Hutchison Telecommunications Hong Kong Holdings Limited

和記電訊香港控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 215)

UNAUDITED RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

HIGHLIGHTS

	For the six months ended 30 June 2017 HK$ million	For the six months ended 30 June 2016 HK$ million (Restated) (1)	1H 2017 vs 1H 2016 Change
Consolidated service revenue	*3,896*	*3,871*	*+1%*
Consolidated hardware revenue	*1,173*	*1,498*	*-22%*
Consolidated revenue	5,069	5,369	-6%
Consolidated service EBITDA	*1,252*	*1,255*	*-*
Consolidated hardware EBITDA	*17*	*20*	*-15%*
Consolidated EBITDA	1,269	1,275	-
Consolidated service EBIT	*460*	*515*	*-11%*
Consolidated hardware EBIT	*17*	*20*	*-15%*
Consolidated EBIT	477	535	-11%
Service profit	*313*	*349*	*-10%*
Hardware profit	*11*	*13*	*-15%*
Profit attributable to shareholders	324	362	-10%
Earnings per share (in HK cents)	6.72	7.51	-10%
Interim dividend per share (in HK cents)	3.90	4.00	-3%

- Consolidated service revenue showed a modest increase of 1% to HK$3,896 million with key focus on operation efficiency enhancement despite under keen market competition.
- Consolidated service EBITDA was maintained at HK$1,252 million. The Increase in depreciation and amortisation was mainly due to a higher mobile spectrum amortisation charge after the renewal of mobile spectrum licence in October 2016.
- Profit attributable to shareholders decreased by 10% to HK$324 million.
- Earnings per share was 6.72 HK cents.
- Interim dividend per share is 3.90 HK cents.

Note 1: The interim results for the six months ended 30 June 2016 have been restated and accounted for using the principle of merger accounting to reflect the acquisition of 50% remaining interest in HGCGC in March 2017, a joint venture engaged in data centre business under common control of the CKHH Group. Such change resulted in an increase in consolidated service revenue by HK$45 million and a decrease in profit attributable to shareholders by HK$14 million respectively, for the six months ended 30 June 2016.

CHAIRMAN'S STATEMENT

Hutchison Telecommunications Hong Kong Holdings Limited and its subsidiaries reported its results for the first half of 2017 in an increasingly competitive market, especially in the mobile sector. The Group continues to focus on developing innovative products and services to meet ever-changing customer needs with the aim to nurture service revenue growth into the future, while enhancing the overall mobile and fixed-line customer experience.

Results

Consolidated revenue, comprising service and hardware revenue from mobile and fixed-line businesses, decreased by 6% from HK$5,369 million for the first half of 2016 to HK$5,069 million for the first half of 2017. This was the result of a drop in hardware revenue, partially offset by improved service revenue.

Despite the drop in consolidated revenue, consolidated EBITDA was HK$1,269 million, comparable to the same period last year with key focus on efficiency to achieve savings in operating expenditure. The consolidated EBIT was HK$477 million, 11% below the same period in 2016 mainly as a result of higher mobile spectrum amortisation charge after the renewal of mobile spectrum licence in October 2016. Profit attributable to shareholders for the first half of 2017 amounted to HK$324 million, a drop of 10% compared with HK$362 million for the first half of 2016.

Basic earnings per share for the first half of 2017 were 6.72 HK cents compared with 7.51 HK cents for the first half of 2016.

Dividend

The Board has declared the payment of an interim dividend of 3.90 HK cents (30 June 2016: 4.00 HK cents) per share for the first half of 2017, payable on Friday, 1 September 2017 to shareholders whose names appear on the Register of Members of the Company on Wednesday, 23 August 2017, 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.

Business Review

Mobile business – Hong Kong and Macau

Mobile business revenue for the first half of 2017 amounted to HK$3,117 million, a decrease of 10% compared with HK$3,472 million for the first half of 2016. More than 90% of the decline in mobile revenue was the result of lower hardware revenue following weaker demand for new smartphones. Hardware revenue decreased by 22% from HK$1,499 million for the first half of 2016 to HK$1,173 million for the first half of 2017.

Mobile net customer service revenue for the first half of 2017 was HK$1,944 million, a marginal decrease of 1% compared with HK$1,973 million for the first half of 2016. The slight decrease in net customer service revenue was mainly the result of a 9% decline in roaming revenue compared with the same period in 2016. The reduction in roaming revenue slowed down in the first half of 2017 from a drop of 19% for the same period in 2016 against 2015, with the signs of recovery after introduction of various new roaming products and promotions. Net customer service margin percentage for the first half of 2017 was maintained at 93%.

EBITDA in the first half of 2017 decreased by 3% to HK$647 million, mainly reflecting a decrease in roaming service margin and lower standalone handset sales margin, partially offset by improved local net customer service margin. On the other hand, service EBITDA in the first half of 2017 was HK$630 million. Corresponding service EBITDA margin percentage was 32%, which was comparable with that in the same period of 2016. EBIT decreased by 24% to HK$240 million compared to the same period in 2016, mainly due to the increased mobile spectrum amortisation charge after the renewal of mobile spectrum licence in October 2016.

As of 30 June 2017, the Group was serving approximately 3.3 million customers in Hong Kong and Macau (31 December 2016: approximately 3.2 million), of which the number of postpaid customers was approximately 1.5 million (31 December 2016: approximately 1.5 million). Overall churn rate among postpaid customers improved to 1.2% in the first half of 2017 from 1.3% in the first half of 2016. This reflected greater user satisfaction in respect of 4G LTE network quality and enhanced customer service. The Group is committed to enhancing further in churn management following the recent launch of a loyalty programme among our customers.

Blended local postpaid net ARPU decreased by 3% from HK$166 in the first half of 2016 to HK$161 in the first half of 2017, as a result of keen competition in the mobile market. Accordingly, blended local postpaid net AMPU decreased by 2% to HK$155 in the first half of 2017 from HK$158 in the first half of 2016. The Group will continue to launch more OTT services, innovative products, IoT and big data applications to meet customer demands and improve revenue.

The Group is deploying the latest technologies and enhancing existing network architecture as the industry moves towards 5G and the IoT. Together with deployment of carrier aggregation technology, the Group is working on initiatives such as small-cell and smart antenna deployment to enable timely launch of services to meet market demand after the 5G standard and Hong Kong's spectrum plans are confirmed.

Fixed-line business

Fixed-line service revenue for the first half of 2017 was HK$2,167 million, an increase of 3% compared with HK$2,112 million for the first half of 2016. This improvement was mainly the result of higher revenue from corporate and business market segments driven by growing data and ICT needs, partially offset by lower revenue from the residential market as a result of keen market competition.

