



Hutchison Telecom
Hong Kong Holdings



2017 Interim Results Presentation 25 July 2017

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)

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Business Performance



Challenging 2017 and achievements made

Key Challenges

- Intensified competition
- Disruptive mobile pricing
- Increasing spectrum and network costs, for example, MTR fees
- Alternative roaming products in the market
- Weak demand in handsets

Our efforts and achievements

- Mobile Customer base grew to 3.3m
- Churn improved to 1.2%
- Strengthened presence in gaming market
- Enhancing network infrastructure to pave the way for 5G and IoT
- Continue to deepen penetration in different markets

Highlights

- Group consolidated revenue was HK\$5,069 million, with net service revenue stable at HK\$3,896 million
- Mobile local net service revenue remains stable at HK\$1,615 million
- Stable consolidated opex and capex
- Consolidated EBITDA reports at HK\$1,269 million
- Consolidated EBIT reports at HK\$477 million
- Consolidated NPAT reports at HK\$324 million
- Interim dividend at 3.90 HK cents per share

Mobile

Our customers benefit from HTHKH's style of innovation via advanced mobile networks and services delivered in customer-centric fashion.



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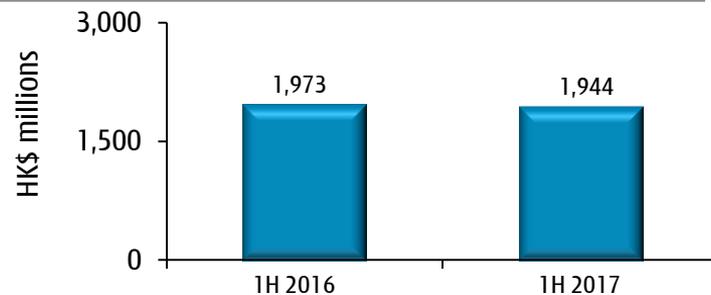


Mobile business

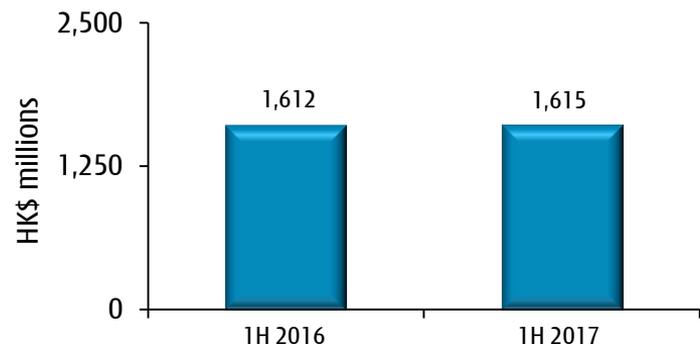
| | 1H 2017 HK\$ million | 1H 2016 HK\$ million | Favourable/ (unfavourable) Change |
|---|-------------------------|-------------------------|--------------------------------------|
| Total revenue | 3,117 | 3,472 | -10% |
| - Net customer service revenue | 1,944 | 1,973 | -1% |
| - Local service revenue | 1,615 | 1,612 | - |
| - Roaming service revenue | 329 | 361 | -9% |
| - Hardware revenue | 1,173 | 1,499 | -22% |
| Net customer service margin | 1,815 | 1,829 | -1% |
| <i>Net customer service margin %</i> | <i>93%</i> | <i>93%</i> | - |
| 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% |
| <i>Opex as a % of net customer service margin</i> | <i>58%</i> | <i>57%</i> | <i>-1% point</i> |
| EBITDA | 647 | 665 | -3% |
| Service EBITDA | 630 | 645 | -2% |
| <i>Service EBITDA Margin %</i> | <i>32%</i> | <i>33%</i> | <i>-1% point</i> |
| Depreciation and amortisation | (407) | (351) | -16% |
| EBIT | 240 | 314 | -24% |
| CAPEX (excluding licence) | (197) | (198) | +1% |
| EBITDA less CAPEX | 450 | 467 | -4% |

