



Hutchison Telecom
Hong Kong Holdings



2016 Annual Results Presentation 28 February 2017

Hutchison Telecommunications Hong Kong Holdings Limited

和記電訊香港控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 215)

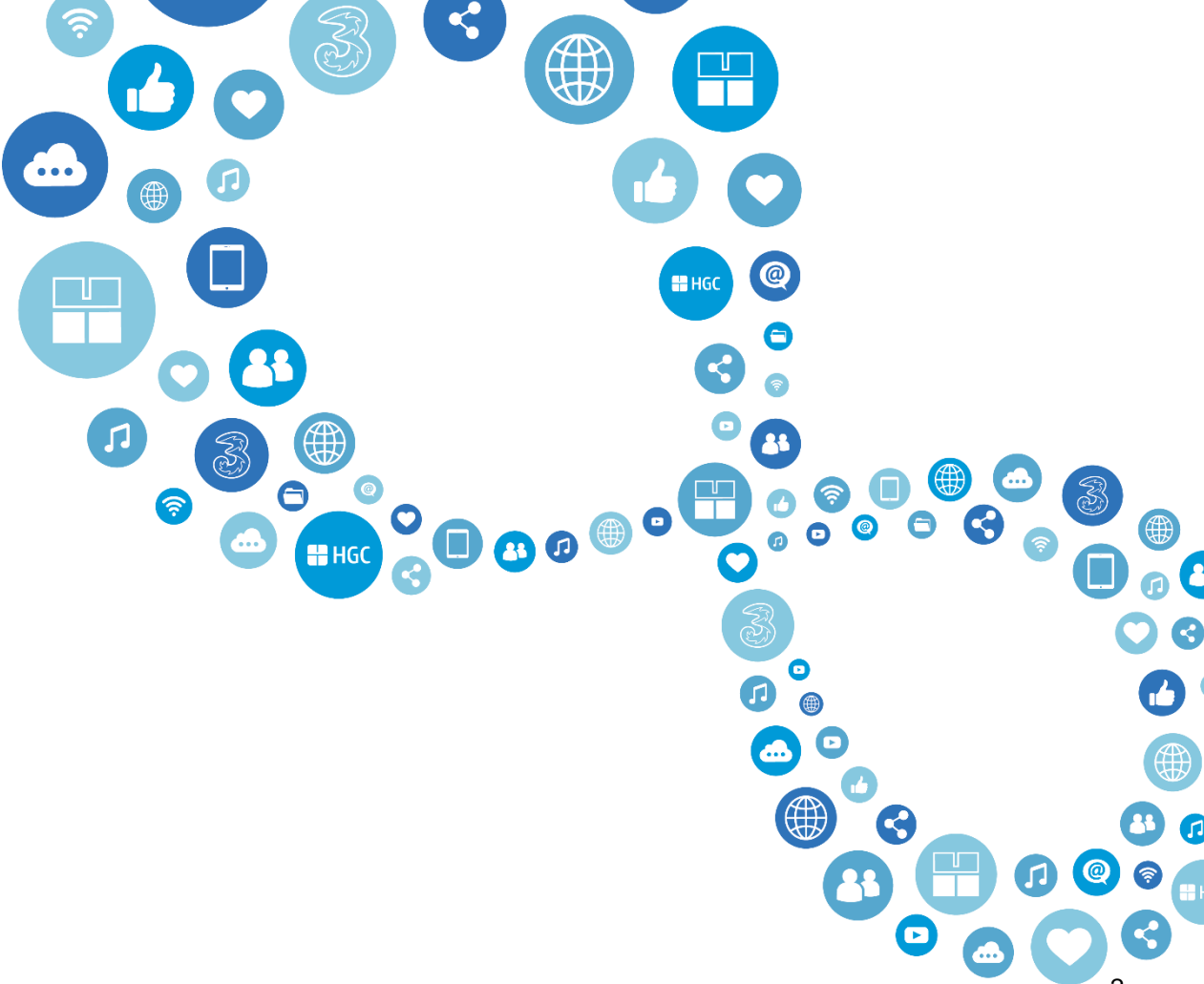
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Business Performance



Challenging 2016 and achievements made

Key Challenges

- Weakening economy
- Intensified competition
- Disruptive mobile pricing
- Lesser demand in handsets, roaming and IDD
- Increasing spectrum and network costs



Our efforts and achievements

- Customer base grew to 3.2m
- Significant mobile churn reduction
- Mobile opex reduced by 7% YoY
- Launched attractive OTT services and roaming products
- Upgraded to 4.5G mobile network with TDD&FDD aggregation
- Good penetration in fixed-line corporate and business market segments



