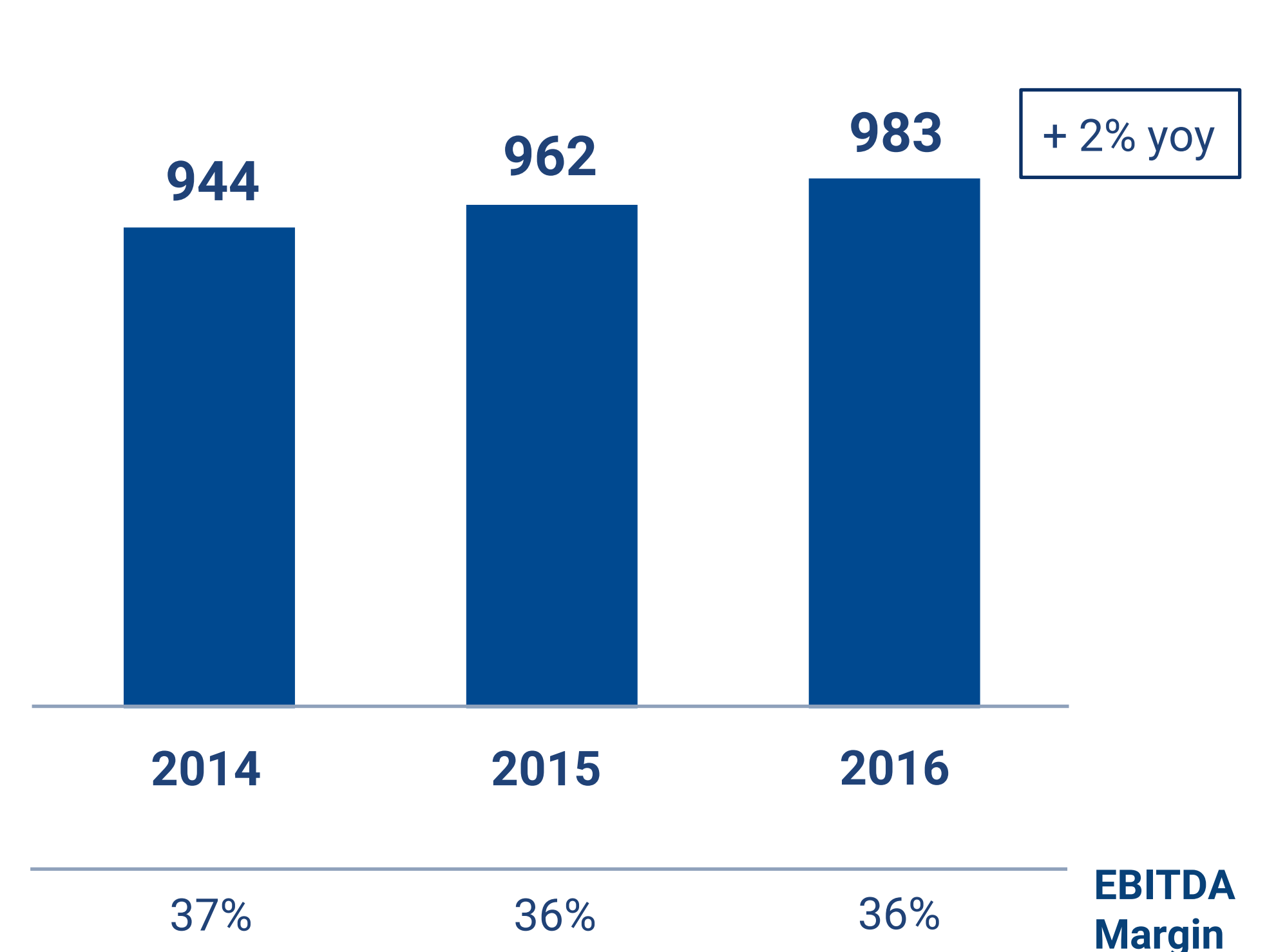


# TSS Maintains Steady Growth Trajectory

TSS Revenue (US\$ million)



TSS EBITDA (US\$ million)



- **Broadband** – Achieved 9<sup>th</sup> consecutive year of revenue growth, driven by continued customer take-up and upgrade to higher speed, higher price FTTH plans
- **Local Data** – Growth fueled by growing demand for cross border connectivity solutions, network facility management and managed cloud services
- **International** – Held steady despite the non-recurrence of project specific revenue generated in the 1<sup>st</sup> half of 2015
- **Others** – Driven by increase in CPE sales for managed network & infrastructure projects and expansion at Teleservices

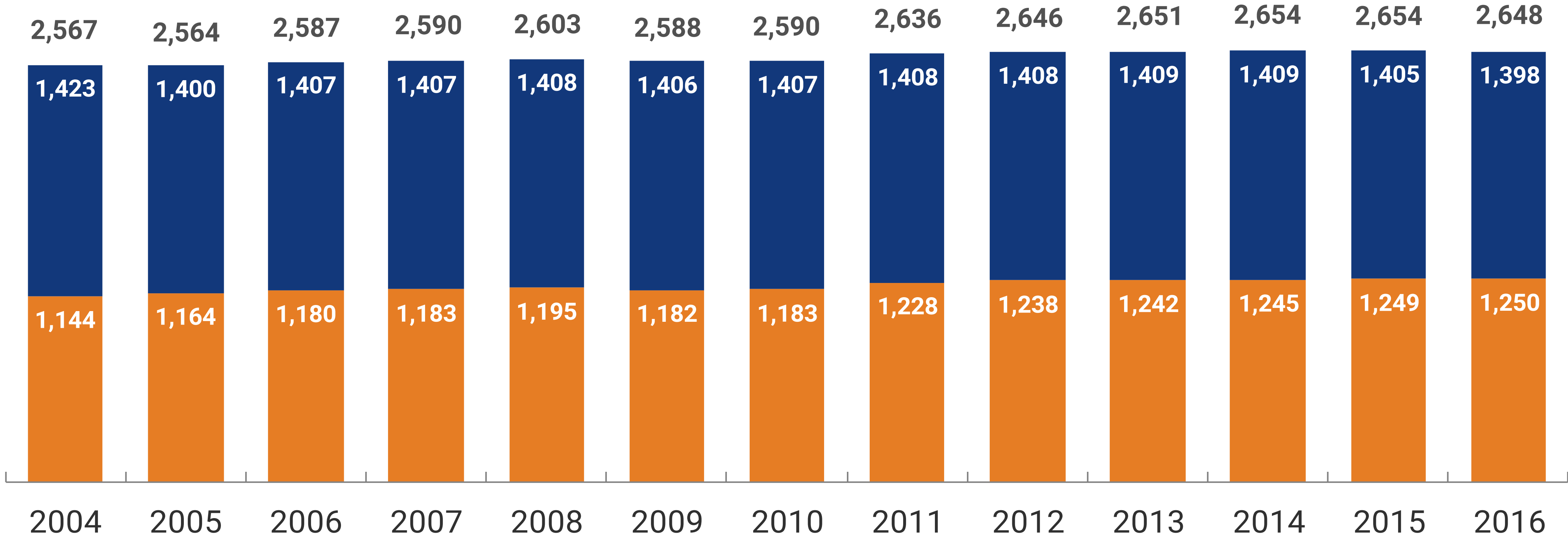
- Measured EBITDA growth with resilient margin, underpinned by diversified business portfolio and operating efficiency

# Stable Fixed-line Business

Solid Customer Base Maintained Since 2004

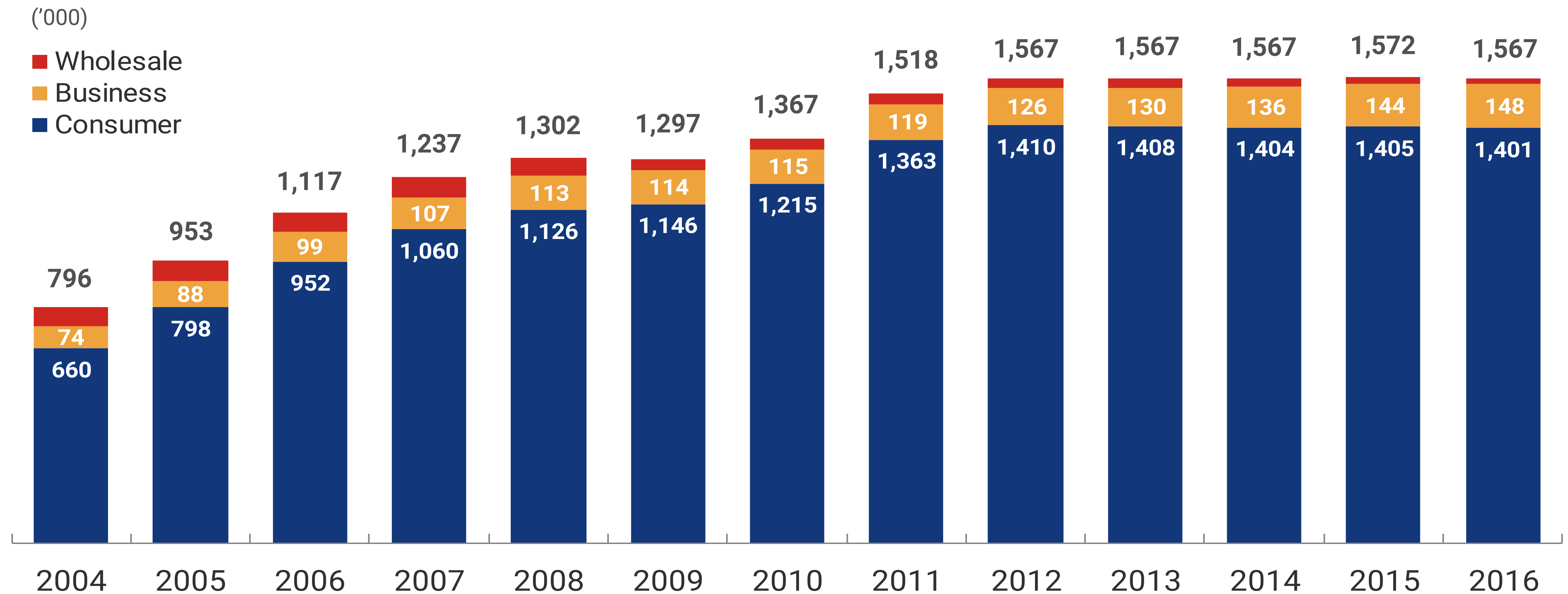
('000)

- Residential Lines
- Business Lines



# Consolidated Position in Broadband

Consolidated Broadband Market Position and Kept Churn Around 1%



# Continued Growth of Fiber Customers

**NETVIGATOR 極速光纖**  
帶際超流暢、超高清畫質  
盡享最強娛樂!

全新及現有 1000M<sup>\*</sup>或以上客戶  
免費搬走 now one 4KUHD 全功能機頂盒<sup>\*</sup>  
送超過40條 Now TV 頻道及自選服務<sup>\*</sup> (價值\$1,632)

