

# Chairman's Statement ►►

Year 2013 was challenging for Hutchison Telecommunications Hong Kong Holdings Limited (the "Company") and its subsidiaries (together, the "Group"). Despite the weak market response to smart mobile phones and devices launched in 2013, we demonstrated resilience as an integrated telecommunications operator.

## Results

Consolidated turnover was HK\$12,777 million in 2013 compared with HK\$15,536 million in 2012. Consolidated EBITDA and EBIT in 2013 were HK\$2,674 million and HK\$1,339 million respectively, compared with HK\$3,008 million and HK\$1,726 million respectively in 2012. Profit attributable to shareholders in 2013 amounted to HK\$916 million compared with HK\$1,215 million in 2012. Basic earnings per share in 2013 were 19.01 HK cents compared with 25.22 HK cents in 2012.

## Dividends

The Board of Directors (the "Board") recommends payment of a final dividend of 8.00 HK cents (2012: 13.03 HK cents) per share for the year ended 31 December 2013. The proposed final dividend will be payable on Wednesday, 28 May 2014, following approval from the Annual General Meeting of the Company, to those persons registered as shareholders of the Company on Monday, 19 May 2014, being the record date for determining shareholders' entitlement to the proposed final dividend. Including the interim dividend of 6.25 HK cents per share, full year dividend will amount to 14.25 HK cents per share. The payout is equivalent to 75% of profit attributable to shareholders for the year, in line with the dividend policy of the Company.

## Business Review

### Mobile business – Hong Kong and Macau

Mobile business turnover was HK\$9,359 million in 2013 compared with HK\$12,383 million in 2012. Revenue from mobile hardware sales dropped by 39% to HK\$4,221 million as a result of lower demand for new handset models during the year. Mobile service revenue fell by 6% to HK\$5,138 million of which 2% drop was due to the transition from a subsidised handset business model to a non-subsidised handset business model. The transition began in 2010 and was completed in the first half of 2013. All our postpaid customers under handset bundled contracts as at the end of 2013 were on the non-subsidised handset business model. Mobile service revenue decreased by a further 4% as customers migrated to lower-tier service plans. EBITDA and EBIT in 2013 were HK\$1,570 million and HK\$961 million respectively, representing a drop of 25% and 35% respectively.

As of 31 December 2013, our total number of customers in Hong Kong and Macau was maintained at approximately 3.8 million (2012: 3.8 million). Over 60% of our 3G and 4G LTE postpaid customers in Hong Kong and Macau were smart device users.

The financial performance of our mobile business is expected to stabilise and improve in subsequent periods due to the completion of transition to the non-subsidised handset business model in the first half of 2013, which had a dilutive effect on service revenue, and the removal of unlimited local data offering and introduction of additional tier-pricing in late 2013. With the continued competitive landscape in the mobile market in Hong Kong, the mobile business will focus on strengthening customer loyalty by introducing more customer-oriented services and applications.

## Fixed-line business

Our fixed-line business continued to report growth during the year. In particular, we were able to capture additional demand for data transmission in the corporate and business markets. Service revenue rose by 7% from HK\$3,640 million in 2012 to HK\$3,880 million in 2013. EBITDA and EBIT in 2013 were HK\$1,234 million and HK\$508 million respectively, representing an increase of 18% and 33% respectively compared with 2012 as a result of effective cost management.

The growth momentum of fixed-line business is expected to continue, especially in the corporate and business markets, which were the key growth drivers in 2013. Continued effort and focus will be put into new product development and providing better customer experience via speed and service upgrade.

## Outlook

In 2013, the improvement in the performance of our fixed-line business partially offset the fall in the mobile business. We expect that the performance of the mobile business will be improved in 2014, albeit an increase in deferred tax expenses which would affect the overall results is anticipated. As an integrated telecommunications solution provider, we will continue to develop innovative and customer-oriented mobile, fixed-line and integrated services and products for new customers. We will also look for opportunities to provide our existing customers with additional services to meet their total telecommunications needs. Our fundamentals, with state-of-the-art network infrastructure and financial strength, will serve us well as we continue our pursuit of service excellence. I have confidence in the prospects of the Group.

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

## **FOK Kin Ning, Canning**

Chairman

Hong Kong, 24 February 2014