Mobile Service Revenue

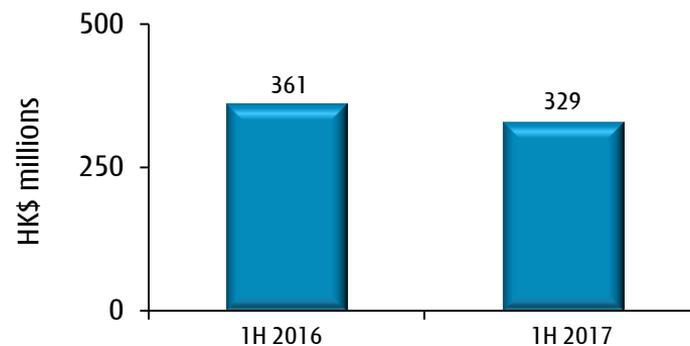
Total mobile service revenue



Mobile local service revenue

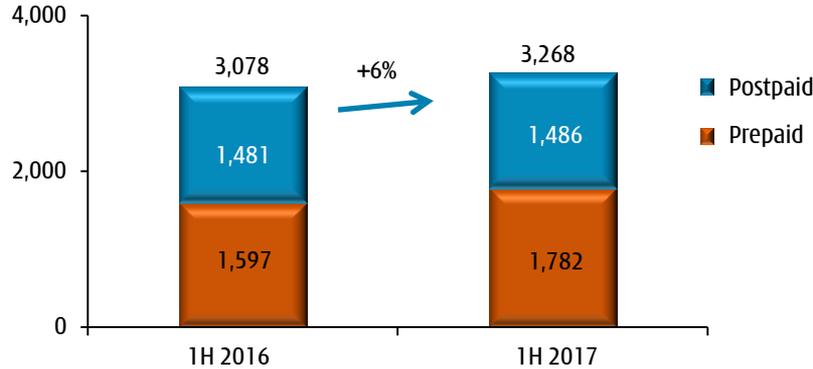


Mobile roaming service revenue

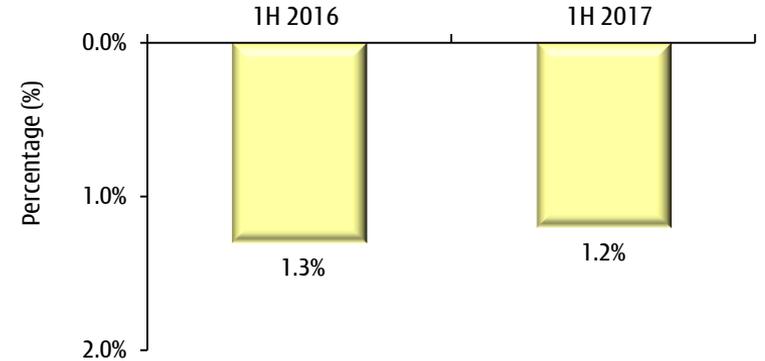


Mobile KPIs

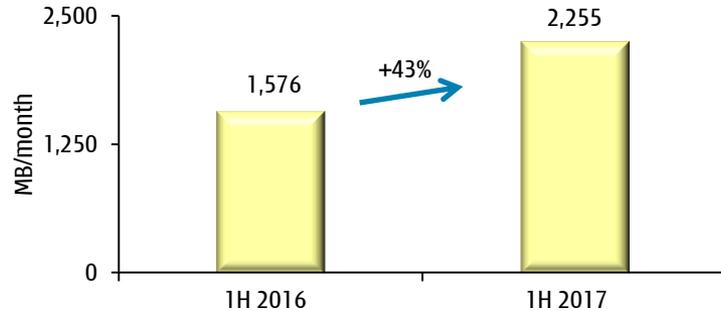
Total customers in Hong Kong and Macau



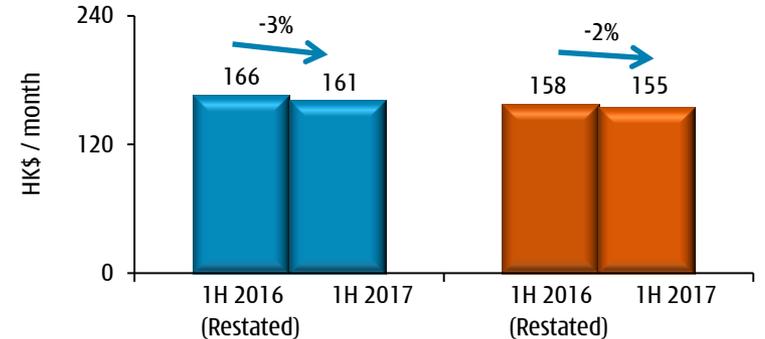
Postpaid Churn



Blended data usage per 3G+4G customers



Blended local postpaid net ARPU⁽¹⁾ and net AMPU⁽¹⁾



Fixed-line

HTHKH enables customers with international, corporate, data centre and residential broadband services via an extensive fibre-optic network.