Highlights

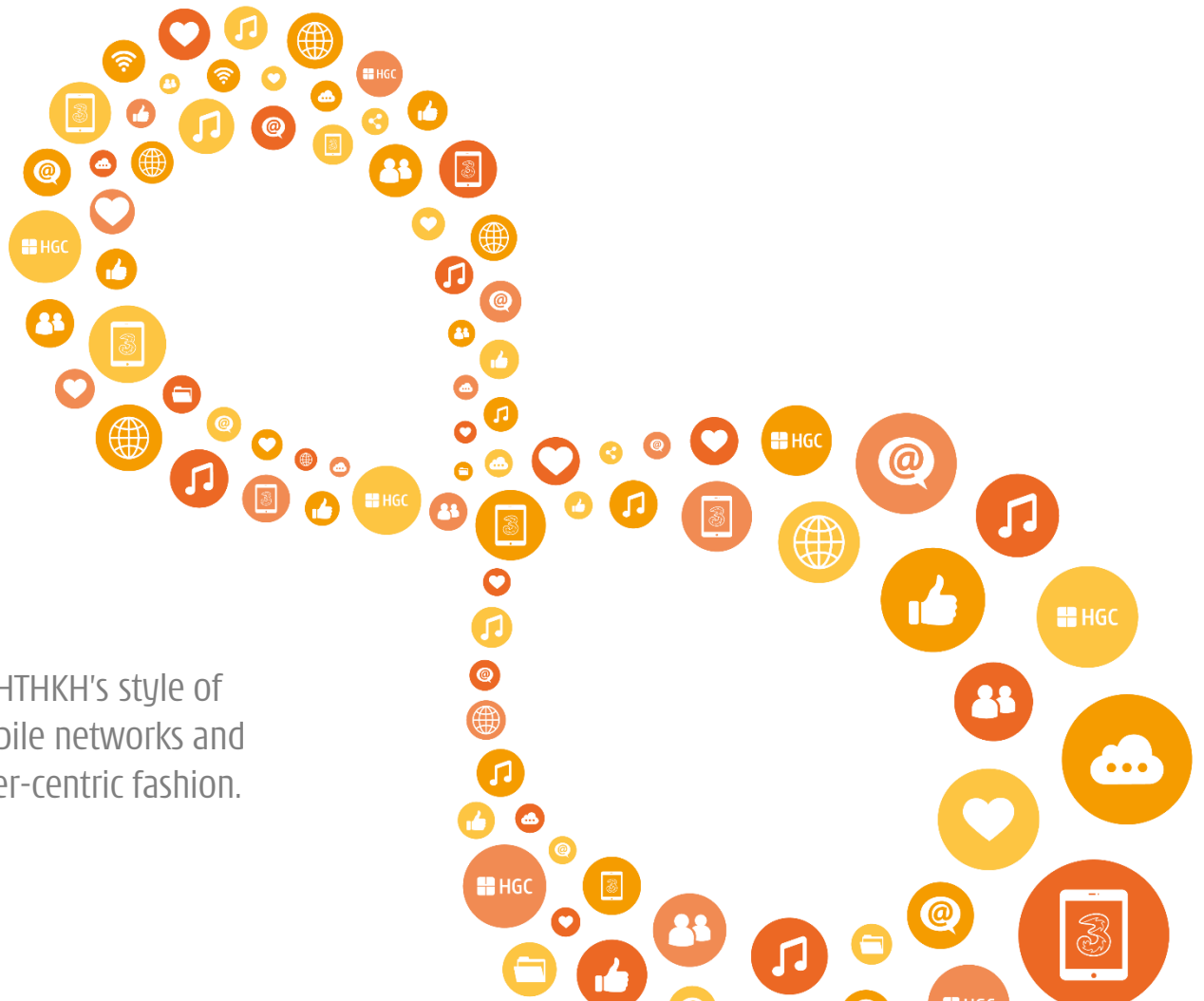
- Group service revenue at \$12,024 million, with net service revenue stable at \$7,640 million
- Mobile local net service revenue remains stable with local net ARPU improved by 4%
- Stable consolidated opex and capex
- Consolidated EBITDA reports at \$2,465 million
- Consolidated EBIT reports at \$1,044 million
- Consolidated NPAT reports at \$701 million
- Final dividend at 6.90 cents per share, with full year dividend of 10.90 cents per share

Mobile

Our customers benefit from HTHKH's style of innovation via advanced mobile networks and services delivered in customer-centric fashion.



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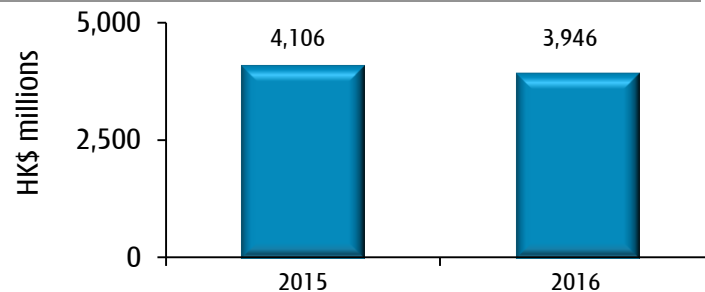


