



Hutchison Telecommunications Hong Kong Holdings Limited Reports 2012 Interim Results

Strong turnover growth driven by ongoing smartphone trend and ever-increasing data usage

Highlights

- Consolidated turnover grew 12% to HK\$6,730 million.
- Turnover from mobile business increased 15% to HK\$5,241 million.
- Turnover from fixed-line business rose 4% to HK\$1,725 million.
- EBITDA increased 16% to HK\$1,446 million.
- Profit attributable to shareholders of the Company grew 15% to HK\$568 million.
- Earnings per share was 11.79 HK cents, representing a 15% increase.
- Interim dividend per share is 6.05 HK cents, grew 17%.

Hong Kong, 1 August 2012 - Hutchison Telecommunications Hong Kong Holdings Limited (the "Company" or the "Group"; Stock Code: 215) today announced its interim results for the six months ended 30 June 2012.

The Group continued to deliver strong results for the period under review. Consolidated turnover of the Group rose 12% from HK\$6,018 million in the first half of 2011 to HK\$6,730 million for the same period in 2012, mainly driven by ongoing smartphone trend and ever-increasing data usage. Service revenue grew from HK\$4,144 million for the first half of 2011 to HK\$4,221 million for the same period in 2012. Persistent demand for smart devices continued to boost hardware revenue, which increased by 34% from HK\$1,874 million for the first six months of 2011 to HK\$2,509 million for the first half of 2012.

EBITDA was up 16%, from HK\$1,243 million for the first half of 2011 to HK\$1,446 million for the same period in 2012. Operating profit grew 17%, from HK\$682 million for the first half of 2011 to HK\$801 million for the same period in 2012. Profit for the first six months of 2012 amounted to HK\$704 million, reflecting a 17% increase from HK\$600 million for the same period last year. Profit attributable to shareholders of the Company grew 15%, from HK\$494 million for the first six months of 2011 to HK\$568 million for the same period in 2012. Earnings per share for the first half of 2012 was 11.79 HK cents, a 15% increase compared to 10.25 HK cents for the same period in 2011.

The board of directors (the "Board") declares payment of an interim dividend for the first half of 2012 of 6.05 HK cents (30 June 2011: 5.16 HK cents) per share, or HK\$292 million (30 June 2011: HK\$249 million) in total. The Board envisages a full-year dividend amounting to 75% of annual profit attributable to shareholders of the Company.

Mr Peter Wong, Chief Executive Officer of the Group, said: "We continued to deliver strong growth in the first half of 2012. Our mobile operation, **3**, launched 4G service, enabling customers to make the most of high-speed technology. Our fixed-line operation, **HGC**, also implemented a number of initiatives. Our international carrier business launched a world-class interconnection platform. Our corporate and business market segment joined forces with leading technology partners to offer diversified cloud-based business services. In addition, the customer base of our residential market business expands with the launch of a new home broadband package. With our strong presence in a variety of markets and customer-oriented services, we are well positioned to capitalise on opportunities that lie ahead."

Operations Review

Mobile Business - Hong Kong and Macau

- Turnover increased 15% to HK\$5,241 million.
- Service revenue grew to HK\$2,732 million, of which local and roaming data revenue accounted for 58%.
- Total customer base in Hong Kong and Macau rose to 3.64 million, of which 2.87 million were 3G and 4G customers.
- EBITDA and operating profit surged 28% and 26%, amounting to HK\$992 million and HK\$675 million respectively.
- Blended postpaid ARPU rose 8% to HK\$256.

Mobile business of the Group continued to grow healthily for the period under review. Keen interest in smart devices, together with greater demand for data services, resulted in a 15% increase in mobile turnover from HK\$4,553 million for the first six months of 2011 to HK\$5,241 million for the same period in 2012. Service revenue grew from HK\$2,679 million in the first half of 2011 to HK\$2,732 million for the same period in 2012, of which local and roaming data revenue accounted for 58%.

As of 30 June 2012, the Group served 3.64 million customers in Hong Kong and Macau (30 June 2011: 3.35 million). The Group's 3G and 4G customer numbers were 2.87 million, together accounted for approximately 79% of the customer base. 58% (30 June 2011: 49%) of the Group's 3G and 4G postpaid customers in Hong Kong were using smart devices.