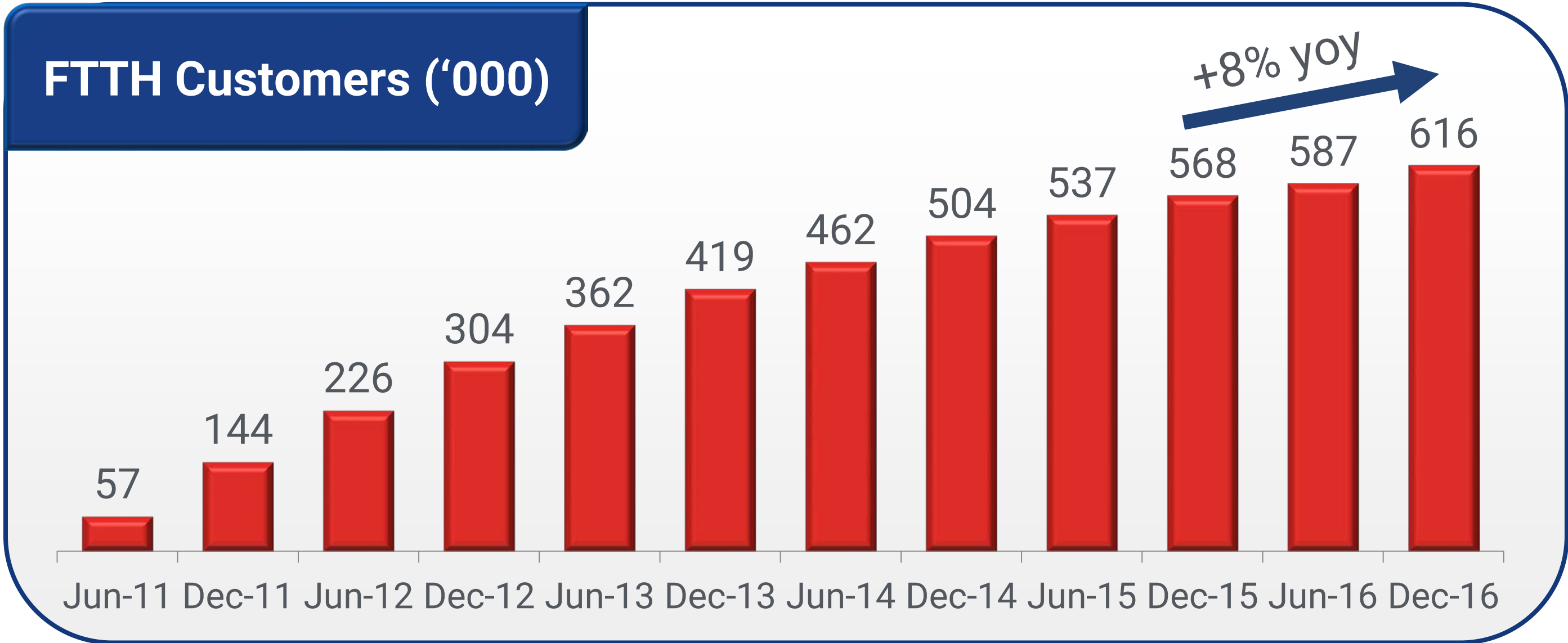
更快速度 更強覆蓋 全面發揮網絡優勢

- 全港首間提供10G光纖入屋寬頻
- 覆蓋全面 網絡遍佈全港
- 連接至強海外頻寬<sup>\*</sup> 順暢瀏覽外國網站

即打2888 1888 (後按1) 或親臨HKT專門店  
或登入www.netvigator.com了解詳情

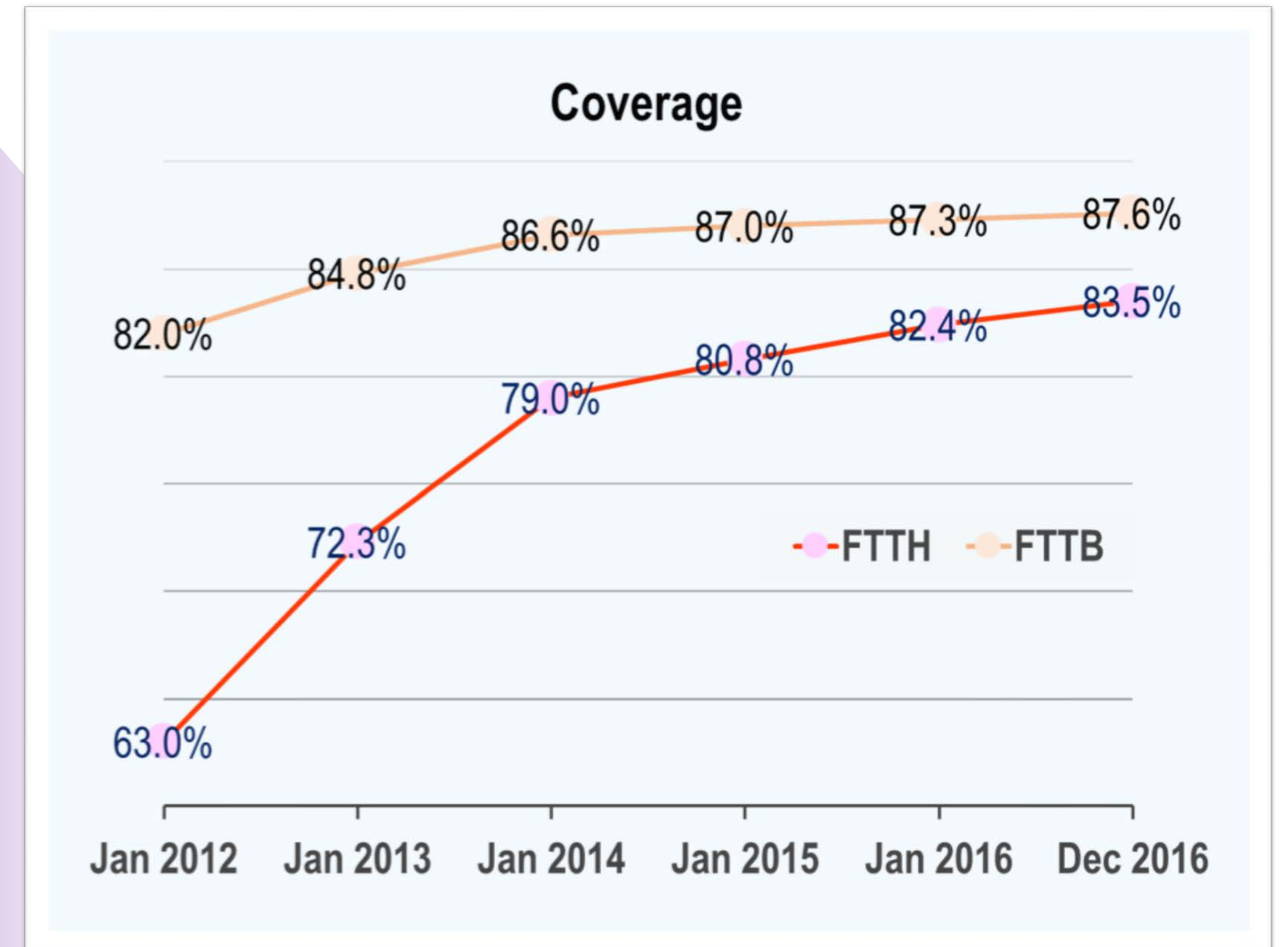
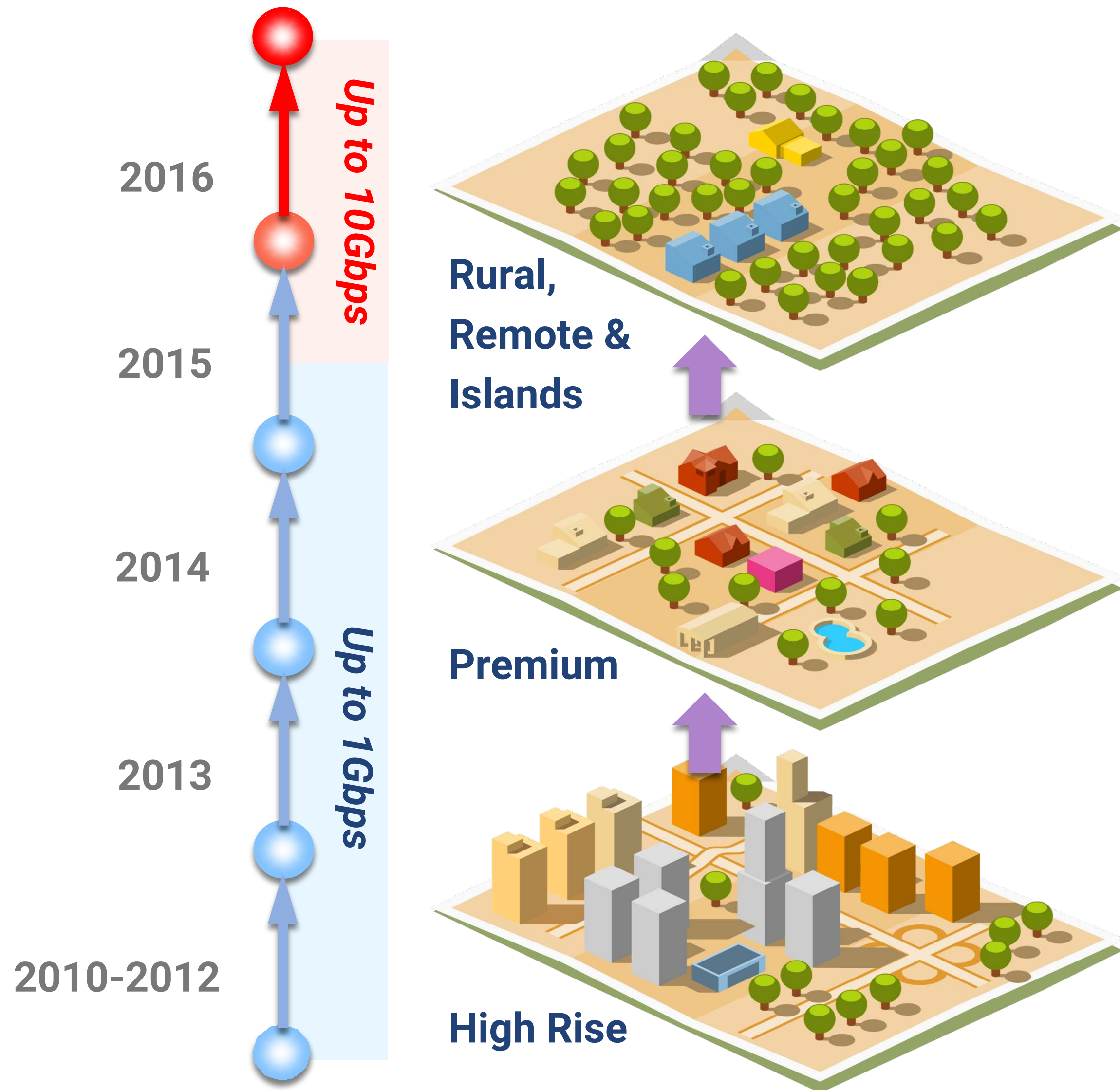
HKT 擊誠為你

電訊盈科集團成員



- Continued increase in customer subscription to our Fiber-To-The-Home (FTTH) service and customer upgrades to higher speed, higher price FTTH plans
- 616K customers enjoying genuine FTTH service as of Dec 2016, which represented a net increase of 48K customers or 8% vs. Dec 2015
- 747K customers enjoying high speed service (FTTH and VDSL) as of Dec 2016

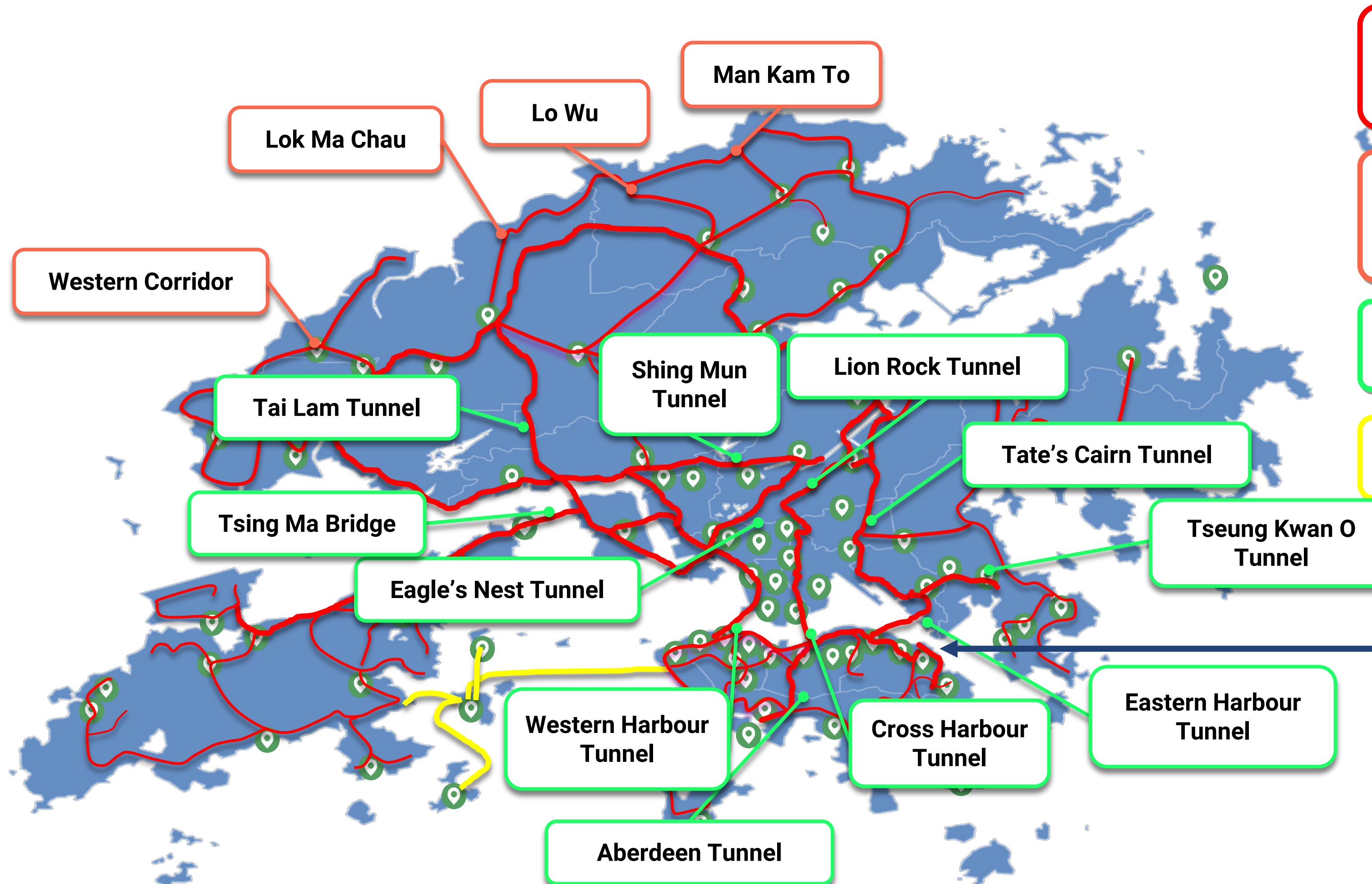
# HKT's Path to Territory-Wide Fiber Broadband



**As of Dec 2016, FTTH Coverage has reached 83.5% and FTTB Coverage is at 87.6%**

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

# HKT's Superior Fiber Network Coverage in Hong Kong



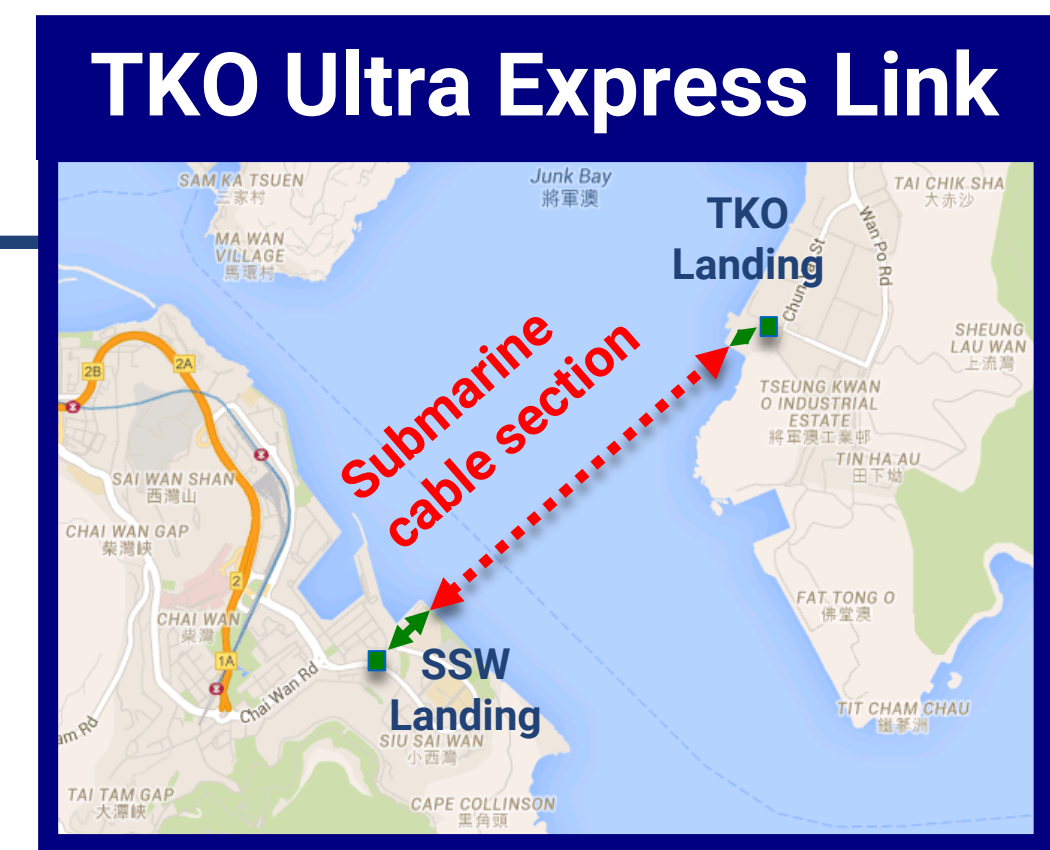
 Telephone exchange  
 Major inter-exchange fiber cable routes

**Extensive fiber coverage providing resilience and high availability**

**4 cross-border points connecting fiber network to Mainland China**

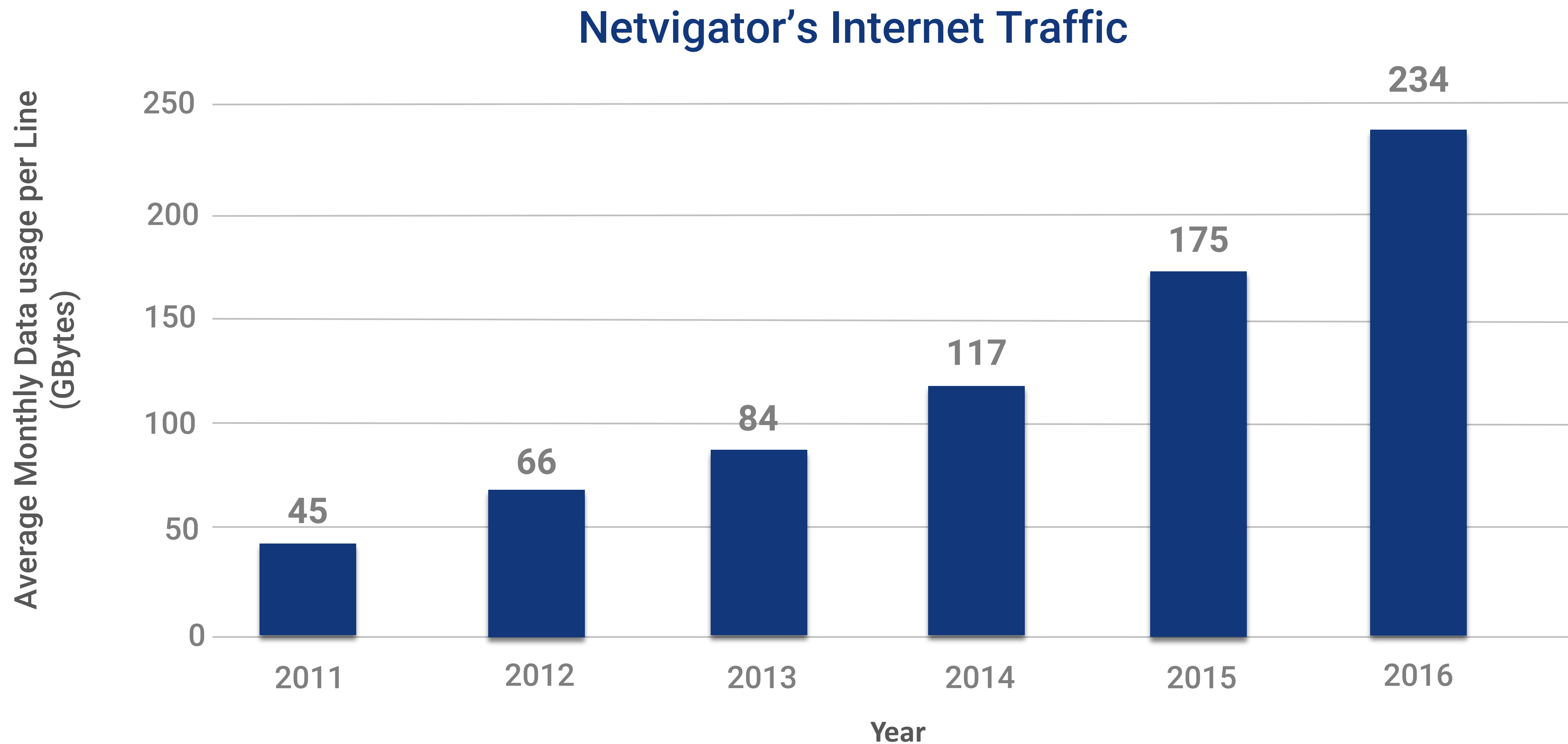
**11 tunnels/bridges with fiber networks**