During the period, the Group acquired the remaining 50% interest in HGCGC, the then joint venture between the Group and the CKHH Group, to cater for the increasing demand of data centre facilities in harmony with existing advanced network infrastructure to develop new products and services locally and internationally.

EBITDA in the first half of 2017 increased by 2% to HK$682 million compared with HK$669 million in the first half of 2016 as a result of improved revenue, while EBIT for the first half of 2017 improved by 6% to HK$297 million compared with HK$280 million in the first half of 2016.

Outlook

Market conditions and competition look set to remain challenging in the second half of 2017. However, carriers, corporations and consumers alike appreciate the benefits of connectivity, which will drive continued growth in data consumption. In fact, demand for innovative telecommunications services will inevitably continue to rise and the Group will benefit from these opportunities.

The Group is therefore committed to introducing innovative products designed to meet or exceed customer expectations and open up new revenue streams. The Group aims to concentrate more on customer retention by rewarding them for spending performance and loyalty. Such new initiatives will also help maximise customer satisfaction and thereby improve churn. Meanwhile, the Group will continue to digitise operations in order to enhance efficiency and enable timely responses to market needs.

Fresh opportunities are emerging in this era of digitalisation, especially in areas such as the IoT, big data and cloud computing. Our assets and capabilities position the Group well to capitalise on the growing importance of such trends. In this regard, the Group will continue to optimise internal process and structure so as to harness the full benefits of increasing demand for data connectivity.

Finally, I would like to take this opportunity to thank the Board and all staff members for their dedication, professionalism and determination to succeed.

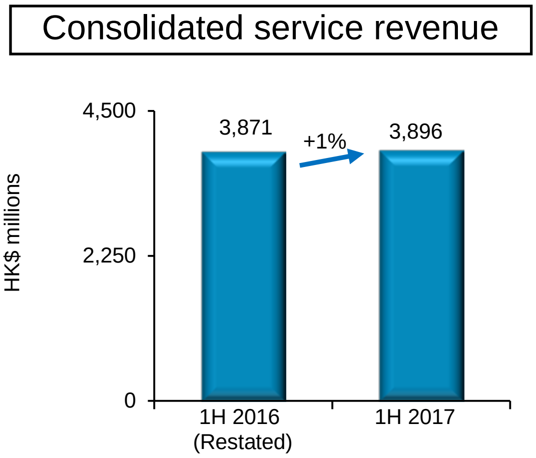
FOK Kin Ning, Canning
Chairman

Hong Kong, 25 July 2017

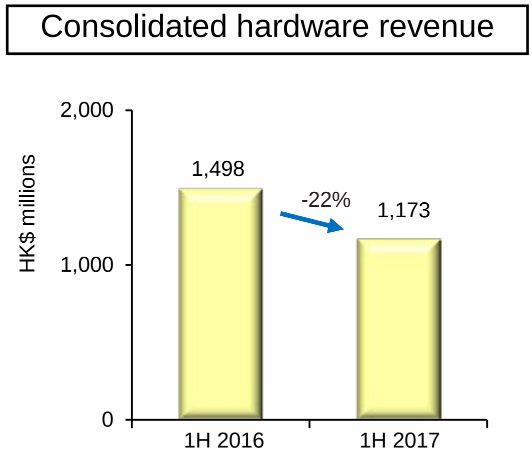
MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

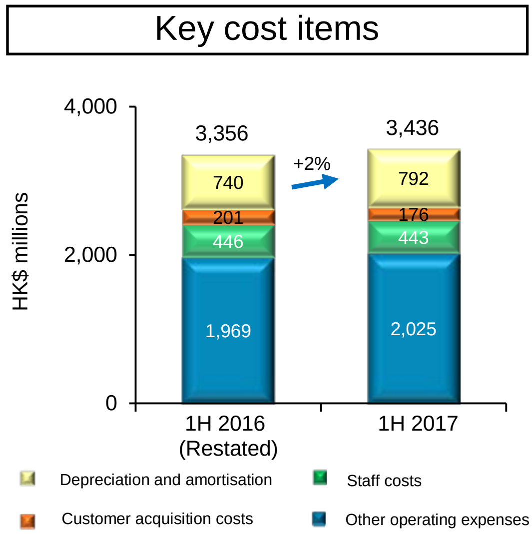
Consolidated service revenue in the first half of 2017 was HK$3,896 million, increased by 1% compared to HK$3,871 million in the first half of 2016. This was the result of a 3% increase in fixed-line revenue, partially offset by 1% decrease in mobile service revenue from 9% decrease in mobile roaming revenue.



Consolidated hardware revenue was HK$1,173 million in the first half of 2017, a decrease of 22% from HK$1,498 million in the first half of 2016 resulting from weaker demand for new smartphones during the period.



Total operating expenses, excluding cost of inventories sold, amounted to HK$3,436 million in the first half of 2017, an increase of 2% from HK$3,356 million in the first half of 2016. This was mainly due to higher mobile spectrum amortisation charge after the renewal of mobile spectrum in October 2016, partially offset by savings in customer acquisition costs with the focus in retention of loyal customers and cautious control over growth in other operating expenses achieved from internal efficiency initiatives.



Consolidated service EBITDA in the first half of 2017 was HK$1,252 million, comparable with HK$1,255 million in the first half of 2016 as a result of the above. Consolidated service EBITDA margin was maintained at 32% in the first half of 2017.

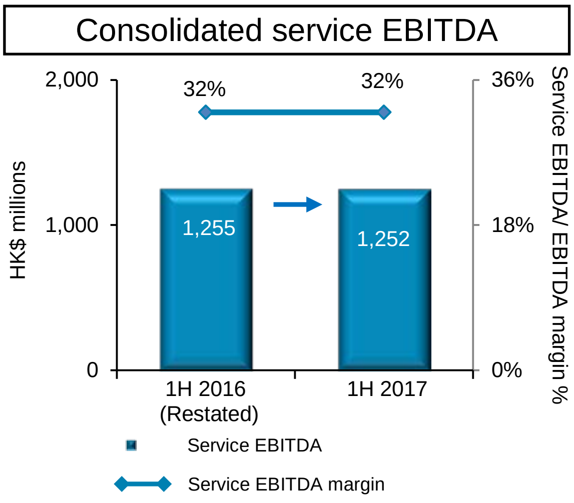
Depreciation and amortisation amounted to HK$792 million in the first half of 2017 compared to HK$740 million in the first half of 2016. The increase was mainly a result of an increase in spectrum licence fee amortisation on 2100MHz band and 2300MHz band after its activation in October 2016 as mentioned above, as well as enhancement of the 4G LTE network infrastructure.