Internal upward migration from non-smartphone to smartphones, coupled with customer-oriented tariff packages, facilitated greater use of data and other mobile services. This, in turn, translated into steady ARPU growth. Blended postpaid ARPU for the first half of 2012 stood at HK\$256, representing an increase of 8% from HK\$238 for the same period in 2011. Meanwhile, 3G and 4G blended postpaid ARPU rose from HK\$245 in the first half of 2011 to HK\$253 for the same period in 2012.

Driven by growing turnover from hardware sales and data services, as well as cautious cost control, EBITDA increased by 28% from HK\$778 million in the first half of 2011 to HK\$992 million for the same period in 2012. Operating profit also reported an increase of 26% from HK\$537 million for the first six months of 2011 to HK\$675 million for the same period in 2012.

Capital expenditure amounted to HK\$272 million for the first half of 2012, while capital expenditure to service revenue stood at 10%.

Fixed-line Business - Hong Kong

- Turnover increased 4% to HK\$1,725 million.
- Revenue from the carrier market showed growth of 8%, amounting to HK\$909 million.
- Revenue from the corporate and business market was HK\$426 million.
- Residential market saw steady growth of customer base.
- EBITDA and operating profit were HK\$510 million and HK\$182 million respectively.

Turnover of the Group's fixed-line business saw an increase of 4% from HK\$1,653 million for the first six months of 2011 to HK\$1,725 million for the same period in 2012. The carrier market continued to be the largest revenue source, showing growth of 8% from HK\$845 million in the first half of 2011 to HK\$909 million for the same period in 2012. Revenue from the corporate and business market was HK\$426 million for the first half of 2012, compared to HK\$413 million for the same period in 2011. Residential market saw a steady growth of customer base, however, intense price competition put pressure on revenue which resulted at HK\$288 million for the first half of 2012, compared to HK\$296 million for the same period in 2011.

Keen competition in the residential market, and the increased investment in customer acquisition and retention, resulted in a slight decrease in EBITDA of 2%, from HK\$519 million for the first half of 2011 to HK\$510 million for the same period in 2012. Meanwhile, operating profit amounted to HK\$182 million for the first half of 2012, compared to HK\$198 million for the same period in 2011.

Capital expenditure was HK\$295 million for the first half of 2012 while capital expenditure to revenue increased to 17%.

Outlook

Looking ahead, the Group views internal upward migration in particular from non-smartphone base to smartphone base as the key to nurturing higher growth in mobile business. With a succession of appealing smart device models and mobile applications exploding onto the market, the Group expects smartphone adoption to continue in the foreseeable future. In addition, the trend will stimulate demand for high-performance network and desire for greater data service offerings. With its new 4G service being currently available in most of the major areas in Hong Kong, the Group targets to match the scale and scope with its 3G network coverage by the end of 2012.

The Group sees further growth potential in its fixed-line business despite the competitive nature of the landscape in which it operates. The Group's international carrier business continues to grow in step with its expanding overseas coverage and enhanced scale of interconnection with operators worldwide. Following mass launch of 4G service in Hong Kong, the Group expects greater demand for mobile backhaul services from local carrier customers.

In addition, a growing need for cloud computing and data centre services is creating a fertile new business market. The Group's extensive and well established fibre network and world-class data centre facilities position it well to serve both international and local organisations. The Group has also strengthened ties with IT industry leaders in order to build innovative solutions that suit a variety of market needs. Meanwhile, competition in the residential market shows signs of easing. The Group has been able to increase tariff pricing of its various service offerings while remaining competitive, and expects this positive trend to continue under such operating environment.

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About Hutchison Telecommunications Hong Kong Holdings Limited

Hutchison Telecommunications Hong Kong Holdings Limited (HTHKH, Stock Code: 215) is a leading integrated telecommunications service operator in Hong Kong. HTHKH provides advanced mobile and Wi-Fi services, residential fixed broadband, residential telephone and IDD services in Hong Kong and delivers mobile services in Macau under the "3" brand. The Company launched 4G service in Hong Kong in May 2012, offering data speeds up to 100Mbps. HTHKH also provides sophisticated fixed-line telecommunications solutions to corporate and carrier customers in Hong Kong and around the world under the "HGC" brand. A group member of Hutchison Whampoa Limited (Stock Code: 13), HTHKH deploys the latest telecommunications technology to offer world-class telecommunications services and innovations, setting market trend and steering industry development.

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