**Outlying islands with submarine cables**

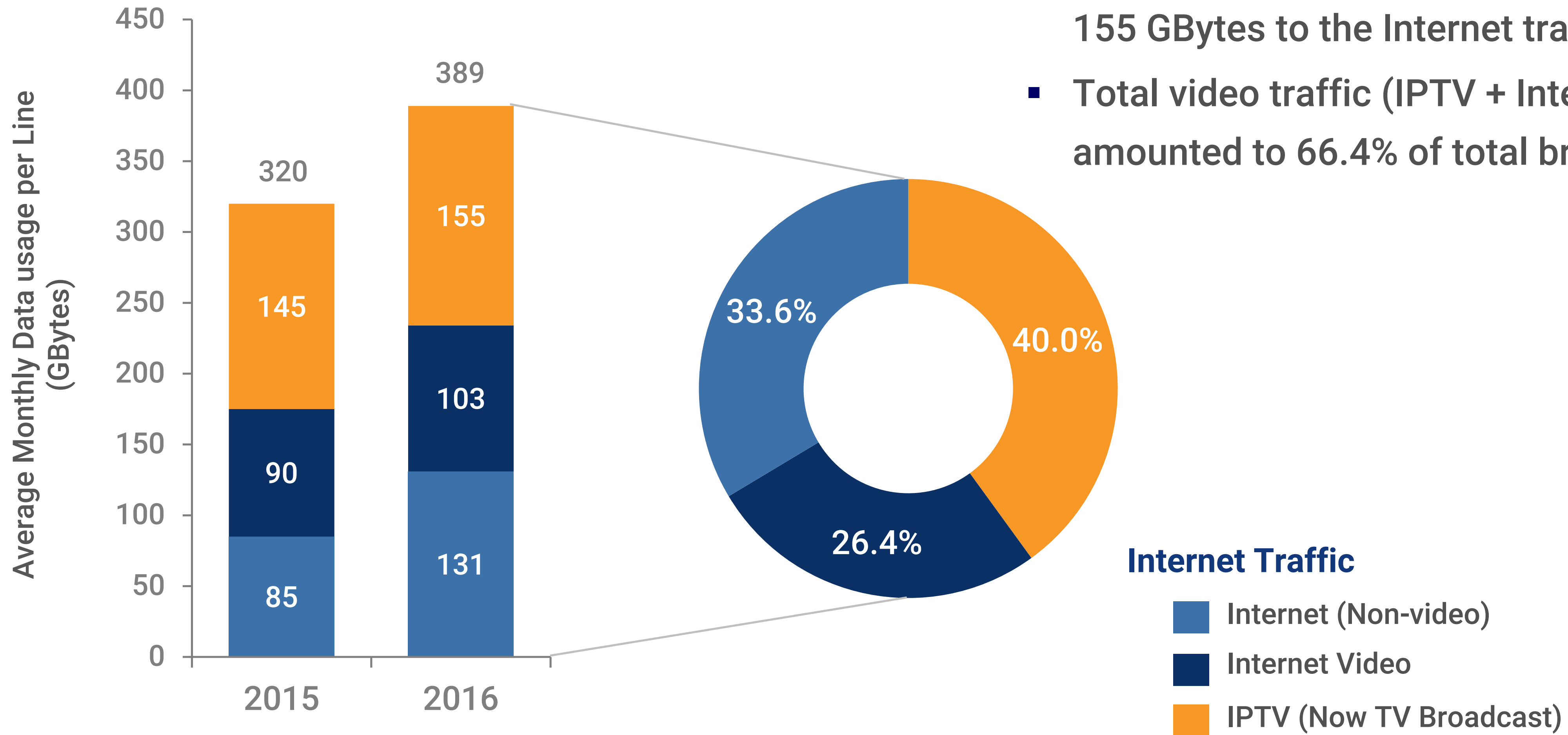


# Netvigator's Internet Traffic Growth

- In 2016, the Average Monthly Data Usage per Line has increased by 34% YoY reaching 234 GBytes



# Overall Video Traffic



- Average IPTV traffic added an additional 155 GBytes to the Internet traffic
- Total video traffic (IPTV + Internet Video) amounted to 66.4% of total broadband traffic

**PCCW**  
**Media**™

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**Media Business**

# Media Business Continues to Expand Regionally Across Multiple Platforms



## Content Synergies

- **Popular content made available across different platforms, devices and monetisation windows**
  - First window of Korean Drama for high quality experience on Now TV and Viu OTT; second window on ViuTV with further localisation through dubbing
  - Selected Now TV sports content available on ViuTV to capture mass sports fans
  - Now news team is producing news programs for both Now TV and ViuTV
  - MOOV and Viu OTT services available on Now TV's Asian Entertainment Pack
  - Export ViuTV's locally produced programs to overseas markets via Viu OTT platform

## Cost Synergies

- **Share back office facilities and services including production, advertising, finance, human resources and other supporting units to maximize cost efficiencies**

## Marketing Synergies

- **ViuTV with its mass reach is a strong cross-promotion platform for Now TV & Viu OTT services**
- **Joint marketing activities across platforms for key content enables rapid and maximum exposure**



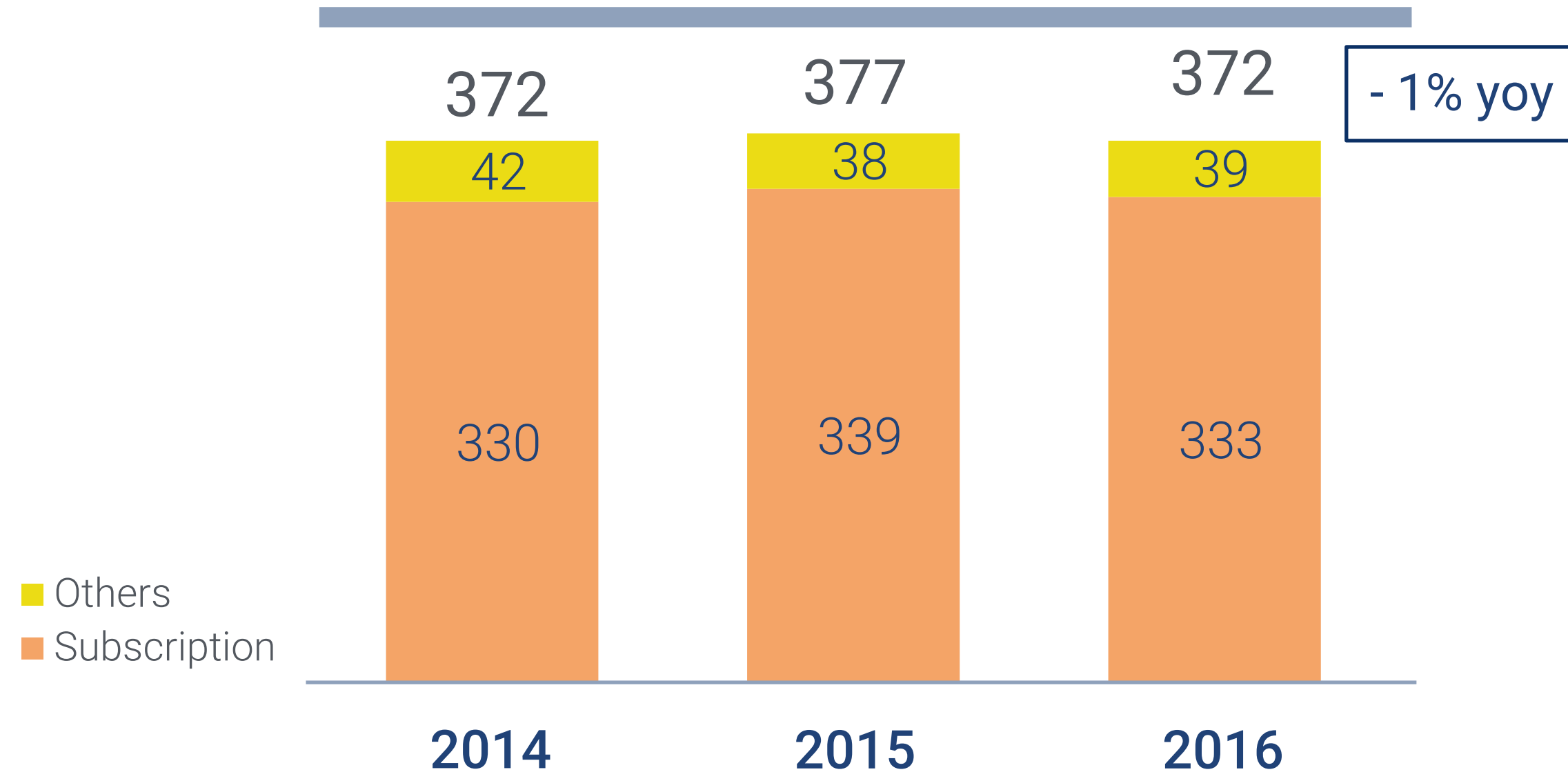
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## Pay TV Business

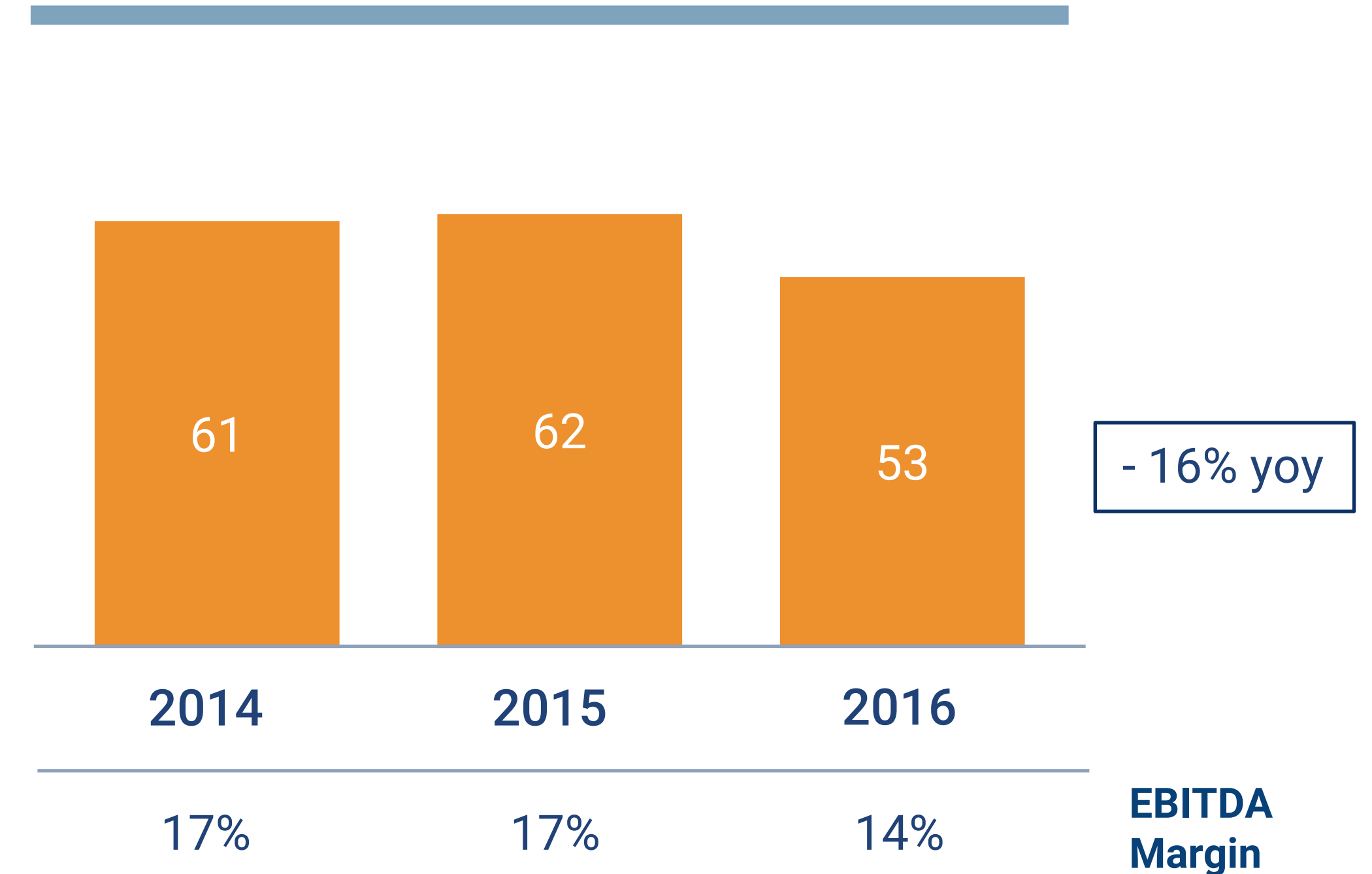
# Stable Revenue Amidst Intensified Competition and Soft Economic Conditions



Now TV Revenue (US\$ million)



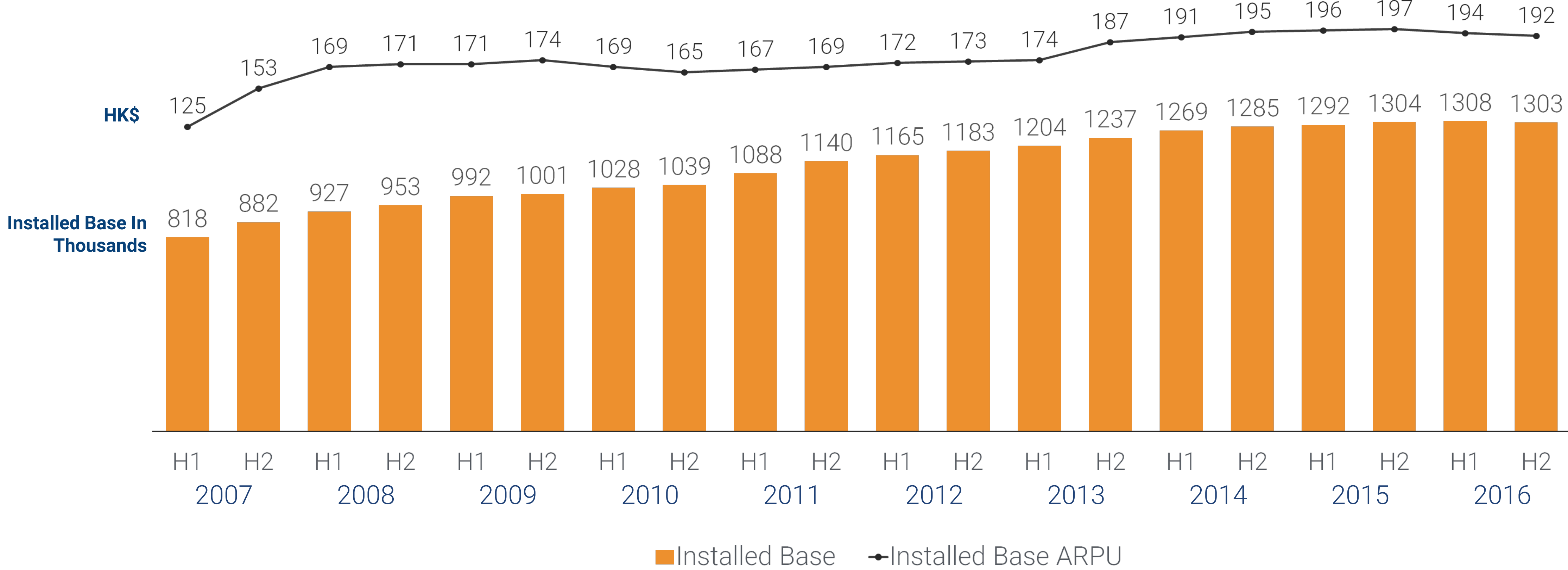
Now TV EBITDA (US\$ million)



