

Chairman's Statement

Operations Review

Hutchison Telecommunications Hong Kong Holdings Limited ("the Company") and its subsidiaries (together referred to as "the Group") are pleased to report financial results for the first half of 2019. The mobile telecommunications market remains fiercely competitive, which impeded service revenue growth and eroded our service margins. Nevertheless, the Group continued to launch innovative local and roaming products and services, while deploying the latest information and online platform technologies to strengthen customer engagement and boost operational efficiency.

Service revenue decreased by 3% to HK\$1,782 million for the first six months of 2019, mainly the result of pricing pressure on local data tariffs but partially offset by continuous improvement of roaming data revenue with an increase of 17%. Hardware revenue of HK\$733 million was 66% lower than that of the same period in 2018, reflecting softer demand for new smartphones.

Service EBITDA (Pre-IFRS 16 basis) decreased by 6% and service margins remained under pressure, as intense market competition prevailed during the first half of 2019. Nevertheless, the ongoing efforts of the Group in stringent spending controls, improvements to operational efficiency and enhanced agility partially compensated for the decrease in service margins.

The impact of IFRS 16 on the EBIT and net profit of the Group was not significant. EBIT decreased by 18% to HK\$160 million as a result of the aforementioned lower service and hardware margins, and profit attributable to shareholders decreased by 5% to HK\$188 million for the first half of 2019.

As of 30 June 2019, the total number of customers in Hong Kong and Macau was approximately 3.3 million (31 December 2018: approximately 3.3 million). Postpaid customers accounted for 45% (31 December 2018: 46%) of the total customer base. The Group focused on retention programme, compared with the second half of 2018, postpaid churn improved to 1.1% (2H 2018: 1.4%) in an environment with keen competition. The blended postpaid gross ARPU decreased by 6% to HK\$205 for the first half of 2019 (2H 2018: HK\$217), mainly the result of intense market competition in tariff pricing, despite rapid growth in mobile data demand.

Dividend

The Board has declared payment of an interim dividend of 2.93 HK cents (30 June 2018: 3.10 HK cents) per share for the first half of 2019, payable on Friday, 6 September 2019 to shareholders whose names appear on the Register of Members of the Company at the close of business on Wednesday, 28 August 2019, being the record date for determining shareholders' entitlement to the interim dividend. The Board expects the total full-year dividend payout to be equivalent to 75% of annual profit attributable to shareholders.

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Outlook

Competition in the mobile industry is expected to remain at a high level, along with increasing customer expectation and demand for sophistication. The Group is committed to offering an ever-improving customer experience by enhancing network capacity and ensuring smooth and reliable mobile connectivity. The Group will continue to collaborate with telecommunications operators of CKHH Group, as well as other partners, with the aim of creating new revenue streams, while enhancing procurement performance and product development.

The Group embarked on its digital transformation last year with initiatives being designed and executed to boost business efficiency and streamline processes. Emerging digital technologies are presenting the Group with opportunities to transform its operating model, improve the overall customer experience and reshape cost base. The Group will continue to prioritise digital transformation as an enabler in terms of deepening customer engagement, streamlining operations, generating better returns from infrastructure assets, optimising portfolio and sustaining long-term competitive edge.

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 2019