Chairman's Statement

The year 2017 proved to be a transformational year for Hutchison Telecommunications Hong Kong Holdings Limited ("the Company") and its subsidiaries (together referred to as "the Group"). The disposal of the fixed-line business of the Group was completed in October 2017. This disposal significantly strengthened the financial profile of the Group and placed the Group in an excellent position to pursue investment opportunities that would further enhance shareholder value. During the year, the Group also continued to improve the competitiveness of its mobile operations in Hong Kong and Macau, launching various innovative products and services and further enhancing overall customer experience with investment in advanced network infrastructure and IT systems.

Financial Results

Mobile revenue and EBITDA recorded decrease of 19% and 4% respectively in 2017. More than 94% of the decline in mobile revenue was attributable to decrease in hardware revenue as a result of lower demand for new smartphones though related financial impact in recent years was largely reduced.

Profit attributable to shareholders before gain on disposal of subsidiaries and others in 2017 was HK$543 million. This profit included only a nine-month contribution from the fixed-line business of HK$321 million in 2017 (2016: full year of HK$382 million), resulting in a 20% decrease compared with HK$682 million in 2016. Earnings per share excluding the one-off items was 11.27 HK cents for the full year 2017 (2016: 14.15 HK cents).

Gain on disposal of subsidiaries and others included a one-off gain on disposal of the fixed-line business of HK$5,614 million and one-off after tax and non-controlling interests accelerated depreciation charges of HK$1,391 million for certain 2G and 3G mobile telecommunications fixed assets in Hong Kong and Macau after the deployment of various network transformational initiatives.

Accordingly, profit attributable to shareholders in 2017 was HK$4,766 million, a significant increase compared with HK$682 million in 2016.

Dividends

The Board recommends payment of a final dividend of 4.55 HK cents (2016: 6.90 HK cents) per share for the year ended 31 December 2017. The proposed final dividend will be payable on Thursday, 24 May 2018, following the approval of shareholders at the Annual General Meeting of the Company, to shareholders whose names appear on the register of members of the Company on Monday, 14 May 2018, being the record date for determining shareholders' entitlement to the proposed final dividend. Taking the interim dividend of 3.90 HK cents per share into account, the full-year dividend amounts to 8.45 HK cents per share. This is equivalent to 75% of profit attributable to shareholders for the year excluding the one-off items as mentioned above, which is in line with the sustainable dividend policy of the Company to enhance shareholder value over the long term.

The Board resolved not to declare any special dividend for the time being and will evaluate various opportunities to utilise the cash proceeds from the disposal of the fixed-line business with the aim to enhance shareholder value. If no such opportunity is identified, special dividend will be considered by the Board for the year ending 31 December 2018.

Mobile Business Review

Mobile revenue in 2017 was HK$6,752 million, a 19% reduction compared with HK$8,332 million in 2016. More than 94% of the decline was attributable to decrease in hardware revenue as a result of lower demand for new smartphones. Hardware revenue showed a decrease of 34% from HK$4,386 million in 2016 to HK$2,899 million in 2017.

Mobile service revenue in 2017 was HK$3,853 million, a mild 2% decrease compared with HK$3,946 million in 2016. Local service revenue in 2017 was generally in line with that of 2016, despite intense market competition. Roaming revenue rallied in the second half of 2017 and improved 6% compared with that of the first half of 2017, following launch of innovative roaming packages during the year. Full year roaming revenue in 2017 showed a decrease of 6% compared with that of 2016 and against the double digit year-on-year decrease recorded in previous years. Net customer service margin remained stable at 93%.

Mobile EBITDA in 2017 was HK$1,339 million, a 4% decrease compared with HK$1,397 million in 2016, reflecting reduction in customer service and handset sales margins, partially offset by savings in customer acquisition costs ("CACs") as well as control over operating expenses. Mobile service EBITDA in 2017 was 3% lower than that of 2016, while the service EBITDA margin was 33.2%.

Mobile EBIT (before one-off charges) in 2017 was HK$470 million, 24% lower than HK$620 million in 2016, mainly the result of the full year effect of higher amortisation charges subsequent to mobile spectrum licence renewal and activation of new spectrum band in the last quarter of 2016.

As of 31 December 2017, the total number of customers recorded an increase of 3% to approximately 3.3 million in Hong Kong and Macau (2016: approximately 3.2 million), of which 45% were postpaid customers. Overall churn rate among postpaid customers remained stable at 1.3% in 2017 (2016: 1.3%). Blended postpaid net ARPU decreased by 4% from HK$205 in 2016 to HK$197 in 2017 as a result of keen market competition in local data packages.

Outlook

The Group enters a new chapter in the year 2018 following disposal of its fixed-line business, and is well positioned to enhance every aspect of its mobile operations. Total cash proceeds of HK$14,527 million from the disposal transaction places the Group in a solid financial position to pursue potential expansion and investment opportunities that further enhance shareholder value.