- Revenue softened slightly due to aggressive renewal efforts in response to intense competition
- Weaker advertising revenue as a result of lackluster economic environment as well as the anticipated diversion of advertising spending to the Free TV Business

- Fall in EBITDA due to higher content costs bid up by irrational market competition and increased marketing costs to attract and retain customers

# Maintained Market Leadership in Hong Kong Pay TV with Stable Subscription Base



# Now TV Continued Market Leadership



## High Quality, Reliable Sports Viewing Experience

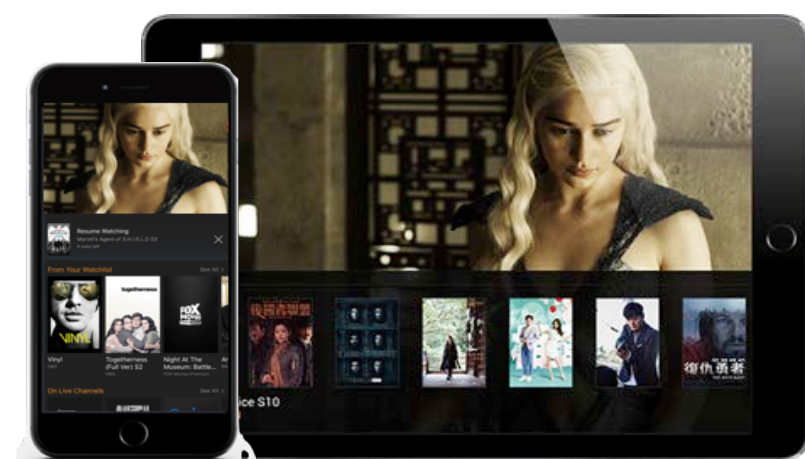
- Active renewal of sports customers solidified subscriber base despite competition
- Continued to deliver all live Premier League matches with superior quality via IPTV, providing a stable and reliable platform
- Introduced standalone OTT subscription for distinct segment of Premier League and La Liga fans seeking pure OTT options
- Offer the most comprehensive coverage on Tennis (Grand Slams and ATP Tour) and Golf (All Majors and PGA Tour)



## Increased Stickiness of the Now TV Service

- Time consumed on linear channels increased by 11%
- Overall usage of video on demand service increased by 9%. In particular, the highly popular Korean drama series boosted usage on Now Entertainment library by over 500%
- Video Express First, the pay-per-view service, recorded a 9% increase in transactions
- Usage traffic of Now Player increased by 16%

# Service Enhancements for Better Customer Experience



New Now Player

## Continue to Strengthen Cross Platform and Non-Linear Content Offering

- Enriched amount and genres of content available and introduced new user interface (UI) on the Now One set top box to provide an enhanced experience
- Number of video on demand libraries increased by 24% with content ranging from locally produced entertainment and lifestyle programs to first run express Asian and Hollywood dramas, sports, kids, factual entertainment and 4K content
- Now Player was further enriched to 73 channels and 28 video on demand libraries

## Release of Enhanced Features in 2017

- The new UI launched with the Now One set top box will become available across key existing set top box models in 2017
- Now Player will be upgraded with a brand-new user interface and features to mirror the advanced user experience from the now ONE box
  - Remote control functionality e.g. control live TV, remote recording, screen cast
  - Download available for offline viewing



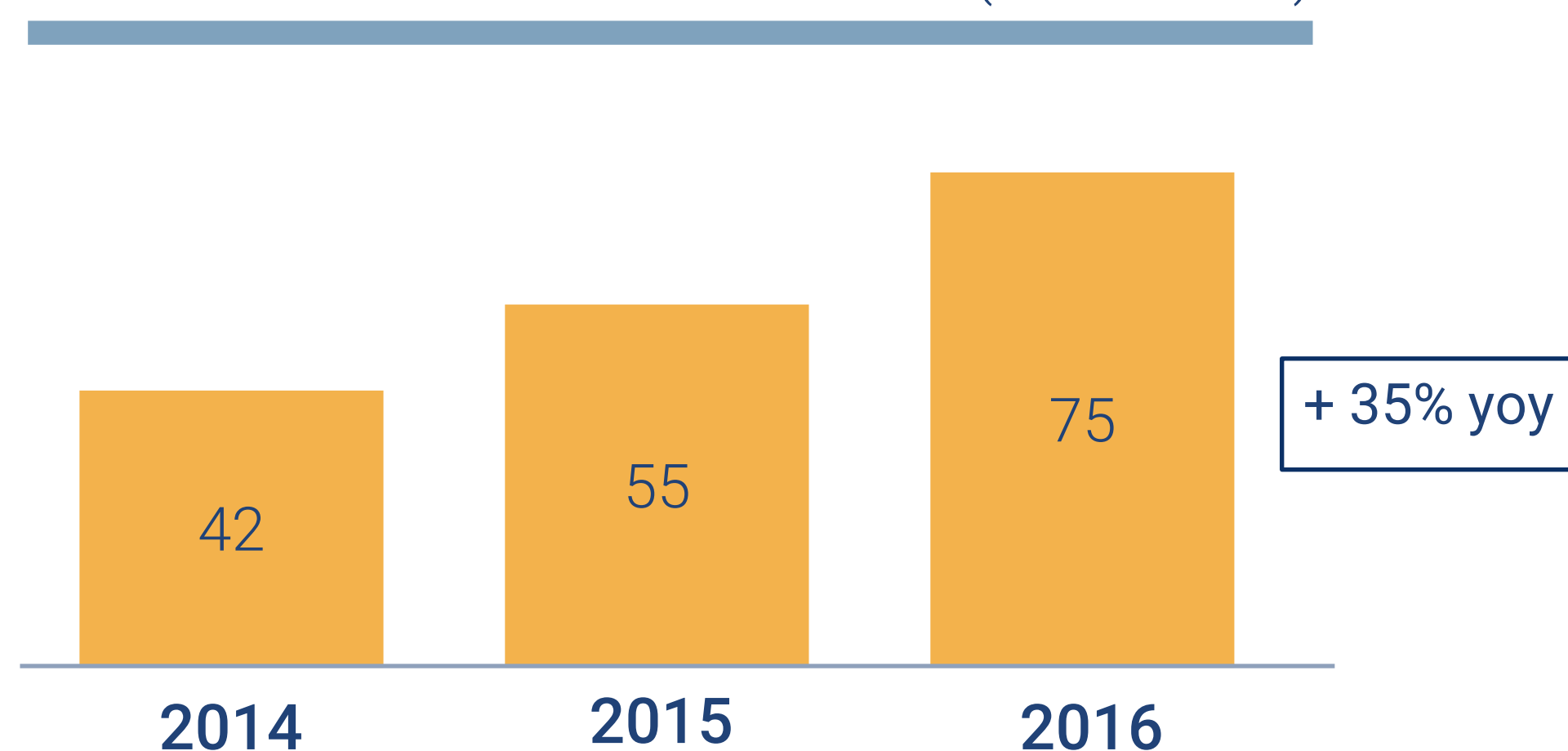
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## OTT Business

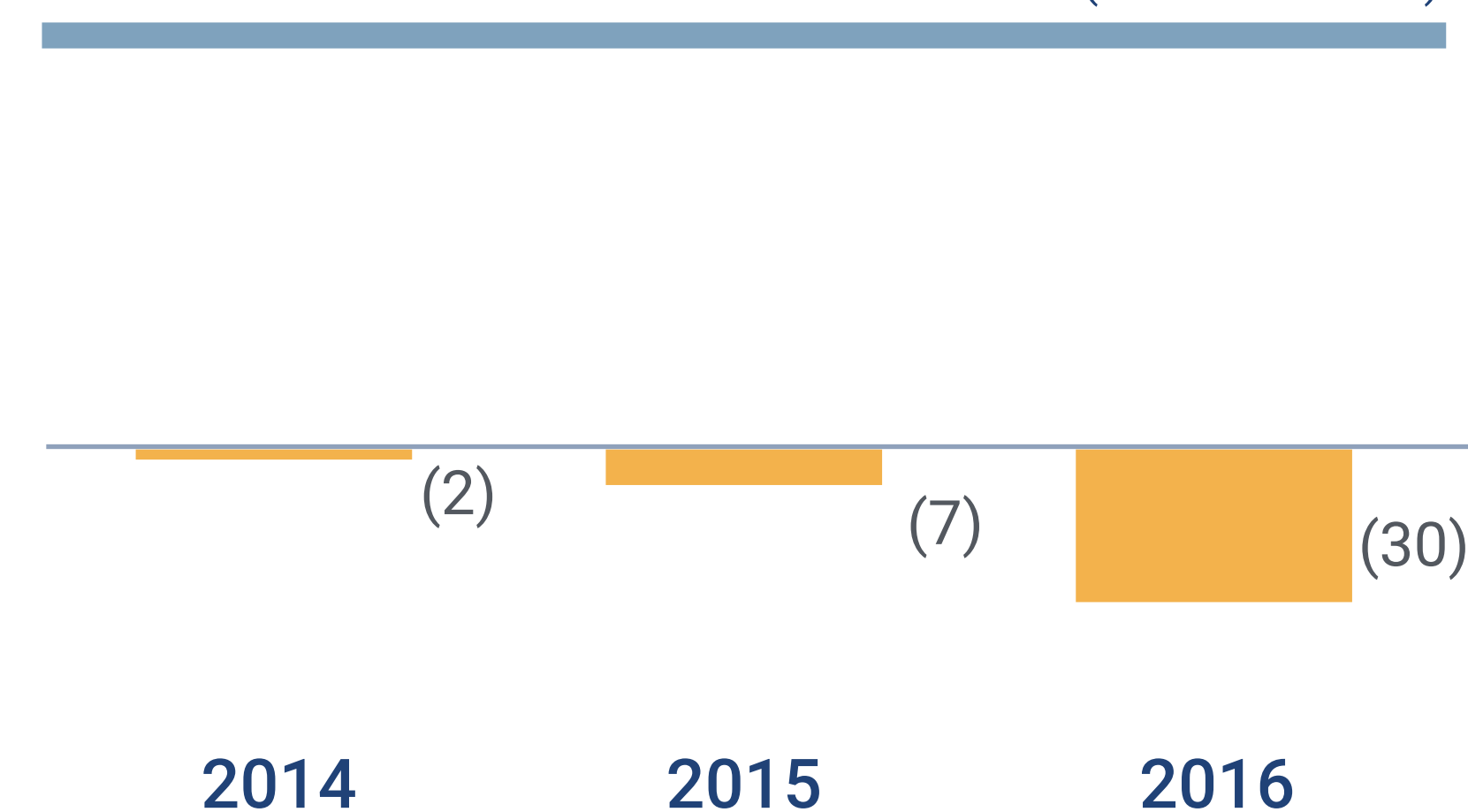
# High Growth OTT Business Attaining Regional Recognition



OTT Revenue (US\$ million)



OTT EBITDA (US\$ million)



- Comprises OTT video and music service
- Overall OTT revenue grew by 35% driven by the swift regional expansion of the OTT video service
- OTT video, being the new investment and growth engine of the Media business, grew by 100% year-on-year
- OTT video expanded to 6 new markets and its paying subscriber base grew from 9 million to over 10 million
- MOOV, our music service, also expanded to Vietnam during the year

- Negative EBITDA of US\$30 million due to startup investments in marketing, content and new market launches

# The Leading OTT Player in Asia



- ✓ An Expanding **Global Service**
- ✓ Focus on **Content with appeal to Asian Audience**
- ✓ Established **Viu as Market Leader in Asia**
- ✓ Continued expansion into South East Asia, Middle East, Africa



**PCCW Media™**

Leading media company in Asia with Pay TV, Free TV and OTT businesses

Acquired **clip**

a Silicon Valley based leading OTT service for emerging markets in May 2015

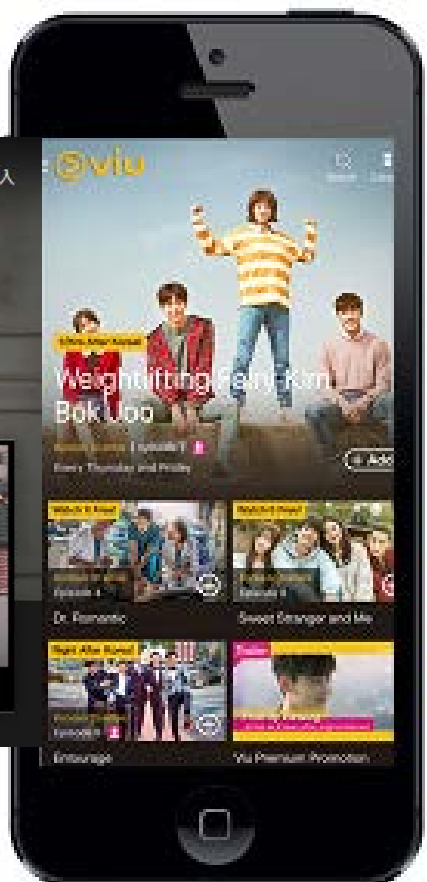
Launched new Premium **viu**

in Hong Kong, Singapore, Malaysia, Indonesia, India in less than 8 months

Launched in the Philippines in Nov 2016

**viu**

Target Thailand launch Q1, 2017



# Localised and Original Content with Asian Focus Complements Strong Regional Portfolio



## Comprehensive Regional Content

- ✓ Access to **18M** minutes of video from Korea, Japan, China, India, Southeast Asia etc, available in **40 languages**
- ✓ Exclusive windows on Viu for majority of titles
- ✓ Includes **10,000 hours** of Korean dramas & variety annually
- ✓ Subtitling available as fast as **4 hours after Korea telecast**, setting a new industry standard
- ✓ Destination of Top-Rated Korean dramas in 2016



Descendant of the Sun

W

Doctors

Goblin

and more...

## Viu Originals

Further enhance stickiness among fans with self produced, locally relevant content

- ✓ **"K1 Headlines"** for South East Asia
- ✓ Adding **self-produced Chinese content** from ViuTV to monetise content overseas
- ✓ For India
  - **Viru Ke Funde** (micro original series) – launched in November 2016 with Cricketer Virender Sehwag
  - Two new titles to be launched in 2017; co-produced with film director and producer **Vikram Bhatt** and YouTube Multi-Channel Network **Culture Machine**
    - One supernatural thriller
    - One show based on the life of a Bollywood star and the journey to stardom



# Strong Partner Network Supports Go-To-Market Strategy



## TELCO PARTNERSHIPS IN THE REGION

### Drives Subscription

- ✓ Partnered with more than 30 major telcos in the region
- ✓ Viu is one of the most preferred and fastest growing Value-added Services (VAS) among telco subscribers
- ✓ Drive telco mobile data usage with Asian content