Mobile business

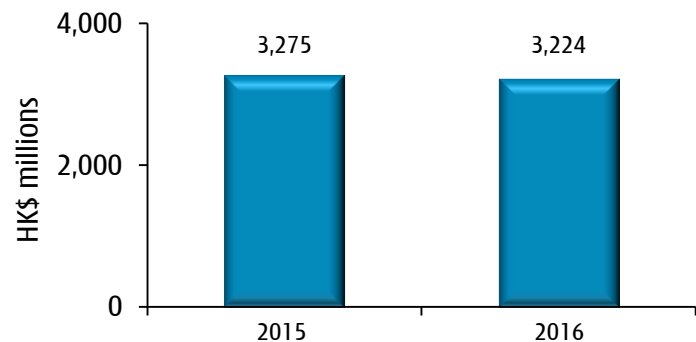
| | 2016 HK\$ million | 2015 HK\$ million | Favourable/ (Unfavourable) Change |
|--------------------------------------|----------------------|----------------------|---|
| Total revenue | 8,332 | 18,477 | -55% |
| - Net service revenue | 3,946 | 4,106 | -4% |
| - Hardware revenue | 4,386 | 14,371 | -69% |
| Net customer service margin | 3,656 | 3,823 | -4% |
| <i>Net customer service margin %</i> | <i>93%</i> | <i>93%</i> | - |
| Standalone handset sales margin | 73 | 308 | -76% |
| Total CACs | (325) | (270) | -20% |
| Operating expenses | <u>(2,071)</u> | <u>(2,224)</u> | +7% |
| EBITDA | 1,333 | 1,637 | -19% |
| Service EBITDA | 1,260 | 1,329 | -5% |
| Service EBITDA Margin % | <i>32%</i> | <i>32%</i> | - |
| Depreciation and amortisation | <u>(733)</u> | <u>(661)</u> | -11% |
| EBIT | 600 | 976 | -39% |

