



Hutchison Telecom
Hong Kong Holdings

2020 Annual Results Presentation

SMART
CONNECTION

SMART
FUTURE

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Agenda

- 2020 Smart Journey
- Result Highlights
- Business Review & Development
- Financial Review
- Sustainability @HTHKH
- Outlook



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Hong Kong Holdings



QR Code for HTHKH
2020 Annual Results

2020 Smart Journey

Kenny Koo

Executive Director & CEO



Hutchison Telecom
Hong Kong Holdings

2020 Smart Journey



5G



3 Care



Smart Meter Scheme



New experience for digital life
Our new 3HK@FORTRESS provides full range of 3HK mobile services and plans PLUS 5G monthly plans. Let's enjoy a mobile service and exciting gadgets all in one spot.



Result Highlights

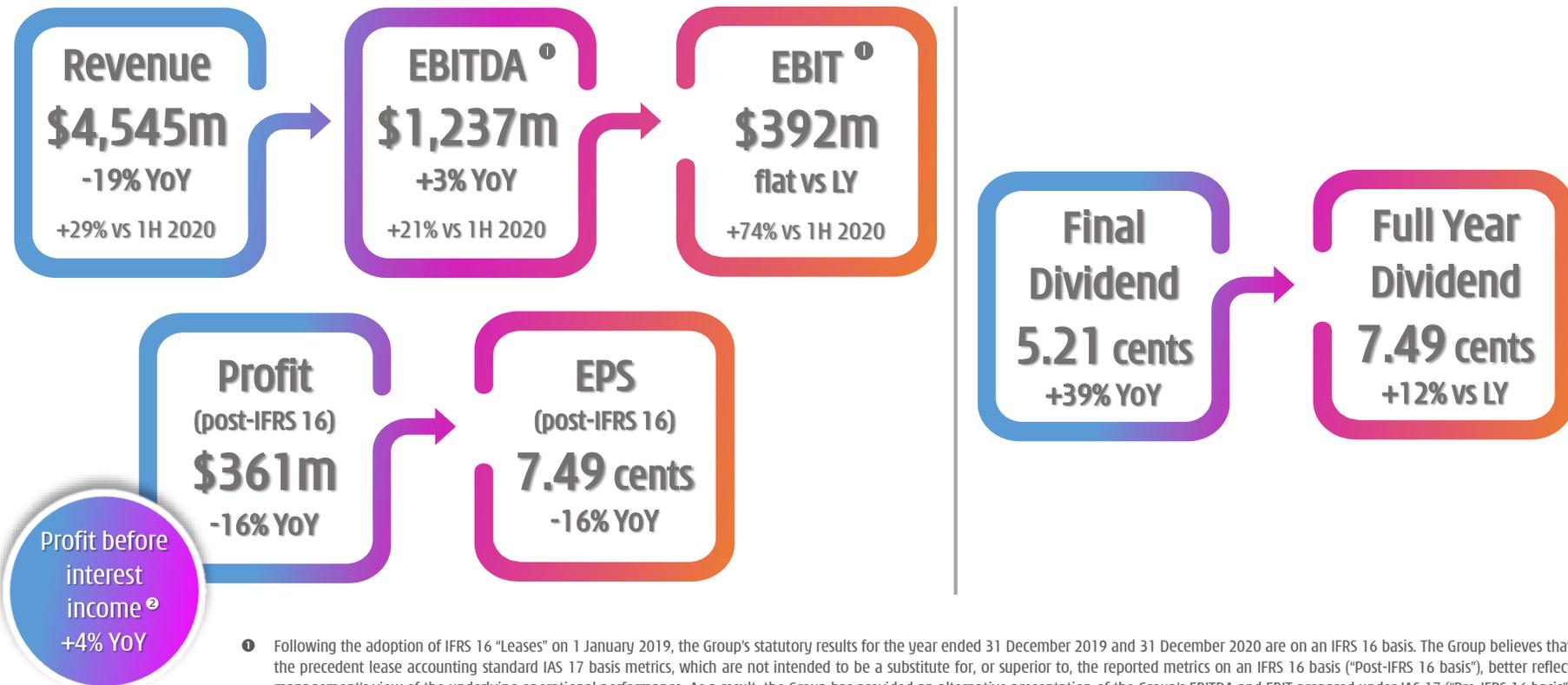
Kenny Koo

Executive Director & CEO



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Highlights : Resilient Financial Results



① Following the adoption of IFRS 16 "Leases" on 1 January 2019, the Group's statutory results for the year ended 31 December 2019 and 31 December 2020 are on an IFRS 16 basis. The Group believes that the precedent lease accounting standard IAS 17 basis metrics, which are not intended to be a substitute for, or superior to, the reported metrics on an IFRS 16 basis ("Post-IFRS 16 basis"), better reflect management's view of the underlying operational performance. As a result, the Group has provided an alternative presentation of the Group's EBITDA and EBIT prepared under IAS 17 ("Pre-IFRS 16 basis") relating to the accounting for leases for the year ended 31 December 2019 and 31 December 2020. **Under Post-IFRS 16 basis, EBITDA and EBIT were HK\$1,672m and HK\$403m respectively.**

② Profit before interest income refers to profit attributable to shareholders (Post-IFRS 16 basis) before the effect of bank interest income reduction during the year as cash balance has significantly reduced subsequent to the distribution of special interim dividend and cash settlement for the acquisition of a 24.1% interest in the Group's mobile operation in May 2019.