More than 30 Telco Partners to Date

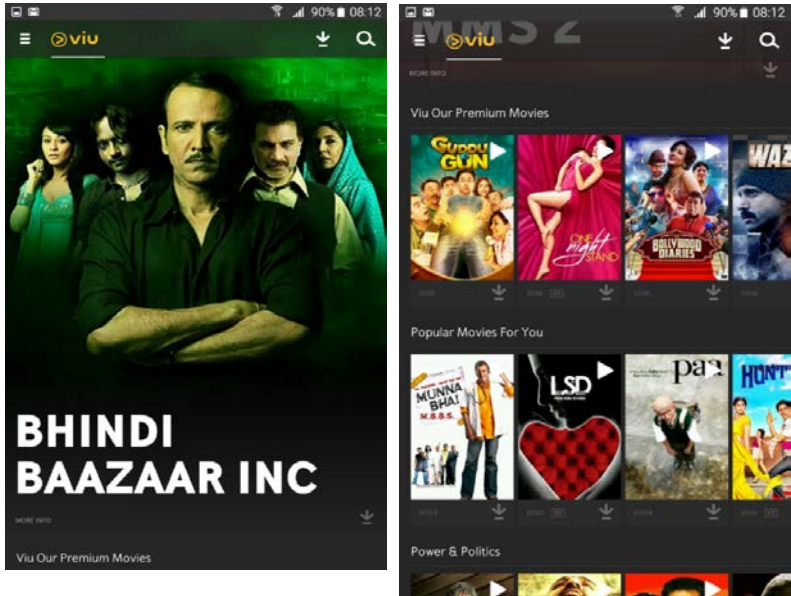


## DEVICE PARTNERSHIPS IN INDIA

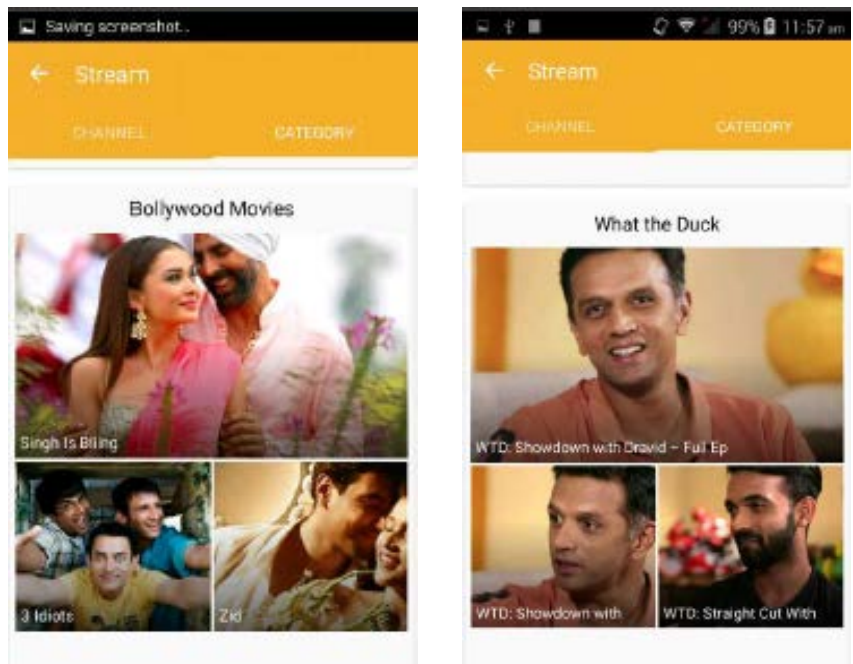
### Increases Viewership and Traffic



- ✓ Viu is integrated with Samsung My Galaxy 2.0 as the **exclusive video partner**
- ✓ Existing devices will be updated, and Viu will be **preinstalled** in all Samsung smart devices and is expected to ship to **30M users** by end of 2017



- ✓ Viu is part of the VuLive native application of Micromax
- ✓ VuLive currently has 6M users and is expected to ship to 20M users by 2017

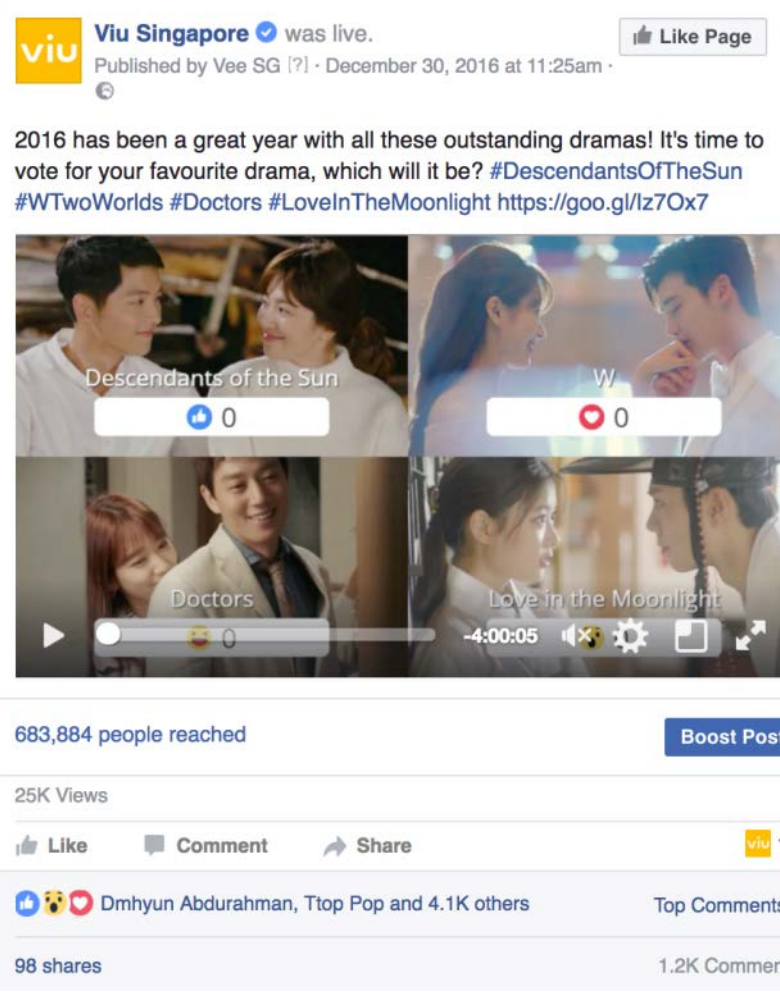
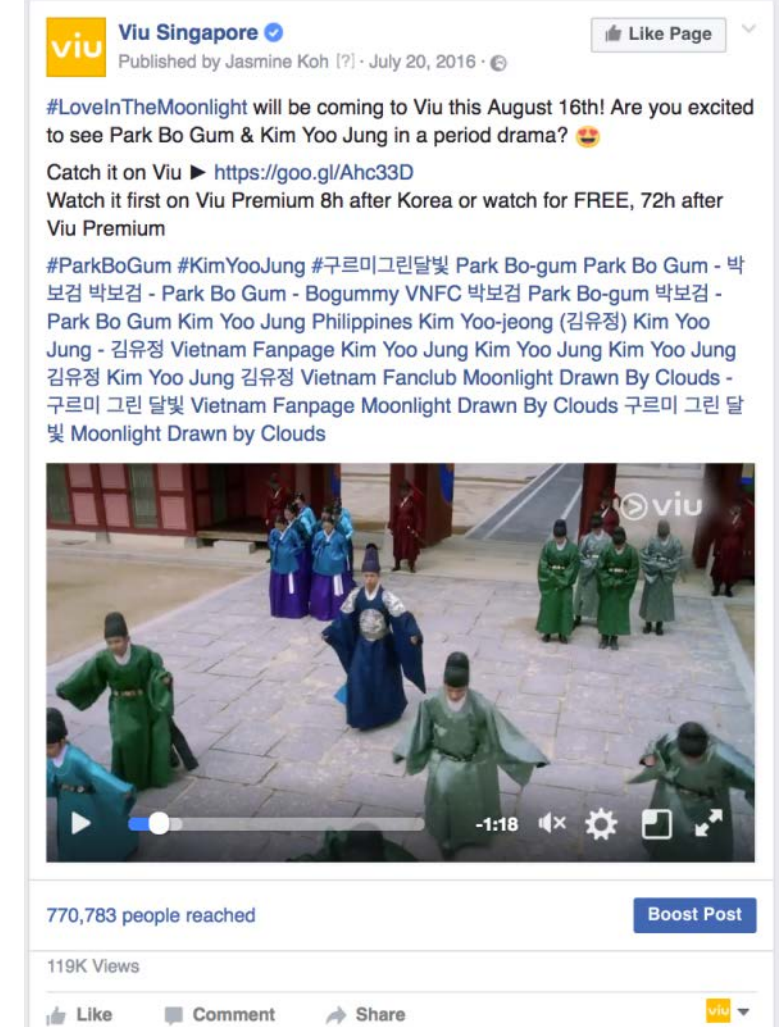


# High Reach to Target Audience on Social Media Across Asia with Exclusive O2O Experience for Fans



## Strong Reach and Cost Efficiency To Engage With Users Via Social Media Platform

- Over 65m monthly reach on Viu Facebook pages



## The First & Exclusive International OTT Video Service To Present At 2016 KBS Drama Awards Show in Seoul

(Dec 31, 2016)

- Signifies Viu's position in the industry
- The 1st Viu Asia's Best Couple Award (Song Joong-ki & Song Hye Kyo) via polling among Viu users across Asia



# Showing High Engagement and Traction



## Viu Premium Service

### Downloads

More than **8 million** downloads

### Hours Consumed

**Each user**, on average, consumed **1.2 to 1.6 hours of content per day** across Hong Kong, Singapore, Malaysia, Indonesia, the Philippines

### Videos Viewed

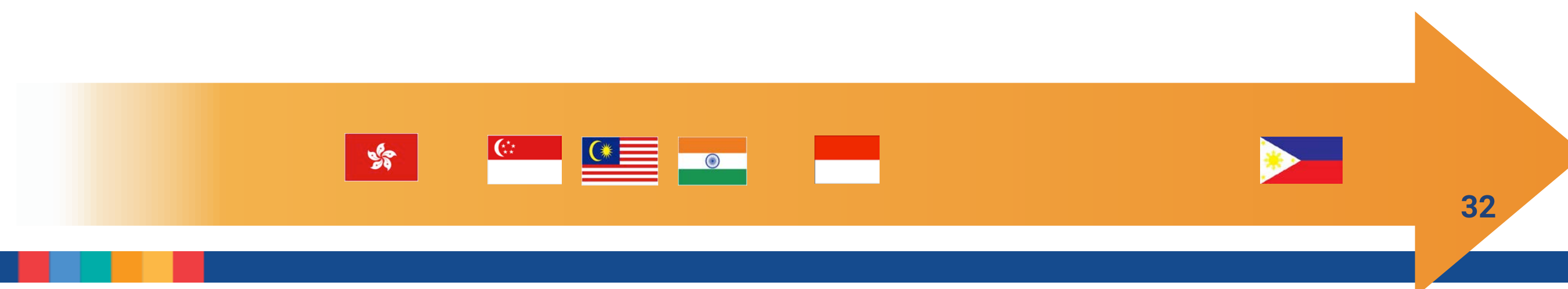
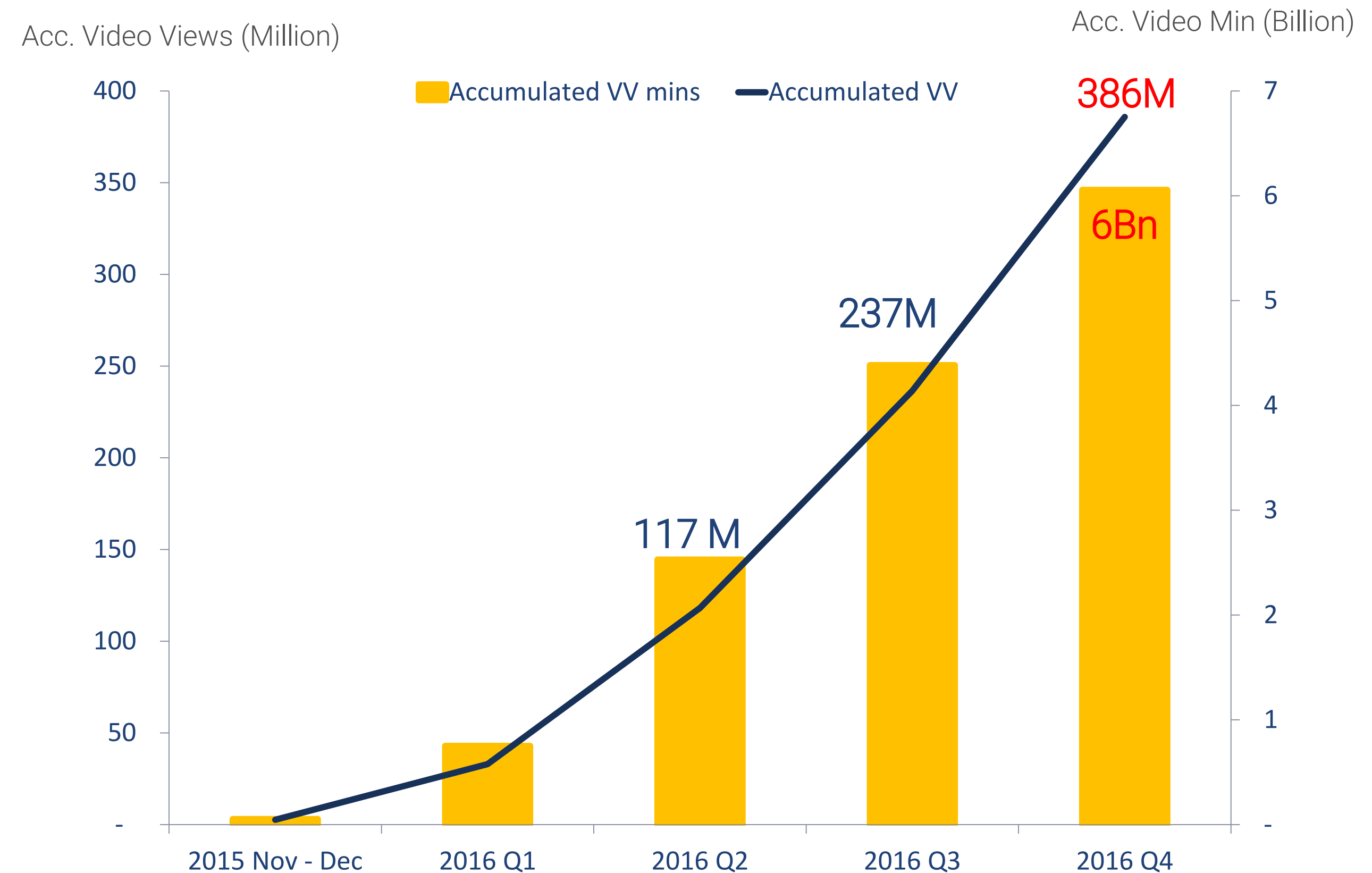
Users, on average, consumed more than **12 Videos per week** (increased from 10.5 Video Views per week in June 2016)

### Accumulated Video Views

Video view growth has continued to accelerate and reached **over 386 million**, and has **grown 60% from 2016 Q3**.

