

# Chairman's Statement

Hutchison Telecommunications Hong Kong Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") are pleased to announce the annual results for 2019. The intense competition in the mobile telecommunications market, which dampened the Group's service margin and profitability in the first half, remained unabated in the second half of the year. Nevertheless, the Group demonstrated resilience in this challenging operating environment and delivered a set of solid financial results with satisfactory earnings growth for the full year. This was mainly attributable to the customer segmentation strategy which deepened customer engagement and experience, commitment to drive further operational efficiency through disciplined cost controls, as well as continued focus on exploring new and innovative revenue initiatives.

Service revenue marginally decreased by 1% to HK\$3,613 million, mainly due to pricing pressure on local data tariffs, partly offset by strong growth in roaming data revenue as well as higher contribution from corporate solutions. Service EBITDA (Pre-IFRS 16 basis) increased by 6% primarily driven by stringent spending controls to improve operational efficiency. The Group continued to report a healthy service EBITDA margin (Pre-IFRS 16 basis) of 32%, a 2%-point growth compared with last year.

On a Pre-IFRS 16 basis, the Group's total EBITDA and EBIT increased by 4% and 16% to HK\$1,201 million and HK\$393 million respectively against last year.

On a Post-IFRS 16 basis, the Group's total EBITDA and EBIT increased by 44% and 21% respectively against last year. Profit attributable to shareholders increased by 6% to HK\$429 million in 2019. Earnings per share were HK\$8.90 for 2019, an increase of 6% compared with last year.

As of 31 December 2019, the Group's total number of customers in Hong Kong and Macau was approximately 3.7 million, a 12% increase from 3.3 million as of 31 December 2018. The increase was mainly driven by growing subscriptions in the prepaid segment. Postpaid customers accounted for 40% (31 December 2018: 46%) of the total customer base. Postpaid churn rate improved to 1.2% (2018: 1.3%), reflecting the effectiveness of the Group's retention programme. Postpaid gross ARPU decreased by 6% to HK\$205 in 2019 (2018: HK\$219), mainly due to keen market competition, despite rapid growth in data demand.

## Dividend

The Board recommends payment of a final dividend of 3.75 HK cents (2018 final dividend: 3.20 HK cents) per share, payable on Wednesday, 27 May 2020, to shareholders whose names appear on the Register of Members of the Company at the close of business on Monday, 18 May 2020, being the record date for determining shareholders' entitlement to the proposed final dividend. Combined with the interim dividend of 2.93 HK cents per share, the full year dividend amounts to 6.68 HK cents per share (2018 full year dividend: 6.30 HK cents before one-off special interim dividend, and 86.30 HK cents after). The Board expects the total full year dividend payout to be equivalent to 75% of annual profit attributable to shareholders.

## Outlook

The Hong Kong economy faced significant downward pressure during 2019. This economic downswing, together with the recent outbreak of coronavirus disease ("COVID-19"), cumulate in additional uncertainties in the Group's operating environment going forward. Domestic demands and local sentiments are expected to stay sluggish and soften further in the near term.

Against this challenging backdrop, the Group will continue to focus on simplification of operating processes and optimisation of resources for generating better efficiency and returns. While maintaining a prudent stance on spending, the Group will continue to focus on digital transformations to further enhance customer experience and engagement. The Group will also continue collaborations with the members of the CKHH Group as well as other partners, to unleash new digital services and Internet-of-Things solutions to facilitate market demands and sustain its competitiveness.

The Group is currently devoting resources in developing 5G infrastructure as part of the Group's long-term plan to revolutionise its network infrastructure, in particular to expand and improve the coverage of its services to customers while at the same time maintaining its competitive telecommunications service offerings to customers. The Group contemplates to deploy advanced 5G technology and develop high quality 5G network services to stay competitive as the telecommunications industry progresses towards the new 5G era.

The Group is taking precautions to safeguard its employees and business operations in light of the COVID-19 outbreak and will continue to monitor the development, ensuring appropriate steps are taken to manage the risks. Finally, I would like to thank the Board of Directors and all staff members for their dedication, professionalism and contributions to the Group.

### **FOK Kin Ning, Canning**

Chairman

Hong Kong, 28 February 2020



# Operations Review

The Group is transforming into a digitally-enabled operator offering more diversified solutions to enhance overall customer experience in both the mass and corporate markets.

