

Chairman's Statement

Hutchison Telecommunications Hong Kong Holdings Limited ("the Company") and its subsidiaries (together referred to as "the Group") are pleased to announce annual results for 2018. The Group remained resilient in a challenging operating environment, delivering satisfactory performance and revenue growth, while making progress with digital transformation for efficiency enhancement. The launch of innovative local and roaming products and services, together with deployment of the latest information and online platform technologies, enhanced overall customer experience and improved operational efficiency.

Results

Group revenue amounted to HK\$7,912 million in 2018, a 17% increase compared with HK\$6,752 million in 2017. Demand for new smartphones remained strong throughout the year with handset revenue growing 47% from HK\$2,899 million in 2017 to HK\$4,250 million in 2018.

Net customer service margin remained under pressure, partially compensated by improvements in operational efficiency and stringent control over spending. EBITDA decreased by 9% to HK\$1,157 million in 2018.

EBIT decreased by 15% to HK\$339 million in 2018, primarily driven by the same EBITDA factors noted above, together with additional amortisation of capitalised incremental costs after adoption of the IFRS 15 accounting standard since 1 January 2018. The decrease was partly offset by lower depreciation expense subsequent to an accelerated depreciation exercise involving certain 2G and 3G mobile telecommunications fixed assets in 2017.

Profit attributable to shareholders was HK\$404 million, a decrease of 92% compared with HK\$4,766 million in 2017. Excluding the gain on disposal of subsidiaries and other items of HK\$4,544 million in 2017, with the additional benefits of interest income, the profit attributable to shareholders increased by 82%, while recurring earnings per share was 8.38 HK cents in 2018 (2017: 4.61 HK cents).

As of 31 December 2018, the total number of customers in Hong Kong and Macau was approximately 3.3 million (2017: approximately 3.3 million), of which 46% (2017: 45%) was postpaid customers. Monthly churn rate of postpaid customers remained stable at 1.3% in 2018 (2017: 1.3%) in a fiercely-competitive market. Blended postpaid gross ARPU decreased by 5% from HK\$230 in 2017 to HK\$219 in 2018.

Dividends

The Board resolved to declare a one-off special interim dividend of 80.00 HK cents (2017: Nil) per share payable on Friday, 24 May 2019 to shareholders whose names appear on the Register of Members of the Company at close of business on Wednesday, 15 May 2019, being the record date for determining shareholders' entitlement to the special interim dividend.

Further, the Board recommended payment of a final dividend of 3.20 HK cents (2017: 4.55 HK cents) per share for the year ended 31 December 2018. The proposed final dividend will be payable on Friday, 24 May 2019, 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 at close of business on Wednesday, 15 May 2019, being the record date for determining shareholders' entitlement to the proposed final dividend. Combined with the interim dividend of 3.10 HK cents per share and the special interim dividend of 80.00 HK cents per share, the full year dividend amounts to 86.30 HK cents per share.

Outlook

The Group acquired spectrum resources in the 900 MHz band and 1800 MHz band in 2018 as part of continued efforts to enhance network quality and the overall customer experience. Looking ahead, the Group will continue deploying the latest technologies to further improve spectrum efficiency, while ensuring customers enjoying smooth and reliable mobile service, coinciding with the ongoing surge in demand for mobile data.

The Group's digitalisation initiatives have been designed to streamline and automate business operations, processes and competencies, and they will be progressively deployed in 2019 and remain a priority of the Group over the next few years. The Group will continue to utilise advanced digital technologies to further enhancing customer experience, while generating incremental revenues and savings in operation.

Pressure on tariff pricing persists as competition is expected to remain keen. The Group will therefore focus on broadening revenue base by opening up new digital services and IoT revenue streams. The Group will continue to collaborate with CKHH Group telecommunications operations in Europe and Asia, as well as with other top-notch telecommunications, internet and technology partners, in order to enhance its procurement capability and develop innovative roaming packages to generate sustainable returns for shareholders over the long term.

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

FOK Kin Ning, Canning

Chairman

Hong Kong, 28 February 2019