

Chairman's Statement

The 2015 financial year results of Hutchison Telecommunications Hong Kong Holdings Limited (the "Company") and its subsidiaries (together, the "Group") shows the commitment of the Group to focus on service and operation. The Group as a whole benefited from increased revenue, margin and profitability.

Results

Consolidated revenue in 2015 was HK\$22,042 million, an increase of 35% compared to HK\$16,296 million in 2014. Profit attributable to shareholders in 2015 amounted to HK\$915 million, an increase of 10% compared to HK\$833 million in 2014. Basic earnings per share in 2015 were 18.99 HK cents compared to 17.29 HK cents in 2014.

Dividends

The Board of Directors (the "Board") recommends payment of a final dividend of 9.00 HK cents (2014: 8.70 HK cents) per share for the year ended 31 December 2015. The proposed final dividend will be payable on Thursday, 26 May 2016, following shareholders' approval at the Annual General Meeting of the Company, to those persons registered as shareholders of the Company on Tuesday, 17 May 2016, being the record date for determining shareholders' entitlement to the proposed final dividend. Including the interim dividend of 5.20 HK cents per share, full year dividend amounts to 14.20 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 total revenue in 2015 was HK\$18,477 million, an increase of 46% compared to HK\$12,632 million in 2014. Mobile hardware revenue in 2015 was HK\$14,371 million, an increase of 80% compared to 2014 as a result of the popularity of smartphones. Mobile net customer service revenue in 2015 was HK\$4,106 million, a 12% decline compared to HK\$4,646 million in 2014 as a result of a 27% decrease in roaming revenue. Corresponding net customer service margin declined by 8% to HK\$3,823 million compared to 2014. Nevertheless, with the dedicated effort to reduce direct roaming cost, the net customer service margin percentage in 2015 improved to 93% (2014: 89%). Excluding the roaming factors in both years, the local net customer service margin in 2015, after deducting direct variable costs, was in line with 2014 as a result of better local net ARPU⁽¹⁾ by upgrading customers to use 4G Long-Term-Evolution ("4G LTE") services partially offset by the negative effect brought from the churn of low-margin postpaid customers in 2015.

EBITDA and EBIT in 2015 were HK\$1,637 million and HK\$976 million respectively, an improvement of 9% and 11% respectively, compared to those in 2014. Service EBITDA⁽²⁾ in 2015 improved by 9% to HK\$1,329 million from HK\$1,224 million in 2014 with corresponding service EBITDA margin percentage⁽²⁾ improved to 32% in 2015 from 26% in 2014, mainly as a result of continued focus on operational efficiency.

As at 31 December 2015, the Group was serving approximately 3.0 million customers in Hong Kong and Macau (30 June 2015: 2.9 million), of which the number of postpaid customers was approximately 1.5 million (30 June 2015: 1.5 million). The churn of low-margin postpaid customers was reduced in the second half of 2015.

Notes:

(1) Local net ARPU is defined as monthly average spending per user excluding roaming revenue and revenue related to handset under the non-subsidised handset business model.

(2) Service EBITDA represents EBITDA excluding standalone handset sales margin. Service EBITDA margin percentage is service EBITDA as a percentage of net customer service revenue.

With more upgrade of customers to use 4G LTE service, blended local postpaid net ARPU⁽³⁾ for 2015 was HK\$161, an increase of 17% compared to HK\$138 for 2014, while the blended local postpaid net AMPU⁽⁴⁾ improved by 18% to HK\$154 compared to HK\$130 in 2014.

4G LTE-Advanced service has been deployed since the second half of 2015, while construction of the Time Division Duplexing network is in good progress and targets to launch in the second half of 2016. In addition, the Group is in the process of enhancing the indoor coverage by refarming part of its existing 900MHz spectrum for 4G LTE services. Together with the extensive Wi-Fi coverage, customer experience on mobile connectivity would be further enhanced.

Fixed-line business

Fixed-line service revenue in 2015 was HK\$3,973 million, a decrease of 3% compared to HK\$4,102 million in 2014. The decrease was mainly due to a 5% reduction in revenue in the international and local carrier market and 7% reduction in the residential market. The decline in revenue from the carrier market was mainly due to reduced demand for international direct dialing which was partially offset by gradual increase in data demand as a result of growing popularity of "Over-the-Top" ("OTT") applications and "Internet-of-Things" ("IoT") related devices. The decreases were partially offset by a 3% increase in revenue generated from the corporate and business market as a result of growth in demand of high speed data connectivity. EBITDA and EBIT in 2015 were HK\$1,274 million and HK\$577 million respectively, reduced by 3% and 5% respectively, compared to those in 2014. EBITDA margin maintained at 32% as a result of continued focus on the provision of high margin solution based offerings as well as savings from operational efficiency.

The Group anticipates a strong need for sophisticated and advanced telecommunications network solutions to meet the customer demand in carrier, corporate and business markets. The Group continues to focus on enhancing residential coverage and expanding Wi-Fi presence in coming years in order to cope with customers' growing infotainment needs. With further technology development and a state-of-the-art network infrastructure including high speed optical fibre backbone network, advanced Wi-Fi presence and cloud-based platform, the Group is in a solid position to capture further data demand and growth from the increasing popularity of OTT applications and IoT related devices.

Outlook

Against a backdrop of uncertainties in both local and international economies, the Group is cautiously planning ahead. With the increasing popularity of viewing infotainment contents on smart devices, there is a growing need for one-stop lifestyle solutions. The Group serves customers at home, on the move and in the workplace by integrating mobile, fixed-line and Wi-Fi networks to offer mobility, broadband, digital entertainment and fixed-line connectivity, at the same time expanding indoor and outdoor coverage in a seamless manner to generate more revenue, while enhancing shareholder value.

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, 29 February 2016

Notes:

- (3) Local postpaid net ARPU is defined as monthly average spending per postpaid user excluding roaming revenue and revenue related to handset under the non-subsidised handset business model. Prior year figure has been adjusted to conform to current year presentation.
- (4) Local postpaid net AMPU represents average net margin per postpaid user. Local postpaid net AMPU equals local postpaid net ARPU less direct variable costs (including interconnection charges). Prior year figure has been adjusted to conform to current year presentation.