

Chairman's Statement

I am pleased to report the financial results of Hutchison Telecommunications Hong Kong Holdings Limited (the "Company") and its subsidiaries (together, the "Group") for the six months ended 30 June 2012. Ongoing smartphone trend momentum, as well as ever-increasing data usage, continued to drive growth and have enabled us to deliver strong results for the period under review.

Results

Consolidated turnover for the first six months rose by 12%, from HK\$6,018 million in 2011 to HK\$6,730 million in 2012. EBITDA increased by 16%, from HK\$1,243 million for the first half of 2011 to HK\$1,446 million for the same period in 2012. Operating profit grew 17%, from HK\$682 million for the first half of 2011 to HK\$801 million for the same period in 2012. Profit for the six months ended 30 June 2012 amounted to HK\$704 million, reflecting a 17% increase, from HK\$600 million for the same period in 2011. Profit attributable to shareholders of the Company grew 15%, from HK\$494 million for the first six months of 2011 to HK\$568 million for the corresponding period in 2012. Basic earnings per share for the first half of 2012 was 11.79 HK cents, a 15% increase compared to 10.25 HK cents for the same period in 2011.

Dividends

The board of Directors (the "Board") declares payment of an interim dividend for the first half of 2012 of 6.05 HK cents (30 June 2011: 5.16 HK cents) per share, or HK\$292 million (30 June 2011: HK\$249 million) in total, payable on Thursday, 6 September 2012 to those persons registered as shareholders of the Company on Wednesday, 5 September 2012. The register of members will be closed from Wednesday, 29 August 2012 to Wednesday, 5 September 2012, both days inclusive. The Board envisages a full-year dividend amounting to 75% of annual profit attributable to shareholders of the Company.

Business Review

Mobile business - Hong Kong and Macau

Our mobile business continued to demonstrate solid growth. Turnover for the first half of 2012 increased by 15% to HK\$5,241 million, driven by persistent demand for a variety of best-selling smart devices and keen customer interest in our evolving data services. EBITDA and operating profit for the first half of 2012 showed growth of 28% and 26% respectively, amounting to HK\$992 million and HK\$675 million respectively, mainly driven by strong revenue growth and cautious cost management.

As of 30 June 2012, we served 3.64 million customers in Hong Kong and Macau (30 June 2011: 3.35 million), of which postpaid customers amounted to 1.99 million. 58% (30 June 2011: 49%) of such 3G and 4G postpaid customers in Hong Kong were using smart devices as of 30 June 2012. Introduction of smart devices, with enhanced functionality and ever-improving design strengths, is helping to drive our mobile business. We see escalating numbers of customers deploying more advanced models, thereby contributing to stronger hardware sales. Meanwhile, increasingly more customers are opting for tariff plans bundled with data services, which is boosting revenue growth. Postpaid ARPU rose by 8% to HK\$256 for the first half of 2012, from HK\$238 for the same period in 2011.

The period under review marked the launch of our 4G service, which is set to deliver an unparalleled customer experience and enable customers to make the most of this high-speed technology. In a move to differentiate our services, we offered an array of distinctive value-added services and applications. Coupled with our attractive tariff plans, this milestone development undoubtedly enriches our service portfolio, allowing us to satisfy the most sophisticated mobile customers.

We recognise the importance of network capacity to sustain growth momentum in the mobile telecommunications business. In February 2012, we acquired a block of 30MHz TDD-LTE spectrum in the 2.3GHz band, strengthening our position as the mobile operator holding the largest amount of available radio spectrum in Hong Kong. This underscores our determination to achieve network excellence, as well as our ability to keep up with ever-increasing volume of network traffic in the era of mobile data.

Fixed-line business

Turnover from our fixed-line business for the first half of 2012 was HK\$1,725 million, representing a 4% increase compared to the same period in 2011. In response to cautious customer spending in a volatile market, we stepped up investment in customer acquisition and retention. As a result, EBITDA and operating profit for the first half of 2012 decreased by 2% and 8% respectively, and amounted to HK\$510 million and HK\$182 million.

The period under review saw implementation of a number of initiatives in our various segments. For example, our international carrier business launched a world-class interconnection platform in partnership with global exchange organisations. This enhances our profile among international operators and enables local customers to connect to the rest of the world with ease via our carrier-grade platform.

We also joined forces with leading technology partners to offer a series of cloud-based business services. From the provision of affordable SME service packages to tailor-made industry-specific solutions, our cloud computing portfolio is able to meet the differing needs of our many corporate customers. Our state-of-the-art data centre facilities and deepening partnerships with prominent ICT service providers strengthen the leadership position we have achieved in the emerging cloud computing market.

Investment in residential market customer acquisition is showing results; we are gaining ground as our customer base expands. This has been helped by launch of a brand new home broadband package featuring an Android TV Box, with the aim of providing households with an unrivalled online experience. Combining high-speed broadband service, leveraging our extensive fibre-optic network with a wide range of exclusive multimedia content, our exciting offers redefine the overall home broadband experience. It further demonstrates our unwavering determination to deliver increasingly sophisticated value-added services to our customers.

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Outlook

Volatile market conditions are creating challenges. However, this will by no means undermine our ability to deliver value to our shareholders. Looking ahead, we view internal upward migration in particular from non-smartphone base to smartphone base as the key to nurturing higher growth in mobile business. With a succession of appealing smart device models and mobile applications exploding onto the market, we expect smartphone adoption to continue in the foreseeable future. In addition, this trend will stimulate demand for high-performance network and desire for greater data service offerings. Our new 4G service is currently available in most of the major areas in Hong Kong and we target to match the scale and scope with our 3G network coverage by the end of 2012.

We see further growth potential in our fixed-line business, despite the competitive nature of the landscape in which we operate. Our international carrier business continues to grow in step with our expanding overseas coverage and enhanced scale of interconnection with operators worldwide. Following mass launch of 4G service in Hong Kong, we expect even greater demand for mobile backhaul services from our local carrier customers.

In addition, a growing need for cloud computing and data centre services is creating a fertile new business market. Our extensive and well established fibre network and world-class data centre facilities position us extremely well to serve both international and local organisations. We have also strengthened ties with IT industry leaders in order to build innovative solutions that suit a variety of market needs. Meanwhile, competition in the residential market shows signs of easing. We have been able to increase tariff pricing of our various service offerings while remaining competitive. We expect this positive trend to continue under such operating environment.

Our robust revenue stream, strong presence in a variety of markets and customer-oriented service offerings form the cornerstones of our business. We are, therefore, in a strategically-advantageous position to capitalise on the opportunities that lie ahead.

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, 1 August 2012