The Group is undertaking transformational initiatives to digitalise, streamline and automate internal structure and processes, while improving IT and online platforms – all with the aim of enhancing the overall customer experience and improving customer satisfaction as well as promoting efficiency. In addition, the Group is deploying the latest technologies to evolve network infrastructure, paving the way for 5G as well as nurturing an IoT enabled ecosystem. The recent collaborations with innovative scientific research companies and start-ups to promote development of NB-IoT technology will assist in creating long-term revenue streams.

Market conditions continue to be challenging, and competition remains keen. However, continued collaborations with telecommunications operations of the CKHH Group in Europe and Asia and various global telecommunications operators will help create more revenue opportunities and higher returns for shareholders. The ongoing quest to increase shareholders' return is well supported by enhanced financial strengths, digitalised network infrastructure, established procurement capability of the Group as well as relentless pursuit of cost efficiencies.

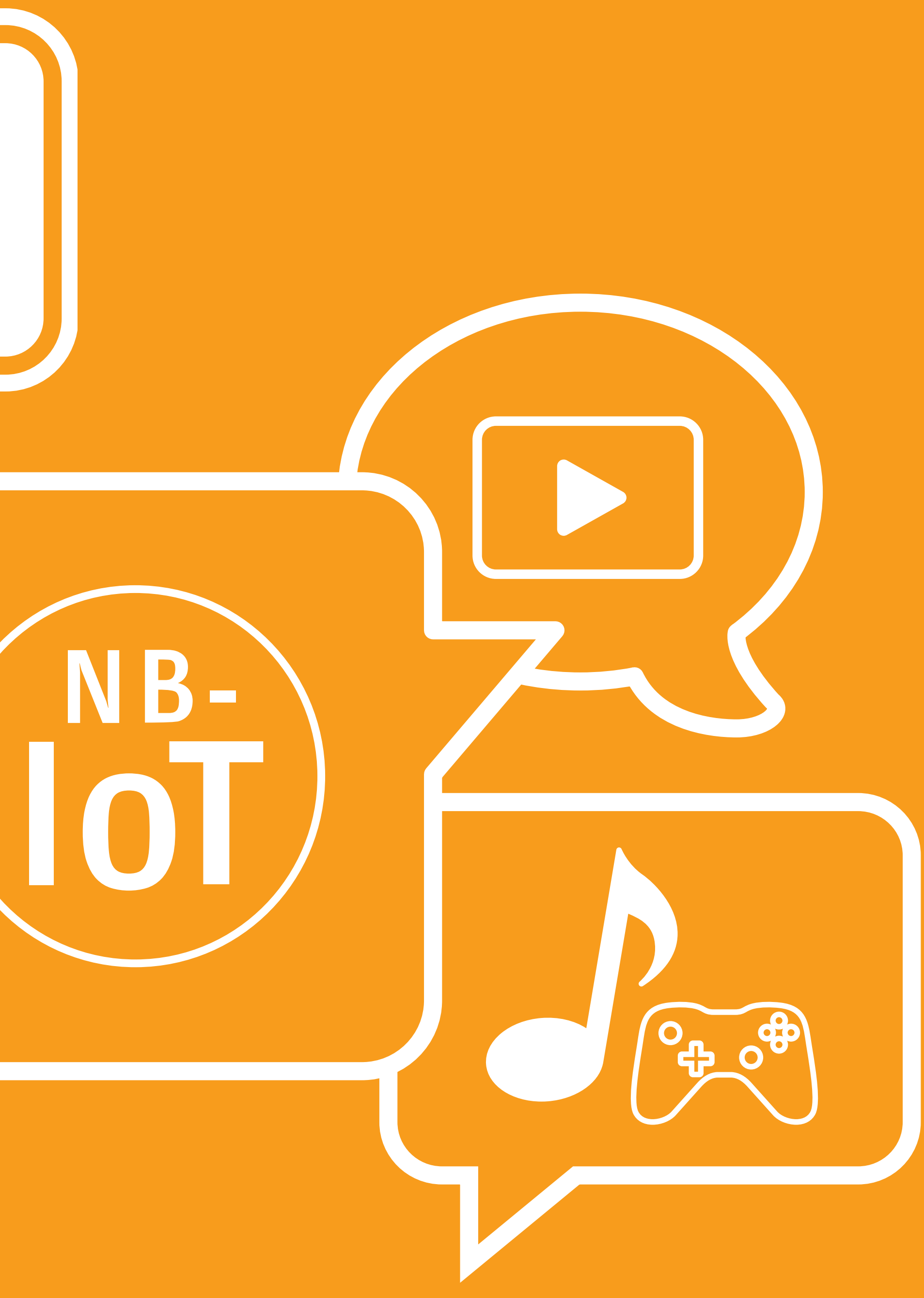
Finally, I would like to take this opportunity to thank the Board and all staff members for their dedication, professionalism and contributions to the Group.

FOK Kin Ning, Canning
Chairman

Hong Kong, 26 February 2018

Operations Review

Our customers benefit from 3 Hong Kong's style of innovation through advanced mobile networks and services delivered in customer-centric fashion.


NB-IoT