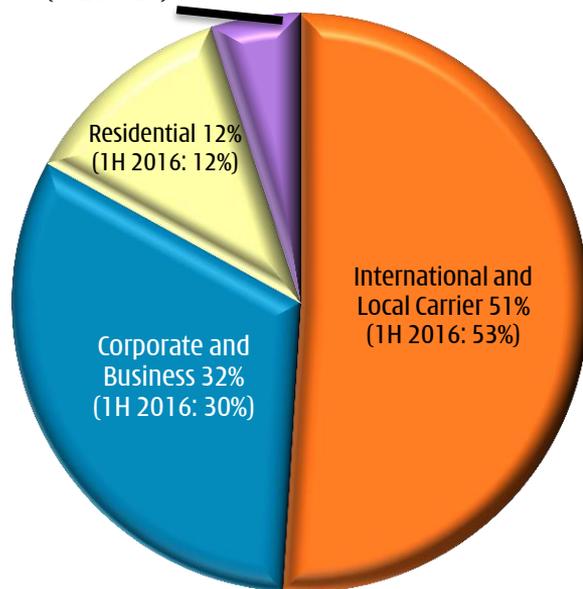
Fixed-line business – financial highlights

| | 1H 2017 HK\$ million | 1H 2016 HK\$ million (Restated) | Favourable/ (unfavourable) Change |
|-------------------------------|-------------------------|---------------------------------------|---|
| Revenue | 2,167 | 2,112 | +3% |
| Operating expenses | (1,485) | (1,443) | -3% |
| <i>Opex as % of revenue</i> | <i>69%</i> | <i>68%</i> | -1% point |
| EBITDA | 682 | 669 | +2% |
| <i>EBITDA margin %</i> | <i>31%</i> | <i>32%</i> | -1% point |
| Depreciation and amortisation | (385) | (389) | +1% |
| EBIT | 297 | 280 | +6% |
| CAPEX (excluding licence) | (230) | (236) | +3% |
| EBITDA less CAPEX | 452 | 433 | +4% |

Note: 1H 2016 results of fixed-line business were restated to reflect the acquisition of remaining 50% interest in the data centre business.

Fixed-line business

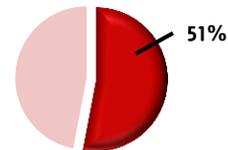
Data centre and Others: 5%
(1H 2016: 5%)



Total Fixed-line revenue
1H 2017 : HK\$2,167 million
(1H 2016 (Restated) : HK\$2,112 million)

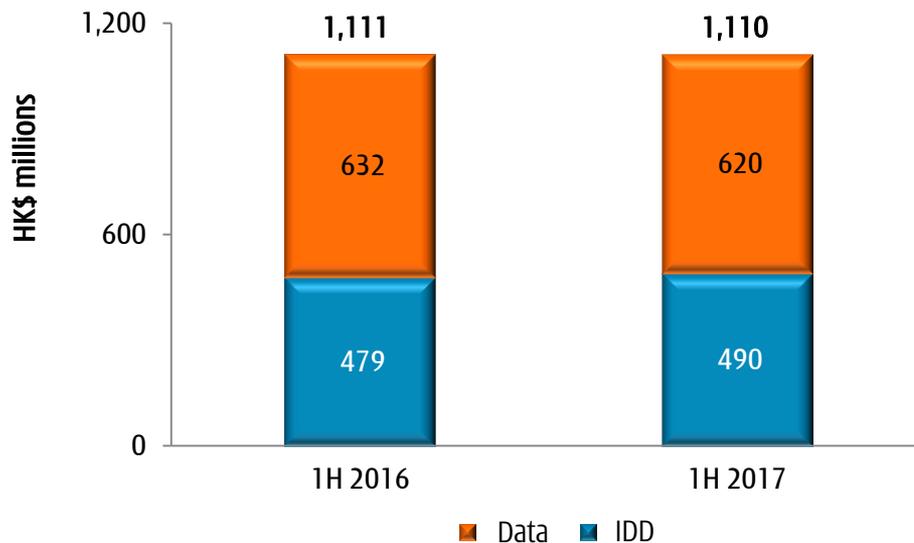
- 88% fixed-line revenue contributed from non-residential market
- 3% YoY growth