Mobile Service Revenue

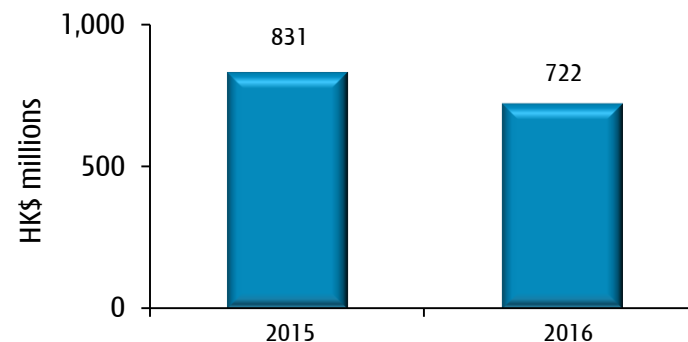
Total mobile service revenue



Mobile local service revenue

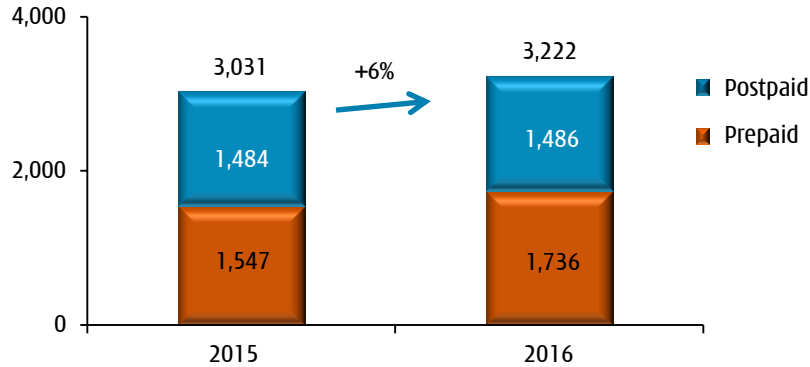


Mobile roaming service revenue

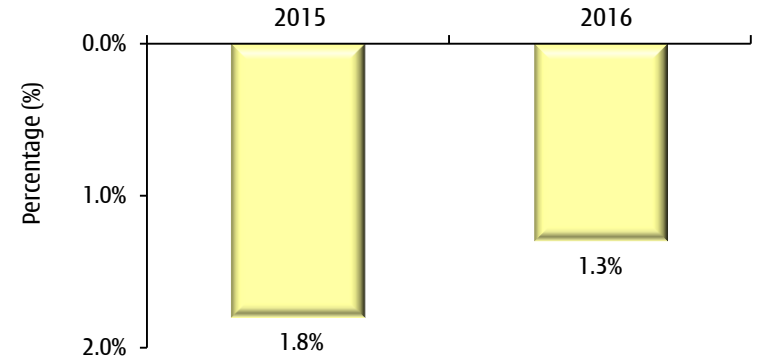


Mobile KPIs

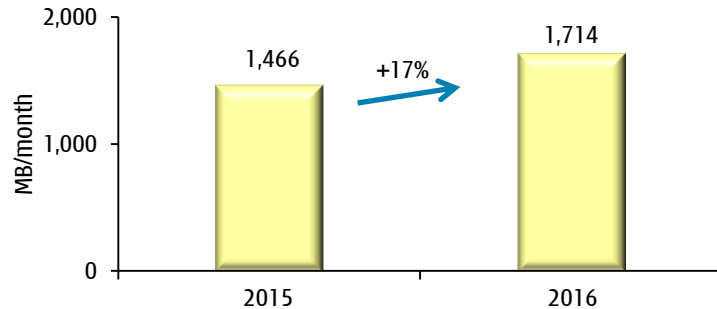
Total customers in Hong Kong and Macau



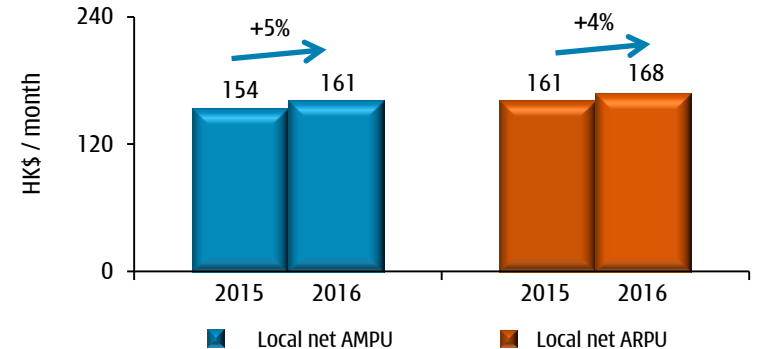
Postpaid Churn



Blended data usage per 3G+4G customers

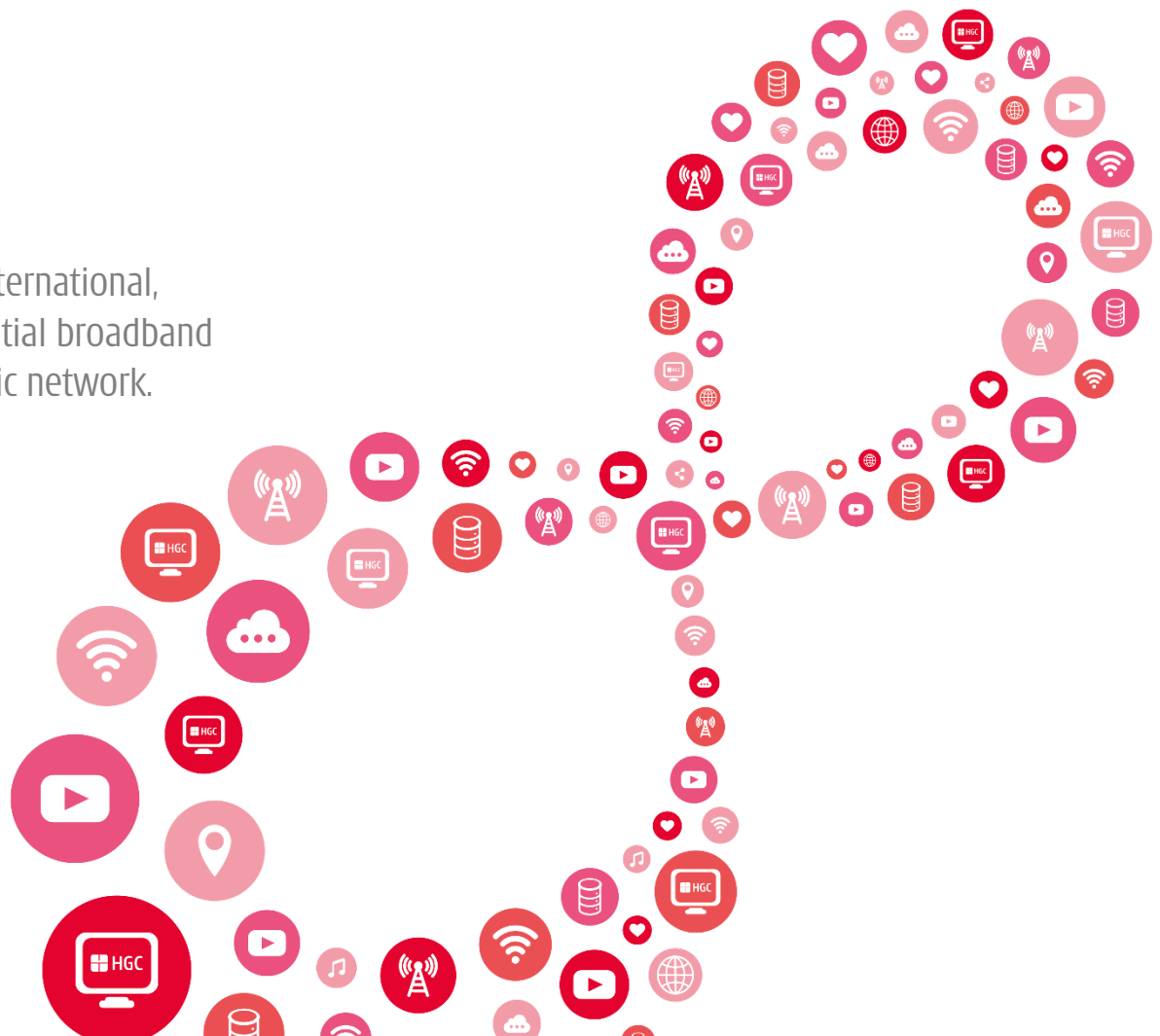


Blended local postpaid net ARPU and net AMPU



Fixed-line

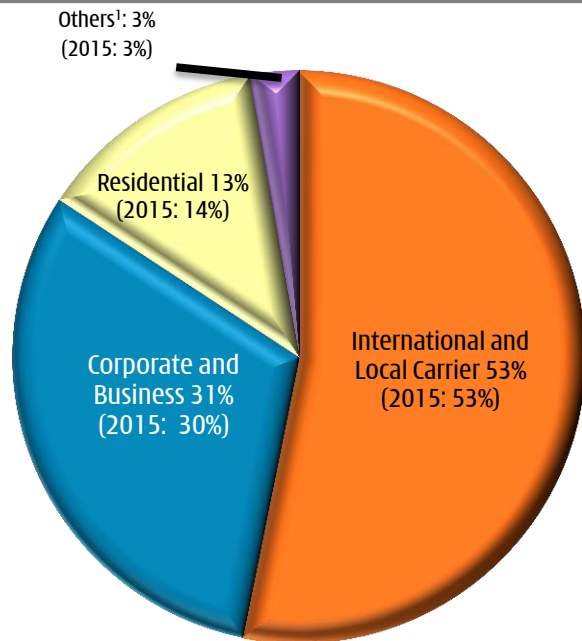
HTHKH enables customers with international, corporate, data centre and residential broadband services via an extensive fibre-optic network.



Fixed-line business – financial highlights

| | 2016 HK\$ million | 2015 HK\$ million | Favourable/ (Unfavourable) Change |
|-------------------------------|----------------------|----------------------|---|
| Revenue | 4,127 | 3,973 | +4% |