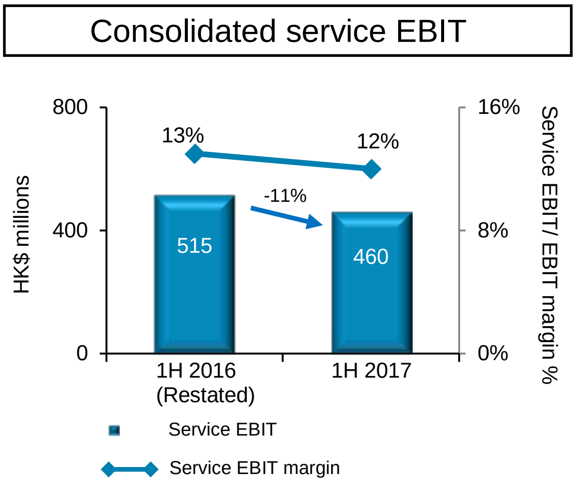
Consolidated service EBIT was HK$460 million in the first half of 2017, a decrease of 11% compared to HK$515 million in the first half of 2016, mainly due to an increase in depreciation and amortisation mentioned above.

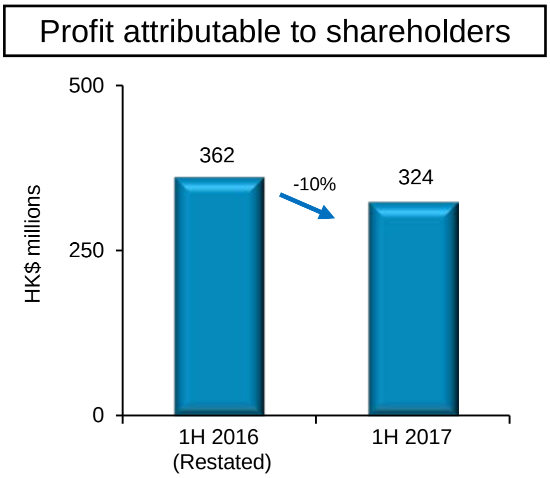
Net interest and other finance costs amounted to HK$49 million in the first half of 2017, a decrease of 9% compared to HK$54 million in the first half of 2016. The decrease was the result of lower notional finance charge on decreasing spectrum licence fee liabilities, partially offset by higher finance cost on higher level of borrowings to finance the mobile spectrum licence fee settled in August 2016. Gearing ratio as of 30 June 2017, calculated by dividing net debt by net total capital, was 27% (31 December 2016: 25%) as a result of higher net debt position.

Share of joint venture losses in the first half of 2017 was HK$3 million, comparable to HK$2 million in the first half of 2016.

Overall, profit attributable to shareholders of the Company in the first half of 2017 was HK$324 million, a decrease of 10% compared to HK$362 million in the first half of 2016.







Business Review

The Group is engaged in two principal businesses – mobile and fixed-line.

Hong Kong and Macau mobile business highlights

	For the six months ended 30 June 2017 HK$ million	For the six months ended 30 June 2016 HK$ million	Favourable/ (unfavourable) change 1H 2017 vs 1H 2016
Total revenue	3,117	3,472	-10%
- Net customer service revenue	1,944	1,973	-1%
- Local service revenue	1,615	1,612	-
- Roaming service revenue	329	361	-9%
- Hardware revenue	1,173	1,499	-22%
- Bundled sales revenue	339	294	+15%
- Standalone handset sales revenue	834	1,205	-31%
Net customer service margin	1,815	1,829	-1%
Net customer service margin %	*93%*	*93%*	-
Standalone handset sales margin	17	20	-15%
Total CACs	(468)	(443)	-6%
Less: Bundled sales revenue	339	294	+15%
Total CACs (net of handset revenue)	(129)	(149)	+13%
Operating expenses	(1,056)	(1,035)	-2%
Opex as a % of net customer service margin	*58%*	*57%*	*-1% point*
EBITDA	647	665	-3%
Service EBITDA	630	645	-2%
Service EBITDA margin %	*32%*	*33%*	*-1% point*
Depreciation and amortisation	(407)	(351)	-16%
EBIT	240	314	-24%
Service EBIT	223	294	-24%
CAPEX (excluding licence)	(197)	(198)	+1%
EBITDA less CAPEX	450	467	-4%

Mobile business revenue for the first half of 2017 amounted to HK$3,117 million, a decrease of 10% compared with HK$3,472 million for the first half of 2016. More than 90% of the decline in mobile revenue was the result of lower hardware revenue following weaker demand for new smartphones. Hardware revenue decreased by 22% from HK$1,499 million for the first half of 2016 to HK$1,173 million for the first half of 2017.

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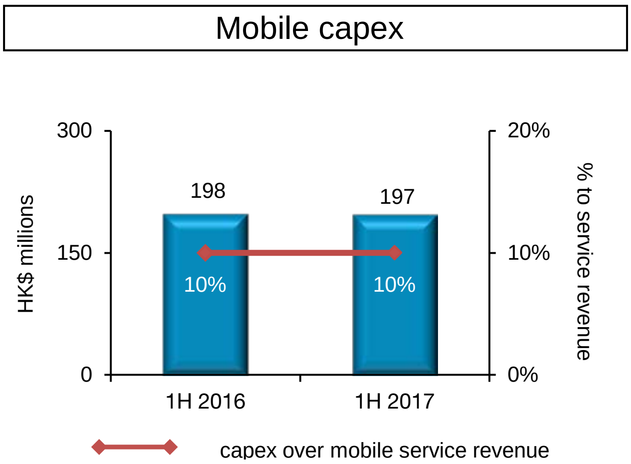
Key performance indicators for mobile business

	For the six months ended 30 June 2017	For the six months ended 30 June 2016 (Restated)	Favourable/ (unfavourable) change 1H 2017 vs 1H 2016
Number of postpaid customers ('000)	1,486	1,481	-
Number of prepaid customers ('000)	1,782	1,597	+12%
Total customers ('000)	3,268	3,078	+6%
Postpaid customers to the total customer base (%)	45%	48%	-3% points
Postpaid customers' contribution[(2)] to the net customer service revenue (%)	91%	92%	-1% point
Monthly postpaid churn rate (%)	1.2%	1.3%	+0.1% point
Local postpaid gross ARPU[(2)] (HK$)	195	209	-7%
Local postpaid net ARPU[(2)] (HK$)	161	166	-3%
Local postpaid net AMPU[(2)] (HK$)	155	158	-2%

Capital expenditure on property, plant and equipment in the first half of 2017 amounted to HK$197 million (1H 2016: HK$198 million), accounting for 10% (1H 2016: 10%) of mobile service revenue. The level of capital expenditure in the first half of 2017 was consistent with the same period in 2016, mainly for long-term investment in network enhancement and capacity expansion for 4.5G technology and launch of automation projects during the first half of 2017 to prepare for coming 5G technology for better service and long-term cost savings in future.