Fixed-line international and local carrier market

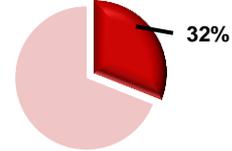


- Stable revenue stream
- Growth potential in 5G, OTT and IoT

International and local carrier Revenue

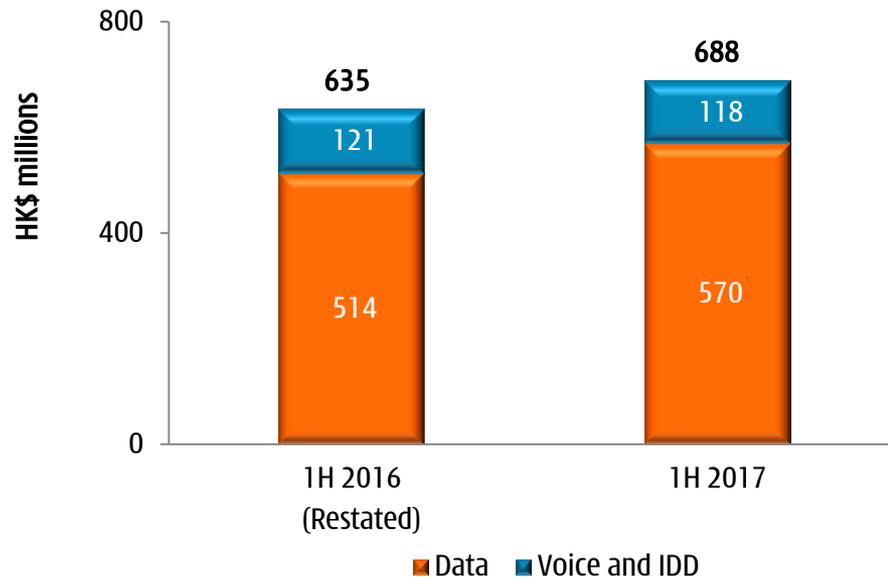


Fixed-line corporate and business market

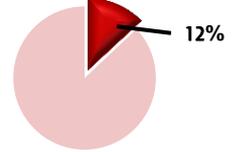


- 8% YoY growth driven by strong demand in data
- Large and diversified base of corporate and SME customers
- Winning vertical penetration strategy (e.g. banks, government, insurance, logistics)

Corporate and Business Revenue

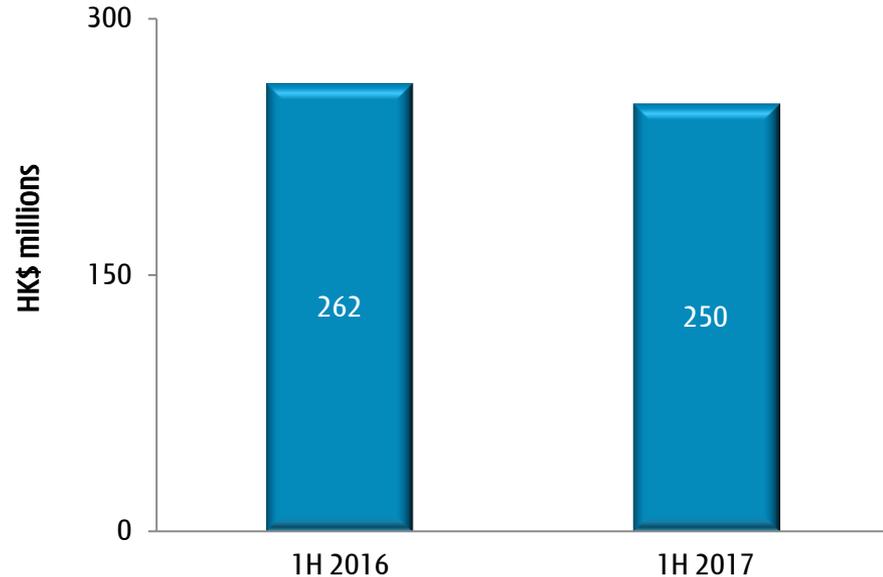


Fixed-line residential market

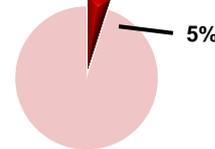


- Over 1.8m fibre homepass
- Stable broadband subscribers base with 90%+ on 100Mbps or higher
- Strong value proposition with 1GB FTTH in offer and multi-play infotainment
- Steep price competition