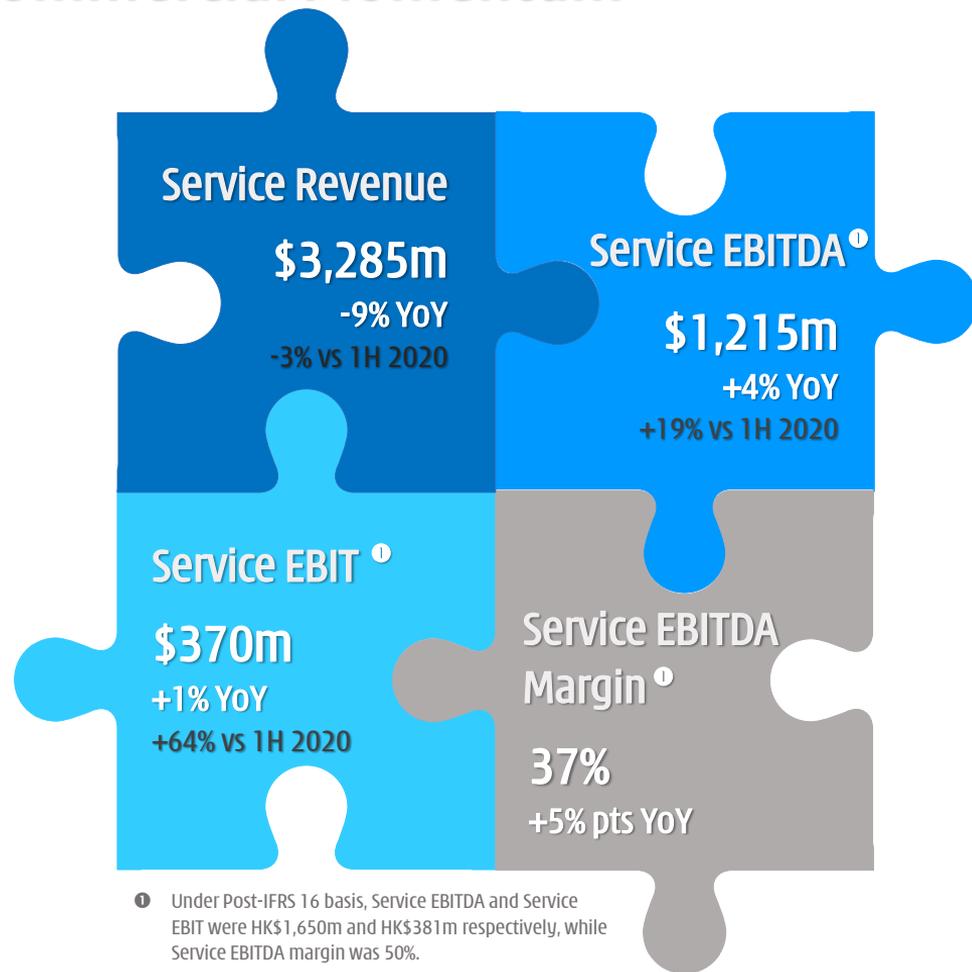
Service Performance : **Strong Commercial Momentum**

✓ Local service revenue grew 1% as new business operating modes led to surge in demand for corporate solutions & initial contribution from 5G

✓ Cost efficiency enhancement initiatives successfully emplaced

✓ Strong Service EBITDA margin at 37% driven by improved cost structure

✗ 50% drop in roaming service revenue due to prolonged global travel restrictions



① Under Post-IFRS 16 basis, Service EBITDA and Service EBIT were HK\$1,650m and HK\$381m respectively, while Service EBITDA margin was 50%.

Business Review & Development

Kenny Koo

Executive Director & CEO



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Business Strategies with Resilience under COVID-19

Best 5G
Network

Distributions
Expansion

Prepaid
Strategy

3OneWorld
Enhanced

3InnoCity



OneWorld

5G



SoSIM

3Care

3 智城
InnoCity

Enhance & strengthen our
foundation of network
structure

Expand both Online &
Offline reaches for
customers' safety &
convenience

Best priced local prepaid
with most distributed
network

Non-Telecom services to
induce new revenue streams.
Monetise e-commerce
advantages

New 5G solutions to enable
enterprise customers to
upgrade for next era of
digitalisation