Summary of spectrum investment as of 30 June 2017		
Spectrum band	**Bandwidth**	**Year of expiry**
Hong Kong		
900 MHz	10 MHz	2026
900 MHz	16.6 MHz	2020
1800 MHz	23.2 MHz	2021
2100 MHz	29.6 MHz	2031
2300 MHz	30 MHz	2027
2600 MHz	30 MHz*	2024
2600 MHz	10 MHz*	2028
Macau		
900 MHz	15.6 MHz	2023
1800 MHz	38.8 MHz	2023
2100 MHz	20 MHz	2023

* Shared under 50/50 joint venture - Genius Brand Limited

Note 2: The postpaid customers' contribution, ARPU and AMPU information for the six months ended 30 June 2016 has been restated to exclude the mobile MVNO revenue.

Fixed-line business highlights

	For the six months ended 30 June 2017 HK$ millions	For the six months ended 30 June 2016 HK$ millions (Restated)	Favourable/ (unfavourable) change 1H 2017 vs 1H 2016
Revenue	2,167	2,112	+3%
Operating expenses	(1,485)	(1,443)	-3%
Opex as % of revenue	*69%*	*68%*	*-1% point*
EBITDA	682	669	+2%
EBITDA margin %	*31%*	*32%*	*-1% point*
Depreciation and amortisation	(385)	(389)	+1%
EBIT	297	280	+6%
CAPEX (excluding licence)	(230)	(236)	+3%
EBITDA less CAPEX	452	433	+4%

Fixed-line service revenue for the first half of 2017 was HK$2,167 million, an increase of 3% compared with HK$2,112 million for the first half of 2016. This improvement was mainly the result of higher revenue from corporate and business market segments driven by growing data and ICT needs, partially offset by lower revenue from the residential market as a result of keen market competition.

During the period, the Group acquired the remaining 50% interest in HGCGC, the then joint venture between the Group and the CKHH Group, to cater for the increasing demand of data centre facilities in harmony with existing advanced network infrastructure to develop new products and services locally and internationally.

EBITDA in the first half of 2017 increased by 2% to HK$682 million compared with HK$669 million in the first half of 2016 as a result of improved revenue, while EBIT for the first half of 2017 improved by 6% to HK$297 million compared with HK$280 million in the first half of 2016.

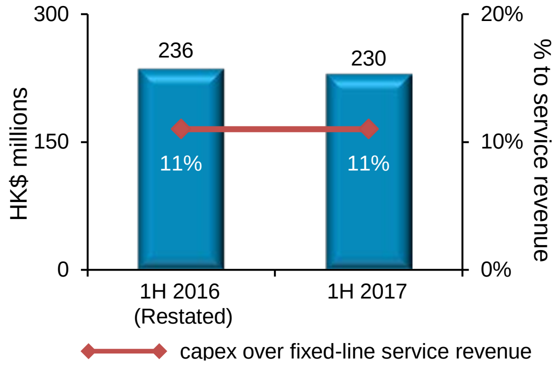
Fixed-line service revenue

1H 2016:
HK$2,112 million
(Restated)

1H 2017:
HK$2,167 million

Capital expenditure on property, plant and equipment in the first half of 2017 amounted to HK$230 million (1H 2016: HK$236 million), representing 11% (1H 2016: 11%) of fixed-line service revenue. The level of capital expenditure in the first half of 2017 was consistent with the same period in 2016, mainly as a result of continued focus on network equipment expenditure to meet customer requirements.

Fixed-line capex



HUTCHISON TELECOMMUNICATIONS HONG KONG HOLDINGS LIMITED

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2017

	Note	Unaudited 2017 HK$ millions	(Restated) (Note 2) Unaudited 2016 HK$ millions
Revenue	4	5,069	5,369
Cost of inventories sold		(1,156)	(1,478)
Staff costs		(443)	(446)
Customer acquisition costs		(176)	(201)
Depreciation and amortisation		(792)	(740)
Other operating expenses		(2,025)	(1,969)
		477	535
Interest income	6	8	9
Interest and other finance costs	6	(57)	(63)
Share of results of joint ventures		(3)	(2)
Profit before taxation		425	479
Taxation	7	(82)	(78)
Profit for the period		343	401
Attributable to:			
Shareholders of the Company		324	362
Non-controlling interests		19	39
		343	401
Earnings per share attributable to shareholders of the Company (expressed in HK cents per share):			
- basic	8	6.72	7.51
- diluted	8	6.72	7.51

Details of interim dividend payable to shareholders of the Company are set out in Note 9**.**

HUTCHISON TELECOMMUNICATIONS HONG KONG HOLDINGS LIMITED

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2017

	Unaudited 2017 HK$ millions	(Restated) (Note 2) Unaudited 2016 HK$ millions
Profit for the period	343	401
Other comprehensive income		
Item that may be reclassified subsequently to income statement in subsequent periods:		
- Currency translation differences	1	(1)
Total comprehensive income for the period, net of tax	344	400
Total comprehensive income attributable to:		
Shareholders of the Company	325	361
Non-controlling interests	19	39
	344	400

HUTCHISON TELECOMMUNICATIONS HONG KONG HOLDINGS LIMITED

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2017

	Note	Unaudited 30 June 2017 HK$ millions	(Restated) (Note 2) 31 December 2016 HK$ millions
ASSETS			
Non-current assets			
Property, plant and equipment		10,743	10,930
Goodwill		4,503	4,503
Telecommunications licences		2,669	2,796
Other non-current assets		721	770
Deferred tax assets		18	53
Investments in joint ventures		451	460
Total non-current assets		19,105	19,512
Current assets			
Cash and cash equivalents	10	359	357
Trade receivables and other current assets	11	1,751	1,753
Inventories		145	127
Total current assets		2,255	2,237
Current liabilities			
Trade and other payables	12	3,319	3,542
Current income tax liabilities		9	8
Loan from a fellow subsidiary		-	543
Interest payable to a fellow subsidiary		-	41
Total current liabilities		3,328	4,134
Non-current liabilities			
Deferred tax liabilities		617	573
Borrowings		4,874	4,467
Other non-current liabilities		529	514
Total non-current liabilities		6,020	5,554
Net assets		12,012	12,061
CAPITAL AND RESERVES			
Share capital		1,205	1,205
Reserves		10,266	10,273
Total shareholders' funds		11,471	11,478
Non-controlling interests		541	583
Total equity		12,012	12,061