### Accumulated Video Minutes

Reached **6 billion** minutes by Dec 2016

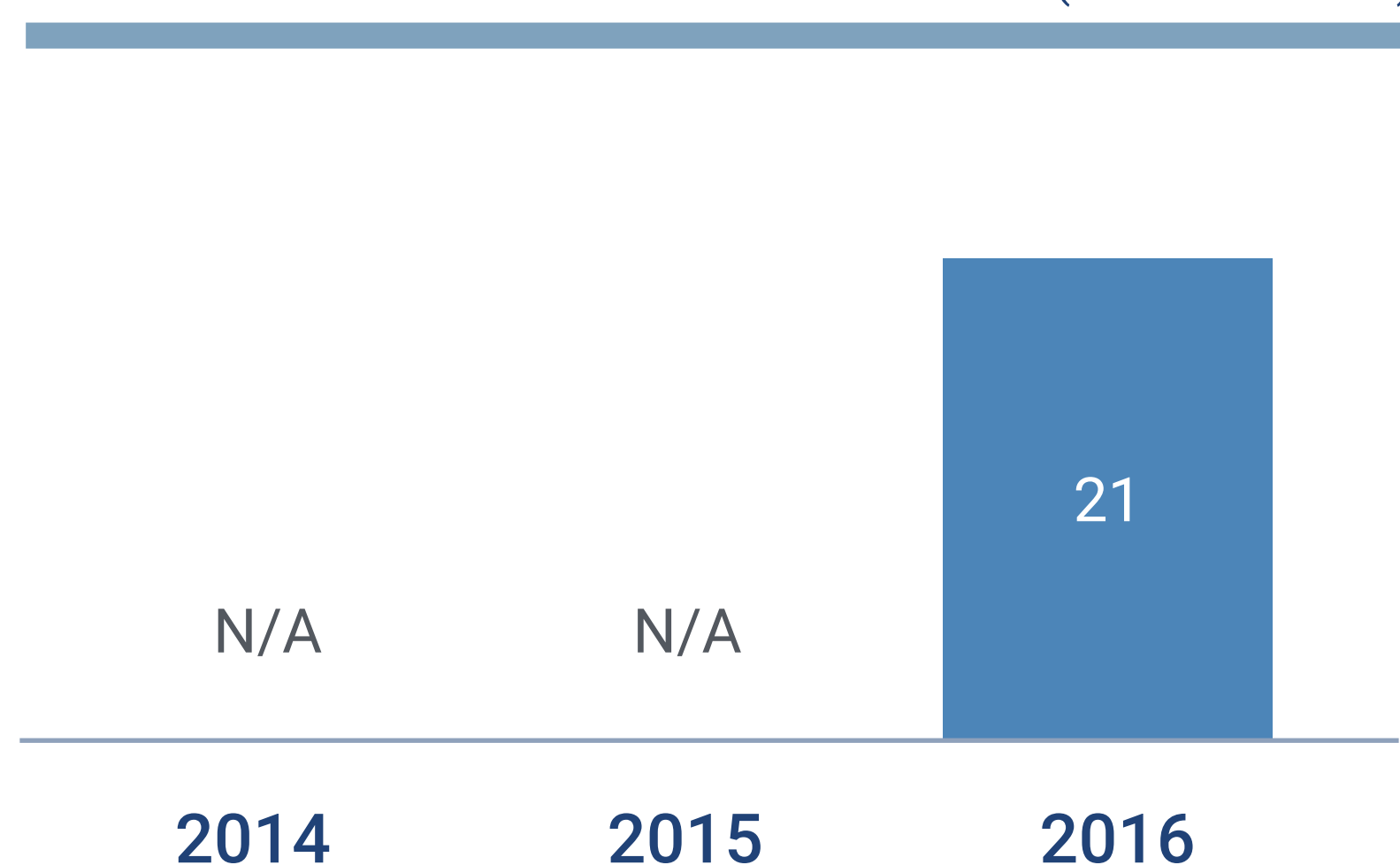




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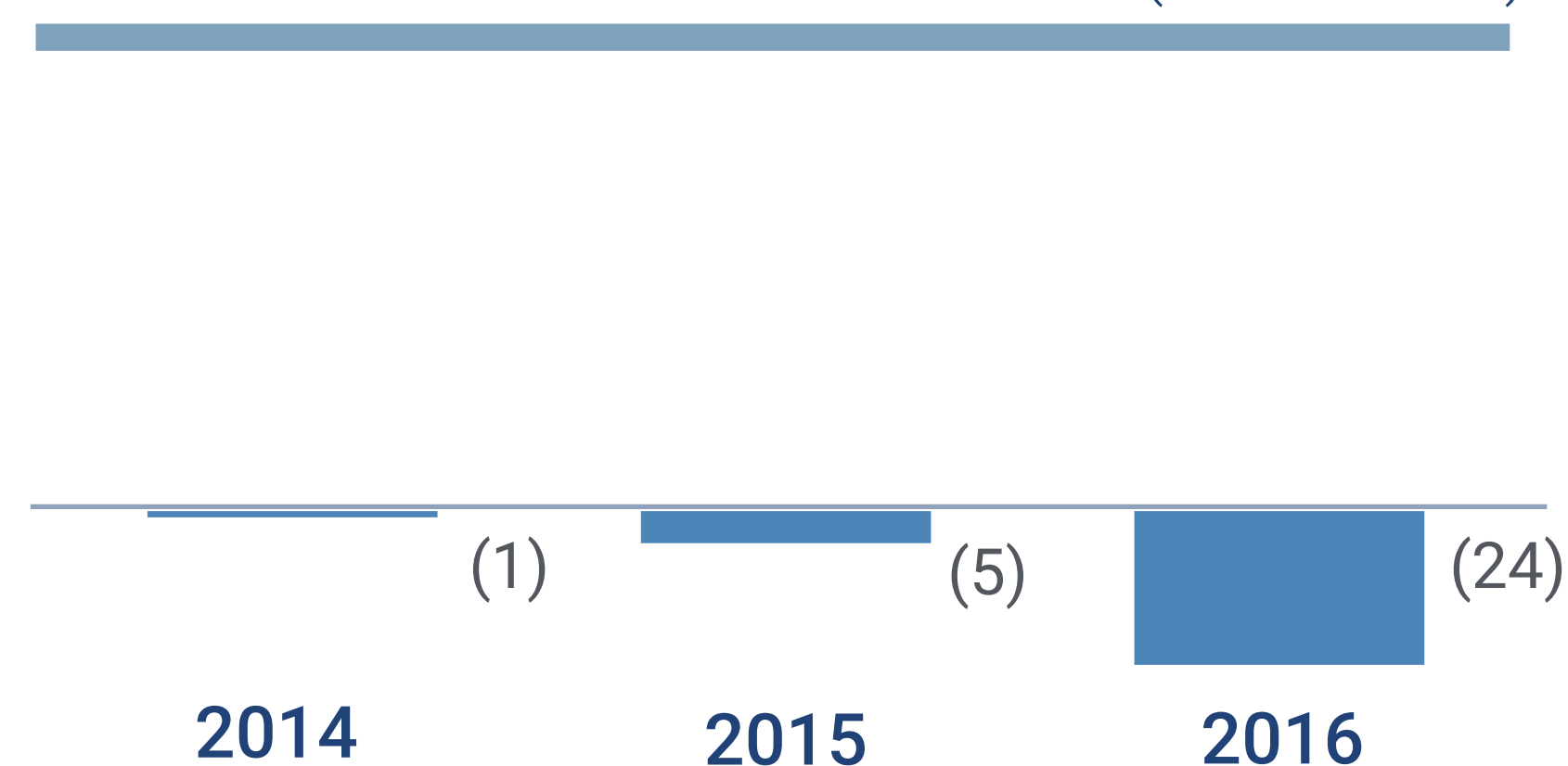
Free TV Business

ViuTV Revenue (US\$ million)



- Represented 9 months of operations
- Will officially launch ViuTVsix, our English language channel, on March 31, 2017

ViuTV EBITDA (US\$ million)



- Negative EBITDA of US\$24 million due to startup investments in branding, content and personnel
- Build on encouraging start by further enriching content offering to broaden viewer base and improve engagement

# ViuTV Offers Fresh Choice for Viewers and Advertisers



## Home of Factual Entertainment

- ViuTV establishes a clear and distinguished brand image\* of being “innovative” and “expert in reality show”, since launch on April 6, 2016
- Self-produced reality programs “Travel with Rivals” & “G1 Fight Club”, late night talk show “Talker”, and local drama “Green Bean” are popular amongst young and affluent viewers
- ViuTV brings LIVE International Sports Events plus concerts from around the world to local viewers
- The game show “Chip-in”, launched in December demonstrates the creativity of ViuTV to interact with TV viewers by leveraging our multi-screen platforms



### 9 Programs listed in Top 20 of HK TV Program Appreciation Index^ in 2016



- In Q2, 4 programs listed in top 20
- In Q3, 5 out of the top 20 are travelogue, factual entertainment, lifestyle programs

\*Source: Hong Kong Video Content Viewing Landscape Report by OmnicomMediaGroup (9th Aug 2016)

^Source: HKU POP 2016 TV Programme Appreciation Index Survey (2nd & 3rd Quarter Wave)

# Further Strengthening Program Line-Up for 2017



## Enhance Program Line-Up in 2017

- ViuTV will provide an additional 400 hours of locally produced programs, including local drama production
- Create an open music platform with various live concerts & award presentation shows, weekly music programs, and music travelogue



Self-produce drama:  
<Ex>



Factual Entertainment:  
<10 Years in Life>



Music:  
<Tat Ming Travelogue>

## Launch ViuTV 6 English Channel in 2017

- ViuTV six (ch.96) will be launched on March 31, 2017, offering comprehensive local and international news, variety shows, documentaries and dramas
- Daily live news bulletin will be co-produced with Reuters
- Total 4 hours of news per day supported by CNN and NHK World
- Collaboration with global media partners, including WarnerBros and RedBull



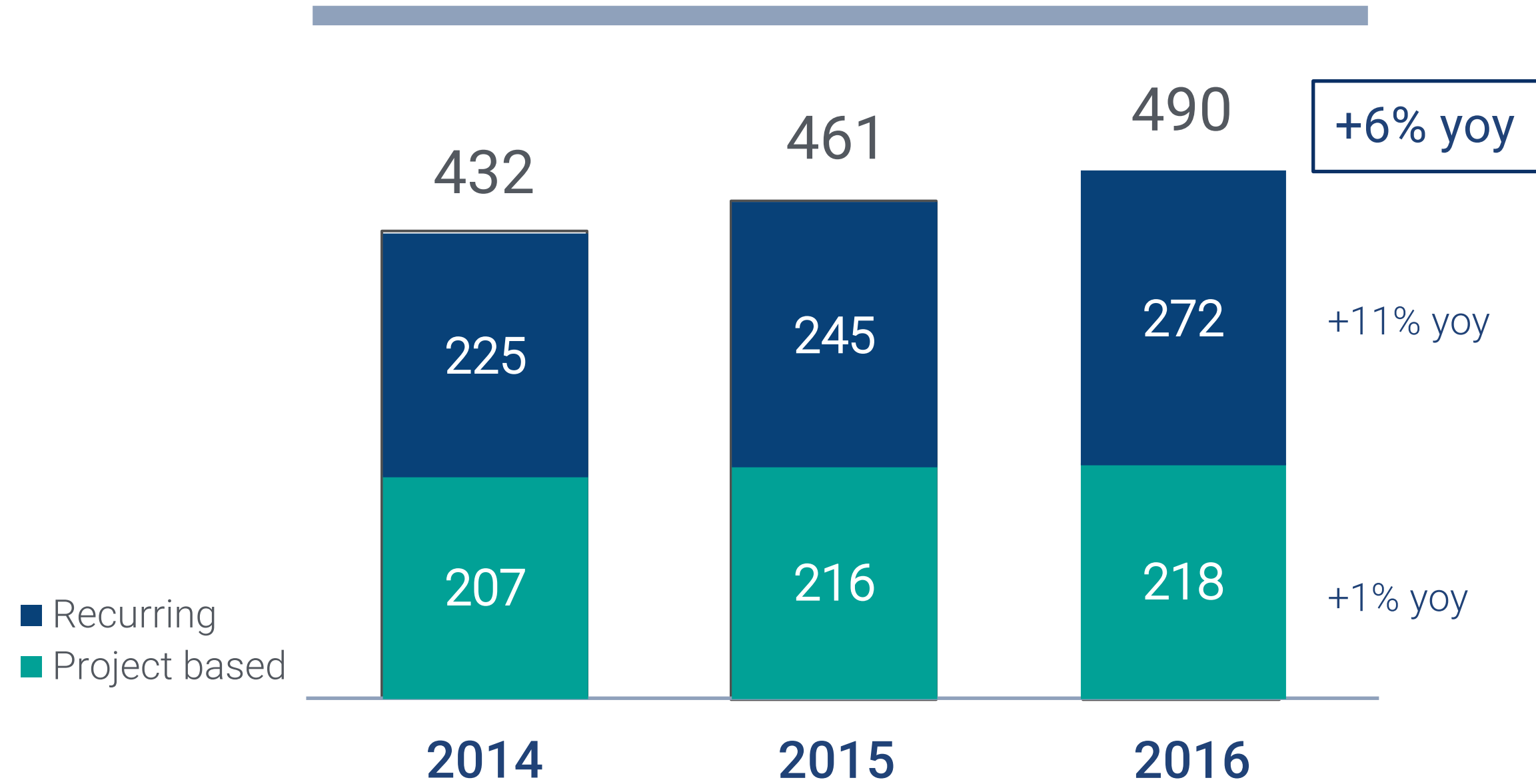
**PCCW Solutions<sup>®</sup>**

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**IT Solutions Business**

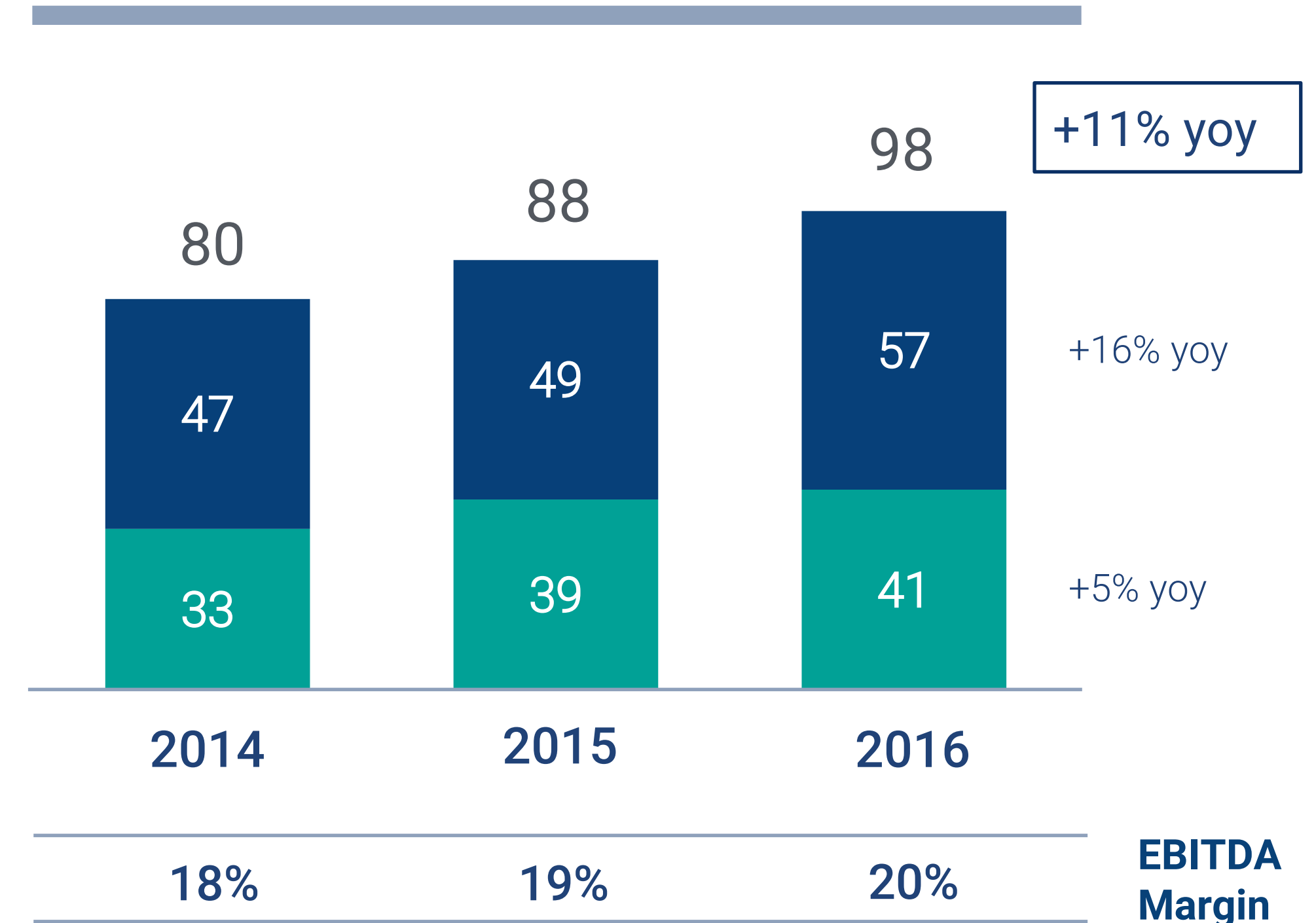
# Scaling Revenue at Improving Margins

Solutions Revenue (US\$ million)



- Revenue up by 6% driven by successful execution of ERP and technical services engagements
- Impressive growth in secured orders of 22% to US\$844 million

Solutions EBITDA (US\$ million)



- EBITDA lifted by 11% driven by improved staff utilisation in Hong Kong and China and increase in infrastructure demand

# Solidify Stronghold and Expand for Growth

#1 

Hong Kong  
IT Services

#7 

China & HK  
IT Services

## DEEPEN FOUNDATION

ERP and Technical Services

Industry and Service Solutions  
(Public Sector / BFSI, TMT, Hospitality)