Expand Coverage for 5G Era



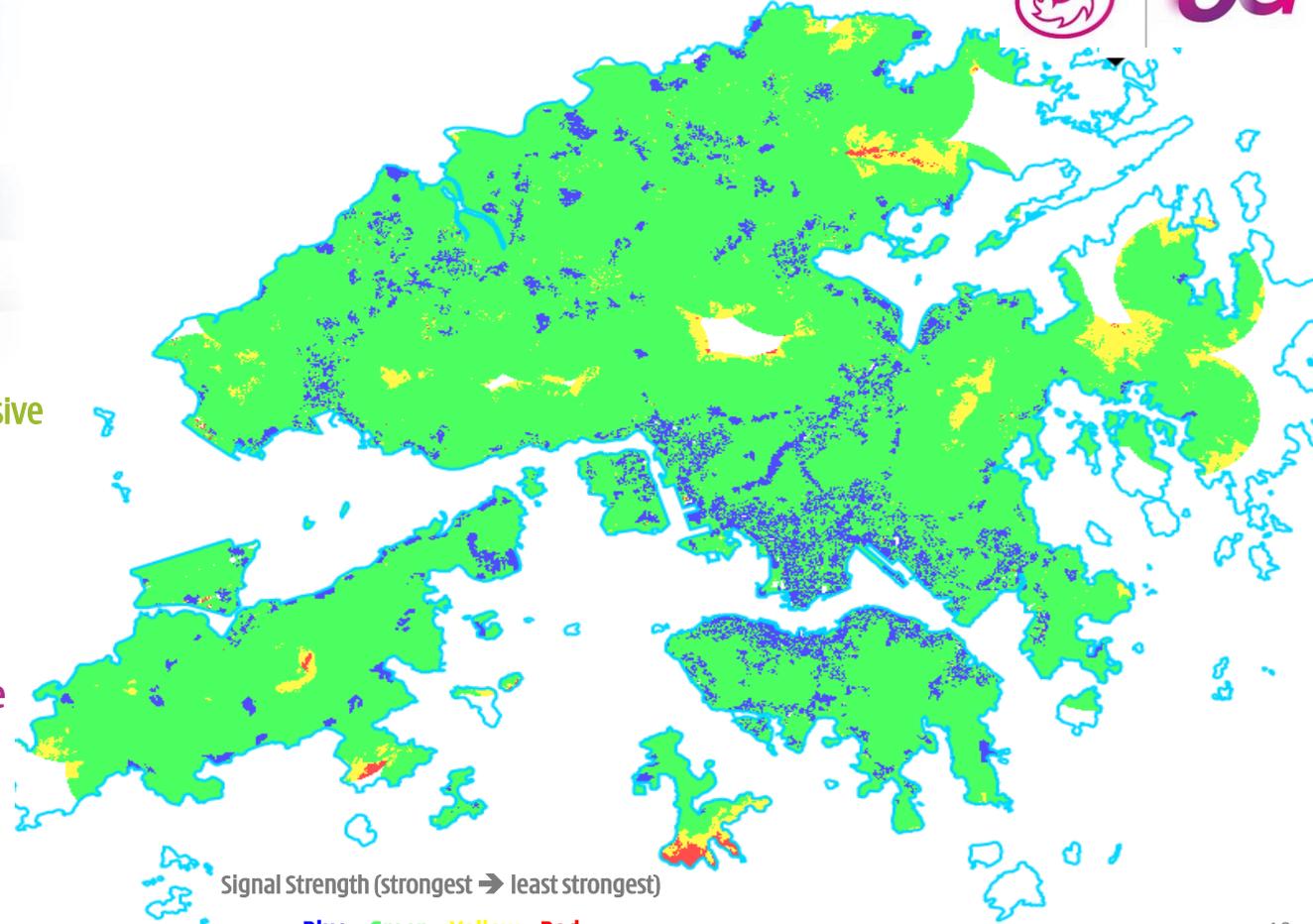
Reform 2.1GHz for comprehensive territory-wide 5G coverage



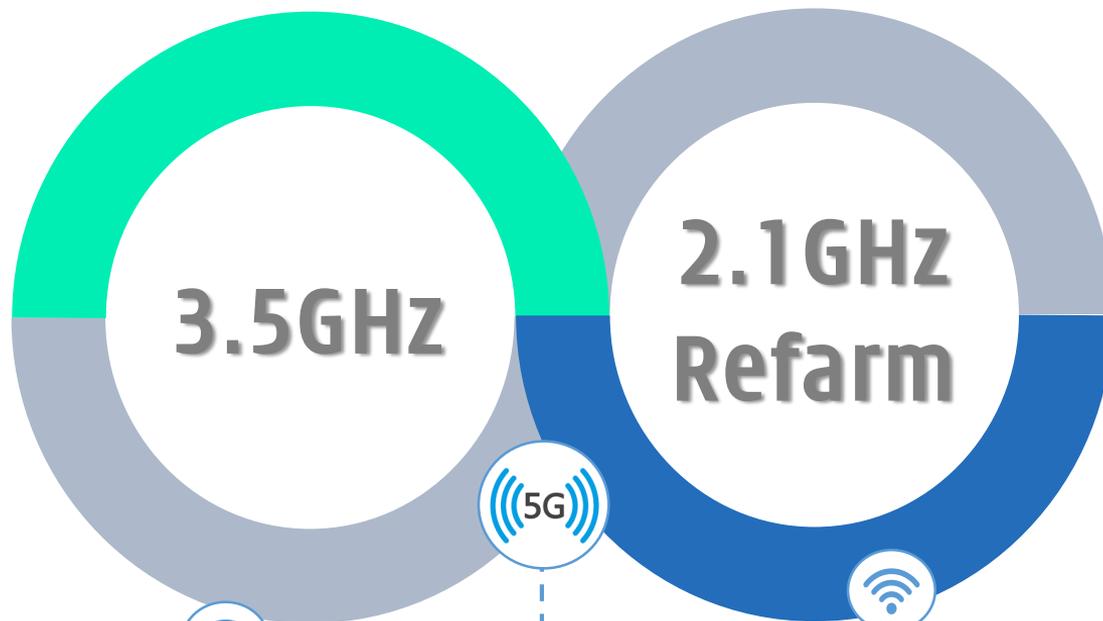
Build on-top 3.5GHz for speed & capacity at high traffic sites