HUTCHISON TELECOMMUNICATIONS HONG KONG HOLDINGS LIMITED

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2017

	Unaudited								
	Attributable to shareholders of the Company								
	Share capital HK$ millions	Share premium HK$ millions	Accumulated losses HK$ millions	Cumulative translation adjustments HK$ millions	Pension reserve HK$ millions	Other reserves HK$ millions	Total HK$ millions	Non-controlling interests HK$ millions	Total equity HK$ millions
At 1 January 2017, previously reported	1,205	11,185	(849)	(13)	28	17	11,573	583	12,156
Effect of merger accounting (Note 2)	-	-	(37)	-	-	(58)	(95)	-	(95)
At 1 January 2017, restated	1,205	11,185	(886)	(13)	28	(41)	11,478	583	12,061
Profit for the period	-	-	324	-	-	-	324	19	343
Other comprehensive income									
Currency translation differences	-	-	-	1	-	-	1	-	1
Total comprehensive income, net of tax	-	-	324	1	-	-	325	19	344
Dividend relating to 2016 paid in 2017 (Note 9)	-	-	(332)	-	-	-	(332)	-	(332)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	(61)	(61)
At 30 June 2017	1,205	11,185	(894)	(12)	28	(41)	11,471	541	12,012

HUTCHISON TELECOMMUNICATIONS HONG KONG HOLDINGS LIMITED

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)
FOR THE SIX MONTHS ENDED 30 JUNE 2017

	Unaudited								
	Attributable to shareholders of the Company								
	Share capital HK$ millions	Share premium HK$ millions	Accumulated losses HK$ millions	Cumulative translation adjustments HK$ millions	Pension reserve HK$ millions	Other reserves HK$ millions	Total HK$ millions	Non-controlling interests HK$ millions	Total equity HK$ millions
At 1 January 2016, previously reported	1,205	11,185	(924)	(7)	46	17	11,522	569	12,091
Effect of merger accounting (Note 2)	-	-	(18)	-	-	(58)	(76)	-	(76)
At 1 January 2016, restated	1,205	11,185	(942)	(7)	46	(41)	11,446	569	12,015
Profit for the period , restated	-	-	362	-	-	-	362	39	401
Other comprehensive income									
Currency translation differences	-	-	-	(1)	-	-	(1)	-	(1)
Total comprehensive income, net of tax	-	-	362	(1)	-	-	361	39	400
Dividend relating to 2015 paid in 2016 (Note 9)	-	-	(433)	-	-	-	(433)	-	(433)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	(58)	(58)
At 30 June 2016, restated	1,205	11,185	(1,013)	(8)	46	(41)	11,374	550	11,924

HUTCHISON TELECOMMUNICATIONS HONG KONG HOLDINGS LIMITED

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2017

	Note	Unaudited 2017 HK$ millions	(Restated) (Note 2) Unaudited 2016 HK$ millions
Cash flows from operating activities			
Cash generated from operations		1,098	1,396
Interest and other finance costs paid		(87)	(37)
Tax paid		(2)	(1)
Net cash generated from operating activities		1,009	1,358
Cash flows from investing activities			
Purchases of property, plant and equipment		(424)	(432)
Additions to other non-current assets		(1)	(22)
Proceeds from disposals of property, plant and equipment		-	5
Loan to a joint venture		(46)	(71)
Net cash used in investing activities		(471)	(520)
Cash flows from financing activities			
Proceeds from borrowings		800	-
Repayment of borrowings		(400)	-
Repayment of loan from a fellow subsidiary		(543)	-
Dividend paid to the shareholders of the Company	9	(332)	(433)
Dividend paid to non-controlling interests		(61)	(58)
Net cash used in financing activities		(536)	(491)
Increase in cash and cash equivalents		2	347
Cash and cash equivalents at 1 January		357	1,101
Cash and cash equivalents at 30 June		359	1,448

NOTES

1 General Information

Hutchison Telecommunications Hong Kong Holdings Limited was incorporated in the Cayman Islands on 3 August 2007 as a company with limited liability. The address of its registered office is P.O. Box 31119, Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205 Cayman Islands.

The Company and its subsidiaries are principally engaged in mobile telecommunications business in Hong Kong and Macau and fixed-line telecommunications business in Hong Kong.

The shares of the Company are listed on the Main Board of the Stock Exchange and whose American depositary shares, each representing ownership of 15 shares, are eligible for trading in the United States of America only in the over-the-counter market.

These unaudited condensed consolidated interim financial statements are presented in Hong Kong dollars, unless otherwise stated. These interim financial statements were approved for issuance by the Board on 25 July 2017.

2 Basis of Preparation

These interim financial statements for the six months ended 30 June 2017 have been prepared in accordance with International Accounting Standard 34 "Interim financial reporting". These interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2016, which have been prepared in accordance with International Financial Reporting Standards.

As at 30 June 2017, the current liabilities of the Group exceeded its current assets by approximately HK$1,073 million. Included in the current liabilities were non-refundable customer prepayments of HK$678 million which will gradually reduce over the contract terms of relevant subscriptions through delivery of services. Excluding the non-refundable customer prepayments, the net current assets of the Group would have been approximately HK$395 million. Management of the Group anticipates the net cash inflows from its operations, together with the ability to draw down from available banking facility, would be sufficient to enable the Group to meet its liabilities as and when they fall due. Accordingly, these interim financial statements have been prepared on a going concern basis.

On 6 March 2017, a subsidiary of the Company, entered into a sale and purchase agreement with Cosmos Technology Limited, a subsidiary of CKHH, to acquire the entire issued share capital of Keen Clever, which owns 50% interest in HGCGC (engages in the provision of data centre services in Hong Kong), at a consideration of HK$0.9 million. The Acquisition was completed on the same day, together with the 50% interest in HGCGC originally held by the Group (which was accounted for as an investment in a joint venture prior to the Acquisition), the Group owns 100% interest in HGCGC and it then becomes a wholly owned subsidiary of the Group.

2 Basis of Preparation (Continued)

Given the Company and Cosmos Technology Limited were under the common control of CKHH both before and after the Acquisition, the Acquisition is a business combination under common control and accounted for using the principle of merger accounting.

Accordingly, the assets and liabilities of Keen Clever and HGCGC acquired by the Group are stated at predecessor value, and were included in the Group's interim financial statements from the beginning of the earliest period presented as if Keen Clever and HGCGC had always been part of the Group. No amount is recognised as consideration for goodwill or excess of Group's interest in the net fair value of Keen Clever and HGCGC's identified assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of CKHH's interest.

The condensed consolidated income statement includes the results of Keen Clever and HGCGC from the earliest date presented or since the date when Keen Clever and HGCGC first came under the control of CKHH, where there is a shorter period, regardless of the date of the common control combination. Comparative figures in the Group's interim financial statements for the six months ended 30 June 2017 have been restated to include the results for the six months from 1 January 2016 to 30 June 2016 and the assets and liabilities as at 31 December 2016 of Keen Clever and HGCGC.

The following is a reconciliation of the effect arising from the business combination under common control on the condensed consolidated income statement and condensed consolidated statement of financial position in connection with the Acquisition.