Enterprise Application Development &  
Maintenance

Data Centre Business

## GENERATE GROWTH

Industry-Specific Solutions

Digital and IoT Platform

Cloud & SaaS Offerings

Strategic Partnerships & Alliances

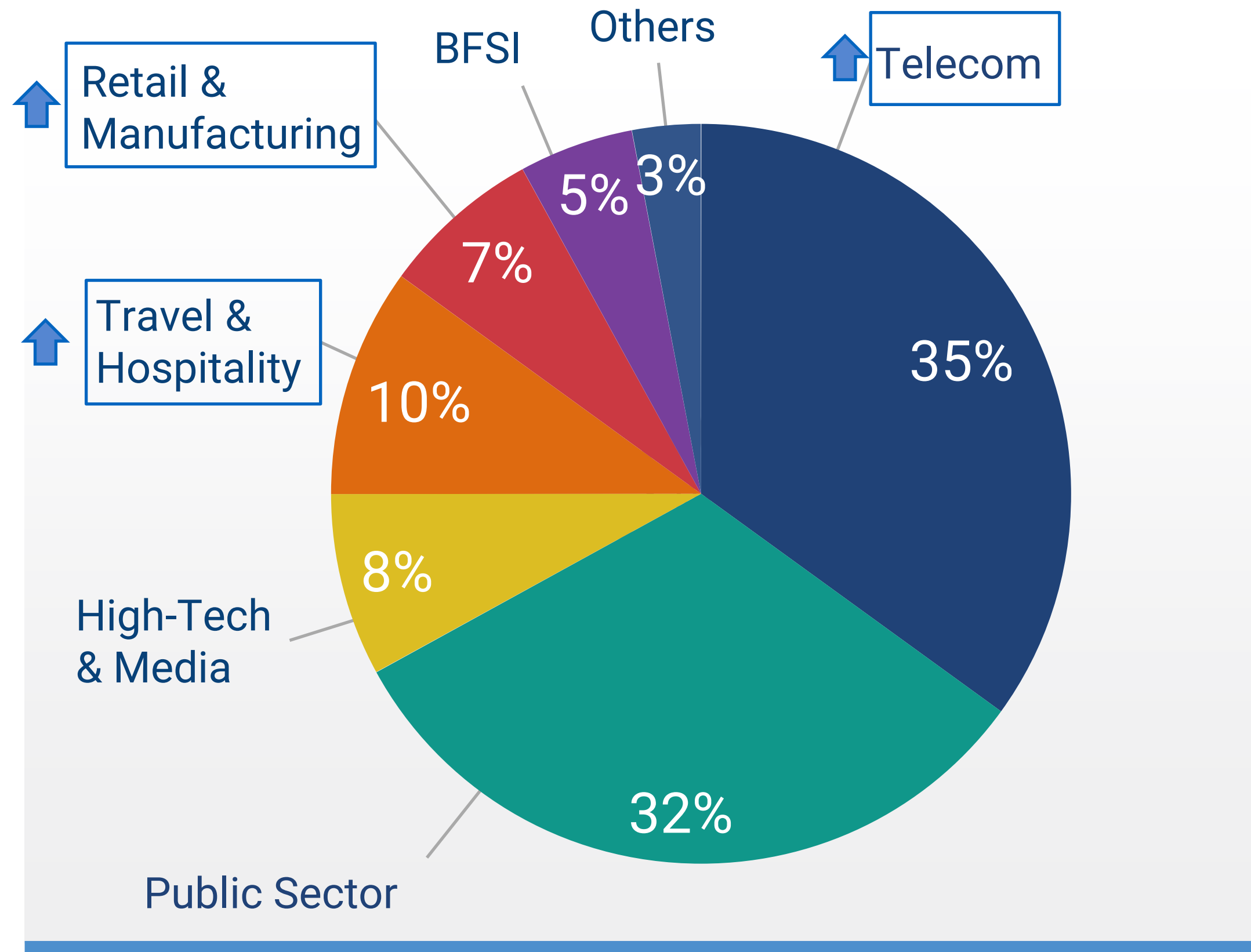
Territory Expansion –  
Greater China & South East Asia

*Ranking Source: Gartner Market Share: IT Services, 2015*

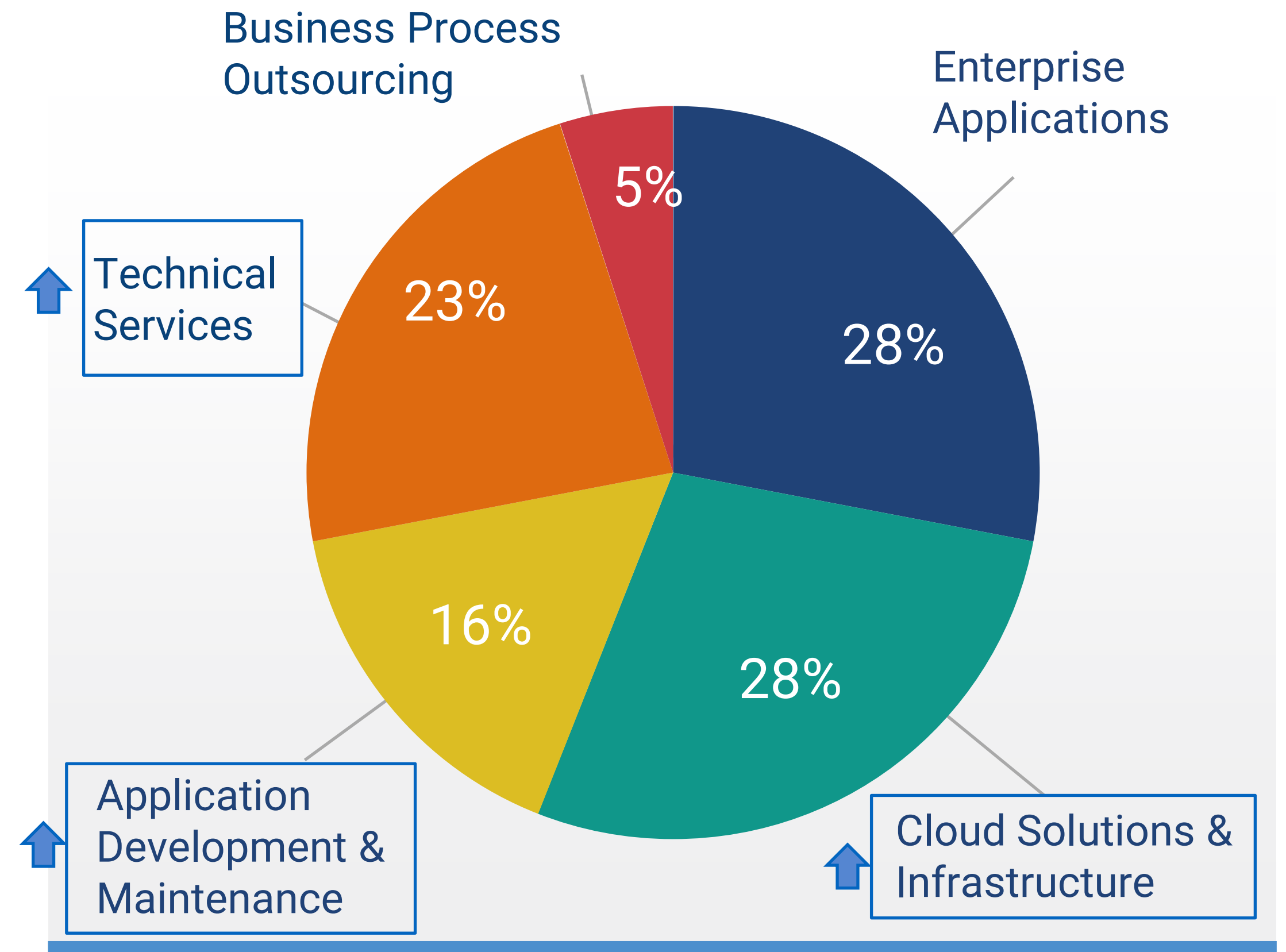
*\*IT Services include both Business Services and Product Support. Our ranking is based on Business Services revenue and excludes Product Support revenue*

# Revenue by Industry & Services

## FY2016 Revenue by Industry



## FY2016 Revenue by Services



Secured orders of US\$844 million as of December 31, 2016 (+22% yoy)

# Industry Specific Solutions

## Solutions

## Value



### Hong Kong International Airport (“HKIA”)

- Provide solutions for airport system works including trunked mobile radio system, CCTV, access control system, voice and data cabling

- Support and facilitate HKIA on daily communications, collaboration, security control and passenger flow to tackle the increasing number of flights and passengers and provide world-class airport services



### A Fortune 100 Multi-line Insurance Provider

- Provision of onshore and offshore application outsourcing services for the insurer’s core administration and peripheral IT applications

- Streamline workflow and increased agility of application development
- Potentially save up to 30% of current IT spending



### Hong Kong Listed Health and Household Products Group

- Implementation of SAP S/4 HANA ERP system to support the group’s financial operations

- Standardise group financial systems in Asia Pacific region to align with group’s global direction
- Improve financial reporting accuracy and business performance transparency by allocating overhead costs to the store level

# Industry Specific Solutions

## Solutions

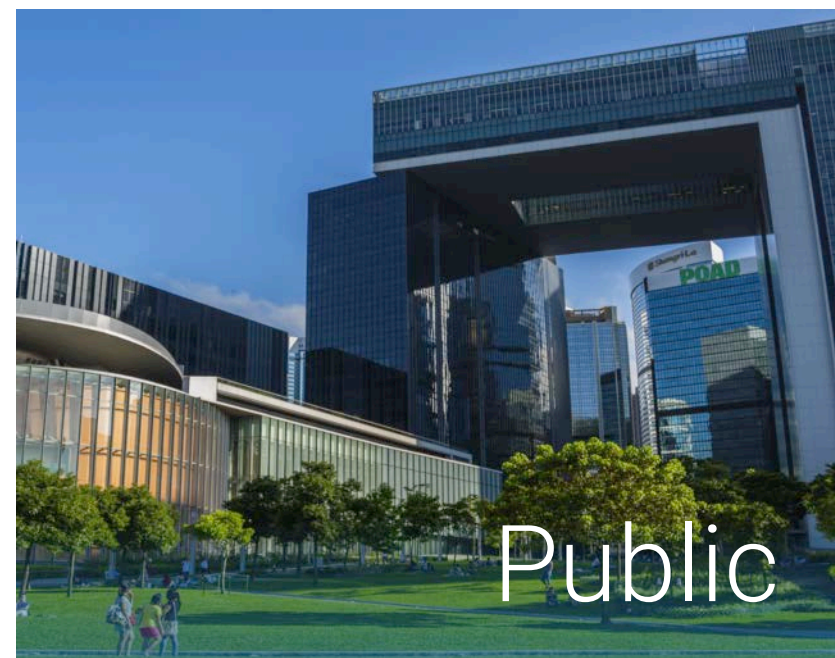
## Value



### A Leading Internet and eCommerce Service Provider

- Data centre services for hosting customer's eCommerce systems, doubling the capacity after less than one year

- Satisfy a rapidly growing eBusiness company with high service level and capacity requirements
- Fast time to market, customised solutions



### Hong Kong Marine Department

- 10-year Contract for Provision of Technical Services for Marine Department's Global Maritime Distress and Safety System (GMDSS) and Vessel Traffic Services (VTS) System

- VTS ensures the safety standard and traffic efficiency of the port. It comprises the latest VTS technology to further improve navigation safety and operation efficiency
- GMDSS is used for maritime distress alert monitoring. It co-ordinates assistance to any vessels found in distress within the Hong Kong Search and Rescue Region in the South China Sea



### New Hotel and Casino Complex in Saipan

- Supply, deliver, implement and support the core IT infrastructure, including server, network, storage and backup for data centre and hotel/casino operation

- Increase time to market by completing the setup within short period of time
- Reduce cost for project management and logistics through leveraging shared resources
- Scalable solutions to cope with future growth

# Cloud, Digital and Data Centre Solutions



## VIDEO ANALYTICS AND BIG DATA

Using video analytic and big data technology, PCCW Solutions helped a transportation customer save costs and increase efficiency by automating manual routine processes of passenger counting



## PATIENT-CENTRIC INTEGRATED PLATFORM

Enabled a medical group to digitally transform their clinical medical system into a patient-centric integrated platform, achieving a single view of patient data across all channels for more systematic and high-quality medical care services



## HIGH POWER DATA CENTRE HOSTING SERVICE

Provide private data halls with high IT power for multinationals such as a global shipping company and eCommerce companies to support their high service level and capacity requirements

# Global Data Centre Capabilities



D-Infinity is a global data centre hub providing a full suite of multi-site co-location, value added services, global hosting and connectivity to enterprises globally, addressing enterprises' growing demand for cost-effective data centre solutions.



**North America 48**

United States  
Canada



**Europe 44**

United Kingdom    Germany    Sweden  
Netherlands    Switzerland    Denmark  
France    Italy    Greece  
Belgium    Spain    Russia



**Asia Pacific 29**

China    Japan  
Hong Kong    Korea  
Taiwan    Singapore  
Australia



## Key Features:

- Covers more than 120 locations across over 70 cities globally
- One-stop-shop for data centre services, global hosting and network connectivity
- **Secured first win**  
Inbound deal for a London-based client for our Guangzhou data centre
- Single contract and single vendor accountability for multi-location deployment with multiple jurisdictions and currencies under a master agreement
- Improve efficiency with streamlined buying process

# Quality Certification



Maturity Level 5 of CMMI for  
Application Development and  
Management

Locations:  
**Hong Kong, China and  
Philippines**

ISO9001 for Quality  
Management System

Locations:  
**Hong Kong, China and  
Philippines**

ISO20000 for IT Service  
Management System

Locations:  
**Hong Kong, China and  
Philippines**

ISO27001 for Information  
Security Management System

Locations:  
**Hong Kong and China**

# Strategic Partnerships & Alliances

## Partners



ORACLE®



SAP®



IBM®

## Partner Awards

**Oracle's Hong Kong/Taiwan Regional  
Partner of the Year 2016**

**SAP Greater China Partner Excellence  
Award 2016 – Top Revenue Contributor  
(SME and Analytics)**

**Business Partner Top Contributor Award**

## Go-to-market

- Expanding EBS implementation services, HCM Cloud and Siebel implementations to different vertical industries in mainland China
- Selected project management, data warehouse and cloud solutions for MNCs in Asia Pacific

- Expanding presence and coverage in Eastern China
- Secured multiple new wins for Hybris and first win on Success Factors
- Extending ERP solutions for MNCs in retail industry in Asia Pacific

- Expanding Power on SAP HANA and Storage, CleverSafe and FileNet implementations to different vertical industries
- Extending analytic solutions for e-Commerce in retail industry

# Territory Expansion in Greater China and South East Asia



## Greater China

- Continue to expand business in Mainland China from key accounts and broaden vertical capabilities, including media, travel, retail, logistics and manufacturing
- Geographically diversified on the Northern, Eastern, and Southern part to cover clients in different parts of Mainland China
- Designing and building a data centre in Shenzhen
- Continue to grow key accounts in Macau

## South East Asia

- Philippines delivery centre operational in June 2016
- Commence operations in Singapore
- Won a project in Saipan on the back of proven capabilities in the casino industry

# Market Recognition

## Hong Kong



- Platform-as-a-Service Provider
- IT Outsourcing & Managed Services Provider



- IT Solution Excellence – Infinitem™ Social Media Analytics Solution



- 25 Most Promising Oracle Solution Providers



- End-to-End Retail Solutions

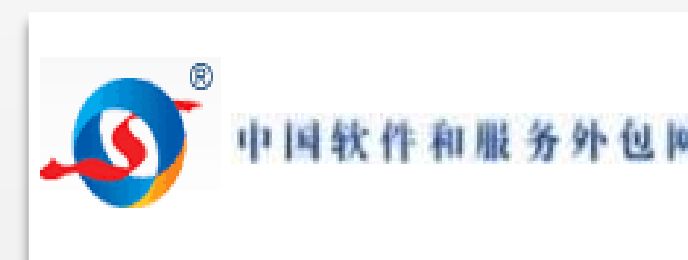
## China



- Valuable e-Business Organization



- China Top 10 IT Services Provider
- China Top 10 Financial Solutions Provider
- Outstanding Cloud Service Provider



- No. 1 China IT Outsourcing Service Enterprises



- Outstanding Fintech Enterprise

# Financial Overview

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# Financial Highlights

## Core Business\*

## Consolidated

(US\$ million)	2015	2016	% change	2015	2016	% change
<b>Media</b>	432	468	+ 8%			
<b>Solutions</b>	461	490	+ 6%			
<b>HKT</b> (Excl. Mobile Handset Sales)	3,798	3,900	+ 3%			
<b>Revenue</b> (Excl. Mobile Handset Sales)	4,365	4,460	+ 2%			
<b>Revenue</b>	5,019	4,899	- 2%	5,040	4,921	- 2%
<b>EBITDA</b>	1,556	1,603	+ 3%	1,523	1,567	+ 3%
<b>Profit</b> Attributable to Equity Holders	<b>304</b>	<b>306</b>	<b>+ 1%</b>	<b>294</b>	<b>263</b>	<b>- 11%</b>