| Operating expenses | (2,875) | (2,699) | -7% |
| <i>Opex as % of revenue</i> | <i>70%</i> | <i>68%</i> | -2% points |
| EBITDA | 1,252 | 1,274 | -2% |
| <i>EBITDA margin %</i> | <i>30%</i> | <i>32%</i> | -2% points |
| Depreciation and amortisation | (688) | (697) | +1% |
| EBIT | 564 | 577 | -2% |
| CAPEX (excluding licence) | (509) | (485) | -5% |
| EBITDA less CAPEX | 743 | 789 | -6% |

Fixed-line business



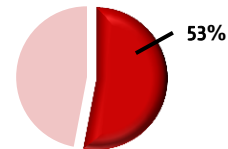
Total Fixed-line revenue
2016 : HK\$4,127 million
(2015 : HK\$3,973 million)

- 87% fixed-line revenue contributed from non-residential market
- 4% YoY growth

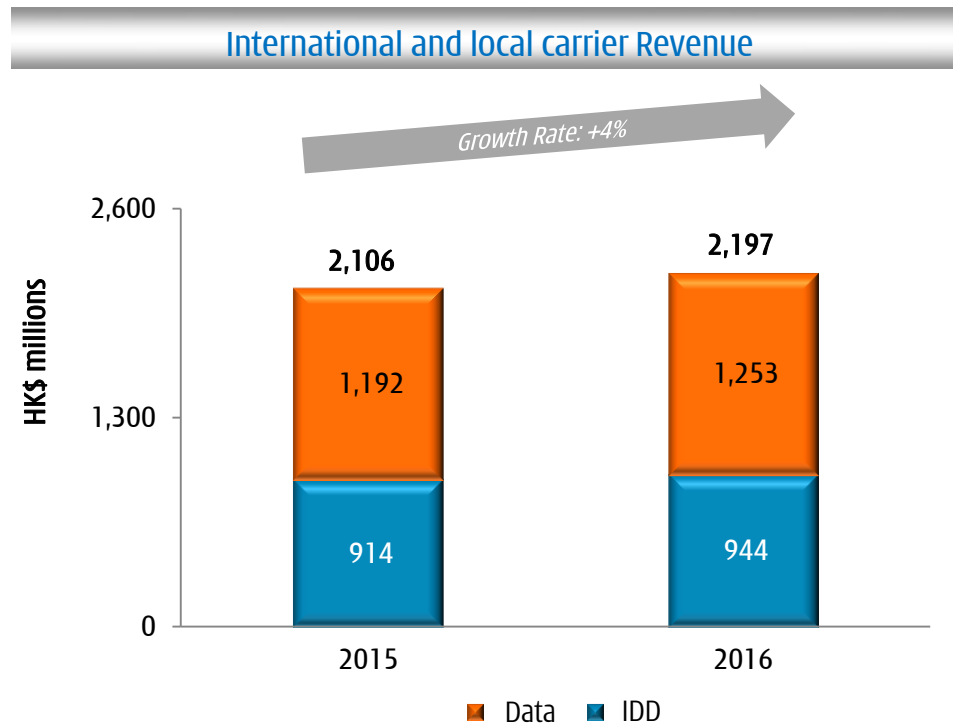
¹ "Others" include revenues from interconnection charges, data centers and others



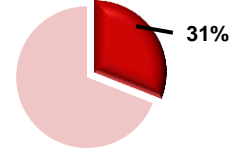
Fixed-line international and local carrier market



- Strong growth (+4%) supported by the increase in data consumption
- Supported by trends such as OTT and IoT