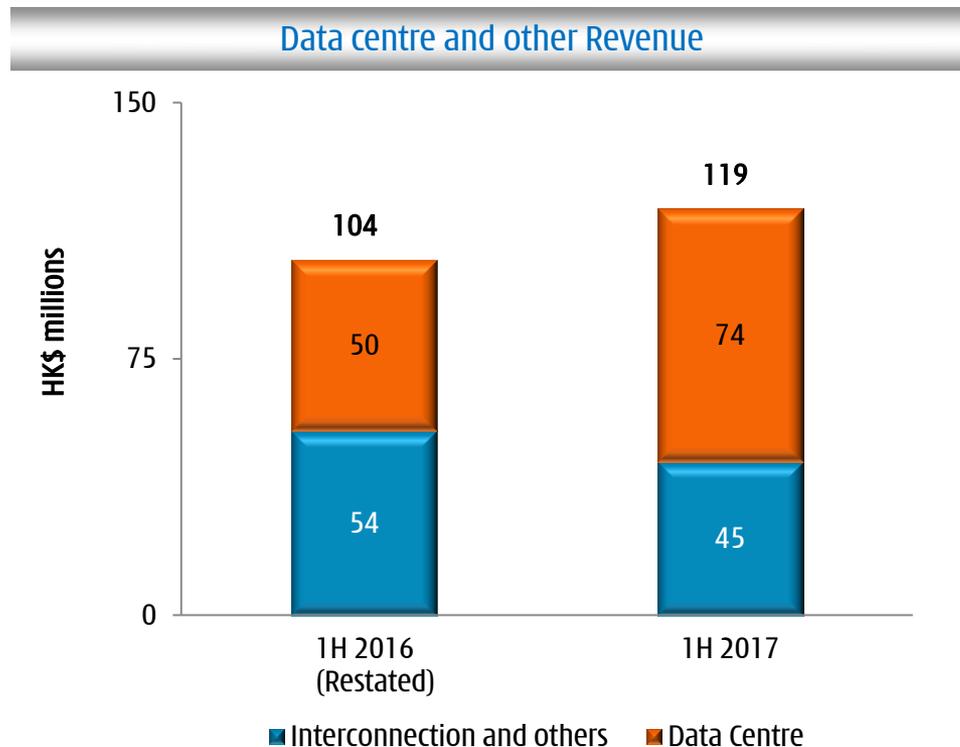
Residential Market Revenue



Data Centre and others



- 48% growth in data centre revenue
- Acquired remaining 50% interest in data centre business from CKHH Group



