Chairman's Statement

Hutchison Telecommunications Hong Kong Holdings Limited ("the Company") and its subsidiaries (together referred to as "the Group") reported financial results for the first half of 2018 after operating in a competitive mobile market. The Group focuses on developing innovative products and services to meet ever-changing market needs, while constantly enhancing the overall customer experience and stimulating service revenue growth.

Results

Revenue increased 29% to HK$4,021 million for the first half of 2018 from HK$3,117 million in the first half of 2017. Profit attributable to shareholders from continuing operations for the first half of 2018 amounted to HK$198 million, an improvement of 77% compared with HK$112 million in the first half of 2017.

Basic earnings per share from continuing operations for the first half of 2018 was 4.11 HK cents, compared with 2.32 HK cents for the first half of 2017.

Dividend

The Board has declared payment of an interim dividend of 3.10 HK cents (30 June 2017: 3.90 HK cents) per share for the first half of 2018, payable on Monday, 3 September 2018 to shareholders whose names appear on the Register of Members of the Company at the close of business on Thursday, 23 August 2018, being the record date for determining shareholders' entitlement to the interim dividend. The Board expects total full-year dividend payout to be equivalent to 75% of annual profit attributable to shareholders.

The Board decided not to declare any special dividend for the present, and will continue to evaluate opportunities to utilise cash proceeds from disposal of the fixed-line business in order to enhance shareholder value. If no such opportunity is identified, a special dividend will be considered by the Board for the year ending 31 December 2018.

Business Review

Revenue for the first half of 2018 was HK$4,021 million, a 29% increase compared with HK$3,117 million for the first half of 2017. The increase was mainly attributable to an 86% increase in hardware revenue to HK$2,178 million for the first half of 2018 from HK$1,173 million for the first half of 2017. This was the result of greater demand for the latest smartphones rolling over from the last quarter of 2017.

Service revenue for the first half of 2018 was HK$1,843 million, a decrease of 5% compared with HK$1,944 million in the first half of 2017. The decrease was mainly due to a 7% drop in local service revenue and a 16% drop in Macau roaming service revenue, partially offset by a 9% increase in Hong Kong roaming service revenue. The strategy of developing leisure roaming services was well executed and has produced encouraging results since the second quarter of 2017. Roaming revenue amounted to 19% of service revenue for the first half of 2018. Net customer service margin was stablised at 91%.

EBITDA for the first half of 2018 was HK$601 million, a 7% decrease compared with HK$644 million in the first half of 2017. The decrease was mainly the result of lower local service margin as mentioned earlier, partially offset by lower overall operating expenses with capitalisation of certain variable costs, following adoption of the IFRS 15 accounting standard from the beginning of 2018. Service EBITDA margin for the first half of 2018 was maintained at approximately 31%.

EBIT for the first half of 2018 was HK$195 million, a 9% decrease compared with HK$215 million in the first half of 2017, mainly the result of above-mentioned reasons plus additional amortisation of capitalised variable costs after adoption of the IFRS 15 accounting standard. This was partially offset by saving in fixed assets depreciation expense following an accelerated depreciation exercise in 2017.

As of 30 June 2018, the total number of customers being served in Hong Kong and Macau was approximately 3.4 million (31 December 2017: approximately 3.3 million), with growth mainly came from the Hong Kong market. Postpaid customers accounted for 44% (31 December 2017: 45%) of the total customers. Monthly churn rate of postpaid customers was kept at 1.2% during the first half of 2018 (1H 2017: 1.2%), while blended postpaid gross ARPU decreased 4% to HK$222 for the first half of 2018 from HK$232 in the first half of 2017. This was a result of fierce market competition in local data tariff packages.

Outlook

The telecommunications industry is navigating a period of change and complexity brought about by the imminent arrival of new 5G era. The industry is therefore focusing on identifying and capitalising on new service and revenue opportunities, while boosting efficiency. It is against this backdrop that the Group has embarked on a journey of digital transformation to streamline and automate internal processes and IT – all with the overarching aim of preparing the Group for the new 5G era.

Despite the fierce market competition, the Group is well placed to enhance every aspect of its mobile business. Continued collaboration with carriers within the CKHH Group, along with IoT and big data solution vendors, content providers and top-tier global and regional operators, will help create yet more revenue opportunities and higher returns for shareholders. Proceeds from disposal of the fixed-line business places the Group in a strong financial position to pursue expansion and investment opportunities that promise to enhance shareholder value.

With effect from 1 August 2018, Mr Woo Chiu Man, Cliff, the Company Chief Executive Officer, will take up the post of President Director at PT. Hutchison 3 Indonesia, a mobile telecommunications subsidiary of CKHH. Mr Koo Sing Fai will be appointed as Chief Executive Officer of the Company as replacement. The Board would like to express its appreciation to Mr Woo for his contributions to the Group over the years and extend a warm welcome to Mr Koo.

On behalf of the Group, I would like to thank the Board and all staff members for their dedication, professionalism and contributions.

FOK Kin Ning, Canning
Chairman

Hong Kong, 25 July 2018