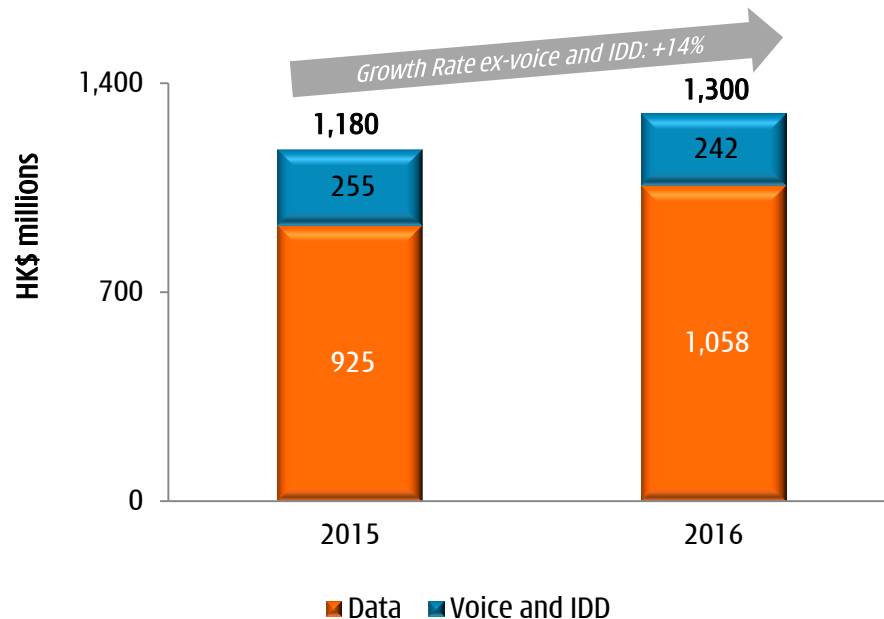


Fixed-line corporate and business market

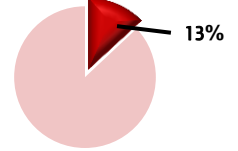


- +10% YoY growth driven by strong growth in data
- Extensive Network (4.9k FTTB commercial buildings, 25k Wi-Fi hotspots)
- Accredited service provider of SDNet/2 with stringent requirement set by HKEX
- Large and diversified base of 61.2k corporate and SME customers
- Winning vertical penetration strategy (e.g. banks, government, insurance, logistics)

Corporate and Business Revenue

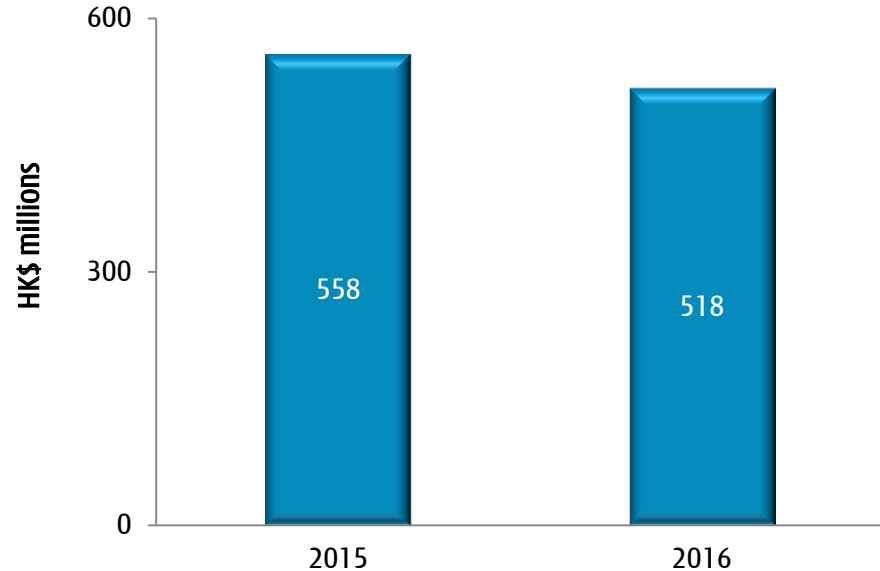


Fixed-line residential market



- Over 1.8m fibre homepass and 9.3k residential buildings passed with FTTB
- Stable broadband subscribers base with 90%+ on 100Mbps or higher
- Strong value proposition with 1GB FTTH in offer and multi-play infotainment (MyTV SUPER, LeSports)
- Steep price competition