	The Group As previously reported (Note a) HK$ millions	Effect arising from the Acquisition HK$ millions	The Group As restated HK$ millions
Profit for the six months ended 30 June 2016	415	(14)	401
Net assets as at 31 December 2016	12,156	(95)	12,061

Note a:
Prior to the Acquisition, the results and assets and liabilities of HGCGC are accounted for in the interim financial statements using the equity method of accounting.

A uniform set of accounting policies is adopted by Keen Clever and HGCGC. All intra-group transactions, balances and unrealised gains on transactions within the Group are eliminated on consolidation.

3 Significant Accounting Policies

These interim financial statements have been prepared under the historical cost convention. The accounting policies applied and methods of computation used in the preparation of these interim financial statements are consistent with those used in 2016 annual financial statements, except for the adoption of new or revised standards, amendments and interpretations which are relevant to the operations of the Group and mandatory for annual periods beginning 1 January 2017. The effect of the adoption of these new or revised standards, amendments and interpretations was not material to the results of operations or financial position of the Group.

4 Revenue

Revenue comprises revenues from provision of mobile telecommunications services, sales of telecommunications hardware and provision of fixed-line telecommunications services. An analysis of revenue is as follows:

	Six months ended 30 June	
		(Restated)
	2017	2016
	HK$ millions	HK$ millions
Mobile telecommunications services	1,930	1,957
Fixed-line telecommunications services	1,966	1,914
Telecommunications hardware	1,173	1,498
	5,069	5,369

5 Segment Information

The Group is organised into two operating segments: mobile business and fixed-line business. "Others" segment represents corporate support functions. Management of the Group measures the performance of its segments based on EBITDA/(LBITDA)[(a)] and EBIT/(LBIT)[(b)]. Revenue from external customers is after elimination of inter-segment revenue. The segment information on revenue, EBITDA/(LBITDA) and EBIT/(LBIT) agreed to the aggregate information in these interim financial statements. As such, no reconciliation between the segment information and the aggregate information in these interim financial statements are presented.

	Six months ended 30 June 2017				
	Mobile HK$ millions	Fixed-line HK$ millions	Others HK$ millions	Elimination HK$ millions	Total HK$ millions
Revenue - service	1,944	2,167	-	(215)	3,896
Revenue - hardware	1,173	-	-	-	1,173
	3,117	2,167	-	(215)	5,069
Operating costs	(2,470)	(1,485)	(60)	215	(3,800)
EBITDA/(LBITDA)	647	682	(60)	-	1,269
Depreciation and amortisation	(407)	(385)	-	-	(792)
EBIT/(LBIT)	240	297	(60)	-	477
Other information:					
Additions to property, plant and equipment	197	230	-	-	427

5 Segment Information (Continued)

	Six months ended 30 June 2016 (Restated)				
	Mobile HK$ millions	Fixed-line HK$ millions	Others HK$ millions	Elimination HK$ millions	Total HK$ millions
Revenue - service	1,973	2,112	-	(214)	3,871
Revenue - hardware	1,499	-	-	(1)	1,498
	3,472	2,112	-	(215)	5,369
Operating costs	(2,807)	(1,443)	(59)	215	(4,094)
EBITDA/(LBITDA)	665	669	(59)	-	1,275
Depreciation and amortisation	(351)	(389)	-	-	(740)
EBIT/(LBIT)	314	280	(59)	-	535
Other information:					
Additions to property, plant and equipment	198	236	-	-	434
Additions to telecommunications licences	1	-	-	-	1

(a) EBITDA/(LBITDA) is defined as earnings/(losses) before interest income, interest and other finance costs, taxation, depreciation and amortisation and share of results of joint ventures.

(b) EBIT/(LBIT) is defined as earnings/(losses) before interest income, interest and other finance costs, taxation and share of results of joint ventures.

6 Interest and Other Finance Costs, Net

	Six months ended 30 June 2017 HK$ millions	(Restated) 2016 HK$ millions
Interest income:		
Interest income from a joint venture	8	9
Interest and other finance costs:		
Bank loans	(35)	(29)
Loan from a fellow subsidiary	(5)	(5)
Notional non-cash interest accretion [(a)]	(7)	(19)
Guarantee and other finance fees	(13)	(13)
	(60)	(66)
Less: Amounts capitalised on qualifying assets	3	3
	(57)	(63)
Interest and other finance costs, net	(49)	(54)

(a) Notional non-cash interest accretion represents the notional adjustments to accrete the carrying amount of certain obligations recognised in the condensed consolidated statement of financial position such as licence fees liabilities and asset retirement obligations to the present value of the estimated future cash flows expected to be required for their settlement in the future.

7 Taxation

	Six months ended 30 June					
	2017			2016		
	Current taxation HK$ millions	Deferred taxation HK$ millions	Total HK$ millions	Current taxation HK$ millions	Deferred taxation HK$ millions	Total HK$ millions
Hong Kong	1	77	78	1	73	74
Outside Hong Kong	2	2	4	3	1	4
	3	79	82	4	74	78

Hong Kong profits tax has been provided at the rate of 16.5% (30 June 2016: 16.5%) on the estimated assessable profits less available tax losses. Taxation outside Hong Kong has been provided at the applicable current rates of taxation ruling in the relevant countries on the estimated assessable profits less available tax losses.

Deferred taxation has been provided at the relevant rates on timing differences.

8 Earnings per Share

The calculation of basic earnings per share is based on profit attributable to shareholders of the Company of approximately HK$324 million (30 June 2016 (Restated): HK$362 million) and on the weighted average number of 4,818,896,208 (30 June 2016: Same) ordinary shares in issue during the period.

The diluted earnings per share for the six months ended 30 June 2017 is calculated by adjusting the weighted average number of 4,818,896,208 (30 June 2016: Same) ordinary shares in issue with the weighted average number of 117,695 (30 June 2016: 123,372) ordinary shares deemed to be issued assuming the exercise of the share options.

9 Dividend

	Six months ended 30 June	
	2017	2016
Interim dividend (HK$ millions)	188	193
Interim dividend per share (HK cents)	3.90	4.00

In addition, final dividend in respect of year 2016 of 6.90 HK cents per share (30 June 2016: 9.00 HK cents per share) totalling HK$332 million (30 June 2016: HK$433 million) was approved and paid during the six months ended 30 June 2017.

10 Cash and Cash Equivalents

	30 June 2017 HK$ millions	(Restated) 31 December 2016 HK$ millions
Cash at banks and in hand	262	334
Short-term bank deposits	97	23
	359	357

The carrying values of cash and cash equivalents approximate their fair values.

