

Chairman's Statement

Hutchison Telecommunications Hong Kong Holdings Limited (the "Company") and its subsidiaries (together, the "Group") recorded a rebound in overall performance by comparing the results for the first half and the second half of 2014 due to an increasing subscription of high speed data centric plans offered by mobile and fixed-line businesses.

Results

The results in 2014 reflected a mixed integrated performance with signs of turnaround in the mobile business as a result of price recovery in the second half of 2014 and a continually growing fixed-line business.

Consolidated turnover increased by 28% to HK\$16,296 million in 2014. Profit before taxation in 2014 was in line with that in 2013. Profit attributable to shareholders in 2014 amounted to HK\$833 million, a decrease of 9% compared to HK\$916 million in 2013.

Comparing the second half of 2014 against its first half, consolidated turnover increased by 62% while profit attributable to shareholders increased by 58% due to better business performance. In particular, mobile turnover increased with more popular handset models available in the second half of 2014 while a similar level of operating expenses was maintained due to continuous stringent cost control. Fixed-line business continued to report growth, especially in the international and local carrier markets, as well as the corporate and business markets.

Basic earnings per share in 2014 were 17.29 HK cents, compared to 19.01 HK cents in 2013.

Dividends

The Board of Directors (the "Board") recommends payment of a final dividend of 8.70 HK cents (2013: 8.00 HK cents) per share for the year ended 31 December 2014. The proposed final dividend will be payable on Wednesday, 27 May 2015, following shareholders' approval at the Annual General Meeting of the Company, to those persons registered as shareholders of the Company on Friday, 15 May 2015, being the record date for determining shareholders' entitlement to the proposed final dividend. Including the interim dividend of 4.25 HK cents per share, full year dividend amounts to 12.95 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 to enhance shareholders' value over the long-term.

Business Review

Mobile business - Hong Kong and Macau

Mobile business turnover in 2014 amounted to HK\$12,632 million, an increase of 35% compared with HK\$9,359 million in 2013. Mobile hardware revenue achieved an increase of 89% to HK\$7,986 million in 2014 compared with that of 2013. Mobile service revenue in 2014 recorded a 10% decline to HK\$4,646 million compared with HK\$5,138 million in 2013 due to the increased churns of lower-ARPU⁽¹⁾ customers under a planned strategy to focus more on serving higher-ARPU data centric customers since the second half of 2013, partially offset by the positive effects brought about by the tariff price recovery after the launch of popular handsets in the second half of 2014. The positive effect of the tariff price recovery is expected to be more substantial in 2015.

EBITDA and EBIT in 2014 were HK\$1,497 million and HK\$877 million respectively, representing a decrease of 5% and 9% respectively compared to 2013. The decrease was mainly caused by additional expenses incurred after the launch of 4G Long-Term-Evolution ("4G LTE") network before reaching critical mass. With the improvement in efficiency and cost control, EBITDA margin⁽²⁾ improved from 31% in 2013 to 32% in 2014.

Notes:

(1) ARPU represents average revenue per user.

(2) EBITDA or EBIT margin % represents EBITDA or EBIT as a percentage of total service revenue (total revenue less hardware revenue).

Comparing the second half of 2014 against its first half, hardware revenue increased substantially by 182% as a result of the launch of popular handsets in the second half of 2014. However, the mobile service revenue declined marginally by 2% as the positive effects brought about by the tariff price recovery in the second half of 2014 were not substantial enough to offset the sluggish performance in the first half of 2014. Despite the above, with improved mobile turnover and continued focus on efficiency and cost control, EBITDA and EBIT in the second half of 2014 increased by 44% and 85% respectively compared to its first half.

As at 31 December 2014, the Group was serving approximately 3.2 million mobile customers in Hong Kong and Macau (31 December 2013: 3.8 million). The decrease in both postpaid and prepaid customer number was mainly due to higher churns of lower-ARPU customers as mentioned above under a planned strategy to focus more on serving higher-ARPU data centric customers with the advanced 4G LTE infrastructure as well as the comprehensive Wi-Fi hotspots coverage.

To manage the increasing data demand from customers, the deployment of 4G LTE Advanced services and the construction of Time Division Duplexing network are in the infrastructure enhancement pipeline in 2015. With the well-developed infrastructure, the Group anticipates a considerable growth in 4G LTE customer number and improvement in overall ARPU.

Fixed-line business

Fixed-line business recorded steady growth in 2014. Service revenue in 2014 grew by 6% to HK\$4,102 million from HK\$3,880 million in 2013. In particular, revenue generated from the international and local carrier markets as well as the corporate and business markets increased by 6% and 11% respectively compared to 2013. EBITDA and EBIT in 2014 were HK\$1,307 million and HK\$606 million respectively, representing an increase of 6% and 19% respectively against 2013 with EBITDA margin maintained at 32%. The increase in EBITDA and EBIT was mainly due to revenue growth together with continued focus on efficiency and cost management as well as lower depreciation and amortisation expenses.

Comparing the second half of 2014 against its first half, fixed-line revenue increased by 4% as a result of higher revenue generated from the international and local carrier markets as well as the corporate and business markets. EBITDA increased by 7% while EBIT increased by 14%. EBITDA margin improved from 31% in the first half of 2014 to 32% in the second half of 2014 as a result of continued focus on efficiency and cost management.

The Group anticipates an increasing demand for sophisticated network solutions across all market segments. The evolution as a next generation solution provider via innovative network and applications development will be the key growth driver in the future.

Outlook

The Group is positive on the outlook in more rational mobile and fixed-line markets. The Group is committed to delivering growth in service revenue, maintaining cost discipline and reliable network service. As an integrated telecommunications operator, the Group benefits from financial contributions from both mobile and fixed-line businesses. The Group will further develop Fixed-Mobile Integrated services by optimising synergies between the mobile and fixed-line businesses, thereby enabling customers to take advantage of the full benefits of a new era of data connectivity. With the state-of-the-art network infrastructure and the gradually improved results of operation, the Group is expected to turnaround in the future to enhance the value of shareholders.

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, 16 February 2015