Residential Market Revenue



Financial Overview



Consolidated financial highlights

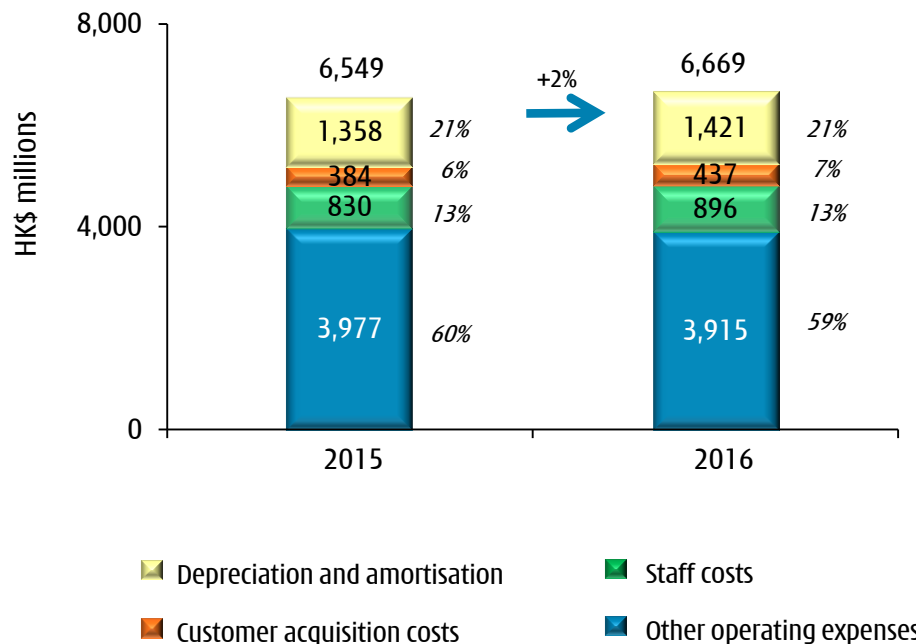
| | 2016 HK\$ million | 2015 HK\$ million | Favourable/ (Unfavourable) Change |
|--|----------------------|----------------------|---|
| <i>Consolidated service revenue</i> | 7,640 | 7,674 | - |
| <i>Consolidated hardware revenue</i> | 4,384 | 14,368 | -69% |
| Consolidated revenue | 12,024 | 22,042 | -45% |
| <i>Consolidated service EBITDA</i> | 2,392 | 2,483 | -4% |
| <i>Consolidated hardware EBITDA</i> | 73 | 305 | -76% |
| Consolidated EBITDA | 2,465 | 2,788 | -12% |
| <i>Consolidated service EBIT</i> | 971 | 1,125 | -14% |
| <i>Consolidated hardware EBIT</i> | 73 | 305 | -76% |
| Consolidated EBIT | 1,044 | 1,430 | -27% |
| <i>Service profit</i> | 655 | 722 | -9% |
| <i>Hardware profit</i> | 46 | 193 | -76% |
| Profit attributable to shareholders | 701 | 915 | -23% |
| Earnings per share (in HK cents) | 14.55 | 18.99 | -23% |
| Final dividend per share (in HK cents) | 6.90 | 9.00 | -23% |
| Full year dividend per share (in HK cents) | 10.90 | 14.20 | -23% |



Consolidated cost items

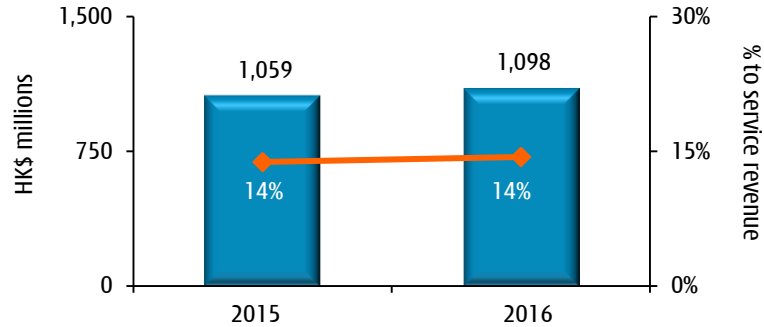
- Higher customer acquisition cost due to increased selling activities for future revenue
- Higher depreciation and amortisation from spectrum renewal of 2100MHz and activation of 2300MHz in Q4 2016
- Stable staff cost and other operating expenses

