Chairman's Statement

Market conditions of the telecommunications industry in the first half of 2014 continue to pose a challenge for Hutchison Telecommunications Hong Kong Holdings Limited (the "Company") and its subsidiaries (together, the "Group"). However, as an integrated telecommunications operator, the Group demonstrated resilience in spite of a difficult mobile business environment.

Results

The results of the first half of 2014 reflected continued intense price competition for the mobile business during the period and the weakened market response to smart mobile devices launched in recent months, which were partially offset by the increase in profitability in the corporate and business market of fixed-line business. With the consolidation in the telecommunications market, which reduced the number of mobile operators from five to four, the mobile market has stabilised and price competition has become more rational. The mobile market has recently seen some price recovery and this trend is expected to continue.

Compared with the first half of 2013, consolidated turnover increased by 1% to HK$6,227 million. Consolidated EBITDA and EBIT for the first half of 2014 were HK$1,181 million and HK$527 million respectively, compared with HK$1,471 million and HK$820 million respectively for the first half of 2013. Profit attributable to shareholders for the six months ended 30 June 2014 amounted to HK$323 million, a decrease of 44% when compared with HK$572 million for the first half of 2013.

Compared with the second half of 2013, consolidated turnover decreased by 6% while profit before taxation increased by 4% due to stringent cost controls, reduced interest expense and encouragingly, an improving mobile market outlook. Fixed-line business continued to grow in all segments, especially in the corporate and business market. After taking into account of increased deferred tax expenses for mobile business in the first half of 2014 as carried forward tax losses have effectively been utilised, profit attributable to shareholders was 6% lower than the second half of 2013.

Basic earnings per share for the first half of 2014 were 6.70 HK cents, compared with 11.87 HK cents for the same period in 2013.

Dividends

The Board of Directors (the "Board") has declared payment of an interim dividend for the first half of 2014 of 4.25 HK cents (30 June 2013: 6.25 HK cents) per share, payable on Thursday, 4 September 2014 to those persons registered as shareholders of the Company on Tuesday, 26 August 2014, being the record date for determining shareholders' entitlement to the interim dividend. The Board expects a total full-year dividend payout to be equivalent to 75% of annual profit attributable to shareholders. The Board strives to maintain a sustainable dividend policy to enhance shareholders' value over the long term.

Business Review

Mobile business – Hong Kong and Macau

The mobile business turnover for the first six months of 2014 was HK$4,438 million compared with HK$4,452 million for the first half of 2013. The mobile service revenue was HK$2,348 million, a decrease of 11% compared with the first half of 2013 due to an increased proportion of lower-tier service plans subscription and a decrease in demand for mobile voice services. Mobile hardware revenue was HK$2,090 million, an increase of 15% when compared with the same period in 2013. EBITDA and EBIT for the first half of 2014 were HK$614 million and HK$308 million respectively, a decrease of 35% and 53% respectively when compared with the first half of 2013. These declines were mainly due to additional expenses being incurred since the second half of 2013 in connection with the launch of the 4G Long-Term-Evolution ("LTE") network ahead of anticipated customer take up of the new 4G LTE plans.

Compared with the second half of 2013, mobile business performance continued to be under pressure with continued weak market response to new smart mobile devices introduced in the period as well as continued intense price pressure during the period, although price competition has eased towards the end of the period. Mobile service revenue reduced by 6% while mobile hardware revenue reduced by 13%. Due to continuous focus on efficient cost management and lower customer acquisition spending, EBITDA and EBIT only decreased marginally by 2% and 1% respectively when compared with the second half of 2013.

As of 30 June 2014, the Group was serving approximately 3.6 million mobile customers in Hong Kong and Macau (31 December 2013: 3.8 million). The decrease in customer number was mainly due to a higher churn of lower-tier customers.

To differentiate its mobile services, the Group will continue to provide a best-in-class network and to work with content providers to offer more tailored applications to enhance overall mobile experience in retaining quality customers.

Fixed-line business

Fixed-line business recorded steady growth during the first half of 2014. Service revenue for the first half of 2014 grew by 4% to HK$2,013 million from HK$1,927 million in the first half of 2013. In particular, revenue generated from corporate and business market increased by 14% when compared with the first half of 2013. EBITDA and EBIT for the period were HK$631 million and HK$283 million respectively, representing an increase of 6% and 21% respectively compared with the same period in 2013.

Compared with the second half of 2013, fixed-line revenue increased by 3% as a result of higher revenue generated from carrier business as well as from corporate and business market. EBITDA of the fixed-line business decreased by 2% while EBIT increased by 3%. EBITDA margin on service revenue reduced slightly from 33% for the second half of 2013 to 31% for the first half of 2014. The lower EBITDA and EBITDA margin were due to a different country mix of revenue generated from the international carrier business during the different periods. Lower depreciation and amortisation expenses resulted in the increase in EBIT.

The Group anticipates an increasing demand for sophisticated network solutions from corporate and business market customers which will be the key growth driver in 2014.

Outlook

The outlook for the second half of the year remains challenging but a lot more encouraging. An increasingly more rational market and anticipated launch of new exciting smart devices in the fourth quarter of this year are expected to bring new excitement and growth back to an otherwise stagnant mobile market. Consequently, the Group expects the performance of the mobile business to improve gradually in the second half of 2014, although for the full year profit will bear an increase in deferred tax expenses as carried forward tax losses have effectively been utilised. As an integrated telecommunications operator, the Group benefits from a balanced contribution from its mobile and fixed-line businesses, which going forward will provide some resilience against volatility. The Group's state-of-the-art network infrastructure and solid financial position provide a strong base for the Group to remain competitive and achieve growth in the future.

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, 30 July 2014