11 Trade Receivables and Other Current Assets

	30 June 2017 HK$ millions	(Restated) 31 December 2016 HK$ millions
Trade receivables	1,510	1,471
Less: Provision for doubtful debts	(119)	(106)
Trade receivables, net of provision [(a)]	1,391	1,365
Other receivables	157	213
Prepayments and deposits	203	175
	1,751	1,753

The carrying values of trade receivables and other receivables approximate their fair values. The Group has established credit policies for customers. The average credit period granted for trade receivables ranges from 14 to 45 days, or a longer period for corporate or carrier customers based on individual commercial terms. There is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers.

(a) Trade receivables, net of provision

	30 June 2017 HK$ millions	(Restated) 31 December 2016 HK$ millions
The ageing analysis of trade receivables, net of provision for doubtful debts is as follows:		
0 - 30 days	773	861
31 - 60 days	217	196
61 - 90 days	152	99
Over 90 days	249	209
	1,391	1,365

12 Trade and Other Payables

	30 June 2017 HK$ millions	(Restated) 31 December 2016 HK$ millions
Trade payables [(a)]	537	731
Other payables and accruals	2,047	2,047
Deferred revenue	678	708
Current portion of licence fees liabilities	57	56
	3,319	3,542

The carrying values of trade and other payables approximate their fair values.

(a) Trade payables

	30 June 2017 HK$ millions	(Restated) 31 December 2016 HK$ millions
The ageing analysis of trade payables is as follows:		
0 - 30 days	202	411
31 - 60 days	95	99
61 - 90 days	45	35
Over 90 days	195	186
	537	731

GROUP CAPITAL RESOURCES AND LIQUIDITY

Treasury Management

The Group's treasury function sets financial risk management policies in accordance with policies and procedures that are approved by the Executive Director, and which are also subject to periodic review by the Group's internal audit function. The Group's treasury policies are designed to mitigate the impact of fluctuations in interest rates and exchange rates on the Group's overall financial position and to minimise the Group's financial risks. The Group's treasury function operates as a centralised service for managing financial risks, including interest rate and foreign exchange risks, and for providing cost-efficient funding to the Group and its companies. It manages the majority of the Group's funding needs, interest rate, foreign currency and credit risk exposures. The Group uses interest rate and foreign currency swaps and forward contracts as appropriate for risk management purposes only, for hedging transactions and for managing the Group's assets and liabilities' exposure to interest rate and foreign exchange rate fluctuations. It is the Group's policy not to enter into derivative transactions for speculative purposes. It is also the Group's policy not to invest liquidity in financial products, including hedge funds or similar vehicles, with significant underlying leverage or derivative exposure.

Cash management and funding

The Group operates a central cash management system for all of its subsidiaries. In general, financing is raised mainly in the form of bank borrowings to meet funding requirements of the operating subsidiaries of the Group. The Group regularly and closely monitors its overall debt position and reviews its funding costs and maturity profile to facilitate refinancing.

Interest rate exposure

The Group manages its interest rate exposure with a focus on reducing the Group's overall cost of debt and exposure to changes in interest rates. When considered appropriate, the Group uses derivatives such as interest rate swaps and forward rate agreements to manage its interest rate exposure. The Group is exposed to interest rate changes that affect Hong Kong dollar borrowings which are at floating rates.

Foreign currency exposure

The Group runs telecommunications operations principally in Hong Kong, with transactions denominated in Hong Kong dollars. The Group generally endeavours to establish a natural hedge for debt financing with an appropriate level of borrowings in those same currencies. The Group is exposed to other currency movements, primarily in terms of certain trade receivables or payables and bank deposits denominated in United States dollars, Macau Patacas, Renminbi, Euros and British pounds.

Credit exposure

The Group's holdings of surplus funds with financial institutions expose the Group to credit risk of counterparties. The Group controls its credit risk to non-performance by its counterparties through monitoring their equity share price movements and credit ratings as well as setting approved counterparty credit limits that are regularly reviewed.

The Group is also exposed to counterparties credit risk from its operating activities, such risks are continuously monitored by the management.

Capital and Net Debt

As at 30 June 2017, the Group recorded share capital of HK$1,205 million and total equity of HK$12,012 million.

The cash and cash equivalents of the Group amounted to HK$359 million as at 30 June 2017 (31 December 2016 (Restated): HK$357 million), 44% of which were denominated in Hong Kong dollars, 26% in Euros, 10% in United States dollars, 8% in Macau Patacas, with remaining in various other currencies. The Group's carrying amount of bank borrowings amounted to HK$4,874 million at 30 June 2017 (31 December 2016: HK$4,467 million), which were denominated in Hong Kong dollars and repayable in the fourth quarter of 2019.

As at 30 June 2017, the consolidated net debt of the Group was HK$4,515 million (31 December 2016 (Restated): HK$4,110 million). The Group's net debt to net total capital ratio at 30 June 2017 was 27% (31 December 2016 (Restated): 25%).

Charges on Group Assets

As at 30 June 2017 and 31 December 2016, except for all of the shares of a joint venture owned by the Group which were pledged as security in favour of the joint venture partner under a cross share pledge arrangement, no material asset of the Group was under any charge.

Borrowing Facilities Available

Committed borrowing facilities available to the Group but not drawn as at 30 June 2017 amounted to HK$900 million (31 December 2016: HK$1,500 million).

Contingent Liabilities

As at 30 June 2017, the Group provided performance and other guarantees of HK$486 million (31 December 2016 (Restated): HK$636 million).

Commitments

As at 30 June 2017, the Group had total capital commitments of property, plant and equipment amounting to HK$741 million (31 December 2016 (Restated): HK$799 million).

As at 30 June 2017, the Group had total operating lease commitments for building and other assets amounting to HK$518 million (31 December 2016 (Restated): HK$369 million).

A subsidiary of the Group has acquired various blocks of spectrum bands for the provision of telecommunications services in Hong Kong, certain of which over various assignment years up to year 2021 and variable licence fees are payable on those spectrum bands based on 5% of the network revenue or the Appropriate Fee (as defined in the Unified Carrier Licence) in respect of the relevant year whichever is greater. The net present value of the Appropriate Fee has already been recorded as licence fee liabilities.

Corporate Strategy

The strategy of the Group is to deliver sustainable returns with solid financial fundamentals, so as to enhance long-term total return for shareholders. Please refer to the Chairman's Statement and Management Discussion and Analysis for discussions and analyses of the performance of the Group and the basis on which the Group generates or preserves value over the longer term and the strategy for delivering the objective of the Group.

Past Performance and Forward-looking Statements

The performance and the results of operations of the Group contained in this announcement are historical in nature, and past performance is no guarantee for the future results of the Group. Any forward-looking statements and opinions contained in this announcement are based on current plans, estimates and projections, and therefore involve risks and uncertainties. Actual results may differ materially from expectations discussed in such forward-looking statements and opinions. The Group, the Directors, employees and agents of the Group assume (a) no obligation to correct or update the forward-looking statements or opinions contained in this announcement; and (b) no liability in the event that any of the forward-looking statements or opinions do not materialise or turn out to be incorrect.