Expand coverage by aggressive new sites rollout plan



Enabled Territory-wide 5G Coverage



Extensive Territory-wide 5G Radio Site Coverage



Hong Kong



Pacific Place



Windsor House

Kowloon



Ocean Terminal



Langham Place

New territories



New Town Plaza Phase I to III



Popcom



Times Square



IFC Phase II



The Gateway



Olympian City



Maritime Square



Kwai Chung Plaza



SOGO



Cityplaza



Mira Place



APM



Hong Kong International Airport



Fanning Town Centre Amber Court



Hysan Place



Shun Tak Centre



The One



Telford Plaza



Tseung Kwan O Plaza



Tuen Mun Town Plaza



Lee Theatre Plaza



Stanley Plaza



Festival Walk



Plaza Hollywood



MetroTown



Nina Mall

Good Hotspot indoors & outdoors

Commercial Building

Hospitals

MTR Stations

Schools & Universities

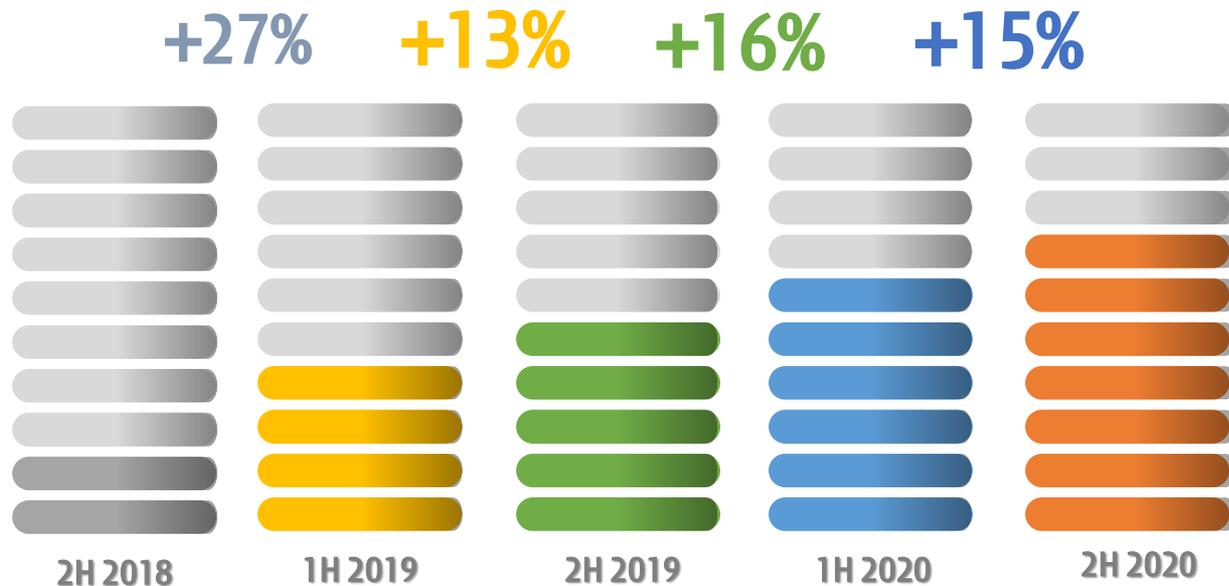
Large Shopping Malls

Major Highways

Hotels

Our ultra-fast, low-latency 5G network services provide comprehensive hotspots across Hong Kong including major transportation systems, shopping malls, skyscrapers, hospital complexes, hotels and university campuses.

Data Usage : Strong Data Growth in HK



YoY Growth

32%



Driving Cost Efficiency under COVID-19

Go Online

- Online Acquisition
- Online DIY Renewal

The first banner is for '3 Supreme' with an 'Online Renewal' badge. It features a man and a woman and says 'Infinity Data' and 'December special offer Contract renewal'. The second banner is for '3HK's Supreme Network' with the tagline 'High Speed, Low Latency, A Superior Experience.' It says 'Subscribe to 4.5G SIM Plan Enjoy Supreme Network at Full Speed' and 'Online SIM Subscription* Free Delivery on SIM'. The third banner is for 'New M9+ 4.5G Full Speed / Monthly Plan' and says 'Smoother and faster experience!!' with a 'Subscribe Now' button.

Distributions

- Leverage group reaches
- Fortress coupons
- MoneyBack for loyalty
- Location segmentation by CRM

The first graphic shows the '3 @ FORTRESS' logo and a 'Shop' window. Text says 'New experience for digital life' and 'Our new 3HK@FORTRESS provides full range of 3HK mobile services and plans PLUS 5G monthly plans. Let's enjoy a mobile service and exciting gadgets all in one spot.' The second graphic is a circular badge for '5G Plan' that says 'Free up to \$21,000 FORTRESS Coupon'. The third graphic is a circular badge for '5G Plan' with the '易賞錢 MoneyBack' logo, saying 'Extra 10% Local Data'.

Digital Transformation

- Digital Brand Distributions
- eCommerce
- Partner API Library

The first graphic is for '3 Mall. Wednesday Frenzy' and shows various products like 'Apple 20W USB-C Power Adapter' and 'British Designed Hard Armour V-E99 Individual Packed 3 Boxes/Set (ADULT BLUE & COLOUR + CHILD BLUE)'. The second graphic is for 'M9+ infinity data M9+ No Contract' and shows 'SIM Plan Why M9+ Subscribe & Activate M9+ SIM'. The third graphic is for 'WHY M9+' and lists benefits: 'Infinity 4G data with all plans', 'First-to-market social data', 'Excellent network anytime, anywhere', and 'M9+ SIM Free delivery within 5 days'. At the bottom is the '3 Mall. M9 M9+' logo.