\* Core business includes HKT, Media and Solutions Businesses

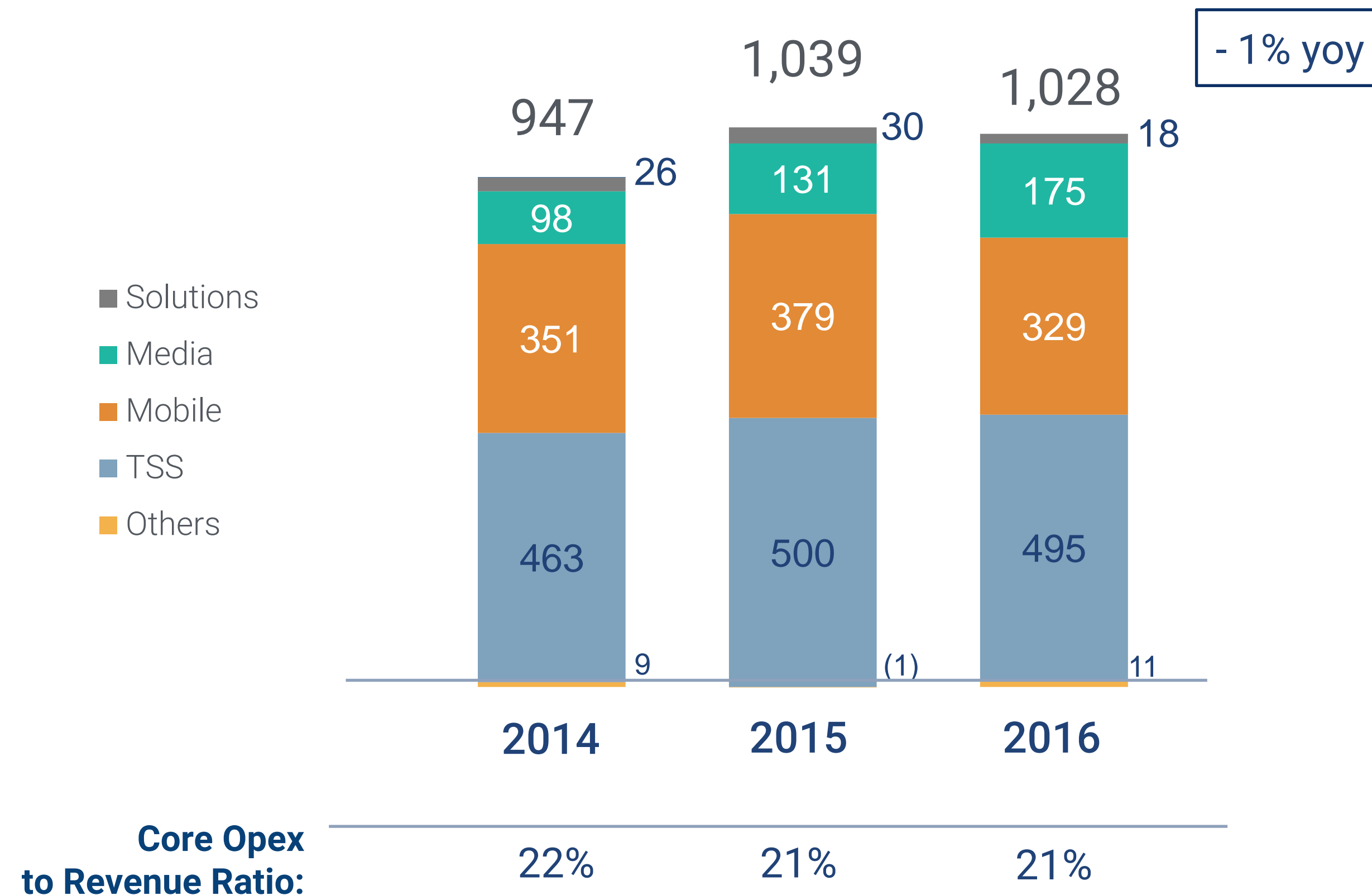
# Financial Performance

(US\$ million)

	FY14	FY15	FY16	YoY Better/(Worse)
<b>Revenue</b>	<b>4,266</b>	<b>5,040</b>	<b>4,921</b>	<b>(2)%</b>
Cost of Sales	(1,942)	(2,431)	(2,275)	
Operating Expenses	(998)	(1,086)	(1,079)	
<b>Depreciation</b>	<b>(437)</b>	<b>(275)</b>	<b>(227)</b>	<b>17%</b>
<b>Amortisation</b>	<b>(371)</b>	<b>(503)</b>	<b>(631)</b>	<b>(26)%</b>
<b>Net Other Gains</b>	<b>348</b>	<b>17</b>	<b>4</b>	
<b>Net Finance Costs</b>	<b>(171)</b>	<b>(198)</b>	<b>(177)</b>	<b>11%</b>
Share of Associates & JVs	7	5	6	
<b>Profit Before Income Tax</b>	<b>702</b>	<b>569</b>	<b>542</b>	
<b>Income Tax</b>	<b>(103)</b>	<b>(57)</b>	<b>(51)</b>	<b>12%</b>
<i>Effective Tax Rate</i>	<i>15%</i>	<i>10%</i>	<i>9%</i>	
<b>Profit for the Year</b>	<b>599</b>	<b>512</b>	<b>491</b>	
Non-Controlling Interests	(175)	(218)	(228)	
<b>Consolidated Profit Attributable to Equity Holders of the Company</b>	<b>424</b>	<b>294</b>	<b>263</b>	<b>(11)%</b>
<b>Core Profit Attributable to Equity Holders of the Company</b>	<b>248</b>	<b>304</b>	<b>306</b>	<b>1%</b>
<b>EBITDA</b>	<b>1,326</b>	<b>1,523</b>	<b>1,567</b>	<b>3%</b>
<b>Earnings Per Share (HK cents)</b>	<b>45.14</b>	<b>30.58</b>	<b>26.79</b>	

# Delivered Cost Synergies from CSL Integration whilst Investing for Future Growth

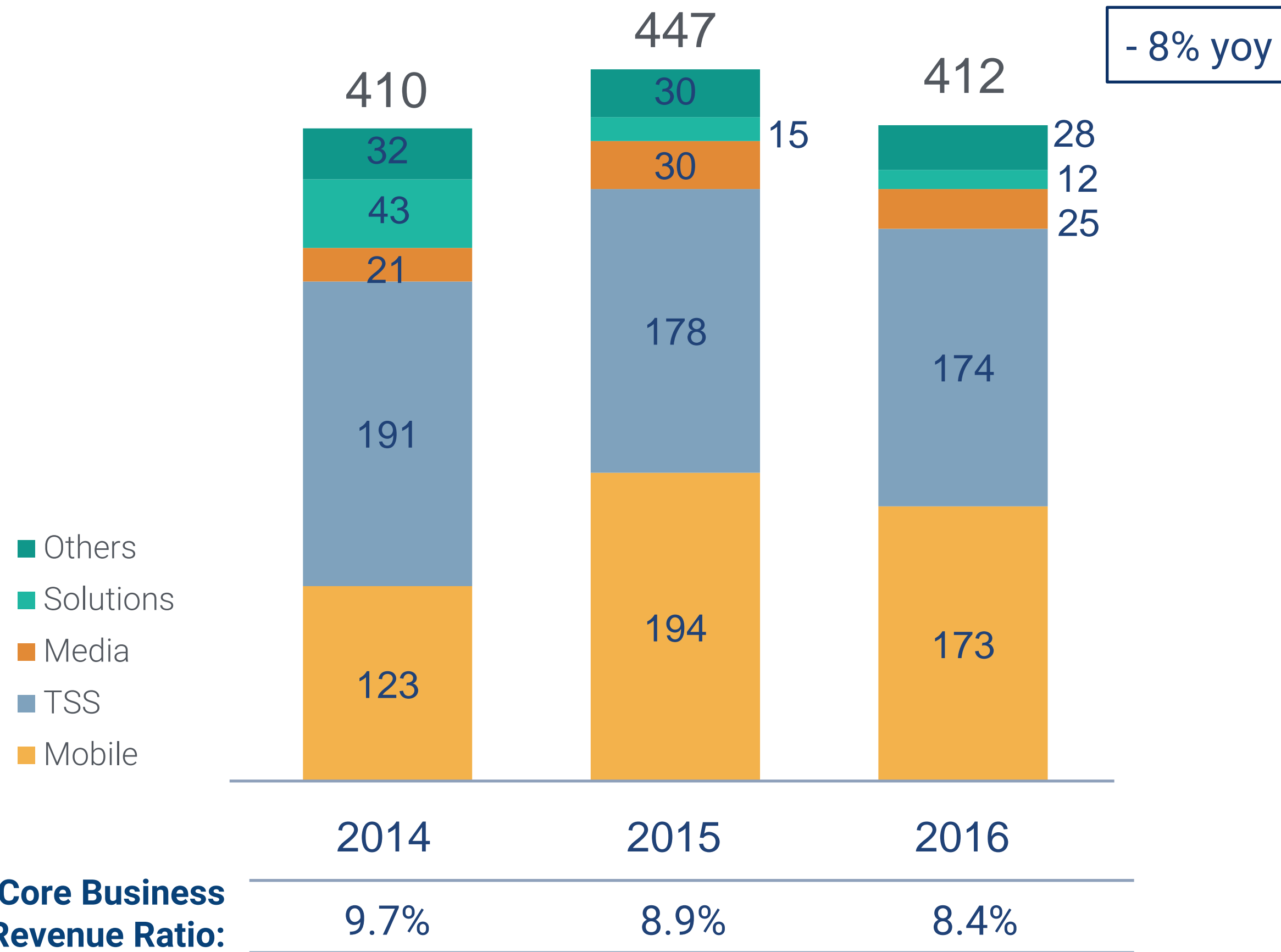
Core Operating Expenses (US\$ million)



- Maintain overall stable opex to revenue ratio
- HKT cost efficiency improved with CSL integration synergies fully realised
- Further investments in OTT and Free TV segments
- Solutions opex improved due to operating leverage

# Completion of CSL Integration whilst Investing to Support Business Growth

Core Capex (US\$ million)



- Within 10% capex to revenue ratio guidance
- HKT's capex reflected completion of successful CSL integration
- Media capex to upgrade broadcasting equipment
- Solutions capex continued to moderate. Further investments in data centre infrastructure will be demand driven
- Continue with our disciplined investment approach to support all of our businesses

# Prudent Capital Management to Support Business Growth

	As of Dec 2015			As of Dec 2016		
US\$ million	Gross Debt <sup>(1)</sup>	Cash Balance	Undrawn Facilities	Gross Debt <sup>(1)</sup>	Cash Balance <sup>(3)</sup>	Undrawn Facilities
HKT	4,724	483	709	4,974	427	774
PCCW	753	246	954	918	129	770
PCPD	--	233	200	60	112	140
<b>Total</b>	<b>5,477</b>	<b>962</b>	<b>1,863</b>	<b>5,952</b>	<b>668</b>	<b>1,684</b>
<b>Gross Debt / EBITDA <sup>(2)</sup></b>	<b>3.6 x</b>			<b>3.8 x</b>		

Payment for the renewed mobile spectrum of US\$250 million

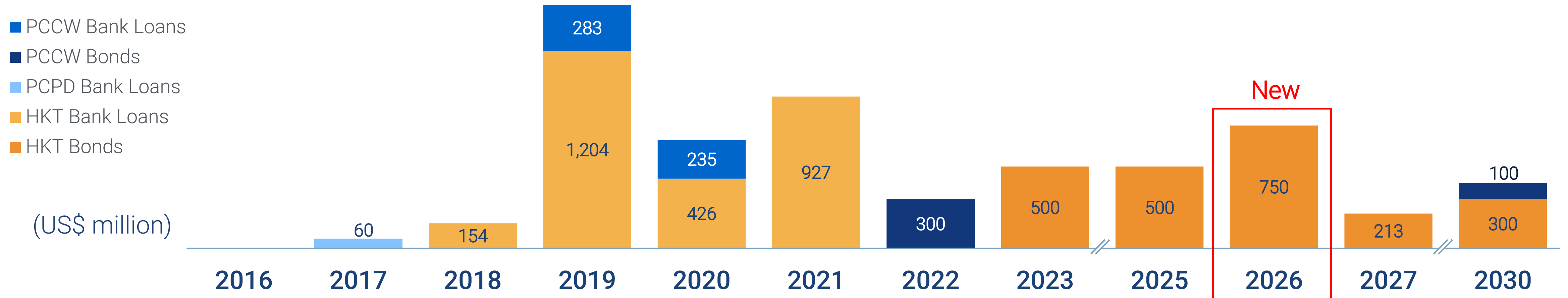
(1) Gross debt refers to the principal amount of short-term and long-term borrowings

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

(3) Include short-term deposits

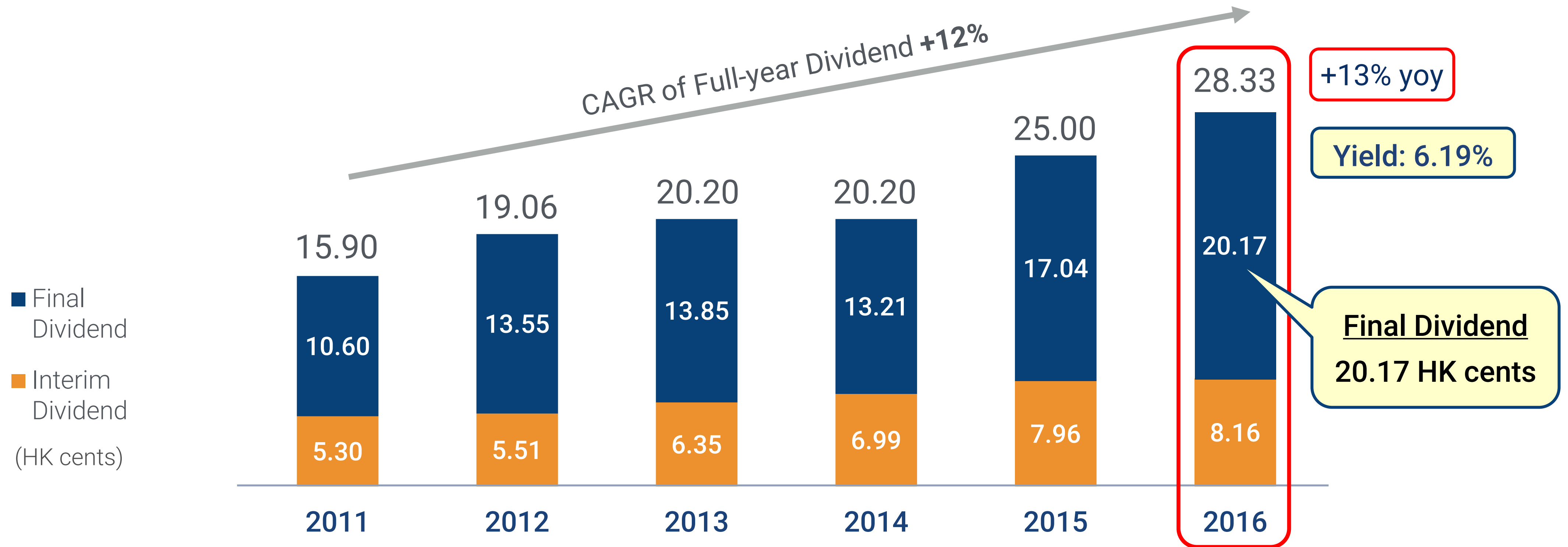
# Debt Maturity Profile

As of December 31, 2016



- HKT took advantage of a favorable market window post Brexit and raised US\$750 million 10-year guaranteed notes at a coupon rate of 3.00%
- Current mix of floating and fixed rated debt for HKT is approximately 50:50
- Effective interest rate improved to 2.7% in 2016 from 2.9% in 2015
- Average maturity extended to approximately 6 years

# Balanced and Sustainable Dividends Paid to Shareholders



**Full-year Dividend YoY Growth**

**Dividend Yield \***

**HKT Distribution Pass-through**

4%	20%	6%	--	24%	13%
5.37%	5.12%	5.61%	3.81%	4.95%	6.19%
NA	82%	80%	71%	74%	74%

\* Based on PCCW closing price on the annual results announcement date for each respective year