Consolidated cost items

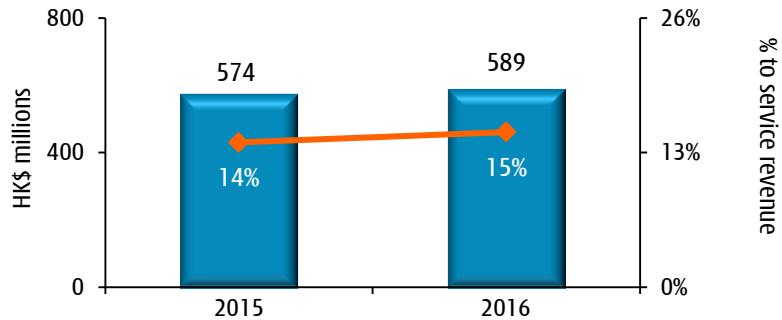


Capex investment

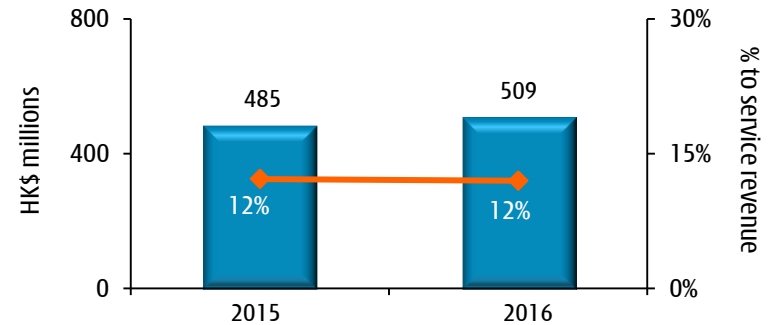
Consolidated Capex



Mobile Capex

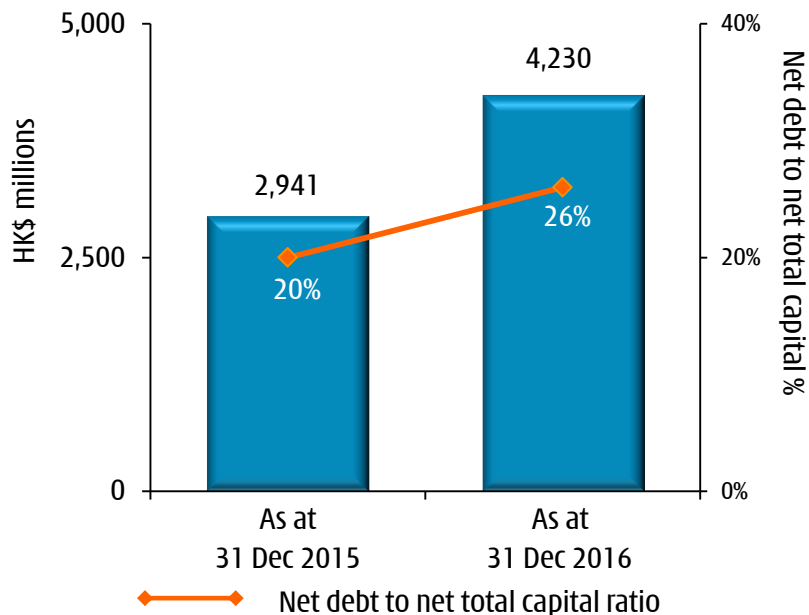


Fixed-line Capex



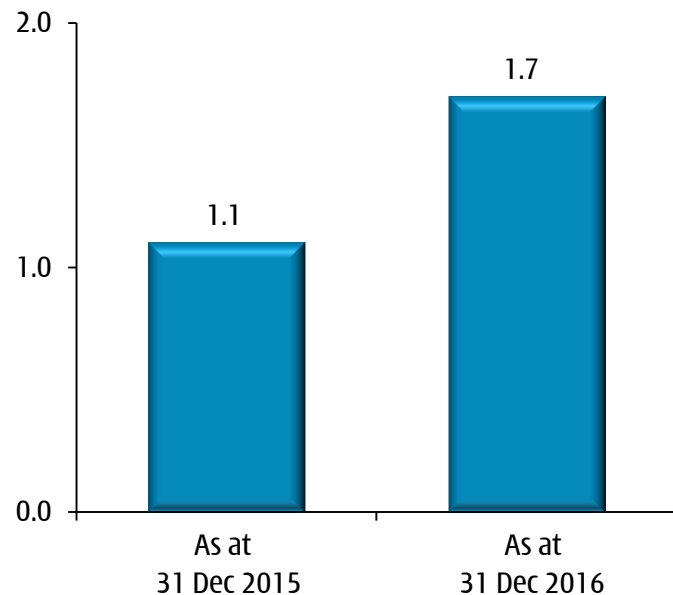
Consolidated financial position

Net debt



Note: increase in net debt was to finance spectrum licence fee payment.

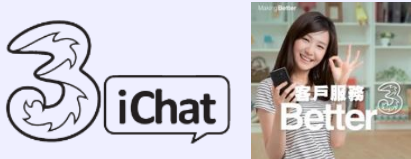



Net debt/LTM EBITDA



Outlook



Strategies to meet the Challenges

| | | |
|---------------------------------|--|---|
| <h2>Customer Experience</h2> | <ul style="list-style-type: none"> Invest in customer loyalty Reward customers for relationship and business Segmental and delightful customer service |  |
| <h2>More Revenue Streams</h2> | <ul style="list-style-type: none"> Variety of products tailored to specific needs Innovative roaming and prepaid products Integrated solution for corporates Capture OTT, M2M, Smart City and IoT opportunities Expansion of Data Centre and Cloud services |  |
| <h2>Prepare for 5G</h2> | <ul style="list-style-type: none"> Continue to improve data speed by spectrum re-farming Ready for network architectural change and expansion Strengthen technology partnership paving for 5G |  |
| <h2>Higher Cost Efficiency</h2> | <ul style="list-style-type: none"> Continue to improve cost efficiency Digital transformation Innovative digital sales and market communication channels |  |

HTHKH constructively responded to OFCA's 1st public consultation on spectrum reassignment. While we are still studying the 2nd consultation paper, our initial position is still to support 80% of spectrum for renewal and 20% for auction.

We suggest :
80% spectrum for renewal
20% for auction

- Less spectrum for renewal brings high risks in business certainty and customer service continuity
- Uncertainty in spectrum holding will discourage long term investment in capital intensive technology development
- Our prime consideration is to minimise disruption of service to customers

OFCA's proposed spectrum prices are extremely high and will heavily burden HK's mobile industry

- The proposed spectrum fee is conservatively estimated at least 3 times more than current
- Extremely high spectrum fee is equivalent to extra tax on mobile industry
- Heavy financial burden will hamper our ability to provide competitive services to customers
- Destructive impact on HK's technology leadership position

Q & A





THANK YOU