Opportunities in COVID-19 to enhance competitiveness

- **SoSIM = Social SIM • So Simple**



So Easy

So Value for money

So Convenient

So Good for everyone

SoSIM Best Value Prepaid SIM

\$33 | **Infinity Data** | **Bonus Points 10x**

From \$33 up to \$180 per month. Excludes infinity data up to 128MBps

New SoSIM value-added service UNLIMITED ZOOM Meeting Available now!

Add \$10*/month for UNLIMITED ZOOM

PARKNSHOP SoSIM

Kartu SIM Prabayar

Data Tidak Terbatas

12 Hari 50GB Lokal Data & 100GB Lokal Data 3G/4Gbps**
Terdapat Pembatasan Snelimitasi 128Mbps

Pemrosesan Aktivasikan **hadiah poin**
Gratis 120 Hari**

- 50GB Lokal Mobile Data
- 10 Kall
- 11PM-7AM Night Fever
- 10000

50GB Social Media Data | 120GB 免費 | 1000 Times | 11PM-7AM 免費 | 10,000 本地通話分鐘

HK\$ 33

PARKNSHOP SoSIM

數據無限卡

任用數據

50GB本地數據/30日**
100GB本地數據/30日**
11PM-7AM 免費 | 10,000 本地通話分鐘

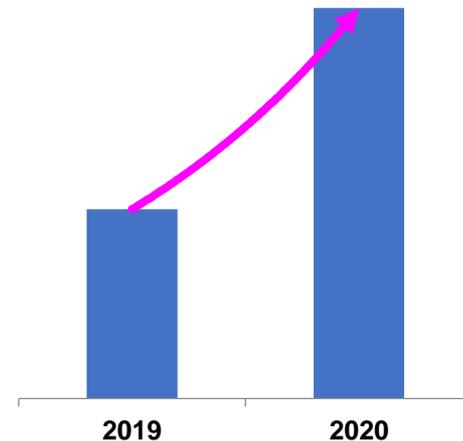
50GB Social Media Data | 120GB 免費 | 1000 Times | 11PM-7AM 免費 | 10,000 本地通話分鐘

HK\$ 33

Digital Lifestyle Services Strategy



Non-Telecom Services Revenue grew over **100%** YoY



Enterprise Solutions



Smart Office



Mobile Security



Drone Inspection



Video Analytics



Messaging Solutions



Solutions revenue grew over **300%** since 2017



4K Live Broadcast



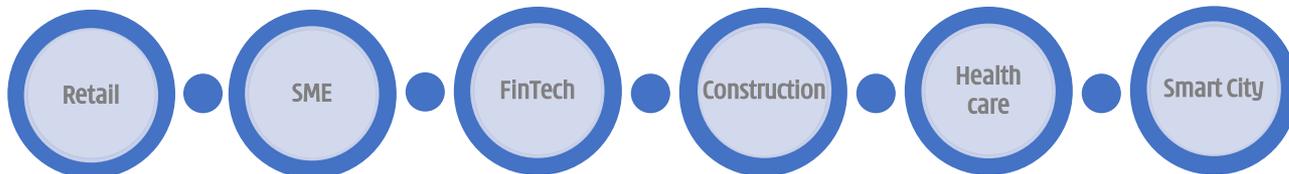
Robotics



Business Broadband



5G Early Adoption Subsidy Scheme



Financial Review

Suzanne Cheng

CFO

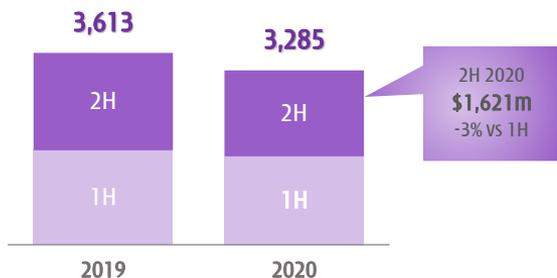


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Revenue : Steady Growth Momentum for Local Services

Service Revenue

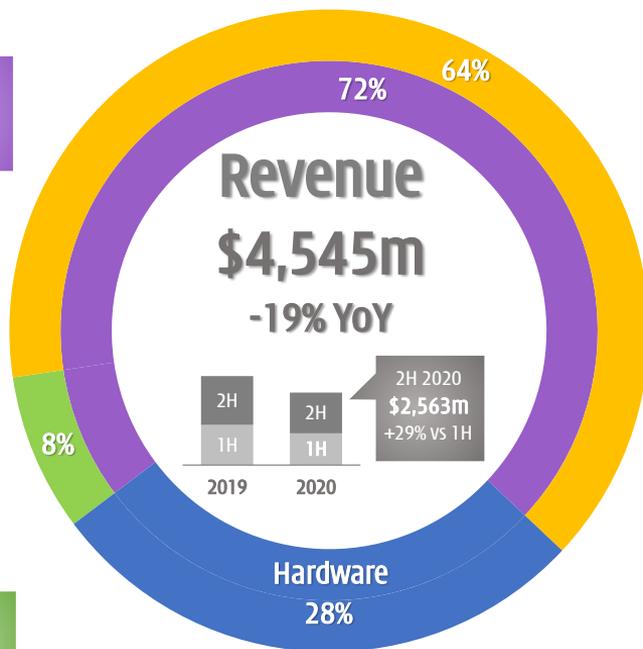
Dropped by 9% YoY



Roaming Service Revenue

Represents 11% (2019: 20%) of service revenue

Dropped by 50% YoY



Local Service Revenue

Represents 89% (2019: 80%) of service revenue

Improved by 1% YoY

mainly driven by surge in demand of **Corporate Solutions** and initial contribution from **5G**