Financial Overview



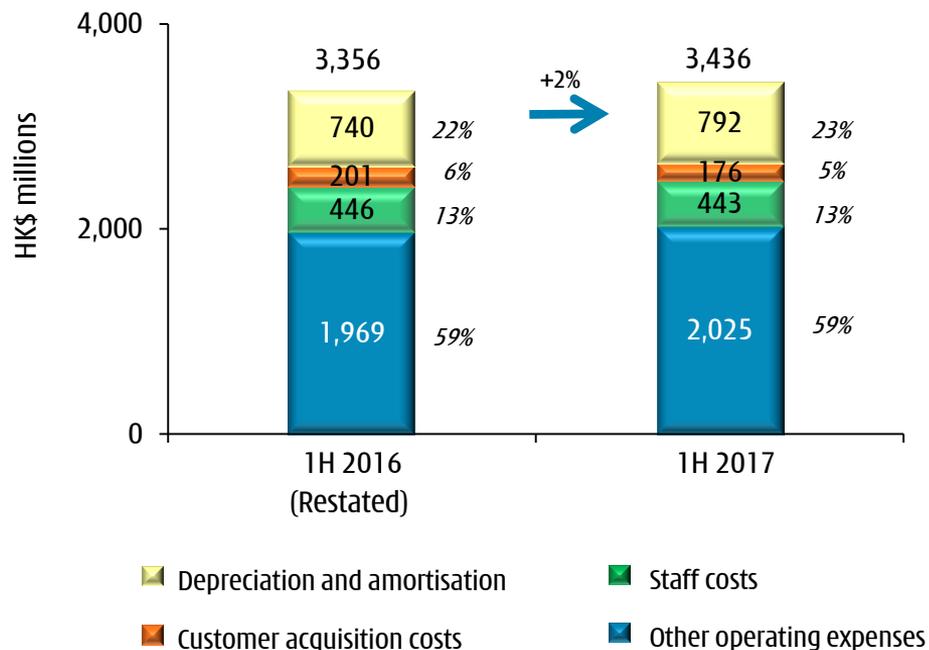
Consolidated financial highlights

| | 2017 1H HK\$ million | 2016 1H HK\$ million (Restated) | Favourable/ (Unfavourable) Change |
|--|-------------------------|---------------------------------------|---|
| <i>Consolidated service revenue</i> | 3,896 | 3,871 | +1% |
| <i>Consolidated hardware revenue</i> | 1,173 | 1,498 | -22% |
| Consolidated revenue | 5,069 | 5,369 | -6% |
| <i>Consolidated service EBITDA</i> | 1,252 | 1,255 | - |
| <i>Consolidated hardware EBITDA</i> | 17 | 20 | -15% |
| Consolidated EBITDA | 1,269 | 1,275 | - |
| <i>Consolidated service EBIT</i> | 460 | 515 | -11% |
| <i>Consolidated hardware EBIT</i> | 17 | 20 | -15% |
| Consolidated EBIT | 477 | 535 | -11% |
| <i>Service profit</i> | 313 | 349 | -10% |
| <i>Hardware profit</i> | 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 cost items

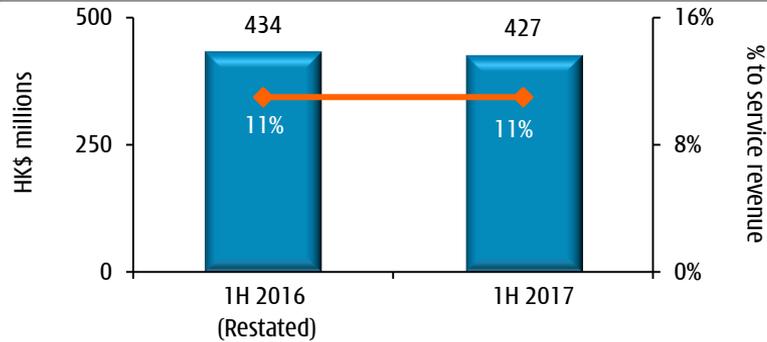
- Lower customer acquisition cost with key focus in retention activities
- Higher depreciation and amortisation from spectrum renewal of 2100MHz and activation of 2300MHz
- Stable staff cost and cautious control over other operating expenses