Human Resources

As at 30 June 2017, the Group employed 2,173 (31 December 2016: 2,304) full-time staff members and on average 2,311 (2016: 2,382) staff members during the six months ended 30 June 2017. Staff costs during the six months ended 30 June 2017, including directors' emoluments, totalled HK$443 million (30 June 2016: HK$446 million).

The Group fully recognises the importance of high-quality human resources in sustaining market leadership. Salary and benefits are kept at competitive levels, while individual performance is rewarded within the general framework of the salary, bonus and incentive system of the Group, which is reviewed annually. Employees are provided with a wide range of benefits that include medical coverage, provident funds and retirement plans, long-service awards and a share option plan. The Group stresses the importance of staff development and provides training programmes on an ongoing basis. Employees are also encouraged to play an active role in community care activities arranged by the Group.

Environmental, Social and Governance Responsibility

The Group is committed to the long-term sustainability of its businesses and the communities with which it engages. It delivers quality products and services to its customers by managing its businesses prudently, while executing management decisions with due care and attention. The Group demonstrates a strong sense of corporate social responsibility and believes such a commitment helps strengthen its relationship with the community. Operating as a sound corporate citizen via sponsorship and supporting socially-responsible projects at company level, the Group is committed to bringing positive impact to the general welfare of the community.

Review of Interim Financial Statements

The unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2017 has been reviewed by the auditor of the Company, PricewaterhouseCoopers, in accordance with International Standard on Review Engagements 2410 – "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the International Auditing and Assurance Standards Board. The independent review report of the auditor will be included in the Interim Report to shareholders. The unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2017 has also been reviewed by the Audit Committee of the Company.

Record Date for Interim Dividend

The record date for the purpose of determining shareholders' entitlement to the interim dividend is Wednesday, 23 August 2017.

In order to qualify for the interim dividend payable on Friday, 1 September 2017, all transfers, accompanied by the relevant share certificates, must be lodged with the Hong Kong Share Registrar of the Company (Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong) for registration no later than 4:30 pm on Wednesday, 23 August 2017.

Purchase, Sale or Redemption of Listed Shares

During the six months ended 30 June 2017, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed shares of the Company.

Compliance with the Corporate Governance Code

The Company strives to attain and maintain high standards of corporate governance best suited to the needs and interests of the Group as it believes that effective corporate governance practices are fundamental to promoting and safeguarding interests of shareholders and other stakeholders and enhancing shareholder value.

The Company has complied throughout the six months ended 30 June 2017 with all the code provisions of the Corporate Governance Code contained in Appendix 14 of the Listing Rules, other than those in respect of the nomination committee. The Company has considered the merits of establishing a nomination committee but is of the view that it is in the best interests of the Company that the Board collectively reviews, determines and approves the structure, size and composition of the Board as well as the appointment of any new Director, as and when appropriate. The Board is tasked with ensuring that it has a balanced composition of skills and experience appropriate for the requirements of the businesses of the Group and that appropriate individuals with relevant expertise and leadership qualities are appointed to the Board to complement the capabilities of existing Directors. In addition, the Board as a whole is also responsible for reviewing the succession plan for Directors, including the Chairman of the Board and the Chief Executive Officer.

Compliance with the Model Code for Securities Transactions by Directors

The Board has adopted its own HTHKH Securities Code regulating Directors' dealings in securities (Group and otherwise), on terms no less exacting than the required standards of the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules. In response to specific enquiries made, all Directors confirmed that they have complied with the required standards set out in the HTHKH Securities Code regarding their securities transactions throughout the six months ended 30 June 2017.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions have the following meanings:

"Acquisition"	the transaction that the Group acquired the entire issued share capital of Keen Clever from Cosmos Technology Limited, a subsidiary of CKHH, at a consideration of HK$0.9 million
"Board"	the board of Directors of the Company
"CACs"	customer acquisition costs
"CKHH"	CK Hutchison Holdings Limited, a company incorporated in the Cayman Islands with limited liability, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 1)
"CKHH Group"	CKHH and its subsidiaries
"Company" or "HTHKH"	Hutchison Telecommunications Hong Kong Holdings Limited, a company incorporated in the Cayman Islands with limited liability, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 215) and whose American depositary shares are eligible for trading in the United States of America only in the over-the-counter market
"Director(s)"	director(s) of the Company
"EBIT"	earnings before interest income, interest and other finance costs, taxation and share of results of joint ventures
"EBITDA"	earnings before interest income, interest and other finance costs, taxation, depreciation and amortisation, and share of results of joint ventures
"Group"	the Company and its subsidiaries
"HGCGC"	HGC GlobalCentre Limited, a company incorporated in Hong Kong with limited liability
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China

DEFINITIONS (continued)

"HTHKH Securities Code"	Model Code for Securities Transactions by Directors
"ICT"	Information and Communications Technology
"interim financial statements"	unaudited condensed consolidated interim financial statements
"IoT"	Internet-of-Things
"Keen Clever"	Keen Clever Holdings Limited, a company incorporated in the British Virgin Islands with limited liability
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"local postpaid gross ARPU"	monthly average spending per postpaid user including a customer's contribution to mobile devices in a bundled plan, excluding roaming revenue
"local postpaid net ARPU"	monthly average spending per postpaid user excluding roaming revenue and revenue related to handset under the non-subsidised handset business model
"local postpaid net AMPU"	average net margin per postpaid user; local postpaid net AMPU equals local postpaid net ARPU less direct variable costs (including interconnection charges)
"LTE"	Long-Term-Evolution
"net customer service margin"	net customer service revenue less direct variable costs (including interconnection charges and roaming costs)
"OTT"	Over-The-Top
"service EBITDA"	EBITDA excluding standalone handset sales margin
"service EBITDA margin percentage" or "service EBIT margin percentage"	EBITDA or EBIT excluding standalone handset sales margin as a percentage of net customer service revenue
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

As at the date of this announcement, the Directors of the Company are:

Chairman and Non-executive Director:
Mr FOK Kin Ning, Canning

Deputy Chairman and Non-executive Director:
Mr LUI Dennis Pok Man

Executive Director:
Mr WOO Chiu Man, Cliff

Non-executive Directors:
Mr LAI Kai Ming, Dominic
(also Alternate to Mr FOK Kin Ning, Canning and Ms Edith SHIH)
Ms Edith SHIH
Mr MA Lai Chee, Gerald
(Alternate to Mr LAI Kai Ming, Dominic)

Independent Non-executive Directors:
Mr CHEONG Ying Chew, Henry
(also Alternate to Dr WONG Yick Ming, Rosanna)
Dr LAN Hong Tsung, David
Dr WONG Yick Ming, Rosanna