Customers : Solid Customer Base Amid Market Condition

Prepaid

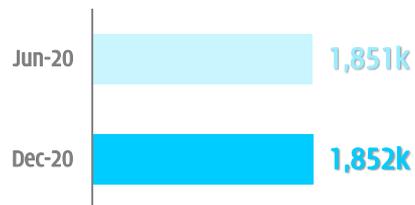
56%

of total customer base (2019: 60%)

Dropped by 15% YoY

mainly due to the effect of Real-Name Registration Policy enforced in Macau

Flat vs 1H 2020



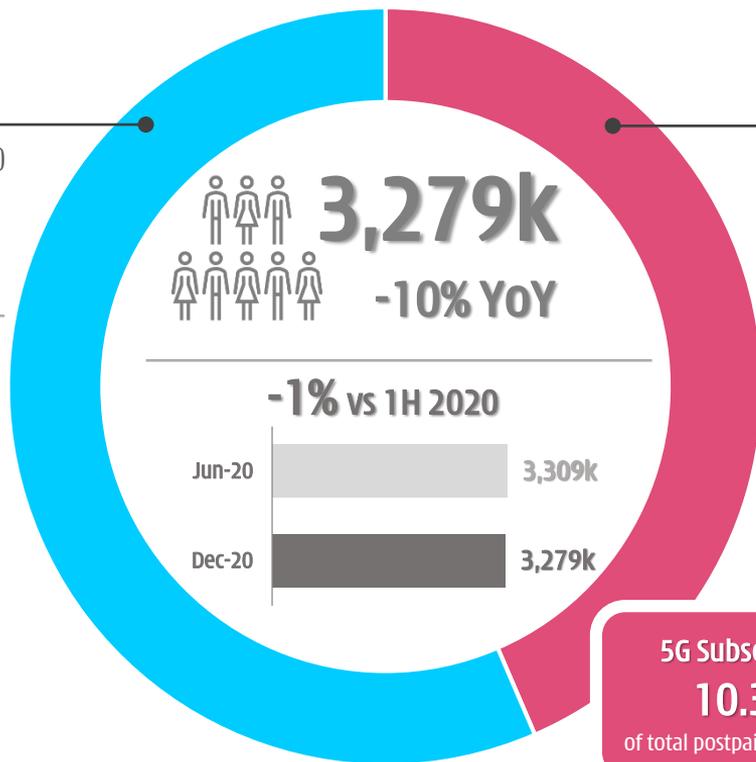
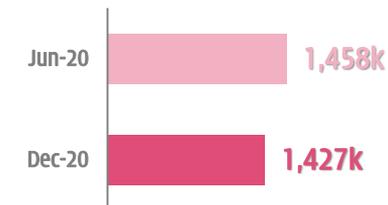
Postpaid

44%

of total customer base (2019: 40%)