Consolidated cost items

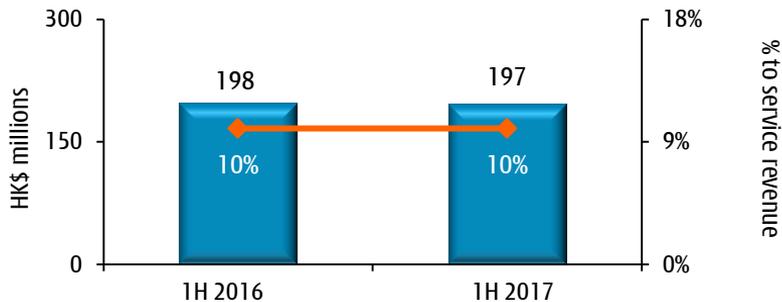


Capex investment

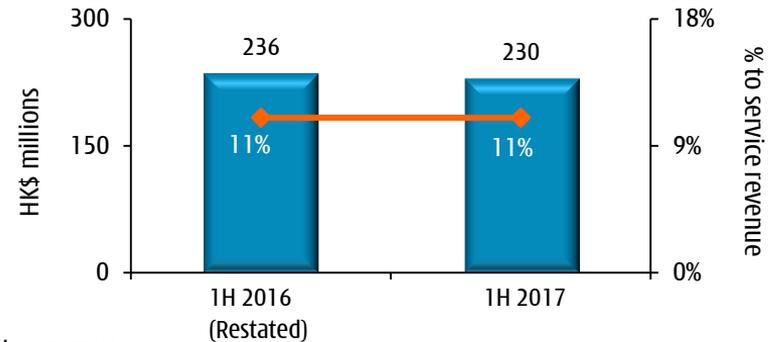
Consolidated Capex



Mobile Capex

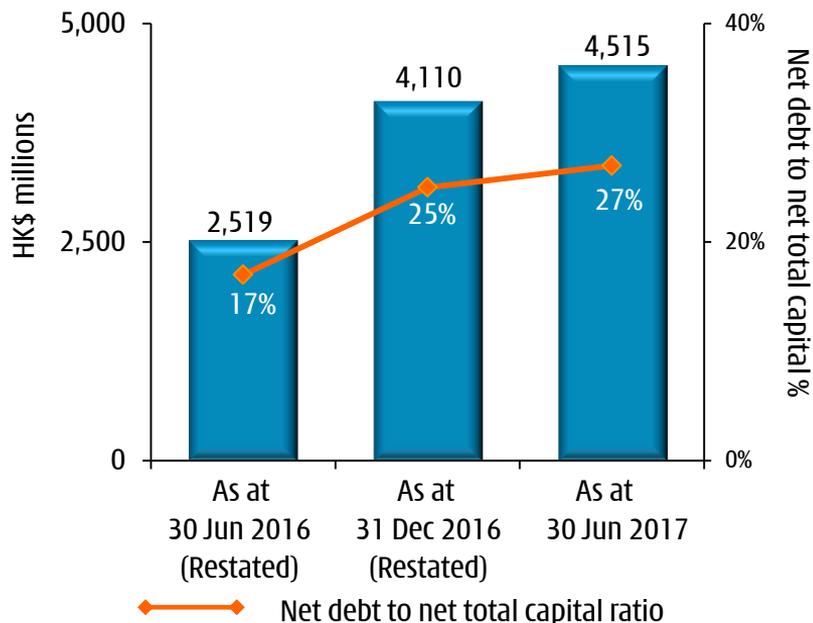


Fixed-line Capex



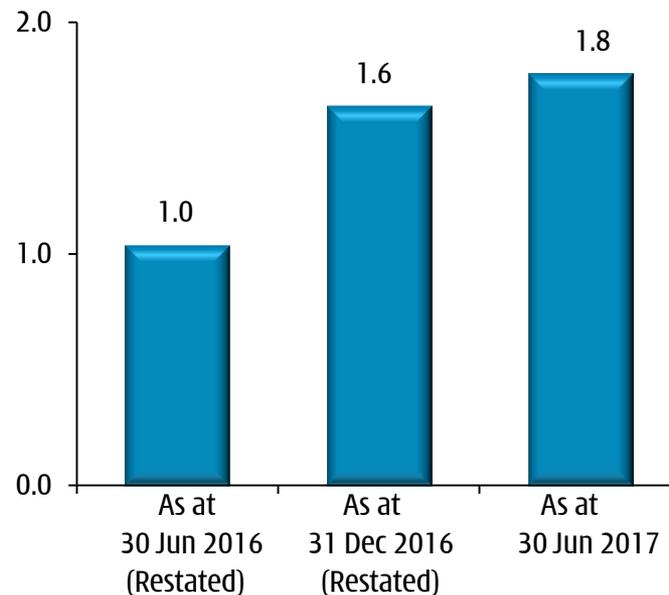
Consolidated financial position

Net debt



Note: increase in net debt was to finance spectrum licence fee payment.

Net debt/LTM EBITDA



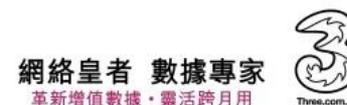
Outlook



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Strategies to meet the Challenges

| | |
|---------------------------------|---|
| <h2>Customer Experience</h2> | <ul style="list-style-type: none"> Invest in customer loyalty Reward customers for relationship Segmental and delightful customer service |
| <h2>More Revenue Streams</h2> | <ul style="list-style-type: none"> Variety of innovative products tailored to specific needs Innovative roaming and prepaid products Integrated solution for corporates Capture OTT, M2M, Smart City and IoT opportunities Expansion of Data Centre and Cloud services |
| <h2>Prepare for 5G</h2> | <ul style="list-style-type: none"> Continue to improve data speed by spectrum re-farming Ready for network architectural change and expansion Strengthen technology partnership paving for 5G |
| <h2>Higher Cost Efficiency</h2> | <ul style="list-style-type: none"> Continue to improve cost efficiency Digital transformation and online business approach Innovative digital sales and market communication channels |



Q & A





THANK YOU