Dropped by 3% YoY

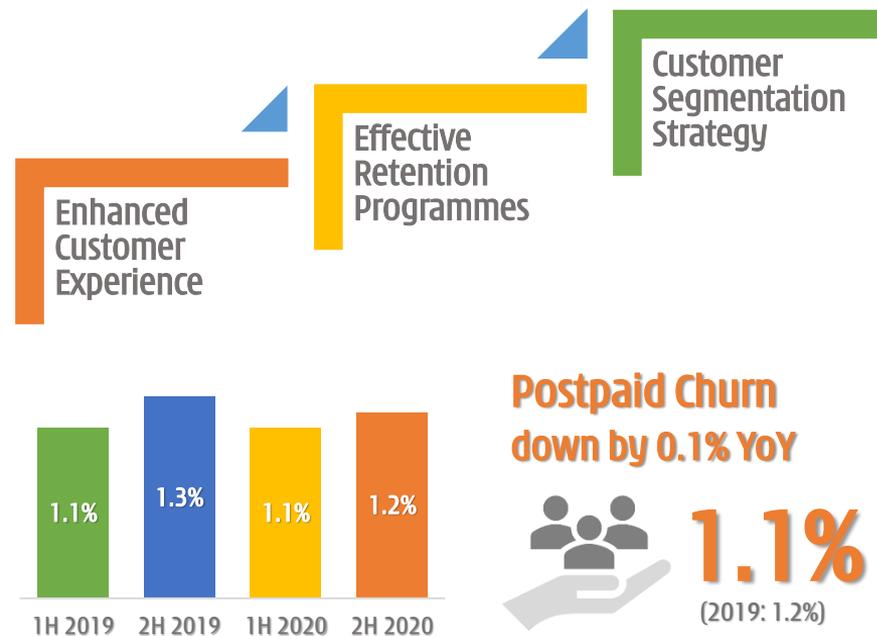
Dropped by 2% vs 1H 2020



5G Subscribers
10.3%
of total postpaid base in HK

5G ARPU Uplift
\$80 - \$150

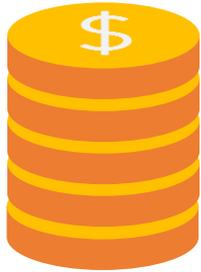
Postpaid ARPU & Churn



Key Costs : Sustainable Cost structure for Efficiency

Reduced by **15%** YoY

\$2,509 m



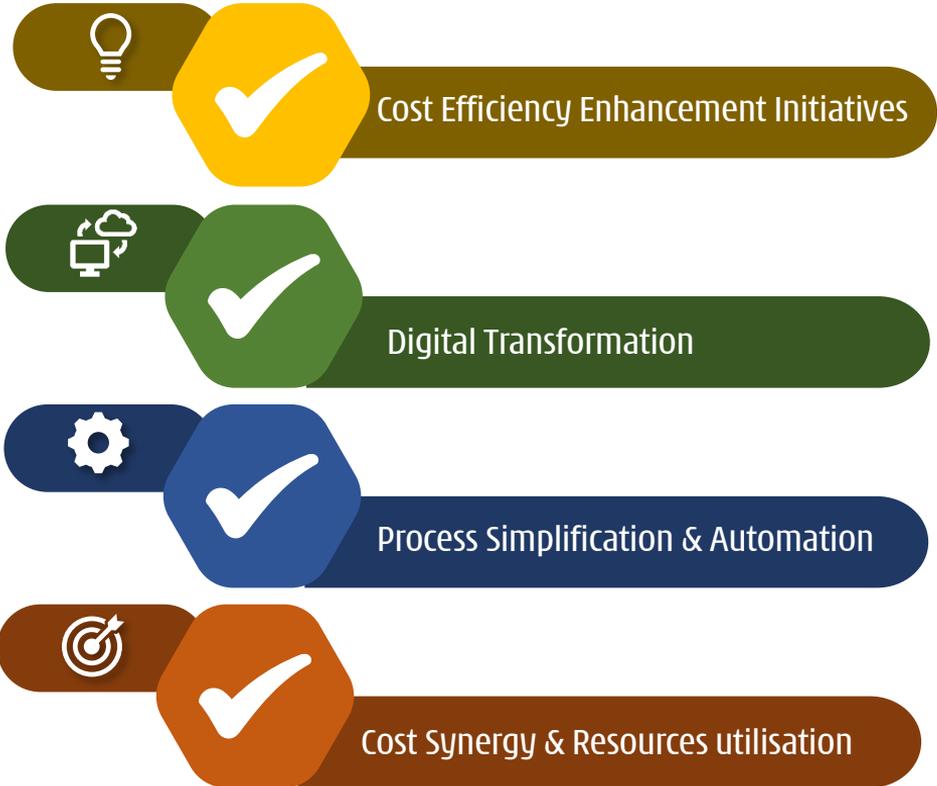
2019

\$2,132 m

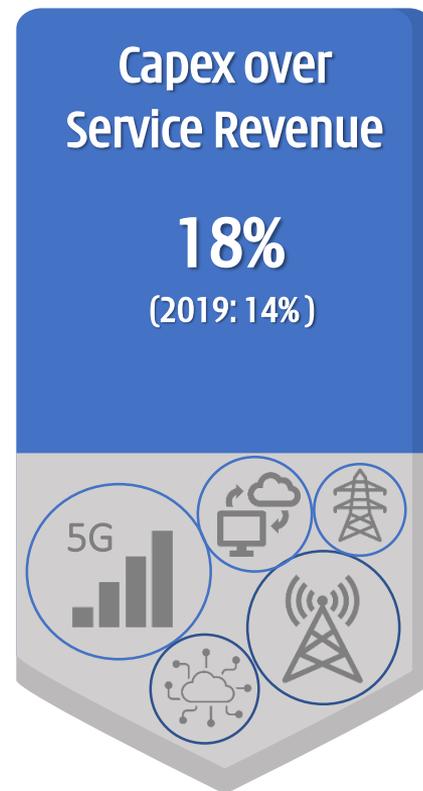
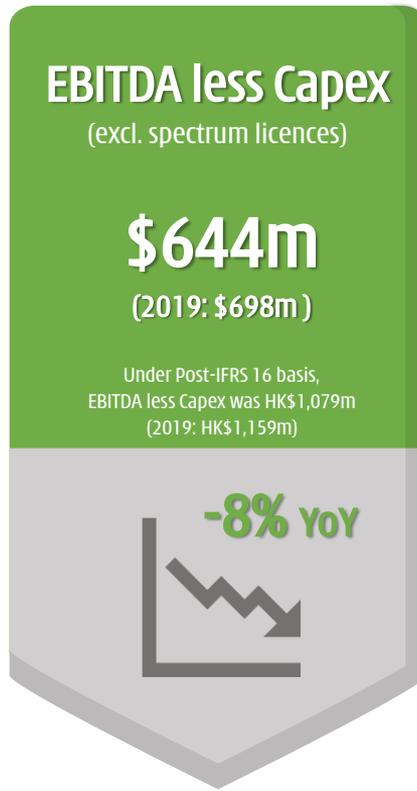


2020

Note: Under Post-IFRS 16 basis, Key Costs (including CACs, staff costs and other operating expenses) was HK\$1,697m (2019: HK\$2,048m).

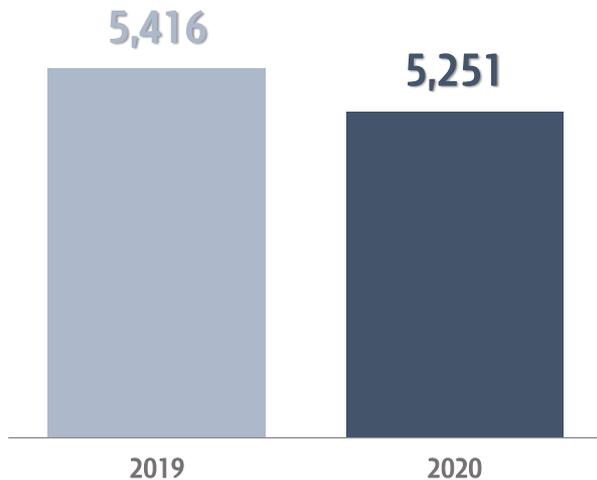


Capex : Revamped to Build the Best 5G Network



Net Cash : **Healthy Financial Position**

HK\$ million



Facilitate network revamp in building the best 5G network



Fulfil future operational needs



Support dividend payout

Sustainability @HTHKH

Suzanne Cheng

CFO



Hutchison Telecom
Hong Kong Holdings

BUSINESS

Providing **reliable** connection & **innovative** services to transform to 5G smart city



Digitalising & automating processes to streamline workflow

Enhancing customer **engagement & experience**



PEOPLE



Providing a **safe** working environment & promoting employee **wellbeing**

Encouraging a **positive, dynamic & inclusive** workplace



Learning & development opportunities

ENVIRONMENT

Ongoing effort to reduce **Carbon intensity**



Optimising configuration of equipment to minimise **emission**



Deploy **energy-efficient** equipment



Raising awareness on resource usage & encourage **reuse & recycle**

COMMUNITY

Collaborations with **charities & NGOs** to support communities we serve



Disaster **relief efforts** to swiftly respond to reduce impact to communities

Sustainable living and long-term value by providing connectivity & innovative services

Outlook

Kenny Koo

Executive Director & CEO



Hutchison Telecom
Hong Kong Holdings

Outlook

- Keep strengthening network coverage in building the best 5G network by June 2021, propelling our customers into a new "5G smart city" era
- Leverage our reduced cost structure to sustain a high-efficiency operating environment
- Increase market penetration by expanding distribution networks across offline and online platforms
- Develop new propositions to accelerate 5G migration and hence ARPU uplift
- Increase revenue streams by diversifying service offerings through collaborations with MVNOs and the upcoming Greater Bay Area data plan initiatives
- Further grow our Corporate Solution businesses riding on our advanced network infrastructure, aiming to enhance customer experience in journey of digital transformation





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Thank You



A member of CK Hutchison Holdings

Q&A



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Appendix



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HK\$ million	Pre-IFRS 16 basis			Post-IFRS 16 basis		
	2020	2019	Change	2020	2019	Change
Revenue	4,545	5,582	-19%	4,545	5,582	-19%
Net customer service revenue	3,285	3,613	-9%	3,285	3,613	-9%
• Local service revenue	2,917	2,875	+1%	2,917	2,875	+1%
• Roaming service revenue	368	738	-50%	368	738	-50%
Hardware revenue	1,260	1,969	-36%	1,260	1,969	-36%
• Bundled sales revenue	345	472	-27%	345	472	-27%
• Standalone handset sales revenue	915	1,497	-39%	915	1,497	-39%
Net customer service margin	2,873	3,266	-12%	2,873	3,266	-12%
<i>Net customer service margin %</i>	<i>87%</i>	<i>90%</i>	<i>-3% pts</i>	<i>87%</i>	<i>90%</i>	<i>-3% pts</i>
Standalone handset sales margin	22	28	-21%	22	28	-21%
Total margin	2,895	3,294	-12%	2,895	3,294	-12%

Financial Information

Appendix

HK\$ million	Pre-IFRS 16 basis			Post-IFRS 16 basis		
	2020	2019	Change	2020	2019	Change
Total margin	2,895	3,294	-12%	2,895	3,294	-12%
CACs	(525)	(797)	+34%	(481)	(744)	+35%
Less: Bundled sales revenue	345	472	-27%	345	472	-27%
CACs (net of hardware revenue)	(180)	(325)	+45%	(136)	(272)	+50%
Operating expenses	(1,540)	(1,837)	+16%	(1,149)	(1,429)	+20%
<i>Opex as a % of net customer service margin</i>	<i>54%</i>	<i>56%</i>	<i>+2% pts</i>	<i>40%</i>	<i>44%</i>	<i>+4% pts</i>
Share of EBITDA of a joint venture	62	69	-10%	62	69	-10%
EBITDA	1,237	1,201	+3%	1,672	1,662	+1%
Service EBITDA	1,215	1,173	+4%	1,650	1,634	+1%
<i>Service EBITDA margin %</i>	<i>37%</i>	<i>32%</i>	<i>+5% pts</i>	<i>50%</i>	<i>45%</i>	<i>+5% pts</i>
CAPEX (excl. licences)	(593)	(503)	-18%	(593)	(503)	-18%
EBITDA less CAPEX	644	698	-8%	1,079	1,159	-7%

HK\$ million	Pre-IFRS 16 basis			Post-IFRS 16 basis		
	2020	2019	Change	2020	2019	Change
EBITDA	1,237	1,201	+3%	1,672	1,662	+1%
Depreciation and amortisation ^①	(845)	(808)	-5%	(1,269)	(1,253)	-1%
EBIT	392	393	-	403	409	-1%
Service EBIT	370	365	+1%	381	381	-
Net interest and other finance income ^①	63	147	-57%	47	132	-64%
Profit before taxation	455	540	-16%	450	541	-17%
Taxation ^①	(90)	(104)	+13%	(89)	(104)	+14%
Profit attributable to non-controlling interests	-	(8)	+100%	-	(8)	+100%
Profit attributable to shareholders	365	428	-15%	361	429	-16%

① Depreciation and amortisation, net interest and other finance income and taxation include the Group's share of joint venture's respective items.